



EXCESSIVE DEFICIT PROCEDURE REPORT, REPUBLIC OF CROATIA, OCTOBER 2024

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 2020 to 2023 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 (the so-called April Notification) and the end of September (the October Notification). The EDP Report refers to the last four-year period and to 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 2023, the consolidated general government deficit amounted to -667 million euro, or 0.9% of GDP, while in 2022, the surplus amounted to 95 million euro, or 0.1% of GDP. In 2021, the deficit amounted to -1 489 million euro, or 2.6% of GDP, while in 2020, the deficit was equal to -3 670 million euro, or 7.2% of GDP.

The consolidated debt at the end of 2023 amounted to 48 262 million euro, or 61.8% of GDP, while in 2022, it amounted to 46 347 million euro, or 68.5% of GDP. In 2021, the consolidated debt amounted to 45 629 million euro, or 78.2% of GDP, while in 2020, it was 43 882 million euro, or 86.5% of GDP.

The achieved working balance of the State Budget in the amount of 729 million euro, or 0.9% of GDP, which was 288 million euro less compared to the previous year, had an impact on the deficit amount in 2023.

After a surplus in 2022, in 2023 there was a trend of a noticeable increase in both revenue and expenditure of the government sector, but the expenditure still recorded growth at a higher rate. An increase in gross fixed capital formation, social benefits in money with social transfers in kind, paid interest, compensation of employees and paid subsidies contributed to this to the greatest extent, even though its effect was moderated by the growth of tax and net social contributions revenues. The measures introduced in 2022 due to the increase in energy prices continued to be applied also in 2023 and mainly had an impact on the increase in paid subsidies on products and social assistance benefits paid to 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 in 2022 and reduction of excise duties on energy products in 2023, while the amount of income and wealth taxes in 2022 was positively affected by the additional profit tax.

In 2023, taxes on production and import were collected in the amount of 14 994 million euro, which was an increase of 15.8% compared to 2022, while the current taxes on income and wealth were collected in the amount of 5 697 million euro, which was 15.6% higher than in the previous year. Furthermore, net social contribution revenues in 2023 amounted to 8 371 million euro, which was 14.4% more than in 2022.

National accounts data on taxes and social contributions are data on government cash receipts adjusted to the ESA concepts by implementing the time-adjusted cash (TAC) method.

Furthermore, an increase in investments was recorded and it amounted to 4 339 million euro in 2023, which was 59.6% higher than in 2022. Payments for guarantees called, debt assumptions and capital injections in 2023 amounted to 80 million euro, which influenced the generation of deficit as well as the inclusion of stimulating housing expenditures.

In 2023, paid interests amounted to 1 294 million euro, which was an increase of 39.2% compared to 2022, when they amounted to 930 million euro.

Compared to the April Notification 2024, the government deficits/surpluses in 2020, 2021, 2022 and 2023 have been revised. The revisions showed that in 2020 the deficit was 16.7 million euro lower and in 2021 it was 2.7 million euro higher, then in 2022 the surplus was 6.1 million euro higher, while in 2023 the deficit was 139.0 million euro higher. The aforementioned revisions resulted mainly from the updating of data sources for taxes and high energy prices measures, change in recording export insurance programmes and inclusion of new units to general government sector.

Additionally, in accordance with the Manual on Government Deficit and Debt, the general government coverage after the April Notification included ten public enterprises that had failed the market/non-market test.

In 2023, the primary surplus of the general government amounted to 627 million euro, or 0.8% of GDP, which was 398 million euro less than in 2022.

The level of the consolidated general government debt (the so-called Maastricht debt) amounted to 48 262 million euro at the end of 2023, which was 1 915 million euro, or 4.1%, higher than at the end of 2022, which was almost entirely related to net borrowing. With the introduction of the euro as the national currency, the change in the general government debt due to exchange rates was negligible.

The trend of decreasing share of the 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 2023. Thus, at the end of 2023, the share of consolidated general government debt in GDP was 61.8%, which was a decrease of 6.7 percentage points compared to the debt-to-GDP ratio at the end of 2022, when it amounted to 68.5% of GDP.

