



FISCAL POLICY COMMISSION

32nd POSITION PAPER

**OF THE FISCAL POLICY COMMISSION
ON THE DRAFT SEMI-ANNUAL REPORT ON THE
EXECUTION OF THE STATE BUDGET OF THE
REPUBLIC OF CROATIA FOR 2025**



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Within the scope of application of the Fiscal Responsibility Act (FRA, Official Gazette 111/18, 83/23) in the Republic of Croatia, the establishment of a permanent, independent and autonomous fiscal body was defined and implemented: the Fiscal Policy Commission tasked with performing works within its area of activities and competence laid down by the above-mentioned Act.

The Fiscal Policy Commission is an independent and expert institution whose primary mission is to monitor public finances to ensure their long-term sustainability and improvement. It serves as a supervisor overseeing the implementation of the country's fiscal policy in its entirety. The Commission advocates for transparency and fosters a culture of fiscal responsibility in the execution of fiscal policy in the Republic of Croatia through its independent analysis and by encouraging professional discussions on fiscal policy matters.

At its 11th session held on 10 October 2025, the Fiscal Policy Commission (hereinafter: the Commission) discussed the Draft Semi-Annual Report on the Execution of the State Budget of the Republic of Croatia for 2025 adopted by the Government of the Republic of Croatia (hereinafter: the Croatian Government) at its 117th session held on 26 September 2025.

The Fiscal Policy Commission assesses, that according to the realization of the state budget in the first six months of 2025, a relatively expansionary and pro-cyclical fiscal policy has continued, just as in the last two years, primarily reflected in a much more significant growth of budgetary expenditure than of revenue. Such a policy affects an increase of the general government deficit and contributes to a more pronounced growth of the nominal amount of public debt.

A part of the increased expenditure is still a consequence of the previous years' extraordinary events - first and foremost earthquake remediation and the measures for protecting citizens and the economy from high inflation. However, increased expenditure is largely a result of continued application of a policy focused on improving the position of those employed in state and public services as well as the citizens' standard of living.

In the first semester, budget revenue was achieved, as expected, in the amount of 45.6 % of the annual plan, although certain revenue was collected at a less intense rate. Tax revenue, which constitutes the largest share of the total revenue, amounted to EUR 8.5 billion, which is 46.1 % of the annual plan, with a 5.1 % growth compared to the same period last year, which is just below the plan for the entire year. In the first six months, a strong growth of the second largest budget revenue - revenue from contributions (19.1 %) was especially pronounced, indicating favourable trends in employment rates and economic activity.

With a growth of 11.8 %, total expenditure amounted to 45.7 % of the plan for the entire year. The largest share, more than 50 %, of the annual plan pertained to financial expenditure, compensations to citizens and households and expenditure for employees.

In the conditions of a stable and moderately high economic growth, expansionary fiscal policy additionally stimulates total consumption and investments, however, it also contributes to increasing prices and minimizes fiscal space for action in case economic activity decelerates or declines. Economic growth, high household consumption and presence of inflation additionally promote collection of revenue and budget sustainability, but it is important to bear in mind that their last years' growth rates are not sustainable in the long run.

The semi-annual imbalance between the growth of state budget revenue and expenditure was more or less consistent with the plans for the entire year, with higher achievements in certain expenditure categories, pertaining first and foremost to the indicated expenditure for employees and social benefits. Due to pension adjustment, pension supplements and the agreed salary increase, in

the second part of the year, these expenditures are expected to additionally increase, creating additional fiscal pressure, possibly increasing budget deficit for the entire year and decreasing fiscal flexibility.

Realization of the general government budget according to the national methodology for the first half of the year also indicated a deficit somewhat more pronounced than the annual plan. According to the first budget plan, the deficit should have been -4.0 % of GDP at the level of the year, however, it amounted to -2.2 % of GDP in the first six months. In this regard, the biggest disproportion compared to the plan was recorded in the budget of the local government units which, according to the plan for 2025, should have ended with a surplus of 0.6 % of GDP, however, they recorded a deficit of -0.2 % of GDP in the first six months.

In conclusion, the Commission assesses that, in the conditions of a high and growing global uncertainty, fiscal policy should leave more space for counter-cyclical action in unfavourable times. Sustainable fiscal policy should be ensured and, when preparing the budget for 2026, fiscal policy should be tightened, the growth of certain expenditure limited, control of public spending reinforced and fiscal risks in the upcoming period systematically analysed. The Commission underlines that increased fiscal pressures demand extra caution in managing public finance because the developments in expenditure represent a challenge for fiscal sustainability.

According to the data from the Progress Report on the National Medium-Term Fiscal-Structural Plan of the Republic of Croatia (NMFSP) for 2024 and 2025, which are more recent than the accepted budget plan, the general government budget deficit according to the ESA methodology should, provided the negative growth trend continues, amount to -2.9 % of GDP in 2025, that is, it should be just below the upper limit of 3.0 % of GDP, as defined by the Stability and Growth Pact, while the nominal growth of public debt, despite the slight decline of its share in GDP, should amount to approximately EUR 2.6 billion, which represents a growth approximately 2.5 times greater than in 2024. The Fiscal Policy Commission underlines a visible deterioration also in other fiscal indicators: primary general government balance, structural general government balance and breaching the defined upper limit of nationally financed net primary expenditure growth. According to the NMFSP for 2025, a deterioration of the fiscal position of the Republic of Croatia (hereinafter: Croatia) was foreseen for 2025 at the level of the general budget, while it is expected to gradually improve in 2026 and 2027.

