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EXCESSIVE DEFICIT PROCEDURE REPORT, REPUBLIC OF CROATIA, APRIL 2022 (ESA 2010)

The Croatian Bureau of Statistics issues the general government deficit and debt data based on the figures reported in the Excessive Deficit Procedure Report (the April Notification) for the period from 2018 to 2021 according to the European System of National and Regional Accounts (ESA 2010) methodology and the Manual on Government Deficit and Debt.

The fiscal surveillance of the European Commission over the Member States is based on the Excessive Deficit Procedure Report. The Maastricht Treaty defines two main criteria of the fiscal surveillance: a deficit-to-GDP ratio and a debt-to-GDP ratio must not exceed the reference values of 3% and 60%, respectively.

This EDP Report is submitted to the European Commission (Eurostat) twice a year – at the end of March (called the April Notification) and the end of September (the October Notification). The EDP Report refers to the last four-year period and for the current year in which current-year data are based on the Ministry of Finance forecast. National statistical offices are obliged to publish the EDP Report on their web sites.

In 2021, the consolidated general government deficit amounted to -12 438 million kuna, or 2.9% of GDP, while in 2020, the deficit amounted to -27 710 million kuna, or 7.3% of GDP. In 2019, the surplus amounted to 969 million kuna, or 0.2% of GDP, while in 2018, the deficit was equal to -116 million kuna, or 0.02% of GDP.

The consolidated debt at the end of 2021 amounted to 343 609 million kuna, or 79.8% of GDP, while in 2020, it amounted to 330 438 million kuna, or 87.3% of GDP. In 2019, the debt amounted to 293 222 million kuna, or 71.1% of GDP, while in 2018, it was 286 597 million kuna, or 73.3% of GDP.

The deficit of 14 967 million kuna, or 3.5% of GDP, in the achieved working balance of the State Budget had a big impact on the deficit amount in 2021, even though it represented an amelioration of 7 015 million kuna compared to the previous year. The deficit of the working balance of the State Budget was caused by taking extensive measures on the expenditure side of the State Budget in order to preserve jobs at employers whose economic activity had been disrupted due to the COVID-19 pandemic as well as to finance costs of preserving the health of citizens, which also continued in 2021.

In 2021, taxes on production and import were collected in the amount of 83 103 million kuna, which was an increase of 17.5% compared to 2020, while the current taxes on income and wealth were collected in the amount of 23 315 million kuna, which was 5.6% lower than in the previous year. Furthermore, net social contribution revenues in 2021 amounted to 48 868 million kuna, which was 10.7% more than in 2020.

National accounts data on taxes and social contributions are data on government cash receipts adjusted to the ESA concepts in a way that time-adjusted cash (TAC) method is implemented.

After a significant deficit in 2020 due to COVID-19 pandemic activities, 2021 was marked with a trend of increasing tax revenues, social contributions, improving the financial performance of extrabudgetary users and public companies, and received capital and current transfers. The decline in the deficit was also affected by the reduction of certain expenditure categories, such as gross fixed capital formation, interest paid and subsidies paid.

Furthermore, the decline in investments was recorded, which amounted to 20 588 million kuna in 2021, which was 3.5% lower than in 2020. Payments for guarantees called, debt assumptions and capital injections in 2021 were recorded in the amount of 591 million kuna, which influenced the generation in deficit as well as inclusion of stimulating housing expenditures.

In 2021, paid interests amounted to 6 691 million kuna, which was a decrease of 10.9% compared to 2020, when they amounted to 7 508 million kuna.

Compared to the October Notification, the government deficit/surplus for the period from 2018 to 2020 has been revised. The revision showed that in 2018 the surplus was 981 million kuna lower, in 2019 the surplus was 233 million kuna lower and in 2020 the deficit was 141 million kuna lower. The aforementioned revisions resulted mainly from changes in the methodological treatment of regular transfers from the 2nd to the 1st pension pillar, updating of data sources, updating of the sector classification and other methodological changes.

Additionally, in accordance with the Manual on Government Deficit and Debt, the general government coverage after the October Notification included certain public enterprises that had failed the market-nonmarket test or provide ancillary government services.

In 2021, the primary deficit of the general government amounted to -5 747 million kuna, or 1.3% of GDP, which was 14 456 million kuna more than in 2020.

The level of the consolidated general government debt (the so-called Maastricht debt) amounted in 2021 to 343.6 billion kuna, which was 13.2 billion kuna, or 4.0%, higher than at the end of 2020. Out of that, 12.5 billion kuna related to net borrowing and the rest of it to depreciation of kuna against euro.

The share of consolidated general government debt was 79.8% of GDP at the end of 2021, which was a decrease of 7.5 percentage points compared to the debt-to-GDP ratio at the end of 2020, when it had been 87.3% of GDP.

