OECD ECONOMIC SURVEY OF CROATIA

For faster and sustainable convergence

Zagreb, 21 September 2023

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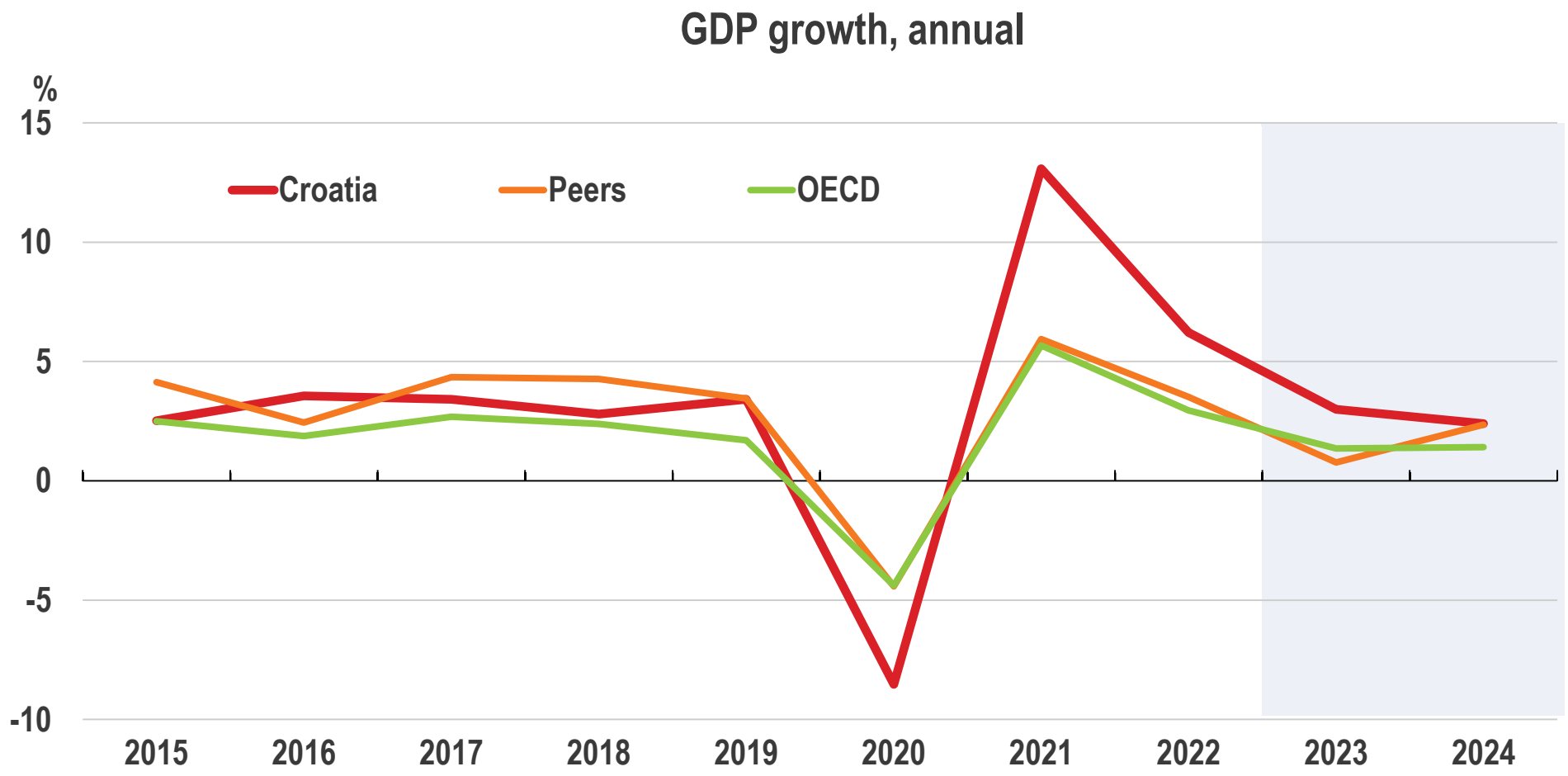
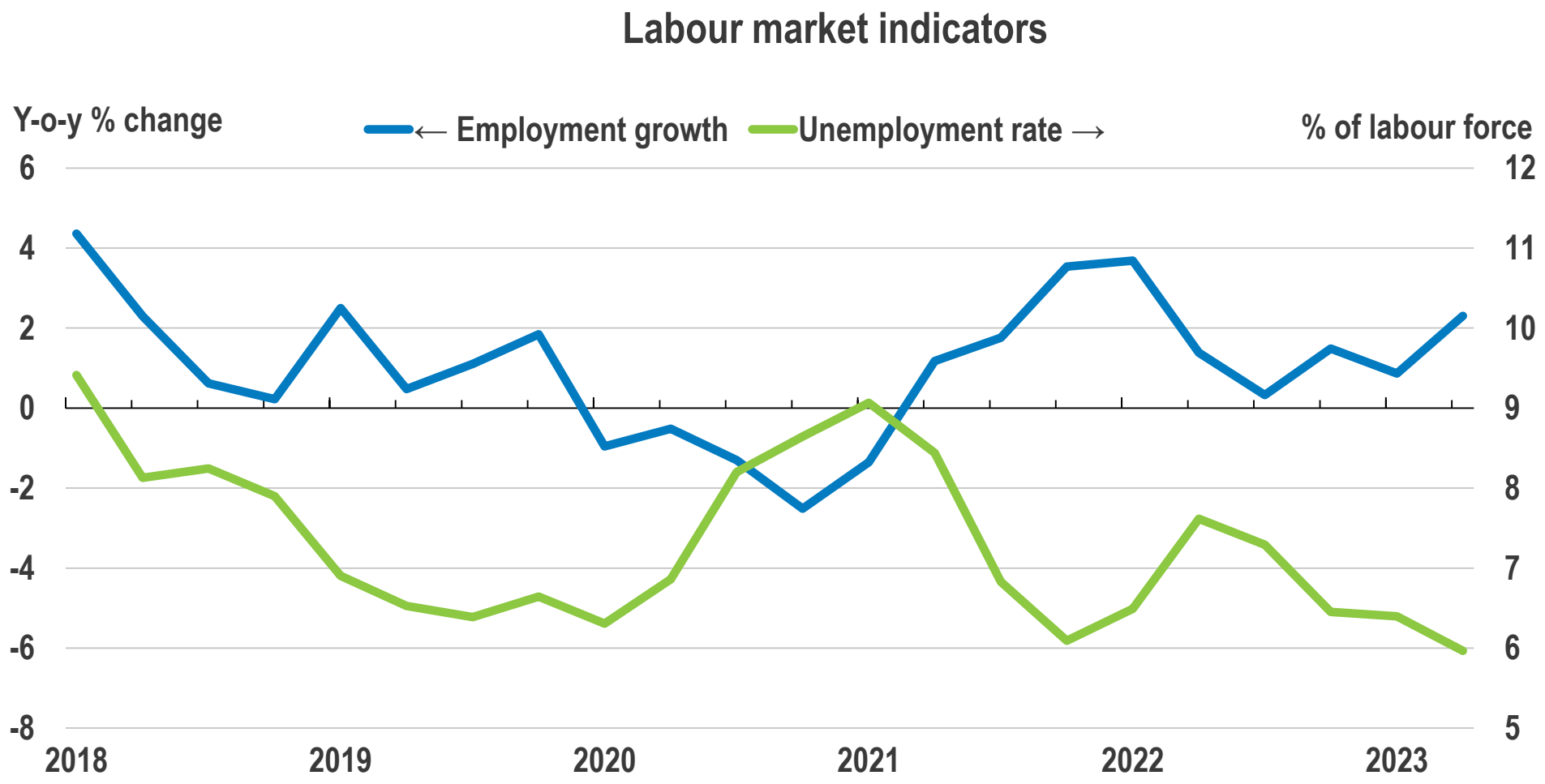
BETTER POLICIES FOR BETTER LIVES