In 2025, this trend, that is, general government expenditure increasing more significantly than revenue, was mostly a result of compensations to employees and various forms of social benefits, primarily pension fees. According to the NMFSP Progress Report, the share of compensations to employees in GDP this year will be 2.2 percentage points higher than in 2022, and of social benefits 1.8 percentage points

higher, while, in this comparison, the total growth of the share of general government expenditure in GDP should amount to 4.2 percentage points in total.

Due to the reform of the salary system in state and public services in 2023 and 2024 and their adjustment, the growth of salaries in the public sector greatly exceeded the growth of those in the private sector, resulting in additional pressure on the salaries in the private sector as well as on pension developments. Together with the inflation rate, average salary developments are directly used for pension indexation. Moreover, the share of pension benefits in the average salary is one of the frequently used indicators of pension developments, which also creates additional pressures on increasing pension expenditure. Thus, with high salary growth, average net pension (adjusted by the consumer price index) was realistically approximately 26 % higher in the middle of 2025 than in early 2023.

In addition to an increase of ordinary pensions, their adjustment and supplements, a number of other types of social expenditures also increased, such as survivors' pensions, child allowances, gifts for newborns, compensations for parental leaves and for temporary inability to work. Moreover, the inclusive allowance was introduced additionally creating significant long-term pressures on general government expenditure. At the same time, the Government's intensely implemented measures for protecting citizens and a part of the economy from increasing prices are decreasing this year. Specifically, this year's budget expenditure was affected by the implementation of the seventh package of aid measures from September last year at the value of EUR 248 million (part of it was realized in 2024) and the eighth package of aid measures at the value of EUR 296 million. Moreover, in September, the ninth package of measures, which foresees a gradual decrease of the subsidy for energy prices, was accepted at the value of EUR 175 million.

The Commission also recalls the fact that a large share of the general government expenditure, investments in particular, is still financed from European Union funds (hereinafter: the EU), mostly from the Multi-Annual Financial Framework (MFF) and the Recovery and Resilience Facility (RRF). RRF funds are available until the end of 2026, while the MFF funds, considering Croatia's growing level of development compared to the EU average, will gradually decrease. It will therefore be necessary to gradually adjust the structure of general government expenditure to new fiscal conditions, that is, decreased availability of such external financing.

Due to all of the above, the Commission reiterates the need to limit the increase, especially of current expenditure, so as to preserve fiscal sustainability and ensure space for action in case of future economic shocks.

1. Macroeconomic and fiscal projections dynamics

The plans for macroeconomic and fiscal indicators for Croatia for 2025, that is, their realizations in the first six months, greatly depended on the global environment. Last year, real GDP growth at the EU level amounted to 1.1 %, and according to the most recent estimates of the European Commission (hereinafter: the EC) from May, it should remain the same this year. According to preliminary data, in the first half of the year, EU's seasonally adjusted GDP growth rate amounted to 1.6 %, indicating growth somewhat faster than foreseen, that is, from Croatia's perspective, development of foreign demand somewhat more favourable than foreseen. EC's spring projections for Croatia published in early May did not significantly differ from the previous projections published in November 2024. The new projections foresee only an insignificant deceleration of GDP growth for Croatia for 2025, from 3.3 % to 3.2 %, mostly due the increasing negative effect of net export as well as certain more positive trends on the labour market. In addition, the EC revised upward also its GDP deflator estimate for 2025 (from 3.2 % to 4.3 %), whereas the estimate of the harmonised consumer price index remained at 3.4 %. Thus, in the context of EC's projections the effects of macroeconomic developments on the budget are primarily reflected in the positive impact of increased citizens' and labour market's consumption on the growth of current revenue and in a slightly more dynamic nominal GDP growth compared to the previous projections, which has a mildly positive impact on the development of ratios of most fiscal indicators in relation to GDP.

At the same time, the spring projections of EC's fiscal indicators for Croatia deteriorated compared to the previous ones. This primarily concerns an increase in the general government deficit according to ESA 2010 methodology, which was revised upward, from -2.1% to -2.7% of GDP, as well as the structural general government deficit which was increased from -2.8 % to -3.3 % of GDP.

Data on foreseen shares of general government revenue and expenditure in GDP demonstrate that such growth of the foreseen general government deficit is a result of the increase of the foreseen general government expenditure-to-GDP ratio, from 48.4 % to 49.1 %. The EC holds that this is a result of increased capital expenditure related to the use of EU funds and increased expenditure for pensions due to the foreseen pension adjustment.

Actual achievements of macroeconomic indicators for Croatia in the first half of 2025 were marked by continued relatively favourable and stable trends, but also by a certain deceleration of growth of several indicators related to domestic demand compared to the same period last year. This, among other, concerns the increase of the number of employees (slight deceleration from 1.6 % to 1.4 %), real net salary growth (deceleration from 11.5 % to 6.7 %), nominal pension growth

(deceleration from 17.2 % to 11.9 %), development of retail trade turnover (deceleration of growth from 8.6 % to 3.7 %), deceleration of the scope of construction works (from 15.7 % to 7.2 %), as well as the deceleration of growth of the amount of fiscal invoices (from 12.9 % to 9.0 %).

