



**FISCAL  
POLICY  
COMMISSION**

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**33<sup>rd</sup> POSITION PAPER**

**OF THE FISCAL POLICY COMMISSION  
ON THE DRAFT AMENDMENTS TO THE STATE  
BUDGET OF THE REPUBLIC OF CROATIA AND  
FINANCIAL PLANS FOR EXTRA-BUDGETARY  
USERS 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 11<sup>th</sup> session held on 10 October 2025, the Fiscal Policy Commission (hereinafter: the Commission) discussed the Draft Amendments to the State Budget of the Republic of Croatia and Financial Plans for Extra-Budgetary Users for 2025 adopted by the Government of the Republic of Croatia (hereinafter: the Croatian Government) at its 118<sup>th</sup> session held on 3 October 2025.

**The Commission assesses that the proposed amendments to the State Budget for 2025 are justified, primarily to adjust revenue and expenditure, but also as a measure for fiscal normalization.**

**The Commission assesses that the macroeconomic achievements thus far in 2025 largely confirm the presumptions from the macroeconomic projections published in November 2024 which served as the basis for preparing the state budget for 2025. By contrast, fiscal achievements demonstrate a deterioration compared to the planned values.**

**The Fiscal Policy Commission assesses that the proposed amendments to the state budget for 2025 indicate the Government's intention to maintain the general government budget deficit in 2025 below the limit of -3.0 % of GDP defined by the Stability and Growth Pact. The 2025 budget plan foresees a slight decrease of the total state budget expenditure compared to the initial plan, with only a slight increase in revenue. For the purpose of neutralizing the increase in the expenditure for employees and social transfers, reduction in other categories is planned, particularly investments and expenditure for acquisition of non-financial assets.**

**The first budget plan for 2025, adopted in November 2024, foresaw an increase of the state budget deficit according to the national methodology, as well as an increase of the general government deficit according to the ESA 2010 methodology to a level of -2.3 % of GDP. Moreover, the dynamics of the public debt-to-GDP ratio were projected to significantly decelerate. According to the Draft Amendments, the expected consolidated general government deficit according to the ESA methodology increased from 2.4 % to 2.9 % of GDP in 2025, while the expected general government deficit according to the national methodology increased from 4.0 % to 4.4 %, as did the public debt-to-GDP ratio from 56.0 % to 56.9 %.**

**The increase of the general government deficit according to the national methodology by 0.4 percentage points is mostly a result of the deterioration of the local government balance by 1 percentage point, that is, a change from a 0.6 % surplus in the initial plan to a deficit of 0.4 % of GDP. At the same time, according to the new plan, the state budget and extrabudgetary users deficit is decreasing by 0.3 percentage points each. There is no explanation of the strong deterioration of the local government balance in the Draft Amendments.**

**The Commission underlines that the current fiscal dynamics confirm that an expansionary and pro-cyclical policy are continuing, resulting in an increase of the deficit according to ESA 2010 compared to last year and the original plan for**

**2025. Such a trend results in a deterioration of the key fiscal indicators and an increase of fiscal risks, including possible greater deficits in the future.**

**The Commission reiterates that the Republic of Croatia did not use the favourable period of economic growth to create fiscal reserves but allowed budget expenditure and budget deficit to dynamically increase together with economic growth.**

**Such fiscal policy enhances economic cycles, creates the risk of significantly higher budgetary deficits and reduces fiscal space for action in the future periods when economy might slow down or a crisis ensue. In the upcoming period, economic growth rates might be lower compared to the 2022 -2025 period which was marked by stronger growth. Weaker dynamics of real GDP growth, which is additionally and closely related to fiscal incentives, are already visible.**

**The Commission additionally underlines the need to ensure greater transparency and availability of fiscal data, especially those that relate to local government finance, extrabudgetary users and the developments of nationally financed net primary expenditure, in accordance with the reformed rules of the Stability and Growth Pact. Pursuant to the amendments to the state budget, there is a noticeable difference in the amount of deficit according to the national methodology compared to the ESA 2010 methodology which amounts to 1.4 % of GDP. For comprehension purposes, the Ministry of Finance is urged to identify and quantify the items which are causing this difference.**

