



**FISCAL POLICY
COMMISSION**

**36th 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 2026**

Published by:
The Fiscal Policy Commission

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Within the scope of application of the Fiscal Responsibility Act (Official Gazette 111/18, 83/23) in the Republic of Croatia, a permanent, independent and autonomous fiscal body was defined and implemented, i.e. 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 an independent analysis of fiscal policy and by encouraging professional discussions on fiscal policy matters.

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At its 17th session held on 22 September 2026, 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 2026 adopted by the Government of the Republic of Croatia (hereinafter: the Croatian Government) at its 205th session held on 17 September 2026.

The six-monthly execution of the State Budget of the Republic of Croatia for 2026 was marked by a strong growth of budget revenues, but also by the continuation of a relatively high growth of public expenditure. In the first six months, national budget revenues, according to national methodology, increased by 15.5 % compared to the same period of the previous year, while expenditure increased by 12.2 %. Although the six-monthly fiscal result is more favourable than in the previous year, as revenues grew faster than expenditure, and the budget deficit decreased by approximately EUR 270 million, the structure of the improvement achieved requires some caution in interpretation. On the revenue side, a significant part of the growth was achieved owing to European funds, with aid revenues almost doubling and accounting for approximately half of the increase in revenue, while at the same time permanent budgetary commitments increased, in particular expenditure for pensions, salaries and social rights. In this context, the sustainability of current fiscal developments will primarily depend on the ability of the revenue side of the budget to maintain similar dynamics even after the end of the intensive cycle of use of NRRP funds.

Expenditure growth requires increased attention. In addition to the mentioned categories of current expenditure whose adaptability is limited, the extension of the measures of the Croatian Government aimed at protecting households and the economy from price increases also brings about new budgetary expenditures. While revenue dynamics are more favourable than expenditure dynamics, mainly due to an increased inflation rate, the state budget continues to show a significant deficit. At the level of the general government, a deficit of approximately EUR 1.6 billion, or 1.6 % of GDP, was incurred in the first half of the year according to national methodology. The deficit data according to the ESA methodology which are relevant to the assessment of the compliance of fiscal policy with European fiscal rules have not been published yet.

The Commission recommends and stresses the need to control expenditure growth more intensely, in particular the growth of current expenditure with a long-term fiscal effect, and to ensure their compliance with the net expenditure trajectory established in the National Medium-Term Fiscal-Structural Plan of the Republic of Croatia for the period of 2025-2028. New initiatives creating additional expenditure should be financed, to the maximum possible extent, within the existing budgetary framework or be accompanied by appropriate funding sources.

The sustainability of public finances is increasingly dependent on the structure of expenditure, and in the long term, it is more important to distinguish expenditure that increases the productive potential of the economy from current expenditure that creates long-term liabilities. It is

necessary to protect public investment and ensure the effective use of EU funds, in particular for projects that contribute to productivity and economic growth.

Public debt developments represent an additional area that requires attention. Following years of declining public debt share in GDP, the first quarter of 2026 saw a slight increase in this ratio to 58.4 %, or by 0.2 percentage points compared to the first quarter of 2025. Although the quarterly increase alone does not represent a change in the long-term trend, it indicates the sensitivity of the fiscal position to borrowing dynamics, fiscal balance and nominal economic growth.

The Commission underlines that medium-term fiscal planning should be significantly strengthened and the sustainability of public debt systematically monitored, including an analysis of the increased cost of its financing due to the global rise in interest rates on government bonds, while increasing the transparency of fiscal risks related to public enterprises, guarantees, potential commitments, demographic developments and the pension system. The growth of expenditure should be based on sustainable revenues, with a careful evaluation of the positive impact of increased inflation on tax revenues that exists in the short term and could disappear with time. In addition, fiscal space for future economic shocks needs to be preserved by gradually reducing the deficit in the periods of economic growth and maintaining sustainable public debt dynamics.

Further dynamics of tax revenues, the use of European Union funds (hereinafter: the EU), investment activity and expenditure execution will essentially determine the final annual fiscal balance. Therefore, in the second part of 2026, fiscal policy should focus at the same time on controlling current expenditure, protecting productive investments, making efficient use of European funds and gradually reducing the fiscal deficit. Overall, fiscal policy should align expenditure growth with the potential for economic growth, prioritizing all the while the preservation of long-term fiscal sustainability.

It is also necessary to complete the alignment of the national fiscal framework with the revised EU rules, including the transposition of Directive (EU) 2024/1265 into national legislation.