Nevertheless, certain macro indicators saw some positive developments or more dynamic growth. These particularly include industrial production (3.1% growth, as opposed to last year's decrease of -3.5 %), number of tourist overnight stays (growth acceleration from 3.3 % to 4.2 %) and goods export (growth acceleration from 0.6 % to 6.5 %). Positive developments were also recorded in loan activity toward the non-financial sector and citizens: loans to the non-financial sector increased by 11.9 % at the annual level (compared to 4.6 % last year) and loans to citizens increased from 10.9 % to 13.5 %.

Overall economic activity, measured by GDP growth, slowed down from 3.9 % in the first six months of 2024 to 3.2 % in the same period of 2025. Accordingly, the structure of GDP saw a deceleration of citizens' consumption growth (from last year's 5.7 % to 2.8 %), of state consumption growth (from 5.4 % to 4.1 %) and of investments into fixed capital (from as much as 10.4 % to 4.9 %). The only demand category which had a positive impact on GDP growth dynamics was the export of goods and services which increased by 3.8 %, whereas it declined by -1.6 % in the same period last year.

Price growth, i.e. inflation, also impacted the total demand and GDP development. Inflation, measured by the consumer price index, remained at the level of last year's period in the first six months of 2025, amounting to 3.6 %. Such price growth was much more prominent than at EU level (according to HICP index, it amounted to 4.5 % in Croatia and 2.5 % at EU level) and did not follow the trend of slight deceleration of price growth in relation to 2024, recorded at EU level.

Price growth also reflected on the GDP deflator which amounted to 3.7 % in the first six months and was much lower than 6.5 % as in the first months of 2024. Therefore, GDP growth in current prices of 7.0 % was also much lower than last year's 10.6 %.

2. Fiscal projections and realizations in the first semester of 2025.

When adopting the state budget for 2025, the Ministry of Finance, foresaw a continuation of a relatively dynamic GDP growth of 3.2 %, with a GDP deflator of 3.7 %. Nominal GDP growth of 7.0 % was thus projected, meaning that any faster increase of fiscal categories, either revenue or expenditure, above this rate leads to an increase of their share in GDP.

According to the plan for 2025, the period of expansionary fiscal policy, started in 2023, was foreseen to continue. This implies a more prominent growth of budgetary expenditure compared to revenue and an increase of budgetary deficit as a consequence of such developments. Such dynamics are also present in state budget indicators according to the national methodology, as well as in general government fiscal indicators according to the ESA 2010 methodology, which gained additional significance in the Economic Governance Review (EGR) and the introduction of the member states' obligation to prepare national medium-term fiscal-structural plans.

The state budget adopted for 2025 foresees an increase of the total revenue by EUR 2.5 billion or 8.0 % as well as an increase of total expenditure by EUR 4.3 billion or 13.1 % compared to last year. As a consequence of such developments, it is expected that budget deficit will increase from EUR 2.2 billion to EUR 4.1 billion, and its share in GDP from 2.6 % to 4.4 %. The greatest impact on revenue increase should come from revenue from VAT and contributions, which is a result of continued growth of economic activity as well as relatively high inflation. Moreover, a more significant increase of revenue from aid is foreseen due to more intense uptake of funds from the Multi-Annual Financial Framework 2021 -2027 and the Recovery and Resilience Mechanism.

The greatest growth of state budget expenditure is expected in the categories of aid and acquisition of non-financial assets. The increase of the amount of aid predominantly relates to investments in water utility projects, earthquake remediation, investments in traffic and salaries of employees in primary- and secondary-school education. In the acquisition of non-financial assets, the greatest increase is expected in military expenditure, earthquake remediation and investments in the judiciary system and healthcare infrastructure. In addition to these expenditures, a significant increase is also foreseen in expenditure for employees, material expenditure and compensations to citizens and households, with the greatest impact exerted by the increase of pensions.

In the consolidated general government, according to ESA 2010 methodology, a more prominent increase of expenditure than revenue is expected, leading to an increase of the budgetary deficit compared to 2024. In regard to the general government, data have been published in November last year in the first plan within the framework of the Explanation of the State Budget of the Republic of Croatia for 2025 as well as more recent data from the NMFSP Progress Report for the Republic of Croatia for 2024 and 2025 from April 2025, according to which a worsening of the main fiscal indicators compared to those previously planned is foreseen.

According to the above-mentioned Report, the general government revenue-to-GDP ratio should increase from 45.6 % in 2024 to 46.3 % in 2025, and the expenditure ratio should increase from 48.0 % to 49.2 % of GDP, while the general government deficit is projected at -2.9 % of GDP, which is 0.5 percentage points more than last year. On the

revenue side of the general government budget, the greatest contribution to growth is expected in social contributions, whereas the greatest impact on the increase of expenditure should come from social benefits whose share in GDP (despite its significant nominal growth) should increase by 0.9 percentage points more, as should the share of compensations to employees in GDP by 0.5 percentage points.

The development of general government balance shows that the negative trend started in 2023 due to which the general government balance turned from a surplus of 0.1 % of GDP in 2022 into a deficit which should amount to -2.9 % of GDP in 2025. Similar unfavourable trends are also visible in other key fiscal indicators: primary balance (balance without interest on public debt) is decreasing from 1.5 % of GDP in 2022 to the projected deficit of -1.5 % in 2025, while the structural deficit (budgetary balance “free from” the effects of the economic cycle and one-off measures) is increasing from -1.1 % of GDP in 2022 to -3.6 % of GDP in 2025 according to the projections from the NMFSP Progress Report.

