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EXCESSIVE DEFICIT PROCEDURE REPORT, REPUBLIC OF CROATIA, APRIL 2023

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 2019 to 2022 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 Union 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 2022, the consolidated general government surplus amounted to 1 974 million kuna, or 0.4% of GDP, while in 2021, the deficit amounted to -10 909 million kuna, or 2.5% of GDP. In 2020, the deficit amounted to -27 788 million kuna, or 7.3% of GDP, while in 2019, the surplus was equal to 896 million kuna, or 0.2% of GDP.

The consolidated debt at the end of 2022 amounted to 347 199 million kuna, or 68.4% of GDP, while in 2021, it amounted to 343 787 million kuna, or 78.4% of GDP. In 2020, the debt amounted to 330 629 million kuna, or 87.0% of GDP, while in 2019, it was 293 233 million kuna, or 71.0% of GDP.

The achieved working balance of the State Budget in the amount of -3 320 million kuna, or 0.7% of GDP, which improved by 11 646 million kuna compared to the previous year, had a big impact on the surplus amount in 2022. Taxes on production and import were collected in the amount of 94 445 million kuna in 2022, which was an increase of 13.6% compared to 2021, while the current taxes on income and wealth were collected in the amount of 34 331 million kuna, which was 37.4% higher than in the previous year. Furthermore, net social contribution revenues in 2022 amounted to 55 113 million kuna, which was 12.8% more than in 2021.

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 2021 due to the activities related to the COVID-19 pandemic, 2022 was marked by a trend of increasing tax revenues, social contributions and received capital transfers, whose impact is less visible due to the inclusion of the measures in the context of high energy prices in the general government expenditure. The measures to mitigate the growth in energy prices mostly have an impact on the increase in subsidies on products related to price caps, as well as on the increase in social assistance benefits for unemployed persons and pensioners. From the point of view of the income of the general government sector, the measures had a negative impact on tax revenues due to the reduction of VAT and excise duties on energy products, while the amount of income and wealth taxes was positively affected by the additional profit tax.

Furthermore, a decline in investments was recorded, which amounted to 19 127 million kuna in 2022, which was 6.8% lower than in 2021. Payments for guarantees called, debt assumptions and capital injections in 2022 were recorded in the amount of 1 419 million kuna, which influenced the generation of deficit, as well as the inclusion of stimulating housing expenditures.

In 2022, paid interests amounted to 6 993 million kuna, which was an increase of 3.5% compared to 2021, when they amounted to 6 753 million kuna.

Compared to the October Notification, the government deficit/surplus for the period from 2019 to 2021 has been slightly revised. The revision showed that in 2019 the surplus was 0.5 million kuna lower, in 2020 the deficit was 0.6 million kuna higher and in 2021 the deficit was 433.5 million kuna lower. The aforementioned revisions resulted mainly from 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 two public enterprises that had failed the market-nonmarket test (MNM test).

In 2022, the primary surplus of the general government amounted to 8 966 million kuna, or 1.8% of GDP, which was 13 122 million kuna more than in 2021.

The level of the consolidated general government debt (the so-called Maastricht debt) amounted to 347 199 million kuna at the end of 2022, which was 3 412 million kuna, or 1.0%, higher than at the end of 2021. Out of that, 2 893 million kuna related to net borrowing and the rest of it to the depreciation of kuna against euro.

The trend of decreasing share of Maastricht debt in GDP that started in 2014, with the exception of growth in 2020 due to the crisis caused by the COVID-19 pandemic, continued in 2022. The share of consolidated general government debt was 68.4% of GDP at the end of 2022, which was a decrease of 10 percentage points compared to the debt-to-GDP ratio at the end of 2021, when it amounted to 78.4% of GDP.