1 INTRODUCTION

The implementation of the State Budget of the Republic of Croatia in the first half of 2026 was marked by a strong growth of budget revenues as well as a continuation of pronounced dynamics of public expenditure growth. In such circumstances, a full assessment of fiscal developments requires a simultaneous consideration of revenue and expenditure outturns, budgetary deficit trends and public debt dynamics. In doing so, it is particularly important to distinguish the state budget balance according to the national methodology presented in the semi-annual report from the general government deficit expressed according to the ESA 2010 methodology. While the state budget balance represents the difference between state budget revenue and expenditure using a modified accounting principle, the general government fiscal balance using the accounting principle has a wider institutional scope and is also a relevant indicator for assessing the compliance of fiscal policy with European fiscal rules.

2 MACROECONOMIC DEVELOPMENTS

The first half of 2026 was marked by increased levels of uncertainty, primarily due to attacks by the United States and Israel on Iran and the consequent rise in energy prices on the global market. These developments have particularly affected crude oil prices, with that of Brent oil rising from about \$60 earlier this year to as much as \$115 in early May. Such developments have adversely affected the global economy, including the EU economy. As a result, in the spring projections issued by the European Commission in May, the projected rate of real growth of the EU economy for this year was reduced from the previously expected 1.4 % to 1.1 %, while at the same time the projection of inflation, measured by the HICP index, was increased from 2.1 % to 3.1 %. These changes also reflected on the projections of fiscal indicators at the level of the European Union. Thus, the projection of the general government deficit deteriorated slightly, from 3.4 % to 3.5 % of GDP, while the projection of the public debt-to-GDP ratio increased from 83.8 % in November of the previous year to 84.2 %.

The Croatian economy, as an integral part of the global economy, and in particular the EU economy, was not exempt from such developments. In the first half of the year, GDP growth was slightly slower than expected, while price developments were in line with the expectations of continued inflation growth. According to the latest projections of the Ministry of Finance from April, real GDP growth of 2.6 % was forecast for 2026, along with inflation of 4.9 %, measured by the consumer price index, which is 1.2 percentage points higher than the outturn in 2025. Real GDP growth of 1.9 % was achieved in the first half of the year, significantly lower than the growth of 3.7 % recorded in the same period of the previous year, while consumer price growth was 4.6 %. The slowdown in real GDP growth was affected by almost all demand categories, except for service exports, with the largest

negative contribution being recorded in the change in commodity export dynamics.

Despite the slowdown in real economic growth, due to the more pronounced price growth, i.e. a higher implicit GDP deflator than in the first half of the previous year, the nominal GDP growth accelerated from 7.0 % to 8.0 %. Such developments in nominal economic activity are also relevant for the dynamics of budgetary revenues and for the development of the share of certain fiscal indicators in GDP. The slowdown in real economic growth was accompanied by changes in the labour market. According to administrative sources and provisional data, in the first six months of 2026, the total number of employed persons decreased by 1.4 %. At the same time, there was a significant slowdown in nominal and real average net wage growth compared to the previous two years, which contributed to the slowdown in the growth of personal consumption and thus also the overall dynamics of economic activity. Despite the slowdown, nominal wage growth continued to be relatively high at 7.7 %.

Unlike wage developments, the dynamics of the average pension growth slightly accelerated in the first six months of 2026 compared to the previous year, which can be a consequence of the adjustment of pensions and the application of a new manner of their calculation. The continued strong growth of population-oriented credit activity additionally contributed to the dynamics of overall domestic demand.

Finally, these developments, together with price increases and other factors, as well as the effects of the application of the fiscalization 2.0 measures introduced at the beginning of the year, contributed to a high annual growth rate of the value of the fiscalised invoices. Their amount in the first half of 2026 was 24.8 % higher than in the same period of the previous year.

3 FISCAL PROJECTIONS FOR 2026

The original plan for 2026 foresees a continuation of the expansionary fiscal policy period started in 2023. This implies an increase in the share of budget revenues and expenditures in GDP, while maintaining a general government deficit at the borderline level of 2.9 % of GDP, according to the ESA 2010 methodology.

In the state budget for 2026, an increase was planned in total revenues by EUR 2.7 billion, or 8.3 % compared to the new plan for 2025, and in total expenditures by EUR 3.1 billion, which also represented an increase by 8.3 %. As a result of such developments, the government budget deficit was expected to increase from EUR 0.3 billion to EUR 4.1 billion, that is, its share in GDP was expected to increase by 0.1 percentage points to 4.2 %.

The greatest contribution to the increase in state budget revenue was expected to come from aid revenue, primarily due to the more intensive uptake of funds from the Multiannual Financial Framework (MFF) for the period of 2021- 2027 and the Recovery and Resistance Mechanism (RRF). A significant contribution to revenue growth was also expected from value added tax revenues (hereinafter: VAT) and social contributions, which is linked to the continued growth of economic activity, but also to a relatively high level of inflation.