In addition to these indicators, the new economic governance system and the rules on the preparation of the NMFSP foresee the introduction of the binding fiscal path which defines the upper limits of the annual growth of nationally financed net primary expenditure. According to the consultations with the EC, after being 18.6 % in 2024, this limit should be 6.4 % in 2025. However, according to the data from the NMFSP Progress Report, in 2025 Croatia will exceed the allowed upper limit - net expenditure is increasing at the rate of 7.6 %, which is 1.2 percentage points above the allowed value. Coupled with a somewhat smaller growth than the last year's projections, the two-year cumulative for 2024 and 2025 will also exceed the plan and amount to 26.5 % instead of the allowed 26.2 %.

Another thing to mention in the context of fiscal policy for 2025 is the recommendation of the Council of the EU from July 2025 which allows Croatia to temporarily depart from national fiscal rules related to increased defence expenditure. This exception makes it possible to increase, beyond the allowed limits, nationally financed net primary expenditure in the period from 2025 and 2028, where the annual increase of this expenditure may not exceed 1.5 % of the achieved GDP. Croatia will not use this possibility in 2025 - the clause was activated mostly as an insurance instrument.

State budget revenue and expenditure achieved in the first six months did not significantly deviate from the planned annual levels. More precisely, revenue at the annual level increased by 7.0 % in relation to the planned growth of 8.0 %, while expenditure increased by 11.8 % in relation to the 13.1 % planned annual growth. Considering such developments, the shares of revenue and expenditure realization in relation to the annual plan - 45.6 % for revenue and 45.7 % for expenditure - were almost level, resulting in an adequate development of budgetary deficit. In the first

six months, a state budget deficit was recorded at EUR -1.9 billion, which is 75 % more than in the same period last year, constituting 46.9 % of the planned annual deficit. Compared to last year, it was foreseen to increase by 82.8 % at the level of the entire 2025.

Since the total realization is relatively consistent with the plan, the realization of the state budget in the first half of the year should be viewed through the developments of certain revenue and expenditure categories. The most prominent issue on the revenue side of the budget was the negative deviation of the revenue from aid, that is, the uptake of EU funds much below the planned level. The Ministry of Finance holds that this is a result of the change in the accounting monitoring of this type of revenue, that is, of the transition to the cash flow method, i.e. recognizing actual disbursement from the EU budget, meaning that greater revenue is expected in the second half of the year. A more significant decline and low level of achievement compared to the plan were also observed in revenue from sale of non-financial state assets. However, since such sale is traditionally unequally distributed over the year, it is not unusual to see lower levels of achievement in particular parts of the year. On the other hand, the greatest revenue growth, due to favourable labour market trends, was observed in revenue from contributions, together with increased transfers from the Croatian Health Insurance Fund (revenue from state-owned healthcare institutions).

The increase of total expenditure in the first six months of 2025 was most strongly impacted by the following three categories at the same time: compensations to citizens and households, aids (including expenditure for employees of primary and secondary schools) and expenditure for employees. All of these three expenditure categories recorded high annual growth rates of 14 % or more, and the greatest deviation from the plan was observed in compensations to citizens and households which increased by 16.9 % compared to 7.7 % planned for the entire year. A significant increase of the expenditure for employees also exceeded the plan, but was largely a result of legislative changes in the salary system from April 2024. To put it differently, last year's disbursements in the first quarter were lower than in the remainder of the year, creating a basis for a more pronounced interannual growth rate. The only expenditure category which recorded a decrease compared to the same period last year were subsidies. This is consistent with the planned annual decrease and largely a result of last year's extraordinary expenditure for securing sufficient gas supplies.

According to the calculation of the Ministry of Finance and a detailed budget structure, in the first six months of 2025, the biggest increase at the annual level occurred in expenditure for employees (including primary- and secondary-school education) by EUR 492.6 million. Expenditure for pension benefits increased by EUR 435.6 million, other social benefits under the predominant influence of the inclusive

allowance by EUR 336.7 million, and material expenditure under the predominant influence of increased outlays for medical institutions by EUR 204.9 million.

Such developments additionally increased the dominant items in the total expenditure structure, with EUR 4.3 billion being spent on pension fees and benefits and EUR 4.1 billion on expenditure for employees. A significant share of the expenditure still relates to the already mentioned consequences of previous years' extraordinary circumstances, that is, EUR 412 million was spent on earthquake damage remediation in the first six months of this year and EUR 318 million on measures for protecting households and the economy from the consequences of strong price growth (as a result of the implementation of the seventh aid package from September 2024 and the eighth aid package from March this year), including the one-off disbursement to pensioners.

Significant increase of compensations to citizens and households and of expenditure for employees resulted in a high level of achievement compared to the annual plan - more specifically, 51.2 % in compensations to citizens and households and 50.1 % in expenditure for employees, taking into consideration the pension and salaries adjustment which has already been implemented in the second part of the year as well as the expected increase of expenditure for other types of social benefits. In certain items of social benefits, the levels achieved were even more prominent: for example, outlays for the inclusive allowance reached 86.0 % of the annual plan, and compensation for unemployed persons 60.4 %. Therefore, the Ministry of Finance has already announced that it will be necessary to ensure additional funds for these expenditure categories for 2025 through the amendments of the annual budget plan.