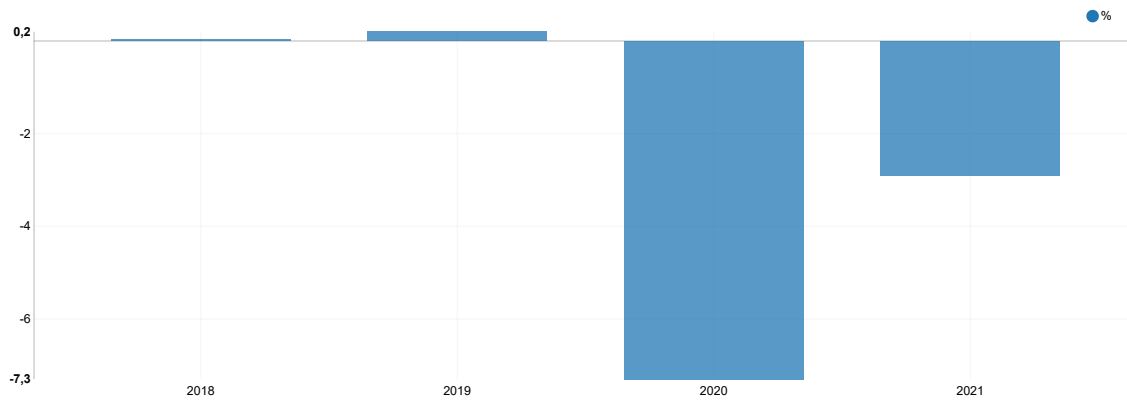
[EDP excel tables from this First Release can be downloaded here.](#)

[Excel table with data on the main aggregates of the general government sector from this First Release can be downloaded here.](#)

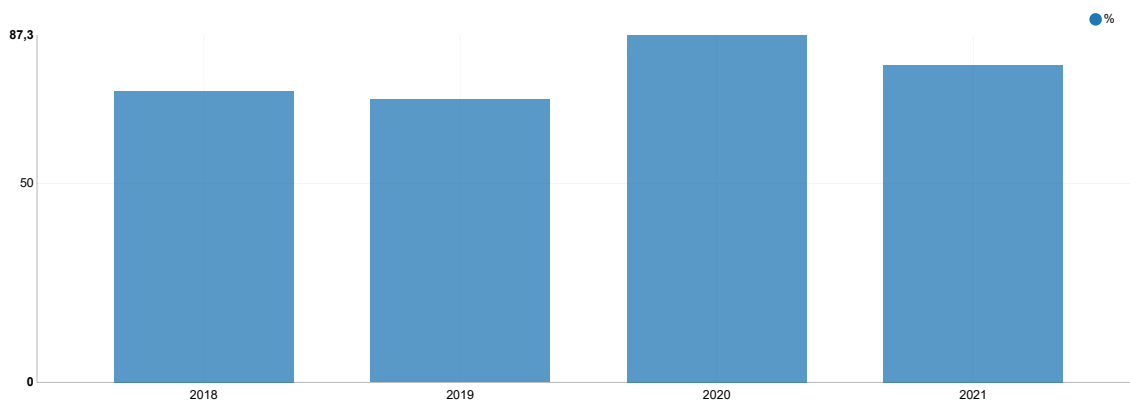
1 REPORTING OF EXCESSIVE GOVERNMENT DEFICIT AND DEBT LEVELS AND PROVISION OF ASSOCIATED DATA

	2018		2019		2020		2021	
	Mln kuna	%	Mln kuna	%	Mln kuna	%	Mln kuna	%
Gross domestic product at current market prices	390.856	100,0	412.228	100,0	378.341	100,0	430.621	100,0
Net borrowing (-)/net lending (+)								
General government	-116	0,0	969	0,2	-27.710	-7,3	-12.438	-2,9
Central government	168	0,0	2.093	0,5	-23.767	-6,3	-12.900	-3,0
Local government	-384	-0,1	-1.672	-0,4	-3.647	-1,0	-1.147	-0,3
Social security funds	100	0,0	548	0,1	-296	-0,1	1.609	0,4
General government consolidated gross debt								
General government	286.597	73,3	293.222	71,1	330.438	87,3	343.609	79,8
General government expenditure								
Gross fixed capital formation	13.543	3,5	17.883	4,3	21.340	5,6	20.588	4,8
Interest (consolidated)	8.928	2,3	8.978	2,2	7.508	2,0	6.691	1,6

