FISCAL
POLICY
COMMISSION

CONFIRMATION OF THE 2026 MACROECONOMIC PROJECTIONS BY THE MINISTRY OF FINANCE OF THE REPUBLIC OF CROATIA

Zagreb, 24 October 2025

MINISTRY OF FINANCE
Attn: Minister Marko Primorac, PhD
Katančićeva 5, Zagreb

Honourable Minister, Associate Professor PhD. Marko Primorac,

In accordance with its legal obligations[1], the Fiscal Policy Commission (hereinafter: the Commission) is required to confirm (endorse) the macroeconomic projections prepared by the Ministry of Finance, which will serve as the basis for the Draft Budgetary Plan and the State Budget of the Republic of Croatia for 2026.

The legal framework for the evaluation of these budgetary documents is also defined by the new fiscal rules adopted by the European Parliament and the Council of the European Union in April of this year as part of the reform of the economic governance system within the European Union (hereinafter: EU)[2]. Since the currently valid Budget Act (Official Gazette No. 144/21) and Fiscal Responsibility Act (Official Gazette No. 111/18, 83/23) have not yet been aligned with the new provisions of the EU economic governance framework, the Commission assesses the macroeconomic projections in accordance with Article 8a of EU Directive 2024/1265, which stipulates that a member

[1] The Fiscal Responsibility Act (Official Gazette No. 111/18, 83/23), Article 22, Paragraph 2, stipulates that the Fiscal Policy Commission must review and compare the macroeconomic and budgetary projections from medium-term budgetary documents with the latest available projections of the European Commission. Additionally, the Budget Act (Official Gazette No. 144/21), Article 21, Paragraph 2, requires that macroeconomic and budgetary projections undergo an impartial and comprehensive evaluation by an independent body responsible for fiscal policy assessment. The results of these evaluations are to be taken into account when preparing future macroeconomic and budgetary projections, in accordance with the provisions of legislative and regulatory frameworks governing fiscal responsibility. Furthermore, Paragraph 3 specifies that the macroeconomic projections underpinning the convergence program referenced in Article 22 of the Budget Act, as well as the draft budgetary plan described in Article 27 of the same Act, must be confirmed by an independent body responsible for fiscal policy assessment.

[2] These changes have been implemented through two regulations (the "preventive" Regulation EU 2024/1263 and the "corrective" Regulation EU 2024/1264) and a directive (Directive EU 2024/1265). The aforementioned regulations came into force immediately, while Member States are required to transpose Directive EU 2024/1265 into their national legislation by the end of 2025.

state government may request an independent fiscal institution to validate or assess macroeconomic forecasts and assumptions.

The Commission examined the plausibility of the external assumptions underpinning the updated macroeconomic projections prepared by the Ministry of Finance. In this context, discussion was held with Ministry officials to discuss the main factors shaping the economic outlook at a meeting held on 22 October 2025. Following the meeting, the Commission received from the Ministry of Finance projections of the main macroeconomic aggregates for 2025 and 2026.

As part of the procedure for endorsing the Ministry of Finance's macroeconomic projections, the Commission objectively assesses the credibility and realism of the macroeconomic scenario, particularly in relation to current market developments and available statistical data, comparing them with projections from other relevant institutions (European Commission, International Monetary Fund, World Bank, European Central Bank, and the Croatian National Bank). The Commission also takes historical projection errors into account to identify any potential institutional bias.

The Ministry of Finance's macroeconomic projections indicate a slowdown in economic activity. Real GDP growth is expected to decelerate from 3,2 % in 2025 to 2,7 % in 2026, with government and private consumption remaining the main growth drivers. The Commission considers the projections for real GDP growth, its components, and inflation measured by the consumer price index for 2026 to be within an acceptable range and suitable as a basis for preparing the Draft Budgetary Plan and the State Budget of the Republic of Croatia for 2026. At the same time, due to pronounced statistical discrepancies among GDP components, the Commission cannot at this stage reliably assess the projection of the implicit GDP deflator.

The Croatian economy has recently experienced a period of positive output gap. During this favourable period of rapid growth, there was a parallel increase in budget expenditures and the general government deficit, which led to a significant deterioration of the fiscal position, although the general government deficit and the public debt-to-GDP ratio remained below the Stability and Growth Pact reference values of 3.0 % and 60 % of GDP, respectively. Expansionary and pro-cyclical fiscal policies further amplified the economic cycle, increasing the risk of larger budget deficits and reducing the available fiscal space to respond to potential future economic slowdowns or crises.

In the upcoming period, a lower economic growth rate is expected compared to the 2022–2025 period, with the current year already showing a slowdown in real GDP growth dynamics. After pronounced fiscal expansion during 2023–2025, fiscal policy in the future period should act counter-cyclically. At the same time, the global environment remains unstable and burdened with negative risks, which increases uncertainty, may limit growth prospects, and raises the vulnerability of the domestic economy. Under such circumstances, it is essential to pursue prudent and responsible fiscal policy to mitigate potential negative effects from the materialization of these risks.

In conclusion, the Fiscal Policy Commission endorses the macroeconomic projections for 2026 prepared by the Ministry of Finance and concludes that the projections are within an acceptable range and consistent with currently available information, thus providing a realistic basis for preparing the Draft Budgetary Plan and the State Budget of the Republic of Croatia for 2026.

Yours sincerely,

President of the Commission

Prof. Sandra Krtalić, PhD