The achieved general budget deficit in the first semester was consistent with the plan. In accordance with the achieved revenue and expenditure, in the first semester of 2025, the general budget according to the national methodology achieved a deficit in the amount of EUR 2 billion or 2.2 % of GDP, whereas the state budget deficit amounted to EUR 1.9 billion or 2.1 % of GDP. All the while, extrabudgetary users achieved a surplus of EUR 139 million (0.2 % of GDP), and local and regional self-government units and county road administrations recorded a deficit of EUR 211 million (-0.2 % of GDP).

The public-debt-to GDP ratio is a fiscal indicator which (mostly due to the strong nominal GDP growth) has been demonstrating a positive trend in the last three years. However, according to the current projections, the decrease of its share in GDP should amount to only 0.7 percentage points in 2025, which is much less than the average annual decrease of 7.2 percentage points in the last four years. At the nominal level, at the end of June 2025, public debt reached EUR 50.9 billion, which is an increase of EUR 1.8 billion, that is, 3.7 % compared to June 2024.

Since data for the consolidated general government according to the ESA 2010 methodology were not published in the semi-annual report, only the data of the Croatian National Bank for the first quarter of 2025 are currently available.

According to these data, total revenue increased by 11.1 % at the annual level, whereas expenditure increased much more, by 17.4 %, resulting in a general government deficit of EUR 825.6 million, which is as much as 3.3 times more than in the same period last year. The same as in the state budget, the greatest contribution to increase of revenue came from social contributions, whereas the increase of expenditure was predominantly impacted by compensations to employees and social benefits.

3. Analytical annex

Table 1 The dynamics of EC's macroeconomic projections for the EU and Croatia for 2025 from the adopting of the 2025 budget until May 2025 (annual change rates)

CATEGORY / PROJECTION	Projection for 2025 from November 2024 for EU27	Projection for 2025 from May 2025 for EU27	Change in pp EU27	Projection for 2025 from November 2024 for Croatia	Projection for 2025 from May 2025 for Croatia	Change in pp Croatia
GDP (real)	1.5	1.1	-0.4	3.3	3.2	-0.1
Personal consumption	1.4	1.5	0.1	3.6	3.8	0.2
Government spending	1.3	1.7	0.4	3.2	3.9	0.7
Gross fixed capital investments	2.1	1.5	-0.6	4.5	4.3	-0.2
Export of goods and services	2.2	0.7	-1.5	2.9	2.3	-0.6
Import of goods and services	2.6	1.7	-0.9	3.7	3.8	0.1
Potential GDP	1.4	1.2	-0.2	3.6	4.0	0.4
Output gap*	-0.5	-0.6	-0.1	1.6	1.4	-0.2
GDP deflator	2.4	2.7	0.3	3.2	4.3	1.1
HIPC inflation	2.4	2.3	-0.1	3.4	3.4	0.0
Number of employees	0.6	0.5	-0.1	2.0	2.6	0.6

Source: EC; *Share in potential GDP (in %)

Table 2 The dynamics of EC's fiscal projections for the EU and Croatia for 2025 from the adopting of the 2025 budget until May 2025 (share in GDP in %, ESA 2010)

CATEGORY / PROJECTION	Projection for 2025 from November 2024 for EU27	Projection for 2025 from May 2025 for EU27	Change in pp EU27	Projection for 2025 from November 2024 for Croatia	Projection for 2025 from May 2025 for Croatia	Change in pp Croatia
Total general government revenue	46.3	46.3	0.0	46.3	46.4	0.1
Total general government expenditure	49.3	49.6	0.3	48.4	49.1	0.7
General government deficit	-3.0	-3.3	-0.3	-2.1	-2.7	-0.6
Cost of interest	2.0	2.0	0.0	1.5	1.5	0.0
Primary balance	-1.0	-1.3	-0.3	-0.6	-1.2	-0.6
Cyclically adjusted primary balance*	-0.8	-1.1	-0.3	-1.3	-1.8	-0.5
Structural balance*	-2.7	-3.0	-0.3	-2.8	-3.3	-0.5
Gross debt	83.0	83.2	0.2	56.0	56.3	0.3

Source: EC; *Share in potential GDP (in %)

Table 3 Real GDP growth and estimates for 2025 according to the Eastern European Consensus Forecasts, December 2024 and August 2025, %

COUNTRY / YEAR	2024	Projection for 2025, November 2024	Projection for 2025, August 2025	Change between August 2025 projection and 2024 achievement, pp	Change between August 2025 projection and November 2024 projection, pp
Czech Republic	1.2	2.4	2.1	0.9	-0.3
Hungary	0.5	2.7	0.8	0.3	-1.9
Poland	2.9	3.6	3.3	0.4	-0.3
Bulgaria	2.8	2.8	2.7	-0.1	-0.1
Croatia	3.9	2.9	2.8	-1.1	-0.1
Estonia	-0.1	3.0	1.2	1.3	-1.8
Latvia	-0.4	2.4	1.1	1.5	-1.3
Lithuania	2.8	2.6	2.6	-0.2	0.0
Romania	0.8	2.8	1.0	0.2	-1.8
Slovakia	2.1	2.2	1.2	-0.9	-1.0
Slovenia	1.7	2.4	1.3	-0.4	-1.1