**Although the general government deficit and the public debt-to-GDP ratio remain under the reference limit of 3.0 % (60 % of GDP), the Commission underlines that a stronger consolidation of the expenditure side of the budget is required because the current fiscal policy significantly reduces fiscal space for responding to any negative economic shocks in the future. In the context of increased uncertainty, especially global geopolitical and safety circumstances, preserving space for fiscal adjustment remains critical for ensuring the sustainability of public finance in the medium term.**

## **1. The dynamics of macroeconomic projections and achievements**

**The plan and realization of the state budget in a certain year are largely defined by the developments of macroeconomic indicators, that is, the overall economic trends and legislative changes which directly affect the revenue and expenditure sides of the budget.** In 2025, economic developments have not significantly deviated from the previously projected values, especially when in terms of real GDP growth. In the first six months, a real GDP growth of 3.2 % was achieved, which is completely consistent with the estimate of the Ministry of Finance for the entire 2025. As expected, positive trends on the labour market continued: increasing employment and decreasing unemployment rates are more or less consistent with the projections,

while the growth of gross salaries was somewhat more pronounced than expected. Similarly, inflation — measured according to consumer prices — was also somewhat higher than the previous projections, while the GDP deflator, as a better reflection of the overall price pressure in the economy, amounted to 3.7 % in the first semester, which is completely consistent with the expectations for the entire year.

**The stability of macroeconomic trends in Croatia was additionally confirmed by the spring projections of the European Commission (hereinafter: the EC) published in May 2025.** These did not differ significantly from the previous Autumn projections from November 2024 which served as the basis for the 2025 budget plan. The most recent projections show only a mild deceleration of GDP growth — from the earlier estimate of 3.3 % to 3.2 % — mostly as a result of the adjusted dynamics of export of goods and services. Moreover, in its May projections, the EC slightly improved the prospects for the labour market and revised the GDP deflator for 2025 upward, while maintaining the projection of the harmonised consumer price index (HICP) at the level of 3.4 %, the same as in the previous projections.

**Global developments had a significant impact on the stability of the macroeconomic framework.** Early 2025 was marked by a high level of uncertainty and risks, first and foremost due to the policies of the new US president and the current and potential geopolitical conflicts. This situation had a negative effect on global macroeconomic projections which were revised downward in the first half of the year. However, after mid-year, the expectations took a slight turn, with a gradual adjustment of the estimates according to higher growth rates. Accordingly, the International Monetary Fund (hereinafter: MMF), in its April projections, foresaw a deceleration of global growth in 2025 - from 3.2 % to 2.8 % - compared to the earlier estimates from October 2024. However, as early as in July, the MMF adjusted its global growth estimate for this year upward, to 3.0 %. The MMF justified their slightly more optimistic estimates by a combination of factors: “stronger-than-expected front-loading in anticipation of higher tariffs; lower average effective tariff rates than announced, an improvement in global financial conditions and fiscal expansion in some major jurisdictions.”

**However, the developments on the EU market, as the key market for export of its goods and services are the most important developments for the Republic of Croatia (hereinafter: Croatia).** Real GDP growth at the EU level was 1.1 % in 2024, and according to EC’s most recent projections from May 2025, this growth rate will be maintained this year. However, the decrease of the projected growth rate from 1.5 % from November 2024 is an unfavourable circumstance, considering that growth deceleration is foreseen for most member states, including the major markets for Croatia’s overall export. Preliminary data for the first half of the year indicate that the

seasonally adjusted GDP growth rate amounted to 1.6 % for the EU, indicating a growth faster than projected.

**On the other hand, the available indicators for Croatia indicate some deceleration of growth of particular indicators related to domestic demand compared to the previous year.** This concerns, among other, the deceleration of the increase of the number of employees, real growth of net salaries and nominal pension growth, as well as weaker growth of retail trade turnover, the scope of construction works and the amount of fiscal invoices. All of this is reflected in a mild deceleration of real GDP growth from 3.9 % in the first half of 2024 to 3.2 % in the first six months this year. In addition to real GDP growth, the nominal GDP growth has also decelerated, partly due to a significantly higher GDP deflator - 3.7 % compared to last year's 6.5 %.