Growth is resilient



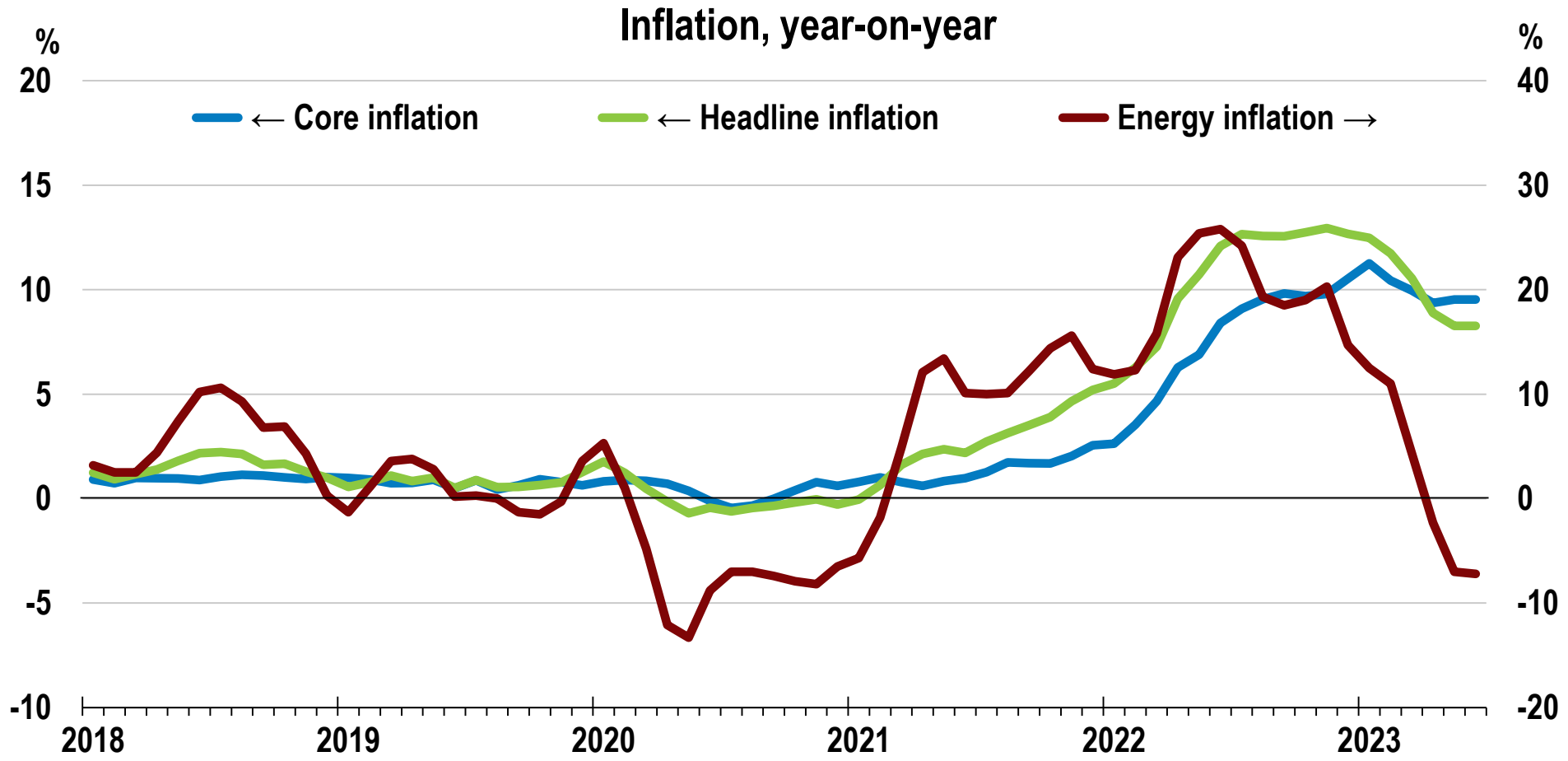
Note: The shaded area shows projections. Peers are an average of the Czech Republic, Hungary, the Slovak Republic and Slovenia.
Source: OECD Economic Outlook 113 (database), updated.

The labour market is tight



Note: 2023Q1 and 2023Q2 observations are OECD preliminary estimates, based on published labour force data adjusting for a series break between 2022Q4 and 2023Q1.
Source: OECD Economic Outlook (database).

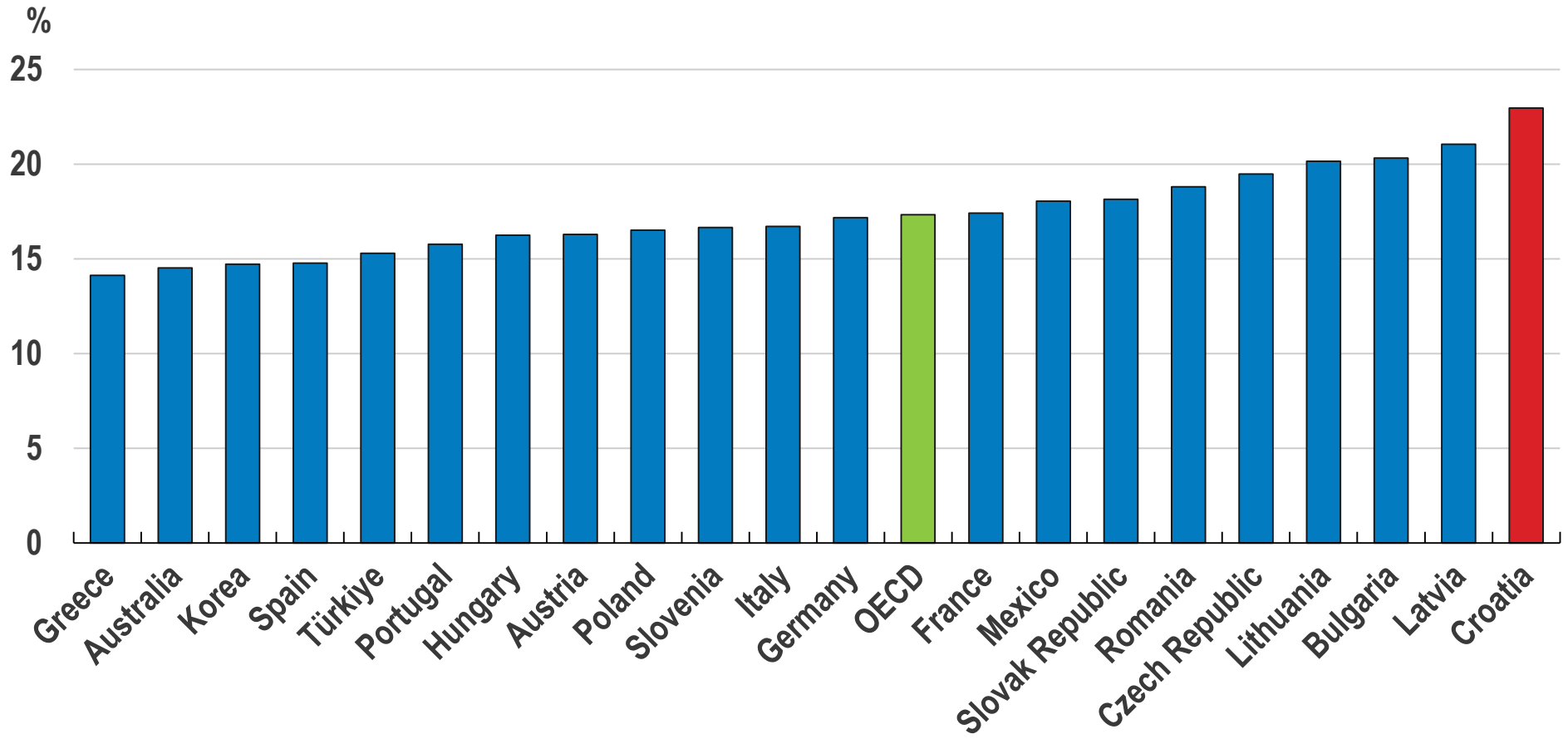
Inflation is slowly declining



Note: Core, headline and energy inflation are based on the harmonised consumer price index. Core inflation excludes energy and food products.
Source: OECD Economic Outlook (database) and Eurostat.

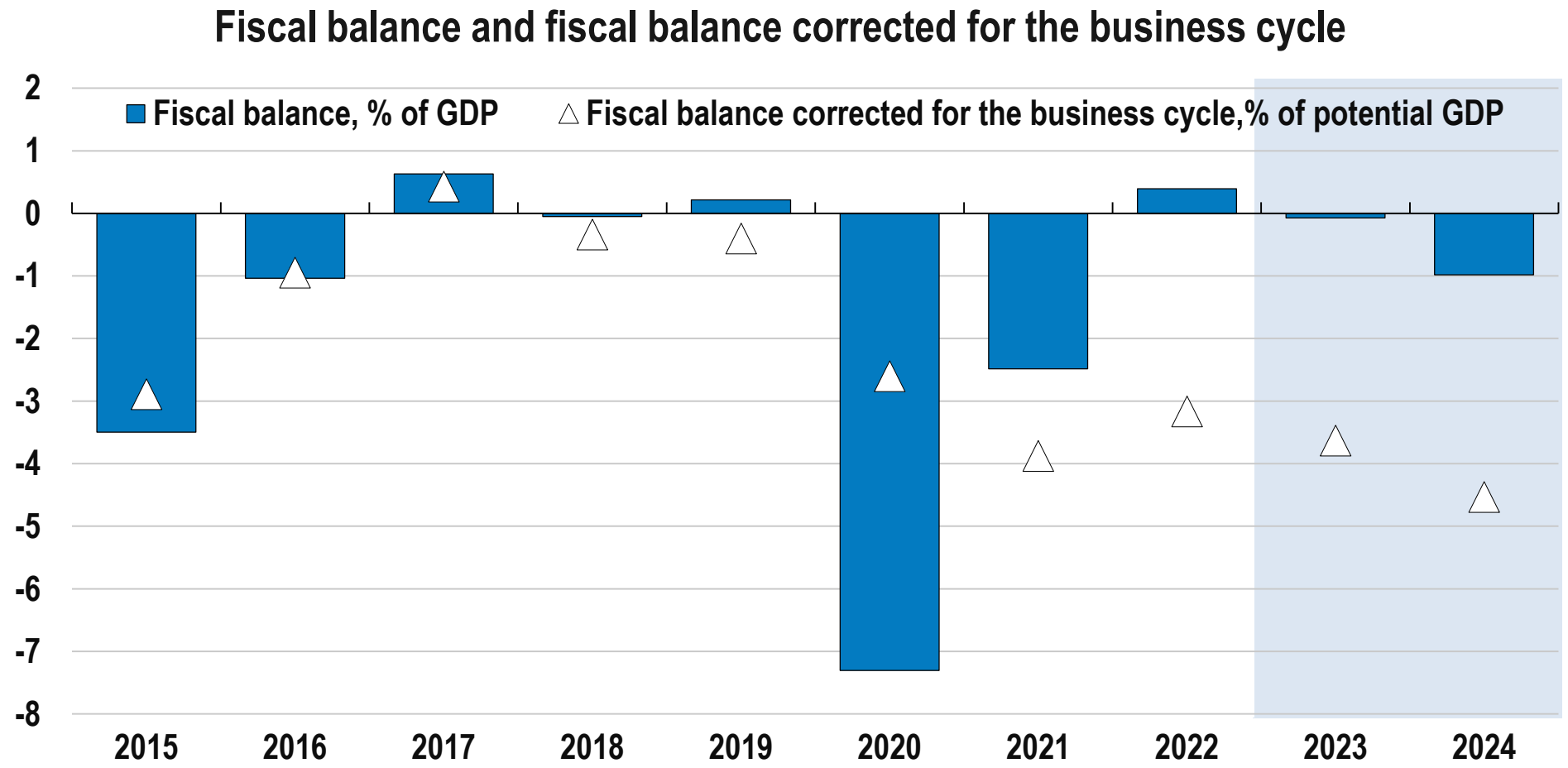
Banks are better capitalised than in other countries

Regulatory Tier 1 capital to risk-weighted assets
Q2 2023 or latest available



Source: IMF, Financial Soundness Indicators (database).