Source: Eurostat, Consensus Economics

Table 4 Development of selected macroeconomic indicators in the first six months, from 2022 to 2025, growth rates %

CATEGORY / YEAR	Jan-Jun 2022	Jan-Jun 2023	Jan-Jun 2024	Jan-Jun 2025
GDP EU27 , real growth rates in %, seasonally adjusted and calendar adjusted	4.8	0.9	0.7	1.6
GDP, real growth rates in %	9.0	3.4	3.9	3.2
Consumer prices - inflation, growth rates in %	8.6	9.9	3.6	3.6
Industrial production, original rates in %	2.8	-0.8	-3.5	3.1
Retail trade, original real growth rates in %	3.4	1.8	8.6	3.7
Scope of construction works, original growth rates in %	4.4	3.2	15.7	7.2
Overnight tourist stays - total, growth rates in %	127.9	10.5	3.3	4.2
Overnight stays - domestic tourists, growth rates in %	34.3	5.8	3.5	11.7
Overnight stays - foreign tourists, growth rates in %	152.1	11.2	3.3	3.2
Foreign currency revenue from tourism, growth rates in %	117.3	21.1	7.5	-
Goods export in EUR, growth rates in %	28.0	3.1	0.6	6.5
Goods import in EUR, growth rates in %	48.8	1.1	6.5	4.2
Total number of employees, growth rates in %	2.9	2.5	1.6	1.4
Number of unemployed persons, growth rates in %	-19.5	-9.3	-5.6	-17.5
Net salaries, real growth rates in %	-1.7	1.8	11.5	6.7
Average disbursed net pensions (without inter.), growth rates in %	4.2	12.2	17.2	11.9
Loans to the non-financial sector - companies (end of period), growth rates in %	12.1	13.0	4.6	11.9
Loans to citizens, end of period, growth rates in %	5.4	6.1	10.9	13.5
Number of fiscal invoices, growth rates in %	15.5	2.8	3.7	1.6
Amount of fiscal invoices in EUR, growth rates in %	26.6	20.7	12.9	9.0
First registration of new cars, growth rates in %	-12.0	49.1	16.1	6.0

Source: Croatian Bureau of Statistics, Croatian National Bank, Croatian Institute for Pension Insurance, Ministry of Finance, ACEA

Table 5 Achievements of state budget revenue and expenditure in the period from 2020 to 2024 and the plan for 2025 (acc. to the national methodology), in billions of EUR

CATEGORY / YEAR	2020	2021	2022	2023	2024	Plan for 2025
Revenue	17.46	20.45	22.79	27.37	30.50	32.95
Operating revenue	17.39	20.36	22.60	27.29	30.29	32.86
Revenue from taxes	9.71	11.10	12.99	15.50	17.49	18.50
Income tax	1.24	1.05	1.55	2.35	2.71	2.76
VAT	6.27	7.58	8.79	10.27	11.44	12.54
Excise duties	1.93	2.17	2.26	2.41	2.81	2.91
Contributions	3.02	3.35	3.80	4.39	4.99	5.55
Grants	2.41	2.92	3.17	4.07	3.10	3.68
Revenue from assets	0.40	0.41	0.33	0.73	0.62	0.57
Revenue from duties	0.51	0.82	0.63	0.73	0.93	1.18
Revenue from sale of goods and services	0.17	0.21	0.19	0.22	0.24	0.23
Revenue from the budget (from the Croatian Health Insurance Fund)	1.09	1.44	1.37	1.54	2.64	2.98
Fines, administrative measures and other revenue	0.11	0.14	0.14	0.12	0.27	0.16
Revenue from sales of non-financial assets	0.07	0.09	0.20	0.10	0.22	0.09
Expenditure	20.38	22.43	23.23	28.10	32.72	37.01
Operating expenditure	19.73	21.45	22.16	26.58	31.12	34.16
Expenditure for employees	3.04	3.21	3.38	3.90	5.66	6.14
Material expenditure	1.90	2.39	2.55	2.82	3.22	3.73
Financial expenditure	1.15	1.03	0.97	0.97	1.16	1.17
Subsidies	1.89	1.59	1.14	1.62	2.38	1.80
Grants	4.06	5.29	5.36	6.63	6.70	7.73
Compensations to citizens and households	6.82	6.99	7.52	8.81	10.48	11.28
Other expenditure	0.86	0.94	1.24	1.82	1.53	2.30
Expenditure for acquisition of non-financial assets	0.65	0.99	1.07	1.52	1.60	2.85
Total budget deficit/surplus	-2.92	-1.99	-0.44	-0.73	-2.22	-4.05
Total deficit/surplus, % of GDP	-5.7	-3.4	-0.7	-0.9	-2.6	-4.4