The percentage shares of all aforementioned aggregates in GDP in relation to the April notification were also affected by the change in the absolute amounts of GDP due to the revision.

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

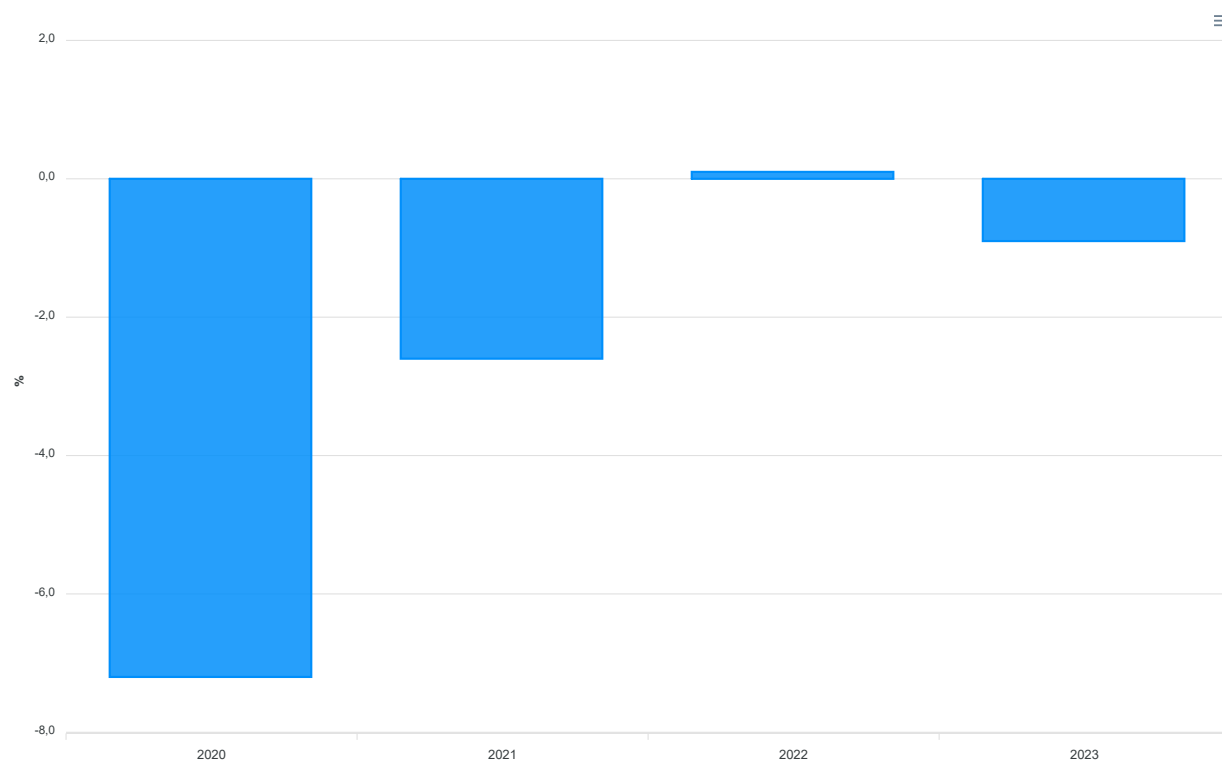
[Excel table with data on the main aggregates of the general government sector can be downloaded here.](#)

[Excel table with data on detailed tax and social contribution receipts by type of tax or social contribution can be downloaded here.](#)