Fiscal policy should avoid a widening deficit in 2023 and 2024



Note: The fiscal balance corrected for the business cycle measures the governments fiscal stance once cyclical variation in revenues and spending are taken into account and excludes net one-off operations.

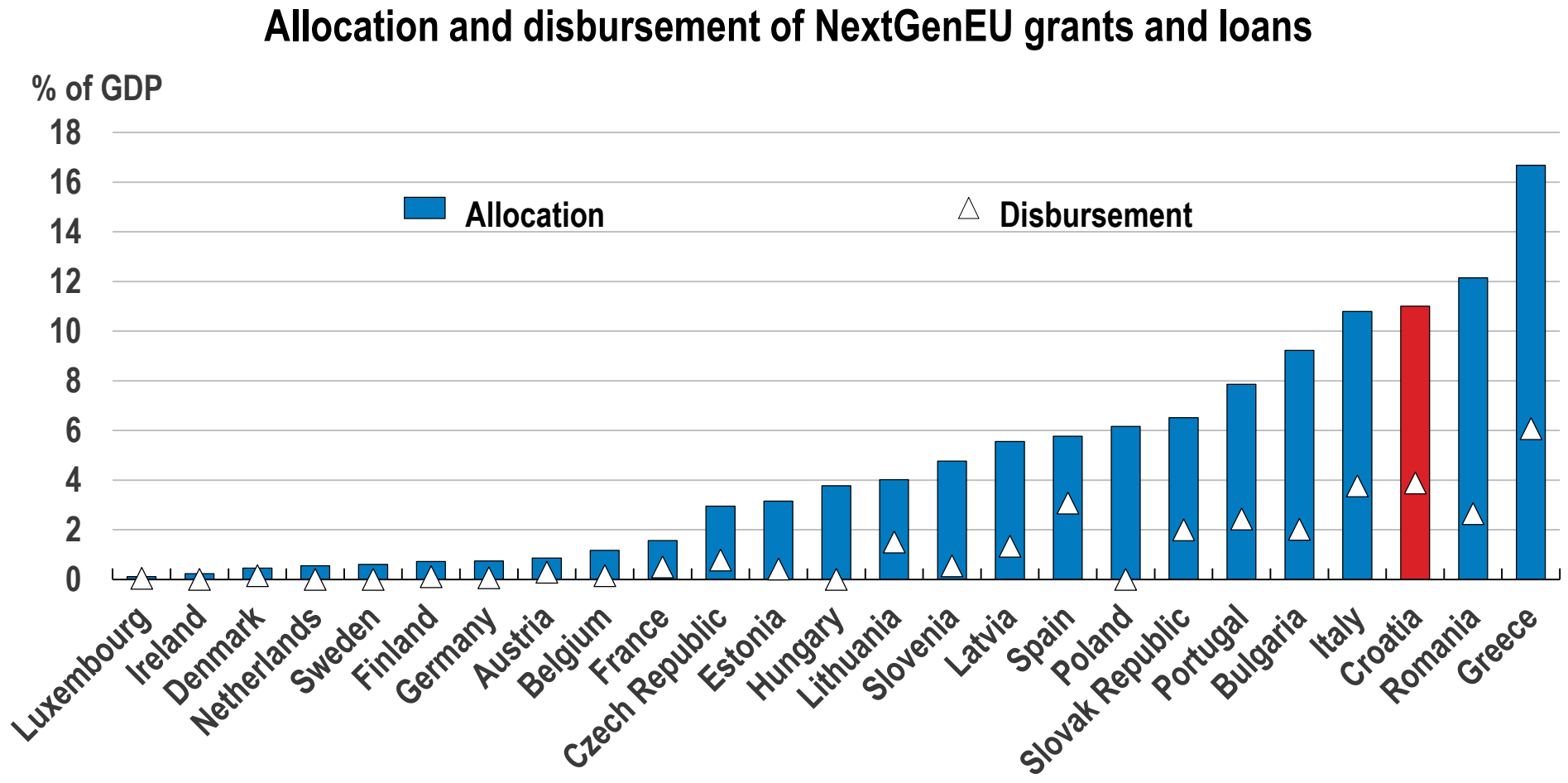
Source: OECD Economic Outlook 113 (database), updated.

Growth is projected to remain resilient in the short term

Annual growth rates, volumes unless specified	2021	2022	2023	2024
Gross domestic product (GDP)	**13.1**	**6.2**	**3.0**	**2.4**
Private consumption	9.9	5.1	2.3	2.3
Investment	4.7	5.8	2.6	2.6
Unemployment rate (% of labour force)	7.6	7.0	6.0	5.8
Consumer price index	2.7	10.7	8.5	4.3
Fiscal balance (% of GDP)	-2.5	0.4	-0.1	-1.0
General government gross debt (% of GDP, Maastricht definition)	78.3	68.8	63.8	61.0

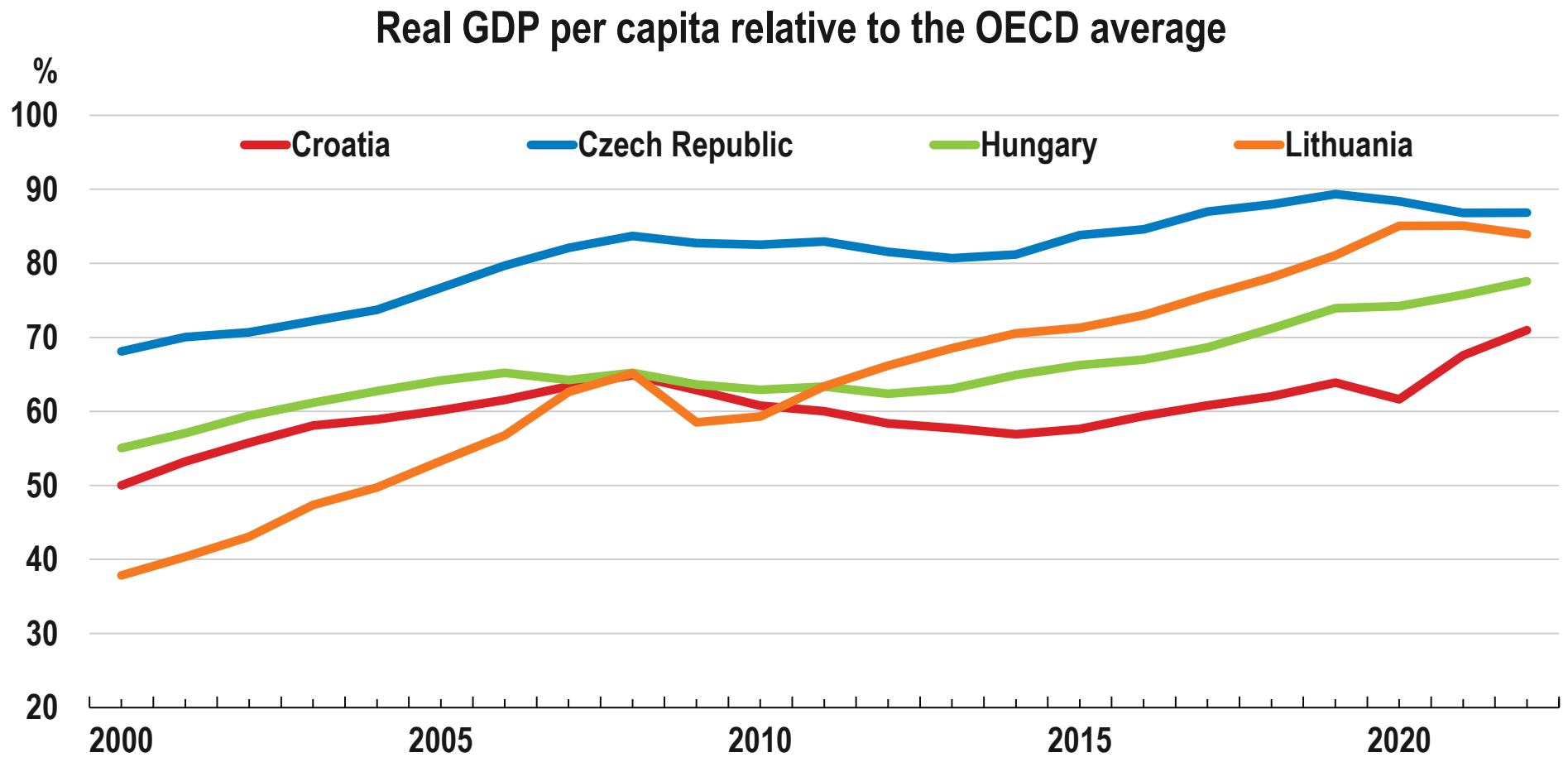
Source: Source: OECD Economic Outlook 113 (database), updated.

The Recovery and Resilience Plan is furthering progress with reforms and investment



Note: Disbursements as of 16 June 2023.
Source: European Commission, Recovery and Resilience Scoreboard.