Source: Ministry of Finance

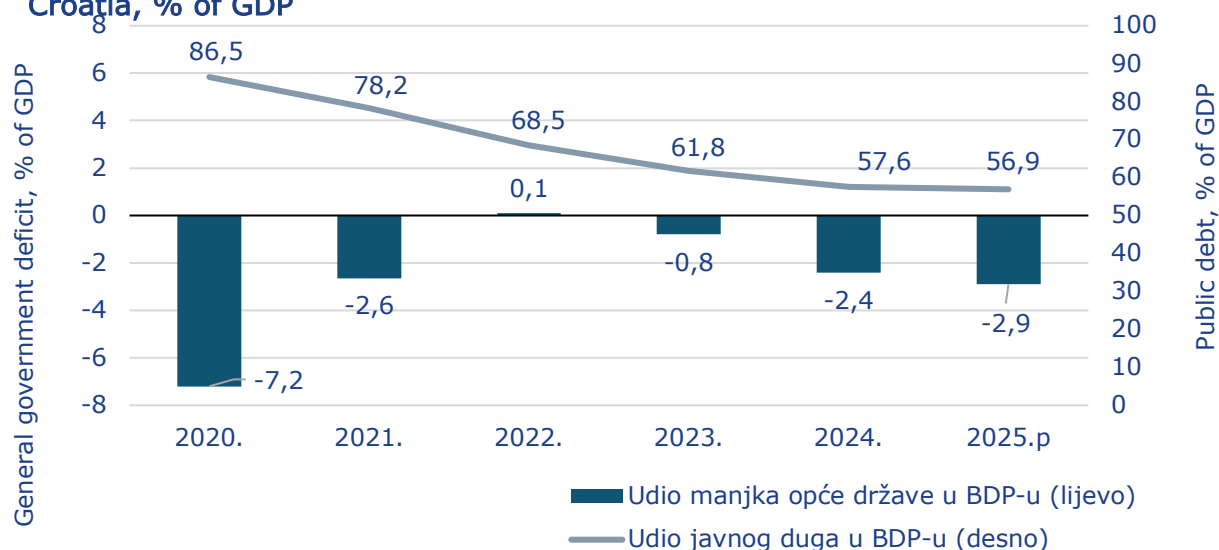
Table 6 Achievements of fiscal indicators for the general government in the period from 2020 to 2024 and the plans for 2025 (acc. to the ESA 2010 methodology), in % of GDP

CATEGORY / YEAR	2020	2021	2022	2023	2024	Plan for 2025	NMFSP 2025 Report*
Total revenue	46.4	45.5	45.1	46.0	45.6	46.3	46.3
Total current revenue	44.7	44.0	43.5	43.6	44.2	-	-
Direct taxes	6.9	6.1	7.3	7.3	7.5	7.6	7.4
Indirect taxes	19.2	19.6	19.2	19.3	19.2	-	-
Social contributions	11.5	11.1	10.8	10.7	11.5	11.8	12.0
Other current revenue	3.6	3.7	2.8	3.3	3.0	-	-
Revenue from sale	3.5	3.5	3.3	3.1	2.9	-	-
Total capital revenue	1.7	1.6	1.6	2.4	1.4	2.1	2.1
Total expenditure	53.7	48.1	45.0	46.8	48.0	48.6	49.2
Total current expenditure	46.6	42.1	38.5	39.1	40.7	-	-
Current transfers	22.6	19.7	18.1	18.4	18.6	18.6	19.2
- Social benefits	16.9	15.2	14.1	14.0	15.0	15.0	15.9
- Subsidies	3.4	2.2	1.9	2.0	1.6	1.4	1.4
- Other current transfers	2.3	2.4	2.1	2.4	2.0	2.2	1.9
Interest	2.0	1.5	1.4	1.7	1.5	1.6	1.4
Compensations to employees	13.3	12.4	11.3	11.3	13.0	13.0	13.5
Intermediate consumption	8.7	8.4	7.7	7.8	7.6	7.4	7.5
Total capital expenditure	7.0	6.1	6.5	7.6	7.3	8.1	7.6
Investments	5.6	4.8	4.0	5.6	5.1	5.8	5.4
Other capital transfers	1.5	1.3	2.4	2.1	2.2	2.3	2.2
Net lending (+) / Net borrowing (-)	-7.2	-2.6	0.1	-0.8	-2.4	-2.3	-2.9
Primary balance	-5.3	-1.0	1.5	0.9	-0.8	-0.8	-1.5
Structural balance	-3.6	-2.6	-1.1	-1.8	-3.2	-2.8	-3.6
Public debt, % of GDP	86.5	78.2	68.5	61.8	57.6	56.0	56.9

*Plan according to the NMFSP Progress Report from April 2025

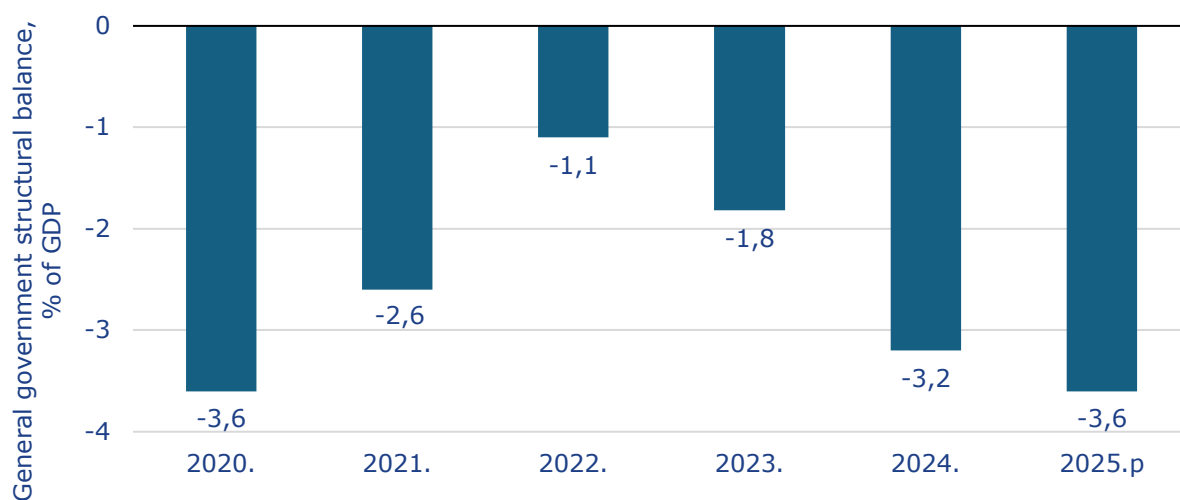
Source: Croatian National Bank, Ministry of Finance

