FISCAL
POLICY
COMMISSION

CONFIRMATION OF THE 2027 MACROECONOMIC PROJECTIONS BY THE MINISTRY OF FINANCE OF THE REPUBLIC OF CROATIA

FISCAL POLICY COMMISSION

Zagreb, 26 October 2026

MINISTRY OF FINANCE
Attn: Minister Tomislav Ćorić, PhD
Katančićeva 5, Zagreb

Honourable Minister, Associate Professor PhD Tomislav Ćorić,

The Fiscal Policy Commission (hereinafter: the Commission) is required, pursuant to the Fiscal Responsibility Act (Official Gazette Nos. 111/18 and 83/23)[1] and the Budget Act (Official Gazette No. 144/21), to 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 2027.

The legal basis for the assessment of these budgetary documents is laid down in the new fiscal rules adopted by the European Parliament and the Council of the European Union in April 2024 as part of the reform of the economic governance framework of the European Union (hereinafter: the EU)[2]. Since the currently applicable Budget Act (Official Gazette No. 144/21) and Fiscal Responsibility Act (Official Gazette Nos. 111/18 and 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 Council Directive (EU) 2024/1265, which provides that a

[1] Article 22, indent 3, of the Fiscal Responsibility Act (Official Gazette Nos. 111/18 and 83/23) stipulates that the Fiscal Policy Commission is responsible for endorsing the macroeconomic projections underpinning the Draft Budgetary Plan, in accordance with the law governing the budget. Furthermore, Article 21(2) of the Budget Act (Official Gazette No. 144/21) stipulates that macroeconomic and budgetary projections are subject to an impartial and comprehensive assessment by an independent body responsible for assessing fiscal policy, the findings of which are to be taken into account in the preparation of future macroeconomic and budgetary projections, in accordance with the provisions of the laws and subordinate legislation governing fiscal responsibility. Article 21(3) further stipulates that the macroeconomic projections underpinning the Draft Budgetary Plan referred to in Article 27 of the same Act must be endorsed by the independent body responsible for assessing fiscal policy.

[2] The changes were introduced through two regulations (the "preventive" Regulation (EU) 2024/1263 and the "corrective" Regulation (EU) 2024/1264) and one directive (Directive (EU) 2024/1265). The two regulations entered into force immediately, while Member States were required to transpose Directive (EU) 2024/1265 into national law by the end of 2025. The aforementioned legal acts are available at: https://eur-lex.europa.eu/homepage.html

Member State's government may request an independent fiscal institution to endorse or assess macroeconomic forecasts and assumptions.

On 22 October 2026, the Commission held a joint meeting with representatives of the Ministry of Finance, at which projections for the main macroeconomic aggregates for 2026 and 2027 were presented. The presentation was followed by a more detailed discussion of individual items and the assumptions underpinning the projections.

The projections provide an important basis for assessing the expected economic developments in 2027, taking into account key macroeconomic indicators, prevailing economic conditions, and anticipated domestic and international developments. As part of the process of endorsing the Ministry of Finance's macroeconomic projections, the Commission conducts an impartial assessment of the credibility and realism of the macroeconomic scenario, with particular regard to current market developments and available statistical data, and compares these with the projections published by other relevant institutions, including the European Commission, the International Monetary Fund, the World Bank, the European Central Bank and the Croatian National Bank. The Commission also takes past forecasting errors into account in order to identify any potential institutional bias.

The Ministry of Finance's macroeconomic projections point to a further slowdown in economic activity. Real GDP growth is expected to decelerate from 2.3% in 2026 to 2.1% in 2027, with private consumption and exports of goods and services continuing to be the main drivers of economic growth. At the same time, inflation, as measured by the national Consumer Price Index (CPI), is expected to decline from 4.5% in 2026 to 2.7% in 2027. The Commission considers the projections for real GDP growth, its components and inflation in 2027 to be within an acceptable range and to provide an appropriate basis for preparing the Draft Budgetary Plan and the State Budget of the Republic of Croatia for 2027.

Between 2021 and 2025, the Croatian economy operated with a positive output gap, with economic activity strongly driven by domestic demand, including robust investment activity, which was also supported by expansionary fiscal policy. Investment was supported to a considerable extent by funding from the Recovery and Resilience Facility, the European Union Solidarity Fund and the EU Multiannual Financial Framework. In the latter part of the period under review, relatively strong economic growth was accompanied by a substantial increase in budget expenditure and a deterioration in the general government balance, indicating the procyclical nature of fiscal policy and a weakening of the fiscal position. More specifically, the general government balance has deteriorated since 2023, with the deficit reaching 3.0% of GDP in 2025, thereby equalling the reference value established under the EU fiscal rules. These developments have reduced the available fiscal space for an effective response to a potential future slowdown in economic activity or the emergence of a crisis. At the same time, strong nominal GDP growth has contributed to a decline in the public debt-to-GDP ratio, which has remained below the 60% of GDP reference value set out in the Stability and Growth Pact since 2024.

For 2027, economic growth is projected to be lower than in 2026, when a slowdown in real GDP growth is already under way. Fiscal policy should therefore be geared towards strengthening its countercyclical role in the period ahead, taking into account the uncertainty and volatility of the macroeconomic environment. Furthermore, the main downside risks stem from a persistently unstable and uncertain international environment. It is therefore important in the coming period to safeguard the sustainability of public finances and preserve fiscal space to respond should downside risks materialise, thereby strengthening the resilience of Croatia's public finances.

In light of the above, the Fiscal Policy Commission formally endorses the Ministry of Finance's macroeconomic projections for 2027, taking into account the assumptions, methodology applied and supporting information underpinning their preparation. The Commission considers that the projections are based on the information currently available and provide a realistic basis for preparing the Draft Budgetary Plan and the State Budget of the Republic of Croatia for 2027 in an environment of heightened economic uncertainty. At the same time, the Commission emphasises the need to continuously monitor macroeconomic developments and revise the projections in a timely manner should any significant changes in the economic environment occur.

Yours sincerely,

PRESIDENT OF THE COMMISSION

Prof. Sandra Krtalić, PhD