On the expenditure side of the budget, the largest growth was planned in the categories of aid and acquisition of non-financial assets. The increase in aid expenditure was mainly related to investments in water utility infrastructure, post-earthquake remediation, transport infrastructure and financing of salaries of employees in primary and secondary schools. In the context of the acquisition of non-financial assets, the largest growth was planned for defence expenditures and investments in health infrastructure. In addition to the above categories, a significant increase was planned for employment expenditure, material expenditure and benefits to citizens and households, where the latter was expected to be primarily influenced by the growth of pensions.

At the level of the consolidated general government, according to the ESA 2010 methodology, deficit was planned to remain at a borderline level of 2.9 % of GDP. According to the plan, the share of general government revenue in GDP was expected to rise from 47.2 % in 2025 to 47.8 % in 2026, and the share of expenditure from 50.2 % to 50.8 % of GDP. As a result, the general government deficit was projected at 2.9 % of GDP, keeping the planned deficit level from 2025.

4 BUDGET REVENUE AND EXPENDITURE DEVELOPMENTS

In the first six months of 2026, the total state budget revenue amounted to approximately EUR 17.3 billion, representing an interannual growth of 15.5 %. At the same time, total expenditure reached approximately EUR 19.0 billion, i.e. it was 12.2 % higher than in the same period of the previous year. The increase in revenue was largely due to the increased inflow of EU funds. Aid revenues almost doubled compared to the first half of 2025 and accounted for approximately half of the total revenue increase. Excluding aid, total revenues grew by around 8.4 % and tax revenues by 8.1 %. The rate of revenue growth being higher than the rate of expenditure growth overall helped limit the increase in fiscal deficit. However, the absolute difference between achieved revenue and expenditure remains significant, which is why the state budget balance remains on the deficit side.

On the revenue side, VAT revenues particularly stand out: in the first half of the year these amounted to approximately EUR 6.1 billion, corresponding to an interannual growth of 11.8 %. Contribution revenues amounted to around EUR 3.1 billion and increased by 10.9 %. Looking at survey data, nominal wage growth and increased

personal, investment and tourism consumption, the dynamics of these revenues were influenced by employment growth.

On the expenditure side, a significant share relates to pensions and pension benefits and expenditures for employees. In the first half of the year, pensions and pension benefits amounted to around EUR 4.9 billion, while expenditure for employees, for primary and secondary school and healthcare professionals, amounted to around EUR 4.4 billion. The increase in pension expenditure is largely a consequence of the legal adjustment of pensions. The structure of expenditures therefore shows that a significant part of their increase stems from current expenditure and liabilities whose short-term flexibility is relatively limited. Such developments are relevant from the point of view of fiscal sustainability, as increasing more rigid expenditure categories can reduce the space for countercyclical activity of fiscal policy in the long term.

Given the seasonal nature of budget revenues and macroeconomic expectations by the end of the year, it is realistic to expect the achievement of the planned state budget revenue for 2026. On the expenditure side, however, certain pressures could lead to an increase in expenditure above the originally planned, such as an extension of the Croatian Government's measures aimed at protecting households and the economy from price increases, which will affect the increase of budget expenditures and require a redistribution of funds between particular budgetary positions.

According to the explanation of the semi-annual implementation of the budget of the Croatian Government, within the group of expenditures for benefits to citizens and households based on insurance and other benefits, additional funds should be provided, except for the extension of existing measures of the Government of the Republic of Croatia, and for benefits in the social welfare system. This is mainly related to the payment of an inclusive allowance, due to the increase in the number of users, as well as to the increase of the basis for calculating social benefits based on the decisions of the Croatian Government which entered into force on 15 January 2026. These are the Decision on the base for calculating the amount of guaranteed minimum compensation for 2026, the Decision on the base for calculating the amount of other benefits in the social welfare system and the Decision on the base for calculating the amount of remuneration for the work of foster parents and the amount of financial care for 2026. Furthermore, additional resources should also be provided for pension expenditure within that expenditure group, due to the adjustment of pensions from 1 July 2026 by 5.4 %. By the end of 2026, additional funding will also need to be provided for expenditure for employees, including expenditure for employees in primary and secondary schools, due to an increase in the base for accounting salaries under Annex V to the Collective Agreement for Civil Servants and Employees (Official Gazette 11/26) and the Decision on the amount of the wage base in public services in 2026 (Official Gazette 11/26). Additional resources should also be provided for the contribution of

the Republic of Croatia to the EU budget, in accordance with the published Draft Amending Budget (DAB) No 2/2026 of the European Union.