Figure 1 Share of general government deficit (ESA 2010) and of public debt in GDP from 2020 to the adjusted plan for 2025 for Croatia, % of GDP



Source: Croatian National Bank, Ministry of Finance

Figure 2 Share of general government structural balance in GDP for Croatia for the 2022-2025p period



Source: Ministry of Finance

Table 7 Development of general government balance by EU member state, 2022 and 2025, EC's projections from May 2025, % of GDP

CATEGORY / YEAR	2022	2025p	Difference in percentage points
Italy	-8.1	-3.3	4.8
Greece	-2.5	0.7	3.2
Malta	-5.2	-3.2	2.0
Latvia	-4.9	-3.1	1.8
Spain	-4.6	-2.8	1.8
Slovenia	-3.0	-1.3	1.7
Hungary	-6.2	-4.6	1.6
Czech Republic	-3.1	-2.3	0.8
Cyprus	2.7	3.5	0.8
Portugal	-0.3	0.1	0.4
Bulgaria	-3.0	-2.8	0.2
EU	-3.2	-3.3	-0.1
Estonia	-1.1	-1.4	-0.3
Germany	-2.1	-2.7	-0.6
Luxembourg	0.2	-0.4	-0.6
France	-4.7	-5.6	-0.9
Ireland	1.7	0.7	-1.0
Austria	-3.4	-4.4	-1.0
Lithuania	-0.7	-2.3	-1.6
Belgium	-3.6	-5.4	-1.8
Denmark	3.4	1.5	-1.9
The Netherlands	0.0	-2.1	-2.1
Romania	-6.4	-8.6	-2.2
Sweden	1.0	-1.5	-2.5
Croatia	0.1	-2.7	-2.8
Poland	-3.4	-6.4	-3.0
Slovakia	-1.7	-4.9	-3.2
Finland	-0.2	-3.7	-3.5

Source: EC

Table 8 Development of state budget revenue, expenditure and balance, first semester of 2024 and 2025, the plan for 2025 and the share of the first six months in the plan, in millions of EUR and %

CATEGORY / YEAR	Jan-Jun 2024, mil. EUR	Jan-Jun 2025, mil. EUR	Growth rate '25/'24, %	Difference '25-'24, mil. EUR	2025 plan, mil. EUR	Share in the plan Jan-Jun, %
Revenue	14,029.9	15,009.1	6.98	979.2	32,953.0	45.55
Operating revenue	13,983.7	14,986.2	7.17	1,002.5	32,862.5	45.60
Revenue from taxes	8,105.8	8,521.5	5.13	415.7	18,499.5	46.06
Income tax	1,643.5	1,603.6	-2.43	-39.9	2,761.4	58.07
VAT	4,983.2	5,439.8	9.16	456.6	12,542.8	43.37
Excise duties	1,238.2	1,341.9	8.37	103.7	2,908.0	46.15
Contributions	2,351.9	2,802.3	19.15	450.4	5,553.9	50.46
Grants	1,383.7	1,206.4	-12.82	-177.3	3,678.3	32.80
Revenue from assets	224.3	213.0	-5.03	-11.3	570.9	37.31
Revenue from duties	401.2	564.8	40.76	163.6	1,184.8	47.67
Revenue from sale of goods and services	100.4	113.1	12.59	12.6	232.5	48.64
Revenue from CHIF (HZZO)	1,229.9	1,482.1	20.51	252.3	2,978.8	49.76
Fines, administrative measures and other revenue	186.5	83.1	-55.46	-103.4	163.9	50.69
Revenue from sales of non-financial assets	46.2	22.9	-50.43	-23.3	90.5	25.29
Expenditure	15,117.6	16,908.1	11.84	1,790.5	37,007.5	45.69
Operating expenditure	14,556.9	16,280.1	11.84	1,723.2	34,157.1	47.66
Expenditure for employees	2,686.8	3,075.6	14.47	388.7	6,142.4	50.07
Material expenditure	1,313.6	1,587.3	20.84	273.7	3,730.5	42.55
Financial expenditure	777.0	802.7	3.31	25.7	1,165.1	68.89
Subsidies	1,002.4	709.0	-29.27	-293.4	1,802.8	39.33
Grants	3,064.8	3,489.1	13.84	424.3	7,732.5	45.12
Compensations to citizens and households	4,938.3	5,772.1	16.88	833.8	11,281.1	51.17
Other expenditure	774.1	844.4	9.09	70.3	2,302.7	36.67
Expenditure for acquisition of non-financial assets	560.6	628.0	12.01	67.3	2,850.4	22.03
Total budget deficit/surplus	-1,087.7	-1,899.0	74.59	-811.3	-4,054.5	46.84

Source: Ministry of Finance