**Certain macroeconomic indicators saw some positive developments and more dynamic growth.** These particularly include industrial production and export of goods, while the increased growth dynamics are also visible in loan activity toward the non-financial sector and citizens. Such trends significantly impact the total demand, supporting a continuation of a relatively strong GDP growth. Inflation, that is, consumer prices growth, has also shown more pronounced growth. However, this time not as a consequence of global impacts, but of a high level of domestic consumption. Consequently, price growth in Croatia was more pronounced than at the EU level - according to HICP index, inflation in Croatia reached 4.5 %, while it amounted to 2.5 % at the EU level. Furthermore, the trend of slight deceleration of price growth recorded at the EU level was not reflected in Croatia.

## **2. The first state budget and general government budget plan for 2025**

**According to the first plan for 2025 from November last year, the period of an expansionary fiscal policy started in 2023 was expected to continue this year.** This implies a stronger growth of budgetary expenditure compared to revenue and an increase of budgetary deficit as a consequence of such developments. This conclusion also relates to the state budget according to the national methodology, as well as the 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 (hereinafter: the NMFSP).

**The state budget for 2025 foresees an increase of the total revenue by EUR 2.5 billion (8.0 %) compared to the previous year, while total expenditure was planned to increase by EUR 4.3 billion (13.1 %).** This would lead to an increase of the budgetary deficit according to the national methodology from EUR 2.2 billion to as much as EUR

4.1 billion, that is, from 2.6 % of GDP in 2024 to 4.4 %. The greatest contribution to increased revenue was expected from revenue from VAT and contributions, which is a consequence of continued growth of economic activity, positive labour market trends and relatively high inflation which is still present. Furthermore, a significant increase of revenue was also expected to come from aids due to increased uptake of funds from the Multi-Annual Financial Framework 2021 -2027 and the Recovery and Resilience Mechanism.

**The greatest increase of state budget expenditure was expected to be a consequence of increased outlays for aids and acquisition of non-financial assets, as well as expenditure for employees, material costs and compensations to citizens and households, where the increase of pensions exerted the greatest influence on the increase of compensations.** The increase of the amount of aid predominantly related to investments in water utility projects, earthquake remediation, traffic infrastructure and salaries of employees in primary- and secondary-school education. In the acquisition of non-financial assets, the greatest increase was expected in military expenditure, earthquake remediation and investments in the judiciary system and healthcare infrastructure.

**According to the ESA 2010 methodology, in the consolidated general government, a somewhat more pronounced growth of expenditure than of revenue was expected, leading to an increased deficit compared to 2024.** More detailed data from the Draft Budgetary Plan for 2025 show that the revenue-to-GDP ratio should have increased from 45.8 % in 2024 to 46.3 %, while the expenditure-to-GDP ratio should have increased from 47.9 % to 48.6 %. Owing to such developments, the general government deficit would reach 2.3 % of GDP, which is 0.2 percentage points more than the expected deficit for last year. On the expenditure side of the general government budget, the greatest increase was expected in capital transfers to companies, citizens and other legal entities. These transfers include the renovation of residential buildings after the earthquake, their energy efficiency renovation and other investments in infrastructure. In addition, stronger growth was expected in compensations to employees, whose share in GDP was supposed to increase by 0.2 percentage points.

**The development of the general government balance according to ESA 2010 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 of -2.3 % of GDP according to the first plan for 2025.** A similar negative trend was recorded in other relevant fiscal indicators. Primary balance, which represents the budget balance without interest on public debt, decreased from a surplus of 1.5 % of GDP in 2022 to an expected deficit of -0.8 % in 2025. All the while, structural deficit, which represents the budget balance free from the effects of the economic cycle and



one-off measures, increased from -1.1 % of GDP in 2022 to the projected -2.8 % of GDP for 2025.

**The available data and projections demonstrate that, according to the first plan for this year, the public debt-to-GDP ratio was expected to significantly decelerate.** The public-debt-to-GDP ratio is one of the rare fiscal indicators which, mostly due to strong nominal GDP growth, still demonstrates a positive trend, even after 2022. However, according to the projections, the decrease of this share by 1.4 percentage points in 2025 should have been much less than in the previous four years during which the public debt ratio decreased by 7.2 percentage points per year on average.