On the other hand, the dynamics of the implementation of state budget expenditures in the first half of 2026 indicate the possibility of achieving savings on material expenditures and expenditures for the acquisition of non-financial assets. According to the aforementioned explanation, the savings achieved are planned to be redistributed to budget positions where a lack of funds is expected, while the remaining amount of necessary funds is planned to be provided through the amendments to the state budget for 2026. In accordance with the mentioned developments and announced amendments to the state budget, the total planned expenditure is expected to increase compared to the original plan for 2026. Therefore, the final assessment of the implementation of the state budget in 2026 will depend not only on the dynamics of revenue and expenditure realization in the second half of the year, but also on the scope and structure of expenditure covered by the budget amendments and the possibilities of their financing through the redistributions within the existing budgetary framework.

5 GENERAL GOVERNMENT BUDGET DEFICIT AND DEBT DEVELOPMENTS

In the first half of 2026, the general government deficit, according to the national methodology, amounted to EUR 1.6 billion or 1.6 % of GDP. The extra-budgetary users achieved a surplus of almost EUR 120 million, while the local and regional (regional) self-government units and the county road administration achieved a deficit of EUR 55 million. According to the budget of the Republic of Croatia for 2026, general government deficit is planned in the amount of 4.2 % of GDP according to the national methodology. Although the semi-annual achievement of 1.6 % of GDP is lower than this annual plan, that figure alone is not sufficient to draw any conclusions on the final annual fiscal result.

According to the ESA 2010 methodology and the most recent available data, the general government deficit was EUR 847.9 million in the first quarter of 2026, representing a deterioration of EUR 168.6 million compared to a deficit of EUR 679.3 million in the first quarter of 2025. Looking at the cumulative total for the last four quarters conclusively with the first quarter of 2026, the general government deficit was 3.1 % of GDP, which is 0.1 percentage points higher than the value recorded in 2025. In the structure of fiscal developments, at an interannual level, general government revenues continued to grow strongly at a rate of 9.9 % in the first quarter. However, an even more pronounced growth in expenditure, of 10.9 %, resulted in a deterioration of the general government balance.

A particularly important element of the assessment of fiscal sustainability is the dynamics of general government debt. At the end of 2025, the consolidated general government debt amounted to EUR 52.37 billion, or 56.3 % of GDP. A

decrease was recorded in the relative debt-to-GDP ratio compared to the end of 2024, when general government debt-to-GDP ratio was 57.4 %. The beginning of 2026, however, was marked by a temporary increase of this indicator. At the end of the first quarter of 2026, general government debt reached approximately EUR 55.22 billion, while its share of GDP, observed through GDP developments in the last four quarters, was 58.4 %. Compared to the end of the previous year, this is a 2.1 percentage point increase in the debt-to-GDP ratio, while the increase of the share compared to the first quarter of 2025 was 0.2 percentage points. Such developments should be interpreted with caution. The change in the general government debt-to-GDP ratio at the quarterly level does not necessarily imply a change in its medium-term downward trend. The dynamics of this indicator are influenced by the movement of borrowing, financing needs, state liquidity management, the maturity schedule of existing liabilities and new debt issues, and changes in nominal GDP. At the same time, the increase in the nominal amount of general government debt shows that the reduction of the relative burden of public debt in the previous years was to a significant extent based on the growth of nominal GDP.

6 FISCAL SUSTAINABILITY AND RISKS

The assessment of the implementation of the State Budget in the first half of 2026 points to several interrelated characteristics of fiscal developments. On the one hand, revenue growth surpassed expenditure growth, which is a favourable element of the current fiscal dynamics. On the other hand, the growth in expenditure remains relatively high at 12.2 %, with a significant part of the increase being related to pensions, salaries and other current expenditure. To assess the long-term sustainability of public finances, it is therefore particularly important to consider to what extent the current revenue dynamics are sustainable. The increase in total revenues is significantly linked to a significant increase in aid revenues, while the increase in tax revenues is linked to the nominal growth of economic activity, employment, wages and personal consumption. In the event of a slowdown in real economic growth and/or a slowdown in inflation, revenue growth dynamics are likely to weaken, while part of the expenditures, especially those linked to the pension system and wages, would remain relatively inelastic.

The Republic of Croatia started 2026 with a lower general government debt-to-GDP ratio compared to the previous years. In the period from 2022 to the end of 2025, this ratio was significantly reduced, which represents an important element of the stability of public finances. However, the previously favourable trend of the debt ratio does not reduce the need for prudent management of the fiscal deficit and new borrowing. The quarterly debt change described above is not in itself evidence of a changing trend, but shows that the reduction of the debt ratio is not automatic, but depends on the interaction of the fiscal balance, borrowing dynamics and nominal economic growth.

