

# CROATIA: UPGRADE FROM CATEGORY 3/7 TO 1/7 FOR MLT POLITICAL RISK



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## Event

On 1 January 2023, Croatia became the 20th member of the eurozone. Earlier last year, in June 2022, the European Commission and European Central Bank (ECB) had given the green light for this major milestone for the country.

## Impact

The landmark changeover to the euro, which has replaced the kuna as the legal tender, is expected to bring **several benefits to Croatia**, such as lower interest rates, and higher external liquidity and attractiveness for foreign investments. Moreover, it is going to benefit the country's dominant tourism sector, which mainly attracts travellers from EU countries. In addition to the favourable EU membership since 2013, Croatia will from now on also benefit from its Eurozone membership by significantly mitigating liquidity and solvency risks, thanks to free circulation of capital, EU structural funds and unlimited and unconditional access to ECB liquidity. This structural risk mitigation and improved outlook have led to an upgrade of Croatia's MLT political risk rating from category 3/7 to 1/7.

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