*Legislative changes which affected the state budget and general government budget developments in 2025*

**The state budget and general government budget developments in 2025, compared to 2024, were under the influence of all the measures adopted during last year (which did not apply from the beginning of the year) and this year, which affect public revenue and expenditure.** Some of the significant measures adopted last year are: the Decree on the accounting of salaries in state and public services from February, the Decision to increase the salaries of state officials from July, two packages of measures for protecting citizens and the economy from increasing prices directed primarily at pensioners - out of these, the seventh package from September partially affected the developments of expenditures this year - and significant regular pension adjustment by 7.46 % from 1 July 2024.

**A larger number of legislative changes or their application was recorded this year again.** At the very beginning of the year, a new stage of the tax reform was implemented which included the increase of the personal deduction, amendments to the VAT Act and to the Contributions Act, the introduction of the real estate tax and other measures. In March, compensations for newborns and parental leaves were increased, while in January and July, the regular pension adjustment ensued, by 3.03 % and 6.48 % respectively. Moreover, in March, the eighth package of measures was adopted for protecting households and the economy from increasing prices, at the value of EUR 296 million, and in April, pensioners received Easter bonuses of EUR 50 in the total value of EUR 62.3 million.

**In addition, the growth of the basis for accounting salaries in state and civil services was agreed at 3.0 % in February and September.** In August, the provisions of the Act on mandatory health insurance were amended in order to increase the minimum and maximum compensation for sick leave as well as to extend the duration of the compensation for caring for a sick child. In September, the ninth



package of measures for protecting citizens and the economy was adopted featuring a significantly lower total amount of EUR 176 million and an announcement of a gradual removal of the subsidy for energy prices. This summary of measures clearly shows a continuation of a fiscal policy focused on strengthening social security and improving the citizens' standard of living, with a stronger impact on the development of expenditure for salaries and social benefits.

**Another thing to mention in addition to legislative changes is the recommendation of the Council of the EU from July which allows Croatia to temporarily depart from national fiscal rules related to increased defence expenditure.** This measure enables an increase of nationally financed net primary expenditure due to higher expenditure for defence in the period from 2025 to 2028, in excess of the foreseen limits, where the annual increase of this expenditure may not exceed 1.5 % of the achieved GDP. According to the available data, Croatia will not use this opportunity this year.

### **3. Evaluation of the Draft Amendments to the State Budget for 2025**

**Amendments to the state budget reflect the adjustment to the difference in the projections and real macroeconomic developments, deviations in the achievement of budgetary revenue and expenditure as well as the impact of legislative changes on the fiscal framework.** In the Croatian budgetary practice, amendments to the budget are a frequently applied fiscal policy instrument - in the last five years, nine amendments to budget plans were adopted in total. They are usually adopted in the last quarter of the year, most often in October or November. However, in case of significant macroeconomic or fiscal deviations from the original presumptions - as in case of the pandemic crisis in 2020 and 2021 - and when it is necessary to carry out significant redistributions on the expenditure side of the budget, as was the case in 2022 and 2023, amendments can be adopted even twice a year, that is, in the middle and at the end of the fiscal year.

**The new state budget plan for 2025 foresees an insignificant increase of the total revenue compared to the previous plan, with a slight decrease of the total expenditure.** The state budget deficit should consequently decrease by EUR 253.4 million compared to the initial projection. The most prominent changes on the revenue side concern the decrease of planned revenue from VAT by EUR 381 million, while the revenue from contributions are expected to increase by EUR 255 million. Although the achievements in the first six months were lower, the revenue from aid is expected to increase, with the greatest growth pertaining to other aids concerning EU funds and instruments.

**As regards the developments of total expenditure compared to the initial plan, the most pronounced increase pertains to outlays for citizens and households and expenditure for employees, whereas the expenditure for the acquisition of non-financial assets is expected to decrease.** In addition, the planned amount for aids has also quite strongly decreased, mostly in the part concerning capital expenditure, as well as the so-called other expenditure which includes donations, penalties, damage compensation and part of capital aids. All these changes, with smaller adjustments, lead to an overall decrease of the expenditure by EUR 223 million.