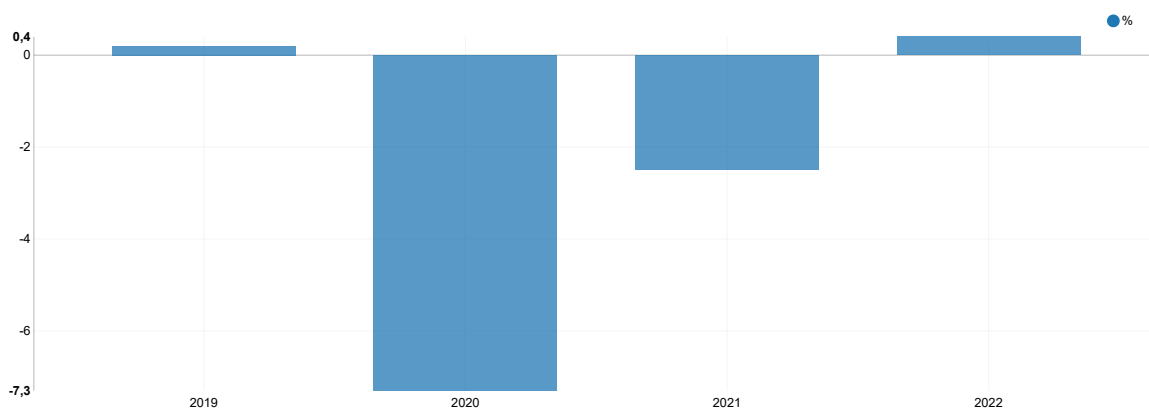
[EDP excel tables can be downloaded here.](#)

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

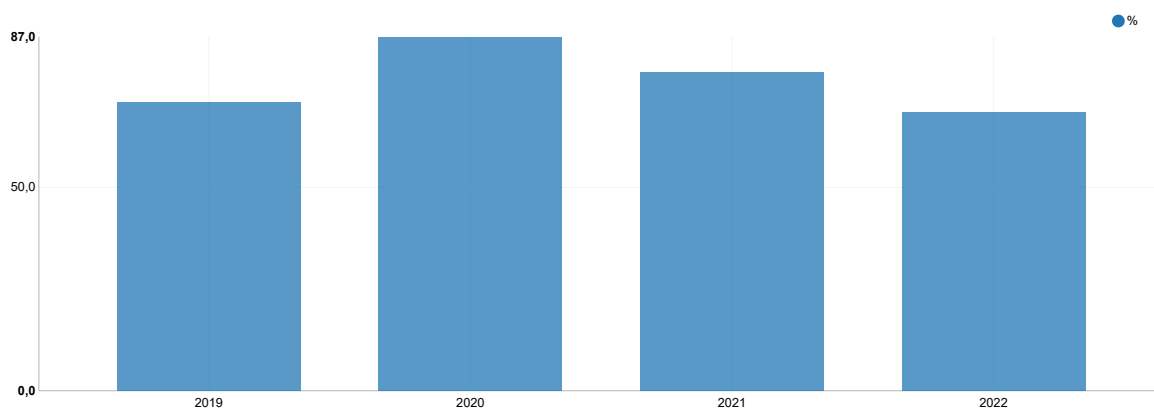
1 REPORTING OF EXCESSIVE GOVERNMENT DEFICIT AND DEBT LEVELS AND PROVISION OF ASSOCIATED DATA

	2019		2020		2021		2022	
	Mln kuna	%	Mln kuna	%	Mln kuna	%	Mln kuna	%
Gross domestic product at current market prices	412 770	100,0	380 123	100,0	438 560	100,0	507 748	100,0
Net borrowing (-)/net lending (+)								
General government	896	0,2	-27 788	-7,3	-10 909	-2,5	1 974	0,4
Central government	2 013	0,5	-23 842	-6,3	-11 328	-2,6	-1 741	-0,3
Local government	-1 665	-0,4	-3 650	-1,0	-1 190	-0,3	2 998	0,6
Social security funds	548	0,1	-296	-0,1	1 609	0,4	717	0,1
General government consolidated debt								
General government	293 233	71,0	330 628	87,0	343 787	78,4	347 199	68,4
General government expenditure								
Gross fixed capital formation	17 885	4,3	21 093	5,5	20 530	4,7	19 127	3,8
Interest (consolidated)	9 058	2,2	7 571	2,0	6 753	1,5	6 993	1,4

