



## EXCESSIVE DEFICIT PROCEDURE REPORT, REPUBLIC OF CROATIA, OCTOBER 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 October 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 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 2021, the consolidated general government deficit amounted to -11 342 million kuna, or 2.6% of GDP, while in 2020, the deficit amounted to -27 788 million kuna, or 7.3% of GDP. In 2019, the surplus amounted to 897 million kuna, or 0.2% of GDP, while in 2018, the deficit was equal to -206 million kuna, or 0.1% of GDP.

The consolidated debt at the end of 2021 amounted to 343 787 million kuna, or 78.4% of GDP, while in 2020, it amounted to 330 628 million kuna, or 87.0% of GDP. In 2019, the debt amounted to 293 233 million kuna, or 71.0% of GDP, while in 2018, it was 286 601 million kuna, or 73.2% of GDP.

The deficit of 14 967 million kuna, or 3.4% of GDP, in the achieved working balance of the State Budget, in spite of the amelioration of 7 015 million kuna compared to the previous year, had a big impact on the deficit amount in 2021. The reason for deficit of the working balance of the State Budget was caused by undertaking significant measures on the expenditure side of the State Budget in order to preserve jobs at employers whose economic activity has been disrupted due to the COVID-19 pandemic as well as in order to finance costs to preserve the health of citizens, which continued in 2021.

In 2021, taxes on production and import were collected in the amount of 83 088 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 24 552 million kuna, which was 0.6% lower than in the previous year. Furthermore, net social contribution revenues amounted in 2021 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 concepts of ESA in a way that time-adjusted cash (TAC) method is implemented.

After a significant deficit in 2020 due to pandemic activities, in 2021 there was 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, interests paid and subsidies paid.

Furthermore, the decline in investments was recorded, which amounted to 20 530 million kuna in 2021, which was 2.7% lower than in 2020. In 2021, paid interests amounted to 6 753 million kuna, which was a decrease of 10.8% compared to 2020, when they amounted to 7 571 million kuna.

Compared to the April Notification, the government deficit/surplus for the period from 2018 to 2021 has been revised and the deficit was 90 million kuna higher in 2018, while in 2019 the surplus was 72 million kuna lower, in 2020 the deficit was 77 million kuna higher and in 2021 the deficit was 1 096 million kuna lower. The aforementioned revisions resulted mainly from updating data sources and estimated tax revenue values with actual data for 2021, and also due to updating of the sector classification and other methodological changes for entire data series.

Additionally, in accordance with the Manual on Government Deficit and Debt, the general government coverage after the April 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 -4 589 million kuna, or 1.0% of GDP, which was 15 628 million kuna more than in 2020.

The revision of the general government debt levels due to the further alignment of the scope of the general government sector with the ESA 2010 criteria led to an increase of debt levels in the entire observed series compared to the data published in the last EDP Report in April 2022.

The level of the consolidated debt of the general government sector (the so-called Maastricht debt) at the end of 2021 was 343.8 billion kuna, which was an increase of 13.2 billion kuna, or 4.0%, compared to the debt balance at the end of 2020. Of that, 12.5 billion kuna related to net borrowing and the rest to the depreciation of the kuna against the euro.

Also, the series of annual nominal GDP was revised compared to the last publication in April 2022, whose growth was higher than the growth of the revised series of general government debt, which caused a decline in the share of Maastricht debt in GDP in the whole series compared to the April EDP Notification, but there was no change in the trend. Thus, the reduction of the share of Maastricht debt in GDP is still visible after 2013, with the exception of the growth in 2020 due to the crisis caused by the COVID-19 pandemic. At the end of 2021, the share of general government debt in GDP was 78.4%, which was a decrease of 8.6 percentage points compared to the share of debt in GDP at the end of 2020, when it was 87.0% of GDP.