**It can be concluded that the new state budget plan for 2025 was mostly shaped as a response to administrative and legislative changes, while fiscal corrections due to the change of economic conditions compared to the initial projections remained secondary.** This structure of adjustments is present on both sides of the budget. On the expenditure side, the effects of administrative interventions are most apparent in the increase of compensations for employees, pensions and other social transfers, where a significant share of growth is a result of the previously assumed legislative obligations and indexation mechanisms. On the other side, the revenue side of the budget recorded positive effects of the economic environment, first and foremost through a continuation of favourable developments on the labour market. This resulted in increased revenue from contributions, reflecting the automatic mechanisms incorporated in the budget system and the resilience of the labour market.

**The state budget deficit, according to the new plan, should amount to EUR 3.8 billion, i.e. -4.2 % of the projected GDP for 2025, which is a mild improvement compared to the initial plan of -4.4 %.** Nevertheless, this budget deficit-to-GDP ratio according to the national methodology remains much higher than in the previous four years (comparison with 2020 is not relevant because of the extraordinary events caused by the COVID-19 pandemic that year).

**The budget plan for 2025 also foresees amendments in the consolidated general government according to the national methodology.** The general government deficit should increase, compared to the initial plan, from -4.0 % of GDP to -4.4 % as a consequence of a significant deterioration of the consolidated local government balance. According to the first plan, local units should have ended this year with a EUR 520 million or 0.6 % of GDP surplus, but the new plan foresees their deficit in the amount of EUR 333 million or 0.4 % of GDP.

**The available data on the expected deficit for this year and expected development of public debt according to the ESA 2010 methodology in the new budget plan are consistent with the NMFSP Progress Report from April this year.** This Report, the same as the new budget plan, foresees an increase of the general government deficit

from 2.3 % to 2.9 % of GDP, which represents the upper limit of sustainable fiscal policy. More specifically, pursuant to the rules of the Stability and Growth Pact, this deficit should not exceed 3.0 % of GDP, and the only administratively justified reason for overstepping this limit could be increased defence expenditure. At the same time, the public-debt-to GDP ratio should drop, according to the new plan and the above-mentioned Report, to 56.9 % of GDP, even though it was expected to drop to 56.0 % of GDP according to the first plan.

## 4. Analytical annex

**Table 1 The dynamics of European Commission'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 European Commission'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 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 <b>EU27</b> , 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 4 Achievements of state budget revenue and expenditure in the period from 2020 to 2024, the plan and the new plan for 2025 (acc. to the national methodology), in billions EUR**