Taken together, the execution of the budget in the first half of 2026 points to strong revenue dynamics and continued economic growth, but at the same time also to the need for careful management of expenditure growth and fiscal deficit. The developments so far do not in themselves point to a deviation from the planned fiscal targets, but their final achievement will depend on the revenue and expenditure dynamics in the second part of the year, including the effects of the announced amendments to the state budget. Achieving the planned fiscal position in 2026 will therefore be challenging, and the long-term effects will depend on the structure of the expenditure outturn.

ANALYTICAL ANNEX

Table 1 Dynamics of macroeconomic projections of the European Commission for the EU and the Republic of Croatia for 2026 from the adoption of the budget for 2026 until May (annual change rates)

CATEGORY / FORECAST	Projection for 2026 from November 2025 for EU27	Projection for 2026 from May 2026 for EU27	Change in pp EU27	Projection for 2026 from November 2025 for Croatia	Projection for 2026 from May 2026 for Croatia	Change in pp Croatia
GDP (real)	1.4	1.1	-0.3	2.9	2.7	-0.2
Personal consumption	1.5	1.1	-0.4	3.8	3.0	-0.8
Government spending	1.5	1.7	0.2	3.0	3.2	0.2
Gross fixed capital investments	2.7	2.2	-0.5	3.2	3.0	-0.2
Export of goods and services	1.6	0.9	-0.7	2.4	2.1	-0.3
Import of goods and services	2.3	1.7	-0.6	3.7	2.9	-0.8
Potential GDP	1.3	1.3	0.0	3.6	3.7	0.1
Output gap*	-0.4	-0.6	-0.2	0.6	0.6	0.0
GDP deflator	2.4	2.4	0.0	3.6	4.7	1.1
HICP inflation	2.1	3.1	1.0	2.8	4.6	1.8
Number of employees	0.5	0.3	-0.2	1.5	1.0	-0.5

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

Table 2 Dynamics of fiscal projections of the European Commission for the EU and the Republic of Croatia for 2026 from the adoption of the budget for 2026 until May (GDP shares in %, ESA 2010)

CATEGORY / FORECAST	Projection for 2026 from November 2025 for EU27	Projection for 2026 from May 2026 for EU27	Change in pp EU27	Projection for 2026 from November 2025 for Croatia	Projection for 2026 from May 2026 for Croatia	Change in pp Croatia
Total general government revenue	46.6	46.8	0.2	47.1	47.7	0.6
Total general government expenditure	50.0	50.3	0.3	49.9	50.6	0.7
General government deficit	-3.4	-3.5	-0.1	-2.9	-2.9	0.0
Cost of interest	2.0	2.1	0.1	1.5	1.4	-0.1
Primary balance	-1.4	-1.4	0.0	-1.4	-1.5	-0.1
Cyclically adjusted primary balance*	-1.1	-1.1	0.0	-1.7	-1.7	0.0
Structural balance*	-3.1	-3.1	0.0	-3.1	-3.1	0.0
Gross debt	83.8	84.2	0.4	56.1	55.9	-0.2

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

Table 3 Development of selected macroeconomic indicators in the first six months, from 2024 to 2026, growth rates %

CATEGORY / YEAR	Jan-Jun 2024	Jan-Jun 2025	Jan-Jun 2026
GDP EU27 , real growth rates in %, seasonally adjusted and calendar adjusted	1.0	1.4	1.2
GDP, real growth rates in %	3.7	3.7	1.9
Consumer prices - inflation, growth rates in %	3.6	3.6	4.6
Industrial production, original rates in %	-3.5	3.1	0.3
Retail trade, original real growth rates in %	9.0	3.5	2.0
Scope of construction works, original growth rates in %	15.7	6.9	2.8
Overnight tourist stays - total, growth rates in %	3.3	4.2	0.5
Overnight stays - domestic tourists, growth rates in %	3.5	11.7	7.7
Overnight stays - foreign tourists, growth rates in %	3.3	3.2	-0.6
Foreign currency revenue from tourism, growth rates in %	7.5	5.9	-
Goods export in EUR, growth rates in %	0.6	6.5	10.8*
Goods import in EUR, growth rates in %	6.5	4.2	4.8*
Total number of employees, growth rates in %	3.1	2.9	-1.4
Number of unemployed persons, growth rates in %	-5.6	-17.5	-14.3
Net salaries, real growth rates in %	11.5	6.7	3.0
Average disbursed net pensions (without inter.), growth rates in %	17.2	11.9	12.4
Loans to the non-financial sector - companies (end of period), growth rates in %	4.6	11.9	9.5
Loans to citizens, end of period, growth rates in %	10.9	13.5	10.8
Number of fiscal invoices, growth rates in %	3.7	1.6	3.1
Amount of fiscal invoices in EUR, growth rates in %	12.9	9.0	24.8
First registration of new cars, growth rates in %	16.1	6.0	5.3

