

11 October 2022

Esteemed minister Marko Primorac, Associate Professor, PhD,

The Fiscal Policy Commission is legally obligated to verify the macroeconomic projections prepared by the Ministry of Finance, underlying the budget of the Republic of Croatia for 2023¹.

On 6 October 2022, the Fiscal Policy Commission received the final macroeconomic projections from the Ministry of Finance and discussed them on 7 October 2022. In the process of verifying macroeconomic projections, the objective of the Fiscal Policy Commission was to establish, in an impartial and comprehensive manner, whether the macroeconomic projections of the Ministry of Finance are a true and realistic presentation of the macroeconomic situation in the Republic of Croatia, and whether the proposals of macroeconomic projections can be used as the basis for making decisions and implementing fiscal policy activities.

Considering the uncertain nature of macroeconomic forecasts, the Fiscal Policy Commission assessed the credibility of the macroeconomic scenario based on how it realistic it was and by comparing it with the projections of other competent institutions. The Fiscal Policy Commission also considered the errors made in last years' forecasts in order to establish any institutional, that is, systematic bias. In doing so, the Fiscal Policy Commission found that the macroeconomic projections of the Ministry of Finance were lower than the currently available projections of other relevant institutions, indicating a more cautious and conservative approach in creating the settings of the projections for the next period.

¹ Article 22(2) of the Fiscal Responsibility Act (Official Gazette 111/18) lays down that the Fiscal Policy Commission examines macroeconomic and budgetary projections from mid-term budgetary documents and compares them with the latest available projections of the European Commission. The Budget Act (Official Gazette 144/21), in its Article 21, paragraph 2 lays down that macroeconomic and budgetary projections are subject to an impartial and comprehensive evaluation by an independent body competent for the evaluation of fiscal policy, and that the results of such an evaluation are considered in preparing future macroeconomic and budgetary projections pursuant to the provisions of the laws and regulations governing fiscal responsibility, and paragraph 3 which lays down that macroeconomic projections underlying the convergence program referred to in Article 22 of the Budget Act and the draft budgetary plan referred to in Article 27 of the same Act must be confirmed by an independent body competent for the evaluation of fiscal policy.

The Fiscal Policy Commission holds that this kind of approach is justified because fiscal planning can be adjusted in very uncertain and volatile circumstances of the upcoming period when the risk of deceleration of economic activity and of a recession will rise abruptly, causing the Croatian economy to possibly face numerous limitations.

Due to all of the above, at its 14th session held on 11 October 2022, the Fiscal Policy Commission confirmed the macroeconomic projections prepared by the Ministry of Finance for 2023 and concluded that the projections fall within an acceptable range.

Prof. Sandra Krtalić, PhD.

The President of the Fiscal Policy Commission