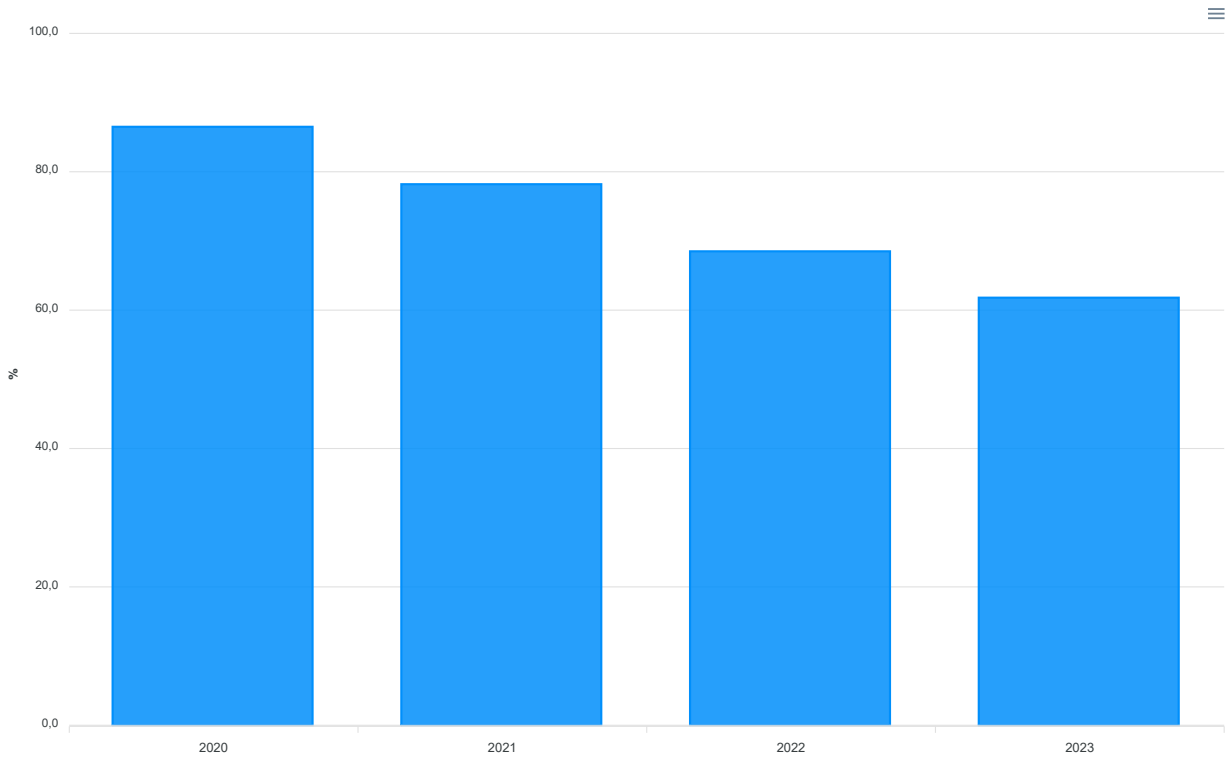
1 REPORTING OF EXCESSIVE GOVERNMENT DEFICIT AND DEBT LEVELS AND PROVISION OF ASSOCIATED DATA

	2020		2021		2022		2023	
	Mln euro	%	Mln euro	%	Mln euro	%	Mln euro	%
Gross domestic product at current market prices	50 747	100,0	58 347	100,0	67 615	100,0	78 048	100,0
Net borrowing (-)/net lending (+)								
General government	-3 670	-7,2	-1 489	-2,6	95	0,1	-667	-0,9
Central government	-3 146	-6,2	-1 543	-2,6	-399	-0,6	-1 129	-1,4
Local government	-484	-1,0	-159	-0,3	399	0,6	468	0,6
Social security funds	-39	-0,1	214	0,4	95	0,1	-6	0,0
General government consolidated debt								
General government	43 882	86,5	45 629	78,2	46 347	68,5	48 262	61,8
General government expenditure								
Gross fixed capital formation	2 818	5,6	2 786	4,8	2 719	4,0	4 339	5,6
Interest (consolidated)	1 004	2,0	896	1,5	930	1,4	1 294	1,7