| CATEGORY / YEAR                                                   | 2020         | 2021         | 2022         | 2023         | 2024         | Plan for 2025 | New plan for 2025 |
|-------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|-------------------|
| <b>Revenue</b>                                                    | <b>17.46</b> | <b>20.45</b> | <b>22.79</b> | <b>27.37</b> | <b>30.50</b> | <b>32.95</b>  | <b>32.98</b>      |
| Operating revenue                                                 | 17.39        | 20.36        | 22.60        | 27.29        | 30.29        | 32.86         | 32.93             |
| Revenue from taxes                                                | 9.71         | 11.10        | 12.99        | 15.50        | 17.49        | 18.50         | 18.08             |
| Income tax                                                        | 1.24         | 1.05         | 1.55         | 2.35         | 2.71         | 2.76          | 2.65              |
| VAT                                                               | 6.27         | 7.58         | 8.79         | 10.27        | 11.44        | 12.54         | 12.16             |
| Excise duties                                                     | 1.93         | 2.17         | 2.26         | 2.41         | 2.81         | 2.91          | 3.00              |
| Contributions                                                     | 3.02         | 3.35         | 3.80         | 4.39         | 4.99         | 5.55          | 5.81              |
| Grants                                                            | 2.41         | 2.92         | 3.17         | 4.07         | 3.10         | 3.68          | 3.73              |
| Revenue from assets                                               | 0.40         | 0.41         | 0.33         | 0.73         | 0.62         | 0.57          | 0.47              |
| Revenue from duties                                               | 0.51         | 0.82         | 0.63         | 0.73         | 0.93         | 1.18          | 1.30              |
| Revenue from sale of goods and services                           | 0.17         | 0.21         | 0.19         | 0.22         | 0.24         | 0.23          | 0.26              |
| Revenue from the budget (from the Croatian Health Insurance Fund) | 1.09         | 1.44         | 1.37         | 1.54         | 2.64         | 2.98          | 3.10              |
| Fines, administrative measures and other revenue                  | 0.11         | 0.14         | 0.14         | 0.12         | 0.27         | 0.16          | 0.18              |
| Revenue from sales of non-financial assets                        | 0.07         | 0.09         | 0.20         | 0.10         | 0.22         | 0.09          | 0.05              |
| <b>Expenditure</b>                                                | <b>20.38</b> | <b>22.43</b> | <b>23.23</b> | <b>28.10</b> | <b>32.72</b> | <b>37.01</b>  | <b>36.78</b>      |
| Operating expenditure                                             | 19.73        | 21.45        | 22.16        | 26.58        | 31.12        | 34.16         | 34.55             |
| Expenditure for employees                                         | 3.04         | 3.21         | 3.38         | 3.90         | 5.66         | 6.14          | 6.40              |
| Material expenditure                                              | 1.90         | 2.39         | 2.55         | 2.82         | 3.22         | 3.73          | 3.81              |
| Financial expenditure                                             | 1.15         | 1.03         | 0.97         | 0.97         | 1.16         | 1.17          | 1.20              |
| Subsidies                                                         | 1.89         | 1.59         | 1.14         | 1.62         | 2.38         | 1.80          | 1.71              |
| Grants                                                            | 4.06         | 5.29         | 5.36         | 6.63         | 6.70         | 7.73          | 7.50              |
| Compensations to citizens and households                          | 6.82         | 6.99         | 7.52         | 8.81         | 10.48        | 11.28         | 11.96             |
| Other expenditure                                                 | 0.86         | 0.94         | 1.24         | 1.82         | 1.53         | 2.30          | 1.97              |
| Expenditure for acquisition of non-financial assets               | 0.65         | 0.99         | 1.07         | 1.52         | 1.60         | 2.85          | 2.24              |
| <b>Total budget deficit/surplus</b>                               | <b>-2.92</b> | <b>-1.99</b> | <b>-0.44</b> | <b>-0.73</b> | <b>-2.22</b> | <b>-4.05</b>  | <b>-3.80</b>      |
| <b>Total deficit/surplus, % of GDP</b>                            | <b>-5.7</b>  | <b>-3.4</b>  | <b>-0.7</b>  | <b>-0.9</b>  | <b>-2.6</b>  | <b>-4.4</b>   | <b>-4.2</b>       |