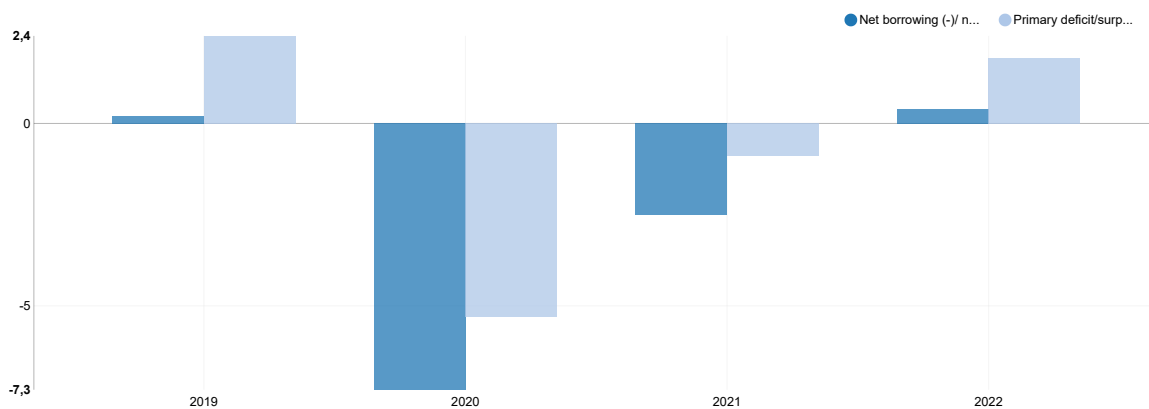
G-1 GENERAL GOVERNMENT DEFICIT/SURPLUS (B.9), 2019 – 2022



G-2 GENERAL GOVERNMENT CONSOLIDATED DEBT, 2019 – 2022



G-3 GENERAL GOVERNMENT PRIMARY DEFICIT, 2019 – 2022



2 COMPARISON OF APRIL 2023 NOTIFICATION WITH OCTOBER 2022 NOTIFICATION OF GOVERNMENT DEFICIT AND DEBT LEVELS

	2019		2020		2021		2022	
	Mln kuna	%	Mln kuna	%	Mln kuna	%	Mln kuna	%
Net borrowing (-) / Net lending (+) (B. 9)								
April 2023 Notification	896	0,2	-27 788	-7,3	-10 909	-2,5	1 974	0,4
October 2022 Notification	897	0,2	-27 788	-7,3	-11 342	-2,6	-	-
Difference	0	0,0	-1	0,0	433	0,1	-	-
General government consolidated debt								
April 2023 Notification	293 233	71,0	330 628	87,0	343 787	78,4	347 199	68,4
October 2022 Notification	293 233	71,0	330 628	87,0	343 787	78,4	-	-
Difference	0	0,0	0	0,0	0	0,0	-	-

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, the Restructuring and Sale Centre and the State Property Management Administration as its legal successors) together with the State Agency for Deposit Insurance and Bank Resolution (since 2021 under the name Croatian Deposit Insurance Agency). In 2020, four public corporations, already previously classified in S.1311, also became extra-budgetary users: the Croatian Motorways Ltd. (HAC), the Motorway Rijeka – Zagreb (ARZ), the Croatian Railways Infrastructure (HŽI) and the Croatian Railways Passenger Transport (HŽPP). At the end of 2020, ARZ was incorporated into HAC.

The central government subsector includes also other public units, not part of the Register of budgetary and extra-budgetary users, classified into mentioned sector on the basis of ESA 2010 qualitative or quantitative criteria, e.g. government-controlled units that had failed the MNM test.

Examples of this group of units are the Croatian Radio-Television (HRT), the Croatian Bank for Reconstruction and Development (HBOR), the Croatian Energy Market Operator (HROTE), the Agency Alan, the Croatian Tourist Board, central government port authorities etc. Some units, initially classified in this status, became budgetary users in the meantime, e.g. the Croatian Energy Regulatory Agency (HERA), the Croatian Regulatory Authority for Network Industries (HAKOM) etc., while the central government port authorities have become budgetary users since 2021.

The local government subsector includes the total coverage of budgets of local units (the City of Zagreb, 20 counties, 127 cities and 428 municipalities) and their budgetary users (e.g. hospitals, schools, kindergartens). Besides that, S.1313, similar to other local government bodies, includes 20 extra-budgetary users of local and regional self-government units' budgets: county road authorities and other units outside the Register of Budgetary and Extra-Budgetary Users, classified into S.1313 according to the ESA 2010 qualitative or quantitative criteria, such as units in liquidation as well as other units controlled by local government that had failed the MNM test. Some examples of this set of units are development agencies, county port authorities, tourist boards, part of utility service companies, the Zagreb Electric Tram (ZET), etc.

The social security fund's sub-sector includes all public sector institutional units mainly engaged in administrating social insurance systems. Therefore, it consists of the Croatian Health Insurance Fund, the Croatian Institute for Pension Insurance and the Croatian Employment Service.

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

According to the 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	COronaVirus 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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