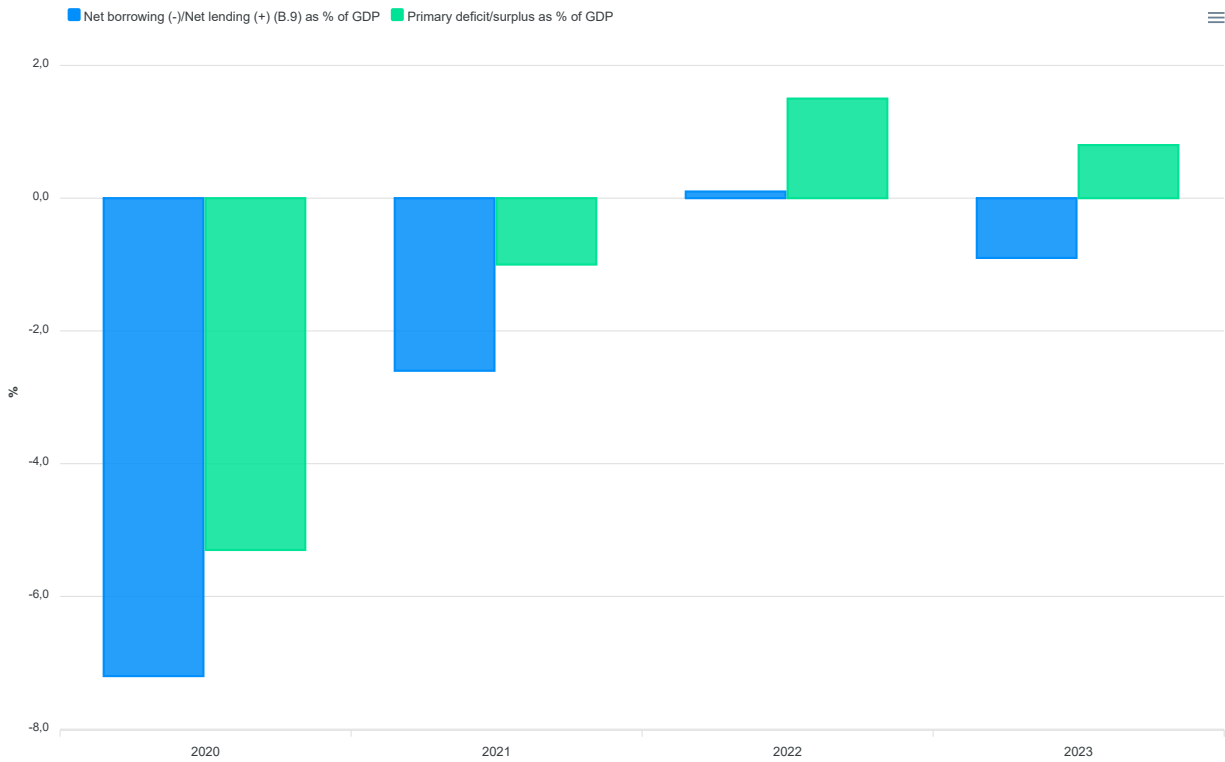
G-1 GENERAL GOVERNMENT DEFICIT/SURPLUS (B.9), 2020 – 2023



G-2 GENERAL GOVERNMENT CONSOLIDATED DEBT, 2020 – 2023



G-3 GENERAL GOVERNMENT PRIMARY DEFICIT, 2020 – 2023



2 COMPARISON OF OCTOBER 2024 NOTIFICATION WITH APRIL 2024 NOTIFICATION OF GOVERNMENT DEFICIT AND DEBT LEVELS

	2020		2021		2022		2023	
	Mln euro	%	Mln euro	%	Mln euro	%	Mln euro	%
Net borrowing (-) / Net lending (+) (B. 9)								
October 2024 Notification	-3 670	-7,2	-1 489	-2,6	95	0,1	-667	-0,9
April 2024 Notification	-3 687	-7,3	-1 486	-2,5	88	0,1	-528	-0,7
Difference	17	0,0	-3	0,0	6	0,0	-139	-0,2
General government consolidated debt								
October 2024 Notification	43 882	86,5	45 629	78,2	46 347	68,5	48 262	61,8
April 2024 Notification	43 882	86,5	45 629	78,2	46 346	68,5	48 191	61,7
Difference	0	0,0	0	0,0	1	0,0	0	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, 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 Radiotelevision (HRT), the Croatian Bank for Reconstruction and Development (HBOR), the Croatian Energy Market Operator (HROTE), the Agency Alan, the Croatian National 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	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

0	value not zero but less than 0.5 of the unit of measure used
0.0	value not zero but less than 0.05 of the unit of measure used

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