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

* first assessment

Table 4 Development of state budget revenue, expenditure and balance, first half of 2025 and 2026, the plan for 2026 and the share of the first six months in the plan, in millions of EUR and %

CATEGORY / YEAR	Jan-Jun 2025, mil. EUR	Jan-Jun 2026, mil. EUR	Growth rate '26/'25, %	Difference '26-'25, mil. EUR	Plan 2026, mil. EUR	Share in the plan Jan-Jun, %
Revenue	15,009.1	17,340.7	15.5	2,331.6	35,723.6	48.5
Operating revenue	14,986.2	17,326.3	15.6	2,340.0	35,647.4	48.6
Revenue from taxes	8,521.5	9,213.4	8.1	691.9	19,080.5	48.3
Corporate income tax	1,603.6	1,633.4	1.9	29.8	2,692.1	60.7
VAT	5,439.8	6,082.1	11.8	642.3	12,930.5	47.0
Excise duties	1,341.9	1,353.8	0.9	11.9	3,171.5	42.7
Contributions	2,802.3	3,108.2	10.9	305.9	6,286.0	49.4
Aids	1,206.4	2,383.9	97.6	1,177.5	4,729.3	50.4
Revenue from assets	213.0	189.7	-10.9	-23.3	526.4	36.0
Revenue from duties	564.8	580.6	2.8	15.8	1,301.4	44.6
Revenue from sale of goods and services	113.1	102.0	-9.8	-11.0	245.1	41.6
Revenue from CHIF (HZZO)	1,482.1	1,660.7	12.0	178.6	3,288.8	50.5
Fines, administrative measures and other revenue	83.1	87.7	5.6	4.6	189.9	46.2
Revenue from sales of non-financial assets	22.9	14.4	-36.9	-8.4	76.2	18.9
Expenditure	16,908.1	18,970.6	12.2	2,062.5	39,847.1	47.6
Operating expenditure	16,280.1	18,151.9	11.5	1,871.8	36,747.8	49.4
Expenditure for employees	3,075.6	3,259.2	6.0	183.7	6,706.3	48.6
Material expenditure	1,587.3	1,813.9	14.3	226.6	4,085.1	44.4
Financial expenditure	802.7	820.5	2.2	17.8	1,073.6	76.4
Subsidies	709.0	845.0	19.2	135.9	1,538.4	54.9
Aids	3,489.1	3,931.2	12.7	442.1	8,211.7	47.9
Compensations to citizens and households	5,772.1	6,497.1	12.6	725.0	13,068.5	49.7
Other expenditure	844.4	985.0	16.7	140.6	2,064.1	47.7
Expenditure for acquisition of non-financial assets	628.0	818.7	30.4	190.8	3,099.2	26.4
Total budget deficit/surplus	-1,899.0	-1,629.9	-14.2	269.1	-4,123.4	39.5

Source: Ministry of Finance

Table 5 Outturn of state budget revenue and expenditure in the period from 2021 to 2025, and the plan for 2026 (acc. to the national methodology), in billions EUR

CATEGORY / YEAR	2021	2022	2023	2024	2025	Plan for 2026
Revenue	20.45	22.79	27.37	30.50	32.58	35.72
Operating revenue	20.36	22.60	27.29	30.29	32.53	35.65
Revenue from taxes	11.10	12.99	15.50	17.49	18.28	19.08
Corporate income tax	1.05	1.55	2.35	2.71	2.70	2.69
VAT	7.58	8.79	10.27	11.44	12.33	12.93
Excise duties	2.17	2.26	2.41	2.81	2.97	3.17
Contributions	3.35	3.80	4.39	4.99	5.82	6.29
Aids	2.92	3.17	4.07	3.10	3.11	4.73
Revenue from assets	0.41	0.33	0.73	0.62	0.56	0.53
Revenue from duties	0.82	0.63	0.73	0.93	1.30	1.30
Revenue from sale of goods and services	0.21	0.19	0.22	0.24	0.25	0.25
Revenue from the budget (from the Croatian Health Insurance Fund)	1.44	1.37	1.54	2.64	3.03	3.29
Fines, administrative measures and other revenue	0.14	0.14	0.12	0.27	0.18	0.19
Revenue from sales of non-financial assets	0.09	0.20	0.10	0.22	0.05	0.76
Expenditure	22.43	23.23	28.10	32.72	35.95	39.85
Operating expenditure	21.45	22.16	26.58	31.12	33.85	36.81
Expenditure for employees	3.21	3.38	3.90	5.66	6.27	6.71
Material expenditure	2.39	2.55	2.82	3.22	3.66	4.04
Financial expenditure	1.03	0.97	0.97	1.16	1.20	1.27
Subsidies	1.59	1.14	1.62	2.38	1.64	1.30
Aids	5.29	5.36	6.63	6.70	7.38	8.29
Compensations to citizens and households	6.99	7.52	8.81	10.48	12.03	13.08
Other expenditure	0.94	1.24	1.82	1.53	1.71	2.12
Expenditure for acquisition of non-financial assets	0.99	1.07	1.52	1.60	2.10	3.04
Total budget deficit/surplus	-1.99	-0.44	-0.73	-2.22	-3.37	-4.12
Total deficit/surplus, % of GDP	-3.4	-0.7	-0.9	-2.6	-3.6	-4.1