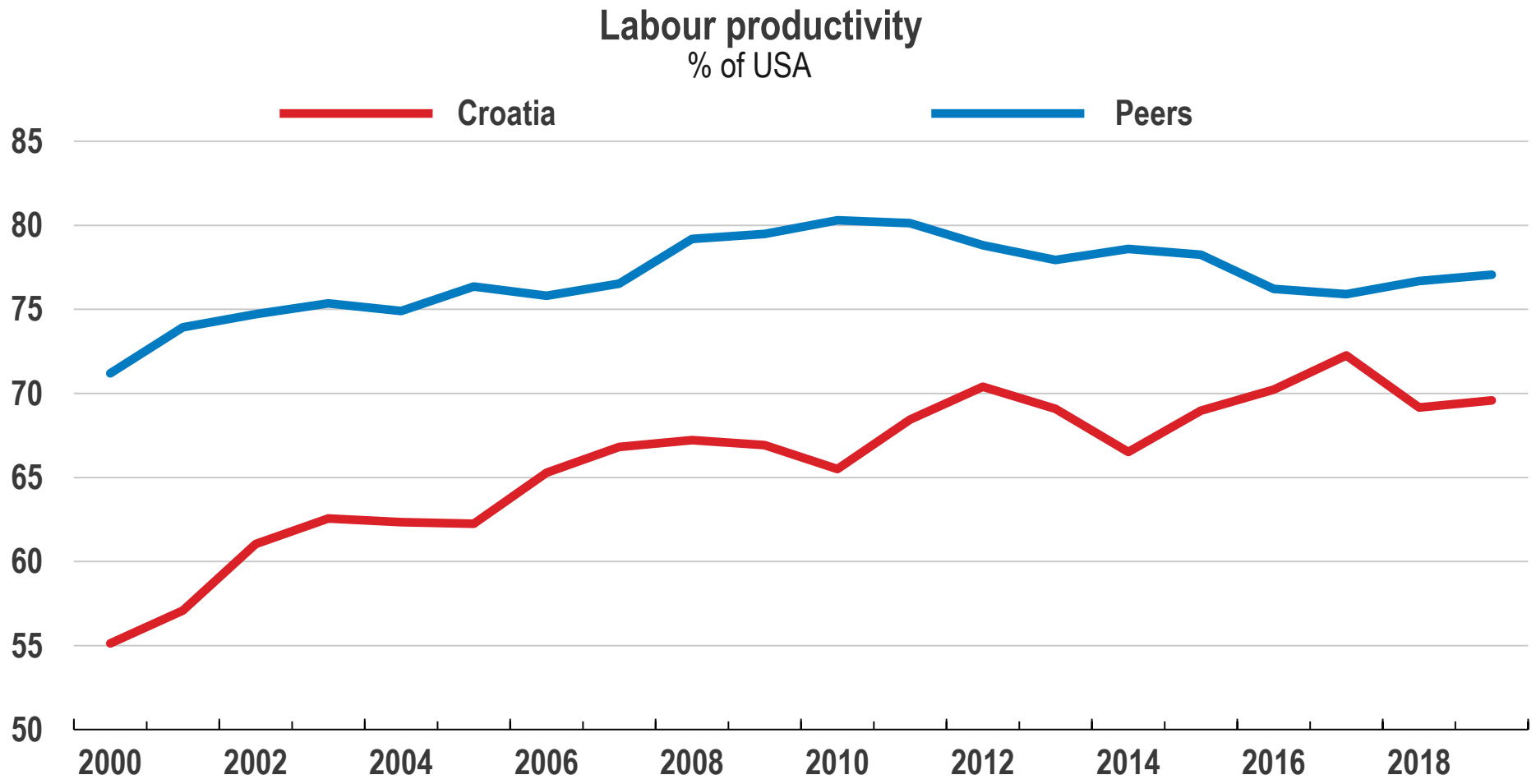
Robust growth needs to continue for incomes to converge



Note: Real GDP per capita at 2015 prices and PPPs.
Source: OECD National Accounts database.

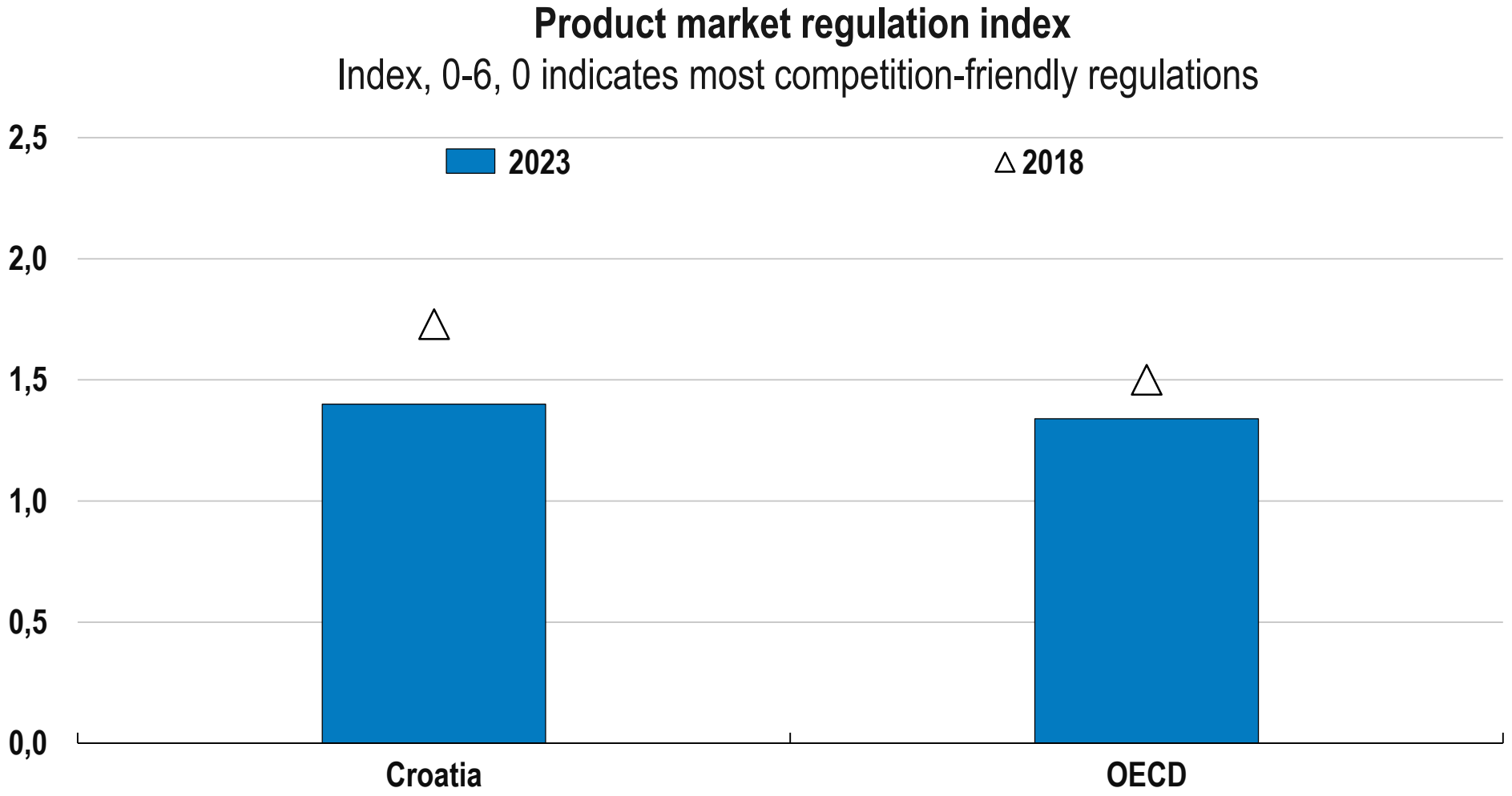
Achieving faster convergence by boosting productivity and investment

A more dynamic business environment would spur productivity growth



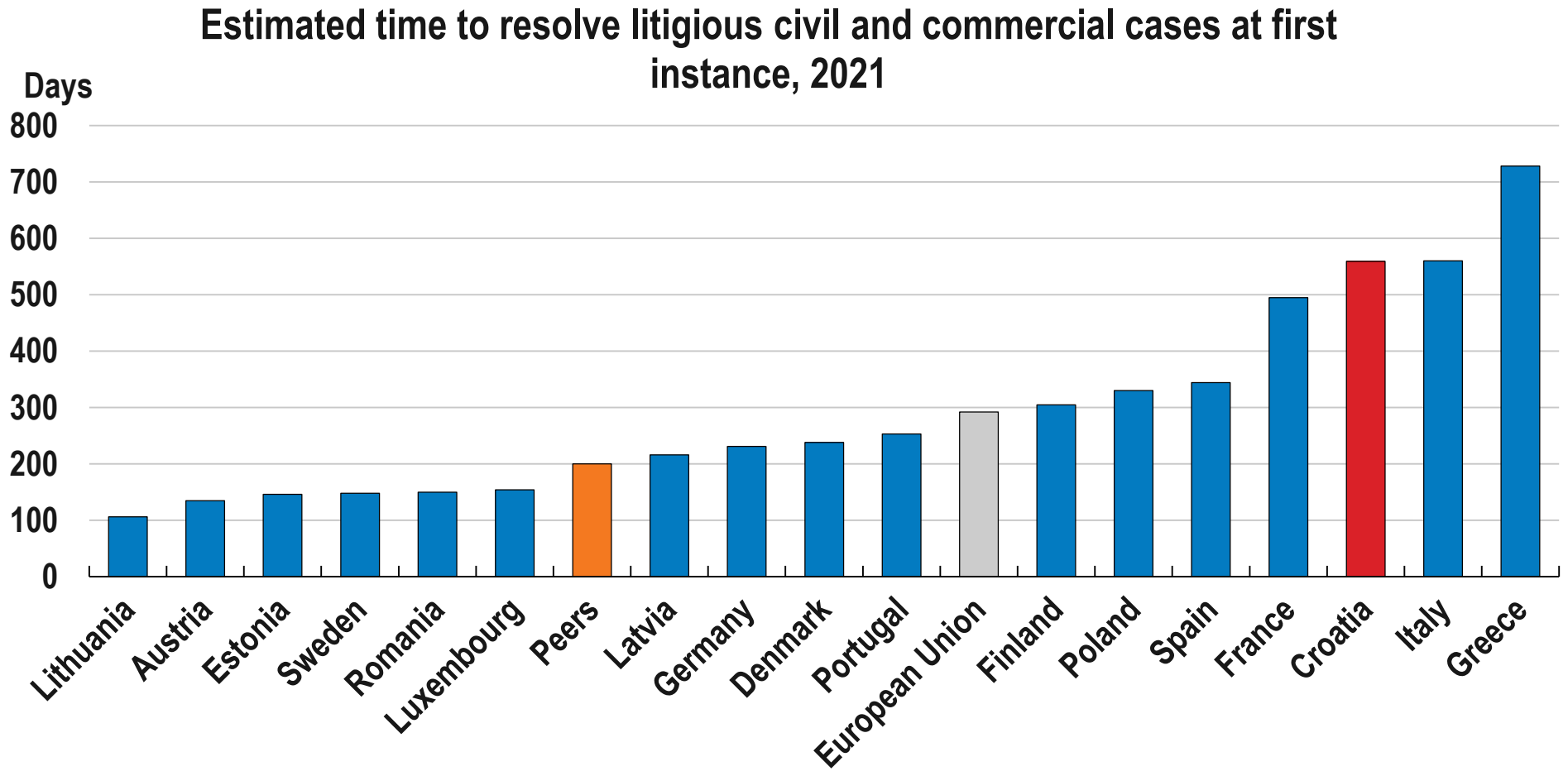
Note: Figure shows labour productivity as % of the USA values, taken to be the global technological frontier. Labour productivity is measured as real GDP at current USD at purchasing power parity, divided by number of persons employed. Peers is an average of the Czech Republic, Hungary, the Slovak Republic and Slovenia.
Source: Penn World Table Version 10.0; OECD calculations.