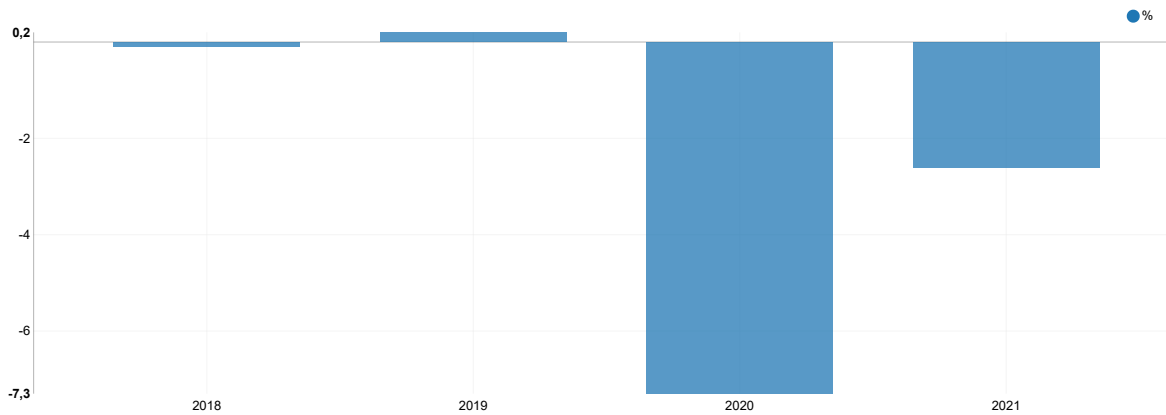
[EDP excel tables from this First Release can be downloaded here.](#)

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

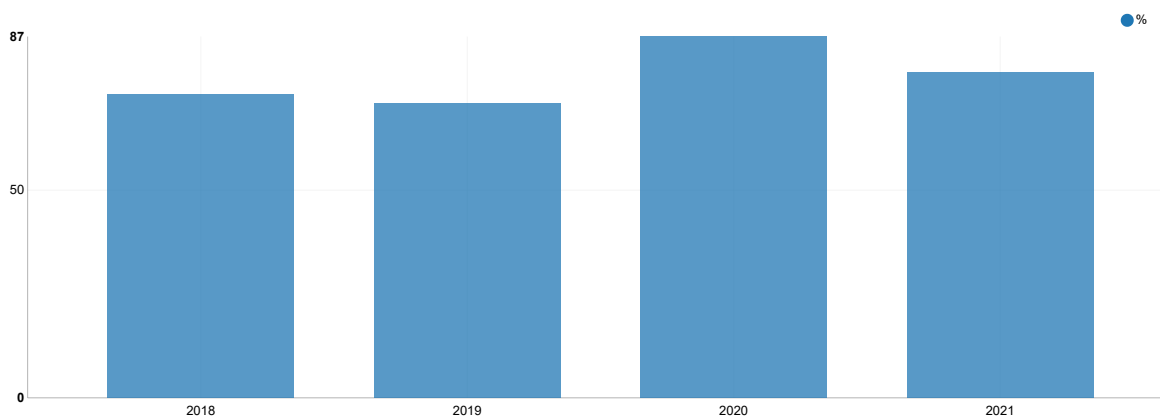
## 1 REPORTING OF EXCESSIVE GOVERNMENT DEFICIT AND DEBT LEVELS AND PROVISION OF ASSOCIATED DATA

	2018		2019		2020		2021	
	Mln kuna	%	Mln kuna	%	Mln kuna	%	Mln kuna	%
Gross domestic product at current market prices	391.289	100	412.770	100	380.123	100	438.560	100
<b>Net borrowing (-)/Net lending (+)</b>								
General government	-206	-0,1	897	0,2	-27.788	-7,3	-11.342	-2,6
Central government	87	0,0	2.013	0,5	-23.842	-6,3	-11.748	-2,7
Local government	-393	-0,1	-1.664	-0,4	-3.649	-1,0	-1.204	-0,3
Social security funds	100	0,0	548	0,1	-296	-0,1	1.609	0,4
<b>General government consolidated gross debt</b>								
General government	286.601	73,2	293.233	71,0	330.628	87,0	343.787	78,4
<b>General government expenditure</b>								
Gross fixed capital formation	13.547	3,5	17.885	4,3	21.093	5,5	20.530	4,7
Interest (consolidated)	9.006	2,3	9.058	2,2	7.571	2,0	6.753	1,5