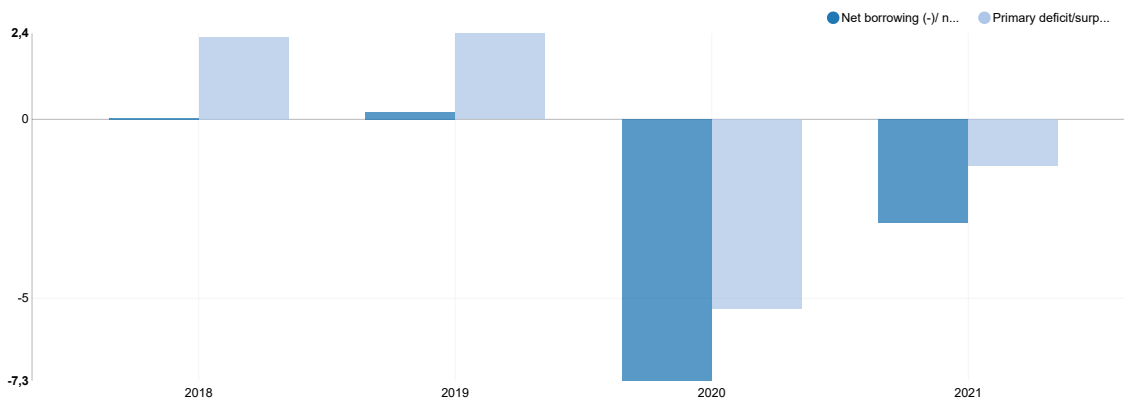
G-1 GENERAL GOVERNMENT DEFICIT/SURPLUS (B.9), 2018 – 2021



G-2 GENERAL GOVERNMENT CONSOLIDATED DEBT, 2018 - 2021



G-3 GENERAL GOVERNMENT PRIMARY DEFICIT, 2018 – 2021



2 COMPARISON OF APRIL 2022 NOTIFICATION WITH OCTOBER 2021 NOTIFICATION OF GOVERNMENT DEFICIT AND DEBT LEVELS

	2018		2019		2020		2021	
	Mln kuna	%	Mln kuna	%	Mln kuna	%	Mln kuna	%
Net borrowing (-)/net lending (+) (B. 9)								
April 2022 Notification	-116	0,0	969	0,2	-27.710	-7,3	-12.438	-2,9
October 2021 Notification	864	0,2	1.202	0,3	-27.851	-7,4	-	-
Difference	-981	-0,3	-233	-0,1	141	0,0	-	-
General government consolidated debt								
April 2022 Notification	286.597	73,3	293.222	71,1	330.438	87,3	343.609	79,8
October 2021 Notification	286.584	73,3	293.210	71,1	330.229	87,3	-	-
Difference	12	0,0	12	0,0	210	0,1	-	-

NOTES ON METHODOLOGY

Basic concepts and definitions

The general government sector (S.13) includes all institutional units that are other non-market producers, whose output is intended for individual and collective consumption and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth.

The general government consists of three sub-sectors: the central government (S.1311), the local government (S.1313) and the social security funds sub-sector (S.1314). The central government comprises departments of government administration and other central government agencies, authorities and institutions whose jurisdiction covers the entire economic territory, apart from the administration of the social security funds sub-sector. It also includes non-profit institutions that are controlled and chiefly financed by the central government. The central government in this EDP Report includes central government budgetary users, extra-budgetary users (the Croatian Waters, the Fund for Environmental Protection and Energy Efficiency, the Croatian Roads, the Croatian Privatization Fund until 31 March 2011, the Agency for Management of the Public Property until 30 September 2013, that is, the Restructuring and Sale Center and the State Property Management Administration as its legal successors), the Croatian Railways Infrastructure, Croatian Railways Passenger Transport the Croatian Radio and Television, Hrvatske Autoceste d. o. o., the Rijeka-Zagreb Motorway (since the end of 2020, the Rijeka-Zagreb Motorway has been incorporated into Croatian Motorways), together with the Croatian Bank for Reconstruction and Development, the State Agency for Deposit Insurance and Bank Resolution (from 2021 under the name Croatian Deposit Insurance Agency), the Croatian Energy Market Operator and Croatian Regulatory Authority for Network Industries, which have been reclassified into the government sector (the central government).

The local government sector comprises local and regional self-government units as well as all local budget users. Included in the local government sector are also non-profit institutions controlled and chiefly financed by local authorities. The social security funds sub-sector includes all public sector institutional units whose main activity consists in administrating funded social insurance systems. Therefore, it consists of the Croatian Health Insurance Fund, the Croatian Institute for Pension Insurance and the Croatian Employment Institute.

The government deficit (surplus) means the net borrowing/net lending (EDP B.9) of the general government sector (S.13) defined in ESA 2010 as a difference between a total revenue and a total expenditure.

According to the new ESA 2010 methodology, no further adjustments are made in the treatment of the interest calculation of flows relating to swaps and forward rate agreements, which means that EDP B.9 is now aligned with B.9 according to the ESA 2010.

The general government debt is defined as gross debt nominal value at the year end. The debt refers to the units classified in the general government sector (S.13) according to the sector classification and consists of the following financial instruments: currency and deposits (AF.2), debt securities (AF.3) and loans (AF.4), as defined in the ESA 2010.

Abbreviations

COVID-19	COrona Virus Disease-19
EDP	excessive deficit procedure
ESA	European System of Accounts
Eurostat	Statistical Office of the European Union
GDP	gross domestic product
mln	million

Symbols

- no occurrence

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