Source: Ministry of Finance

**Table 5 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**

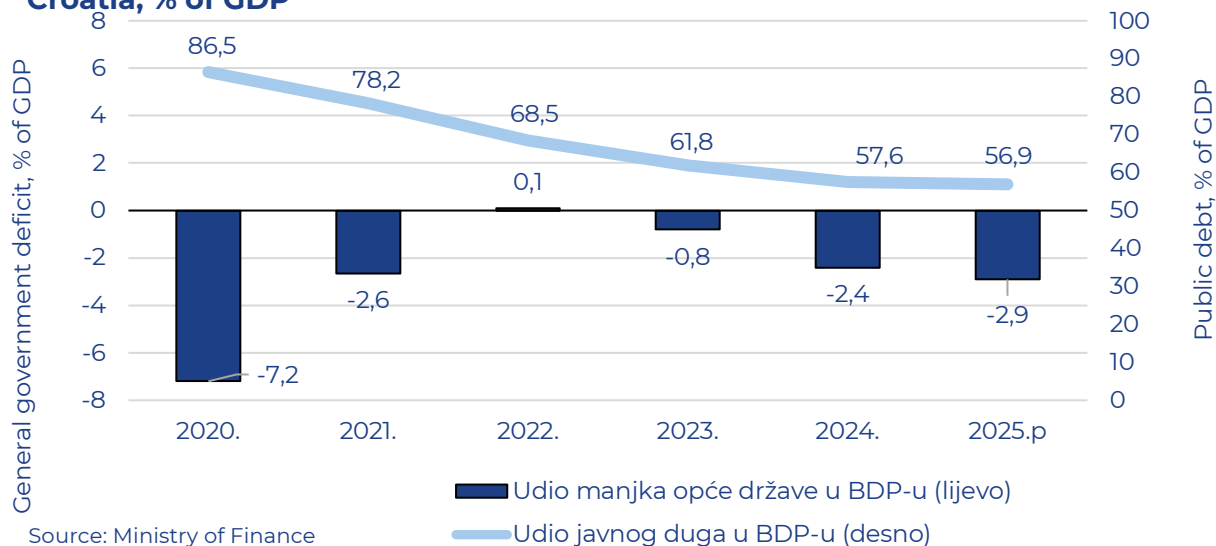
| CATEGORY / YEAR                        | 2020        | 2021        | 2022        | 2023        | 2024        | Plan for 2025 | New plan for 2025 | NMFSP 2025 Report* |
|----------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------------|--------------------|
| <b>Total revenue</b>                   | <b>46.4</b> | <b>45.5</b> | <b>45.1</b> | <b>46.0</b> | <b>45.6</b> | <b>46.3</b>   | -                 | <b>46.3</b>        |
| 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                |
| <b>Total expenditure</b>               | <b>53.7</b> | <b>48.1</b> | <b>45.0</b> | <b>46.8</b> | <b>48.0</b> | <b>48.6</b>   | -                 | <b>49.2</b>        |
| 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                |
| <b>Net lending (+) / borrowing (-)</b> | <b>-7.2</b> | <b>-2.6</b> | <b>0.1</b>  | <b>-0.8</b> | <b>-2.4</b> | <b>-2.3</b>   | <b>-2.9</b>       | <b>-2.9</b>        |
| <b>Primary balance</b>                 | <b>-5.3</b> | <b>-1.0</b> | <b>1.5</b>  | <b>0.9</b>  | <b>-0.8</b> | <b>-0.8</b>   | -                 | <b>-1.5</b>        |
| <b>Structural balance</b>              | <b>-3.6</b> | <b>-2.6</b> | <b>-1.1</b> | <b>-1.8</b> | <b>-3.2</b> | <b>-2.8</b>   | -                 | <b>-3.6</b>        |
| <b>Public debt, % of GDP</b>           | <b>86.5</b> | <b>78.2</b> | <b>68.5</b> | <b>61.8</b> | <b>57.6</b> | <b>56.0</b>   | <b>56.9</b>       | <b>56.9</b>        |

\*Plan according to the NMFSP Progress Report from April 2025

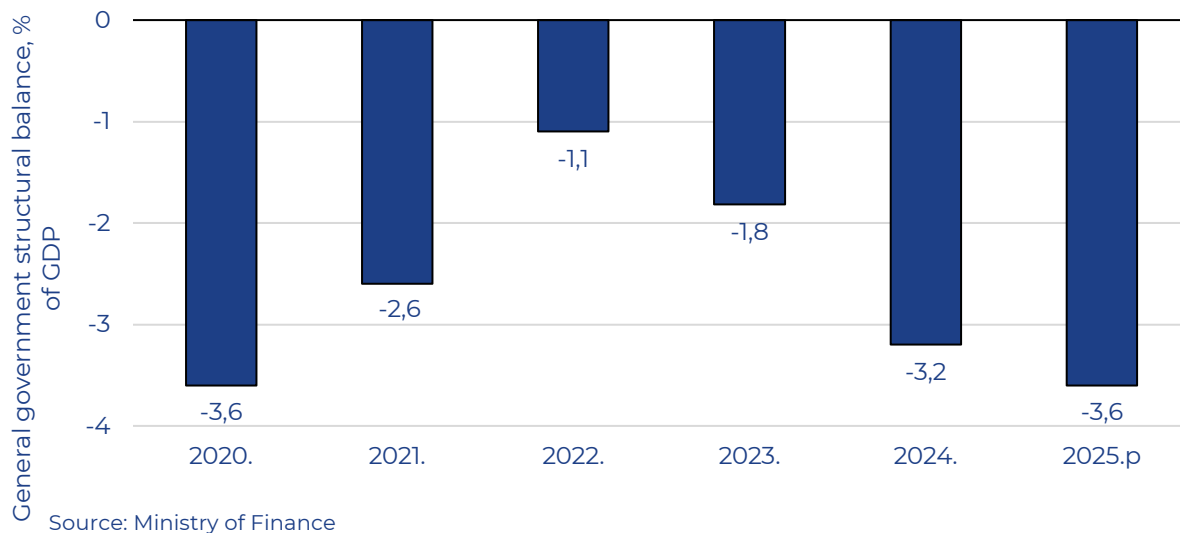
Source: Croatian National Bank, Ministry of Finance