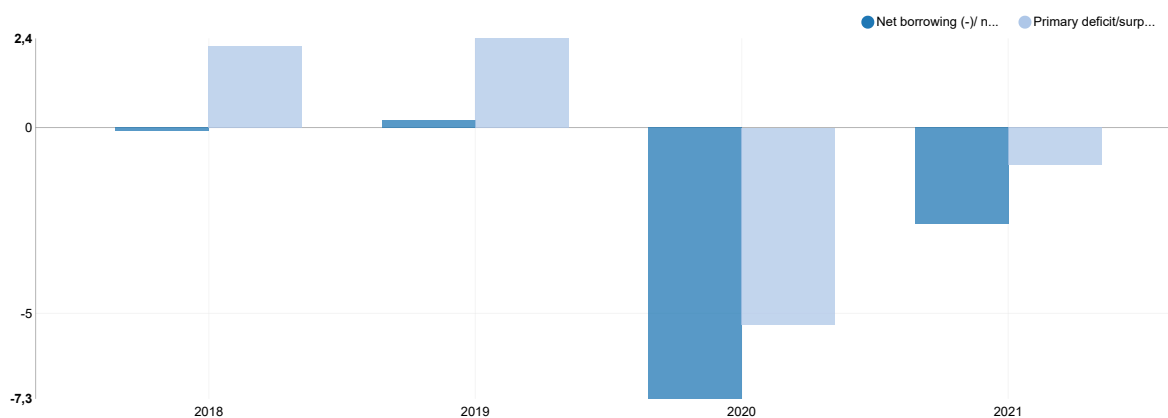
### G-1 GENERAL GOVERNMENT DEFICIT/SURPLUS (B.9), 2018 - 2021



### G-2 GENERAL GOVERNMENT CONSOLIDATED DEBT, 2018 - 2021



### G-3 GENERAL GOVERNMENT PRIMARY DEFICIT, 2018 – 2021



## 2 COMPARISON OF OCTOBER 2022 NOTIFICATION WITH APRIL 2022 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	-12438	-2,9
October 2022 Notification	-206	-0,1	897	0,2	-27.788	-7,3	-11.342	-2,6
<b>Difference</b>	<b>-90</b>	<b>0,0</b>	<b>-72</b>	<b>0,0</b>	<b>-77</b>	<b>0,0</b>	<b>1.096</b>	<b>0,3</b>
General government consolidated debt								
April 2022 Notification	286.597	73,3	293.222	71,1	330.438	87,3	343.609	79,8
October 2022 Notification	286.601	73,2	293.233	71,0	330.628	87,0	343.787	78,4
<b>Difference</b>	<b>5</b>	<b>-0,1</b>	<b>11</b>	<b>-0,1</b>	<b>190</b>	<b>-0,4</b>	<b>179</b>	<b>-1,4</b>

## 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	Corona Virus Disease-19
EDP	excessive deficit procedure
ESA	European System of Accounts
Eurostat	Statistical Office of the European Union
GDP	gross domestic product
mIn	million

**Published by the Croatian Bureau of Statistics, Zagreb, Ilica 3, P. O. B. 80**

Phone: (+385 1) 48 06 111

Press corner: [press@dzs.hr](mailto:press@dzs.hr)

Persons responsible:

Suzana Šamec, Director of Macroeconomic Statistics Directorate

Lidija Brković, Director General

Prepared by:

Valentina Hudiluk, Milan Milković and Iva Jelić

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Customer Relations and Data Protection Department

Information and user requests

Phone: (+385 1) 48 06 138, 48 06 154

E-mail: [stat.info@dzs.hr](mailto:stat.info@dzs.hr)

Subscription

Phone: (+385 1) 48 06 115

E-mail: [prodaja@dzs.hr](mailto:prodaja@dzs.hr)