Better monitoring regulatory burdens would unlock the benefits of ongoing reforms



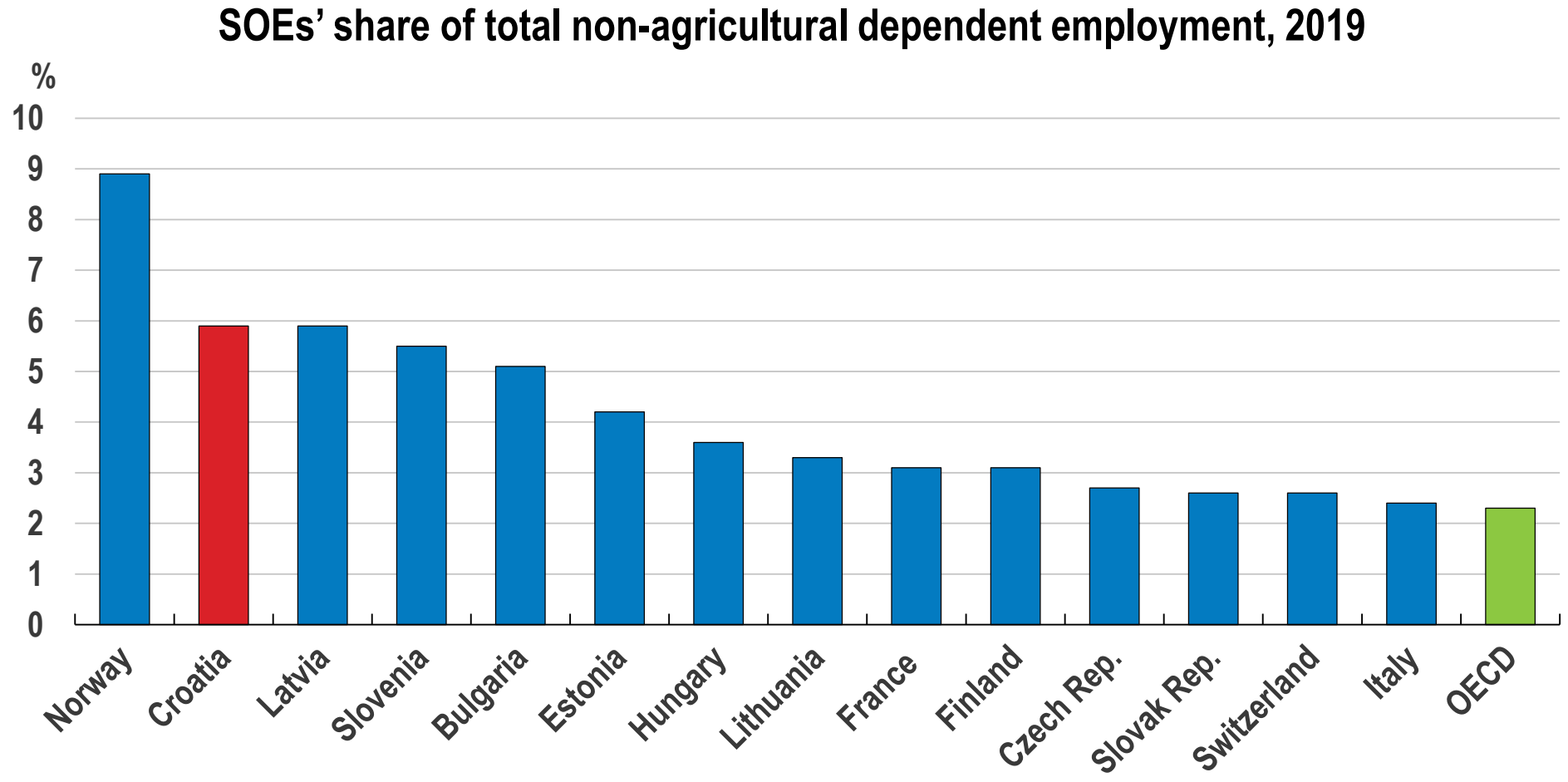
Notes: OECD Product Market Regulation Index, preliminary 2018 and 2023 values applying the 2023 methodology.
Source: OECD 2023 PMR database (July 2023).

Encouraging out-of-court processes would make the judicial system more responsive



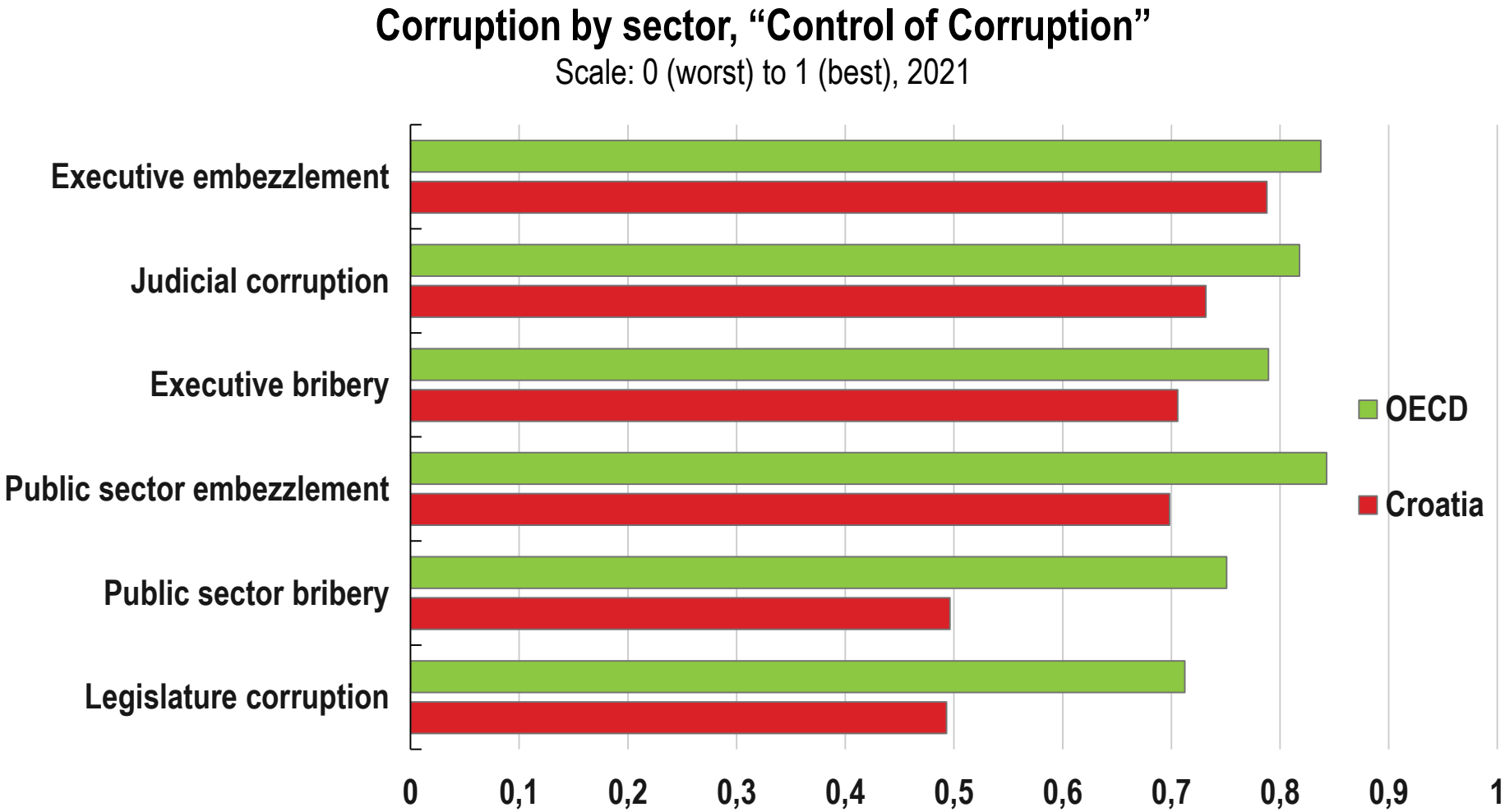
Note: Unweighted average for EU and Peers, which includes the Czech Republic, Hungary, the Slovak Republic and Slovenia.
Source: European Commission (2023), The 2023 EU Justice Scoreboard.

Stronger governance of state-owned enterprises is key given their share in the economy



Source: OECD (2021), OECD Capital Market Review of Croatia: Capital market reforms for recovery and improved business dynamics in Croatia.