Source: Ministry of Finance

Table 6 The outturn of fiscal indicators for the general government in the period from 2021 to 2025 and the plan for 2026 (according to ESA 2010 methodology), in % of GDP

CATEGORY / YEAR	2021	2022	2023	2024	2025	NMFSP 2026 Report*
Total revenue	45.6	45.2	45.5	46.1	47.1	47.4
<i>Total current revenue</i>	44.0	43.6	43.2	44.6	44.9	-
<i>Direct taxes</i>	6.1	7.3	7.2	7.9	7.9	7.9
<i>Indirect taxes</i>	19.5	19.2	19.0	19.2	19.2	19.2
<i>Social contributions</i>	11.1	10.8	10.6	11.4	12.2	12.3
<i>Other current revenue</i>	3.7	2.8	3.2	3.1	2.8	-
<i>Revenue from sale</i>	3.6	3.4	3.2	3.0	2.8	-
<i>Total capital revenue</i>	1.6	1.6	2.3	1.4	2.2	2.6
Total expenditure	48.2	45.1	46.6	48.4	50.1	50.3
<i>Total current expenditure</i>	42.1	38.7	38.9	41.0	42.2	-
<i>Current transfers</i>	19.7	18.2	18.3	18.8	19.4	19.4
<i>- Social benefits</i>	15.2	14.1	14.0	15.2	15.8	16.2
<i>- Subsidies</i>	2.2	1.9	2.0	1.6	1.4	1.3
<i>- Other current transfers</i>	2.3	2.1	2.3	2.0	2.2	1.9
<i>Interest</i>	1.5	1.4	1.6	1.6	1.4	1.4
<i>Compensations to employees</i>	12.4	11.4	11.3	13.1	13.6	13.4
<i>Intermediate consumption</i>	8.4	7.8	7.7	7.6	7.8	7.7
<i>Total capital expenditure</i>	6.1	6.4	7.7	7.4	7.8	8.2
<i>Investments</i>	4.8	4.1	5.7	5.2	6.0	6.3
<i>Other capital transfers</i>	1.3	2.3	2.0	2.1	1.8	1.9
Net lending (+) / borrowing (-)	-2.6	0.0	-1.1	-2.3	-3.0	-2.9
Primary balance*	-1.0	1.4	0.5	-0.8	-1.6	-1.5
Structural balance*	-2.8	-1.5	-2.5	-3.4	-3.7	-3.1
Public debt, % of GDP*	78.2	68.5	60.9	57.4	56.3	55.9

*European Commission assessment, May 2026

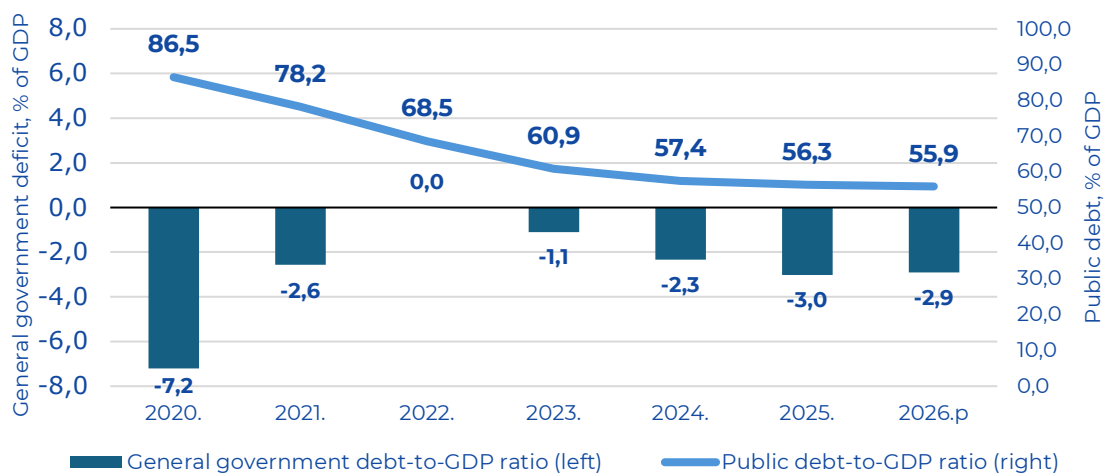
Source: AMECO, Croatian National Bank, Ministry of Finance