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



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



**Table 6 Development of general government balance by EU member state, 2022 and 2025, European Commission's projections from May 2025, % of GDP**

| CATEGORY / YEAR | 2022        | 2025p       | Declining 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                                       |
| <b>EU</b>       | <b>-3.2</b> | <b>-3.3</b> | <b>-0.1</b>                               |
| 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                                      |
| <b>Croatia</b>  | <b>0.1</b>  | <b>-2.7</b> | <b>-2.8</b>                               |
| Poland          | -3.4        | -6.4        | -3.0                                      |
| Slovakia        | -1.7        | -4.9        | -3.2                                      |
| Finland         | -0.2        | -3.7        | -3.5                                      |

Source: EC

**Table 7 The first and the new plan of the state budget for 2025 (according to the national methodology), in billions EUR**

| CATEGORY / YEAR                                                   | The first plan for 2025 | The new plan for 2025 | The difference in billions EUR | Growth rate, % |
|-------------------------------------------------------------------|-------------------------|-----------------------|--------------------------------|----------------|
| <b>Revenue</b>                                                    | <b>32.95</b>            | <b>32.98</b>          | <b>0.03</b>                    | <b>0.1</b>     |
| Operating revenue                                                 | 32.86                   | 32.93                 | 0.07                           | 0.2            |
| Revenue from taxes                                                | 18.50                   | 18.08                 | -0.41                          | -2.2           |
| Income tax                                                        | 2.76                    | 2.65                  | -0.12                          | -4.2           |
| VAT                                                               | 12.54                   | 12.16                 | -0.38                          | -3.0           |
| Excise duties                                                     | 2.91                    | 3.00                  | 0.09                           | 3.2            |
| Contributions                                                     | 5.55                    | 5.81                  | 0.25                           | 4.6            |
| Grants                                                            | 3.68                    | 3.73                  | 0.06                           | 1.5            |
| Revenue from assets                                               | 0.57                    | 0.47                  | -0.10                          | -18.1          |
| Revenue from duties                                               | 1.18                    | 1.30                  | 0.11                           | 9.4            |
| Revenue from sale of goods and services                           | 0.23                    | 0.26                  | 0.03                           | 12.0           |
| Revenue from the budget (from the Croatian Health Insurance Fund) | 2.98                    | 3.10                  | 0.13                           | 4.2            |
| Fines, administrative measures and other revenue                  | 0.16                    | 0.18                  | 0.01                           | 7.2            |
| Revenue from sales of non-financial assets                        | 0.09                    | 0.05                  | -0.04                          | -44.0          |
| <b>Expenditure</b>                                                | <b>37.01</b>            | <b>36.78</b>          | <b>-0.22</b>                   | <b>-0.6</b>    |
| Operating expenditure                                             | 34.16                   | 34.55                 | 0.39                           | 1.1            |
| Expenditure for employees                                         | 6.14                    | 6.40                  | 0.25                           | 4.1            |
| Material expenditure                                              | 3.73                    | 3.81                  | 0.08                           | 2.1            |
| Financial expenditure                                             | 1.17                    | 1.20                  | 0.04                           | 3.2            |
| Subsidies                                                         | 1.80                    | 1.71                  | -0.10                          | -5.4           |
| Grants                                                            | 7.73                    | 7.50                  | -0.23                          | -3.0           |
| Compensations to citizens and households                          | 11.28                   | 11.96                 | 0.68                           | 6.1            |
| Other expenditure                                                 | 2.30                    | 1.97                  | -0.33                          | -14.5          |
| Expenditure for acquisition of non-financial assets               | 2.85                    | 2.24                  | -0.62                          | -21.6          |
| <b>Total budget deficit/surplus</b>                               | <b>-4.05</b>            | <b>-3.80</b>          | <b>0.25</b>                    | <b>-6.2</b>    |
| <b>Total deficit/surplus, % of GDP</b>                            | <b>-4.4</b>             | <b>-4.2</b>           | <b>-</b>                       | <b>-</b>       |

Source: Ministry of Finance