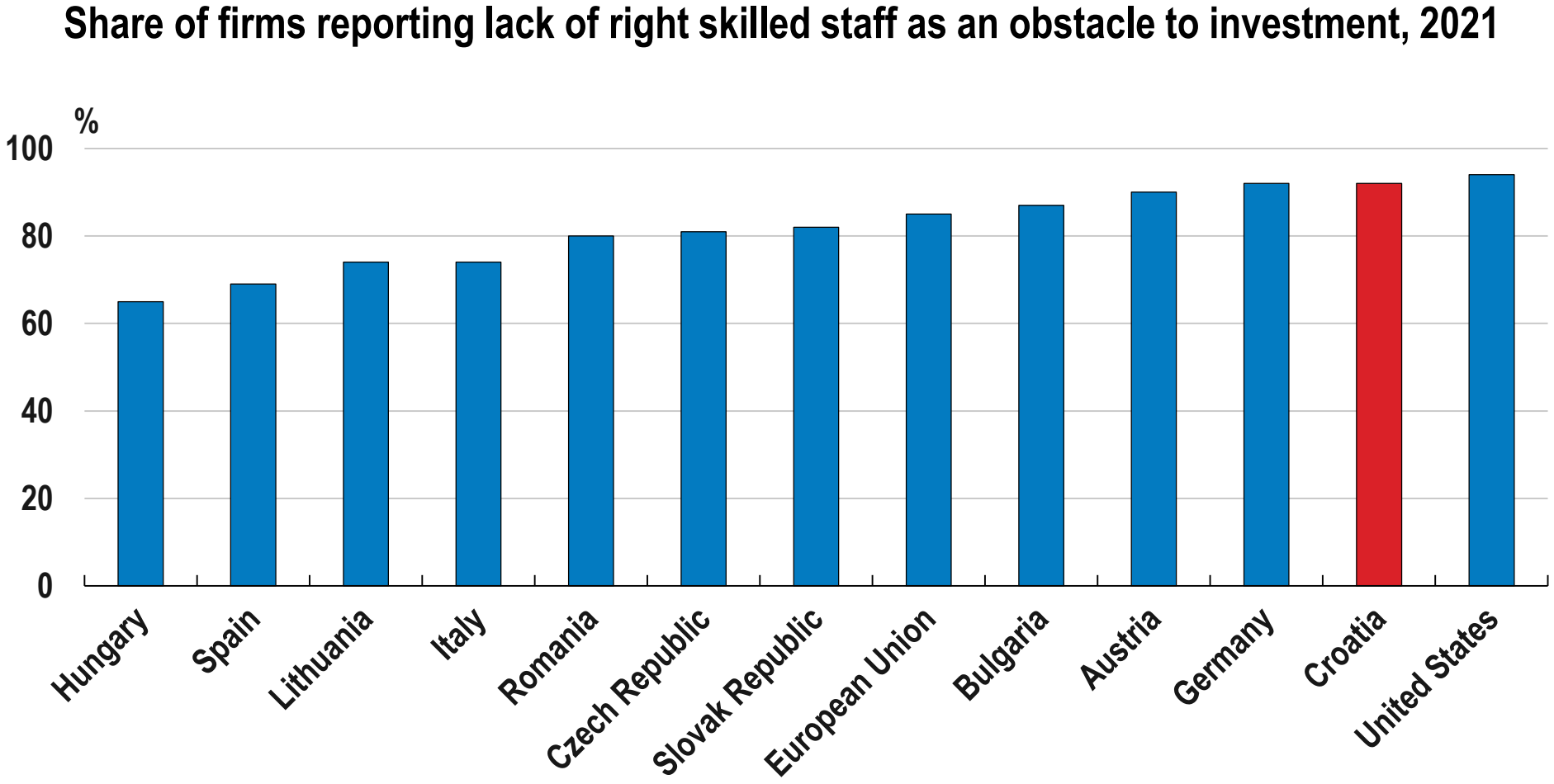
Encouraging ethical behaviour among public officials would complement anti-corruption measures



Note: Unweighted average for OECD.
Source: Varieties of Democracy Project, V-Dem Dataset v12.

Raising skills and participation to promote incomes and equality of opportunities

A big push on training and activation would help solve shortages of skilled workers

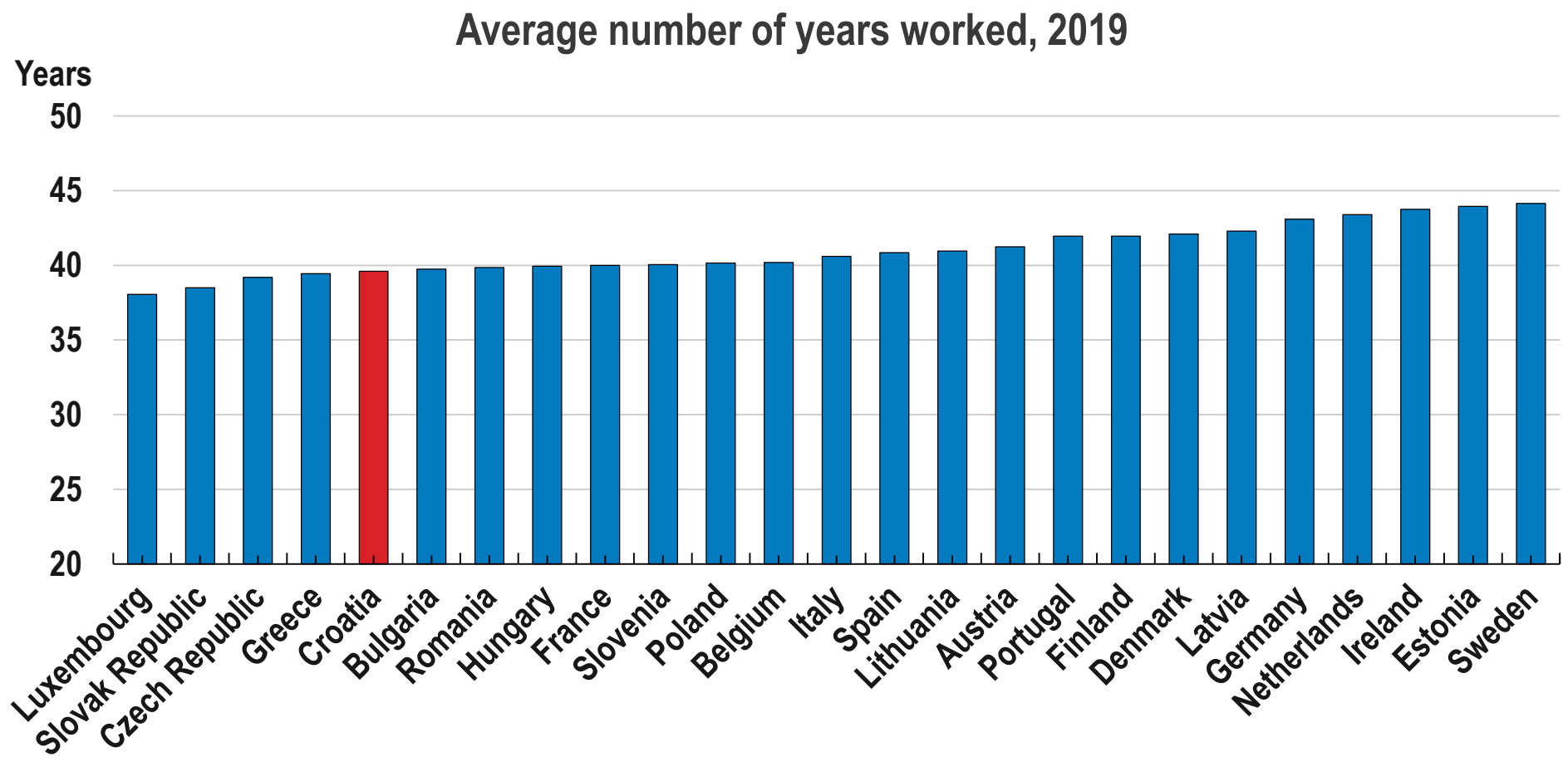


Source: EIB (2022), Investment Survey.