Table 7 Development of general government balance by EU Member State, 2023 to 2025, European Commission's projections from May 2026, in % of GDP

CATEGORY / YEAR	2023	2024	2025	2026p	Change in the balance in pp (2025 vs. 2023)
Poland	-5.2	-6.4	-7.3	-6.5	-2.1
Croatia	-1.1	-2.3	-3.0	-2.9	-1.9
Austria	-2.6	-4.6	-4.2	-4.1	-1.6
Bulgaria	-2.0	-3.0	-3.5	-4.1	-1.6
Luxembourg	-0.7	0.9	-2.0	-1.2	-1.3
Romania	-6.6	-9.3	-7.9	-6.2	-1.3
The Netherlands	-0.4	-0.7	-1.6	-2.5	-1.2
Lithuania	-0.7	-1.3	-1.8	-2.2	-1.2
Belgium	-4.1	-4.4	-5.2	-5.2	-1.1
Finland	-2.9	-4.4	-3.4	-4.5	-0.6
Denmark	3.4	4.5	2.9	0.9	-0.5
Portugal	1.1	0.6	0.7	-0.1	-0.4
Sweden	-0.9	-1.5	-1.3	-2.8	-0.4
Latvia	-2.3	-1.8	-2.5	-3.3	-0.2
Germany	-2.5	-2.7	-2.7	-3.7	-0.2
Slovenia	-2.6	-0.9	-2.5	-3.3	0.0
France	-5.4	-5.8	-5.1	-5.1	0.3
Ireland	1.4	4.1	1.8	1.4	0.3
EU	-3.4	-3.1	-3.1	-3.5	0.4
Estonia	-2.7	-1.1	-2.0	-4.5	0.7
Slovakia	-5.3	-5.3	-4.5	-4.6	0.9
Spain	-3.3	-3.2	-2.4	-2.4	0.9
Czech Republic	-3.7	-2.0	-2.1	-2.8	1.6
Cyprus	1.7	4.1	3.4	2.1	1.7
Malta	-4.4	-3.4	-2.2	-2.2	2.2
Hungary	-7.0	-5.1	-4.7	-6.2	2.3
Greece	-1.4	1.3	1.7	0.8	3.2
Italy	-7.1	-3.4	-3.1	-2.9	4.1

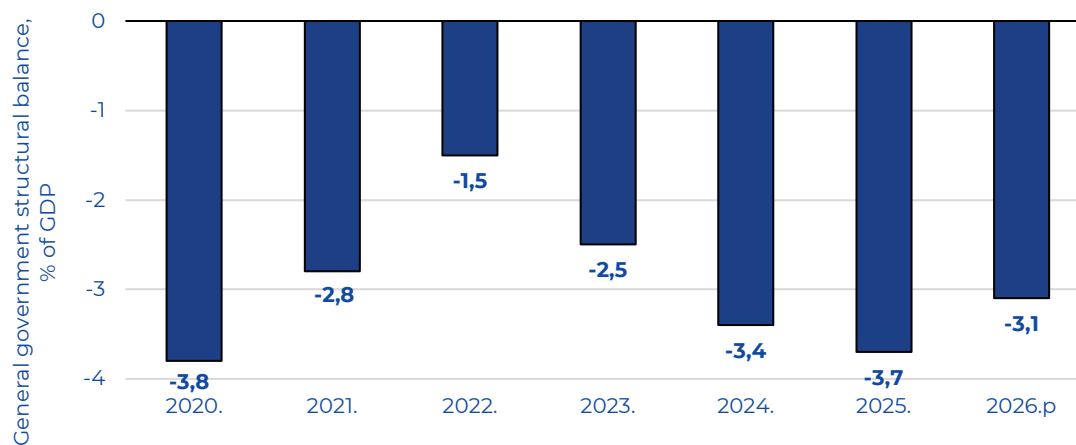
Source: European Commission

Figure 1 Share of general government debt (ESA 2010) and public debt in GDP from 2020 until the 2026 plan for Croatia, in % of GDP



Source: AMECO

Figure 2 Share of general government structural balance in GDP for Croatia for the period of 2022-2026p



Source: AMECO