Employment rates among younger and older persons can be strengthened

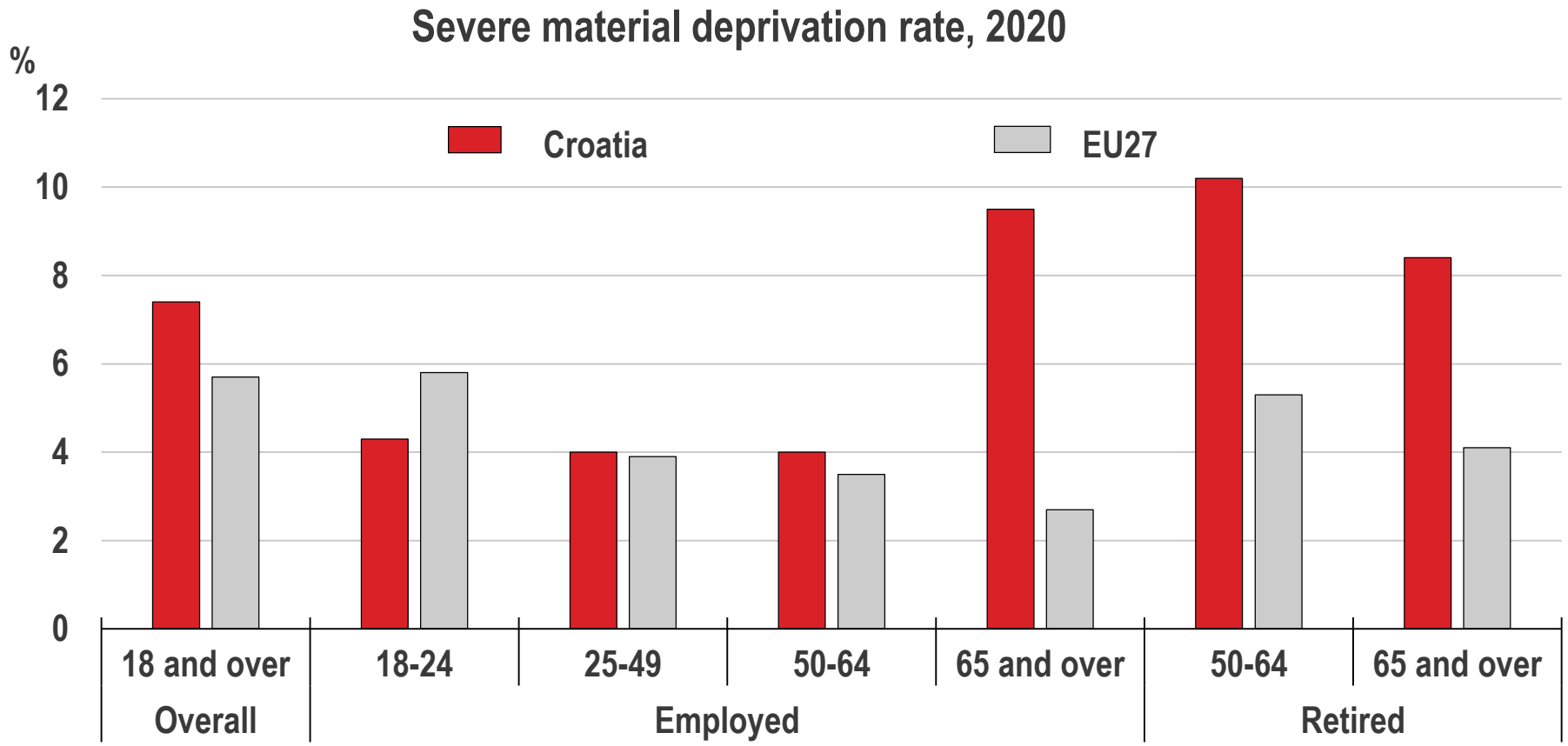
Source: Eurostat and OECD Labour Force Statistics (database).

Pension reform should encourage Croatians to retire later



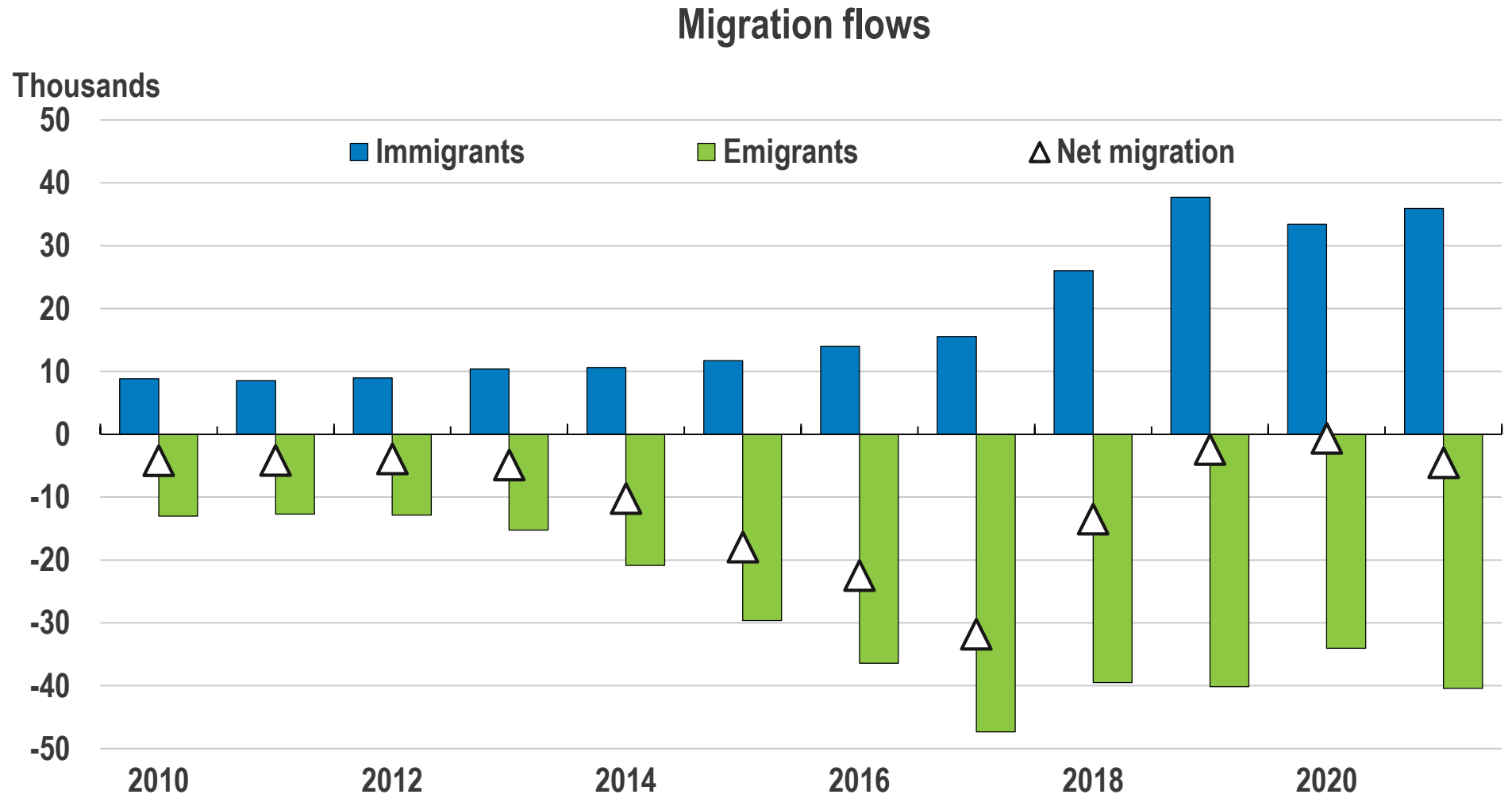
Note: An unweighted average across men and women is shown.
Source: European Commission (2021), Ageing report 2021

Longer working lives would reduce old-age poverty



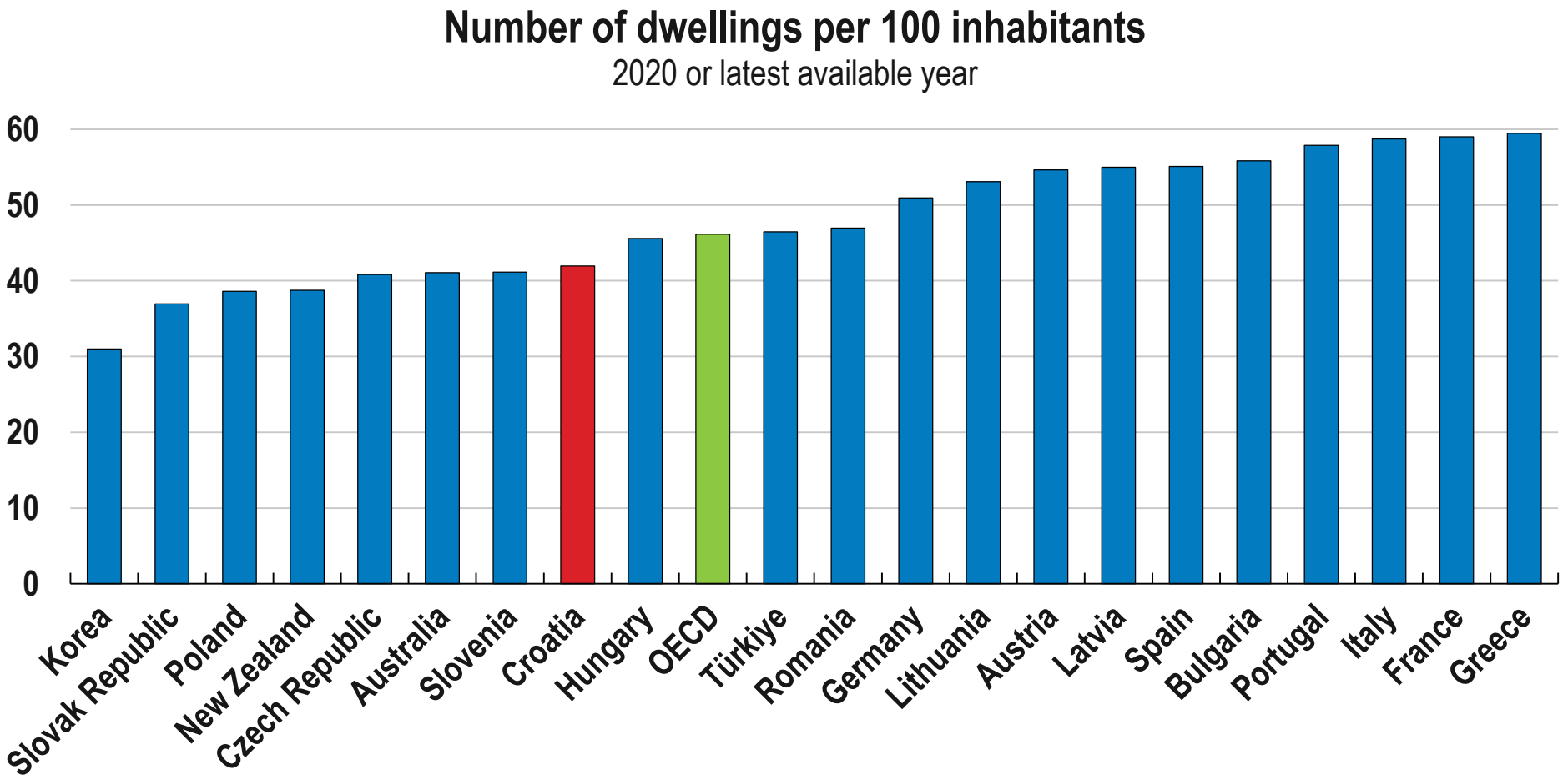
Note: The severe material deprivation rate is the share of respondents living in households unable to afford at least four of the following : unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears.
Source: Eurostat (2022), Income and Living Conditions (database).

Attracting skilled immigrants and encouraging return migration would increase labour supply



Source: United Nations, World Population Prospects 2022, and Eurostat.

Increasing housing supply and reforming property taxation would improve housing access and mobility

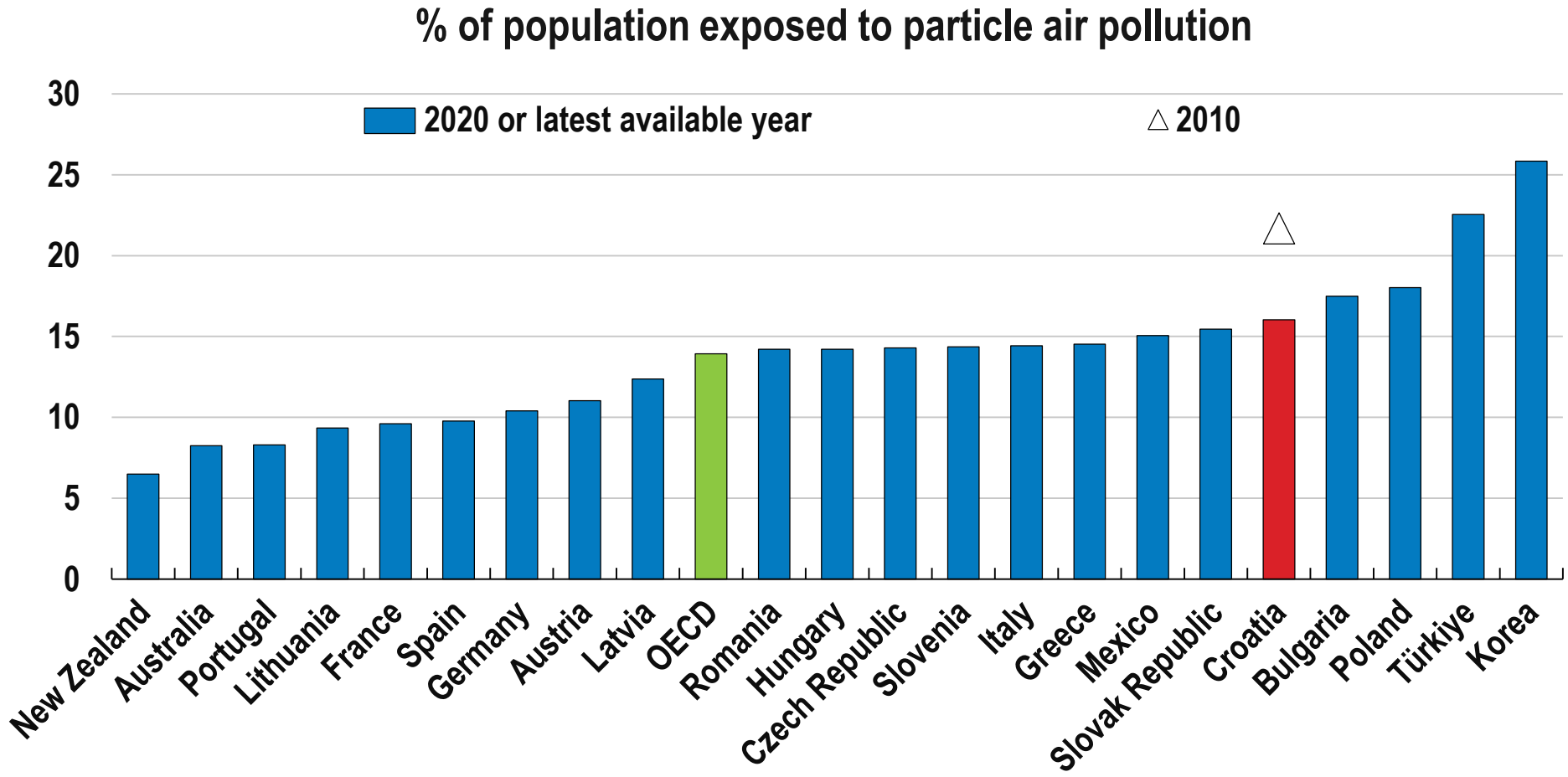


Note: Unweighted OECD average.

Source: OECD Affordable Housing Database – http://oe.cd/ahd; European Statistical System, Census Hub website.

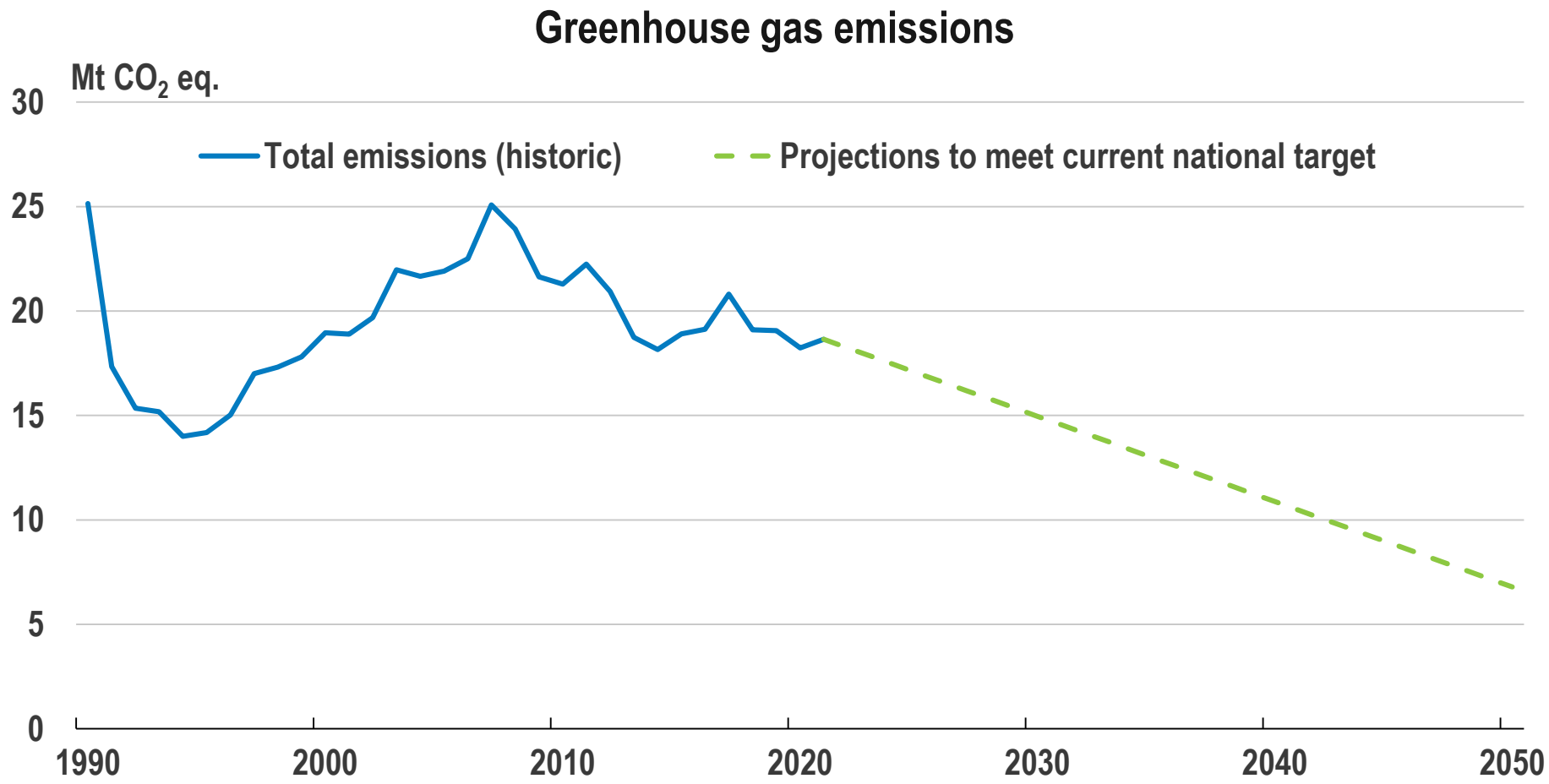
Ensuring robust growth is also sustainable

Further investing in public transport and restricting polluting cars would reduce air pollution



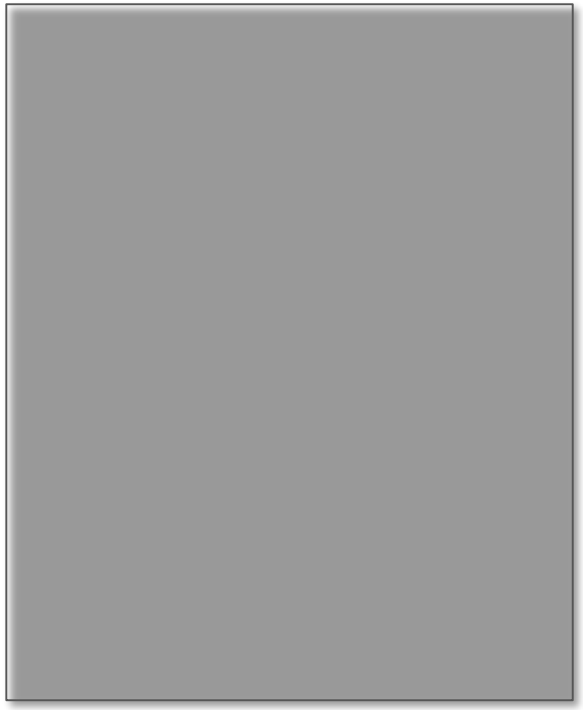
Note: Air pollution measured in PM2.5 particles.
Source: OECD Environmental Statistics (database).

Pricing greenhouse gas emissions consistently and investing in energy efficiency would help reduce emissions



Note: GHG emissions include land use, land-use change and forestry (LULUCF).
Source: OECD (2022), Environment Statistics (database).

For more information



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