

CROATIA



HIGHLIGHTS

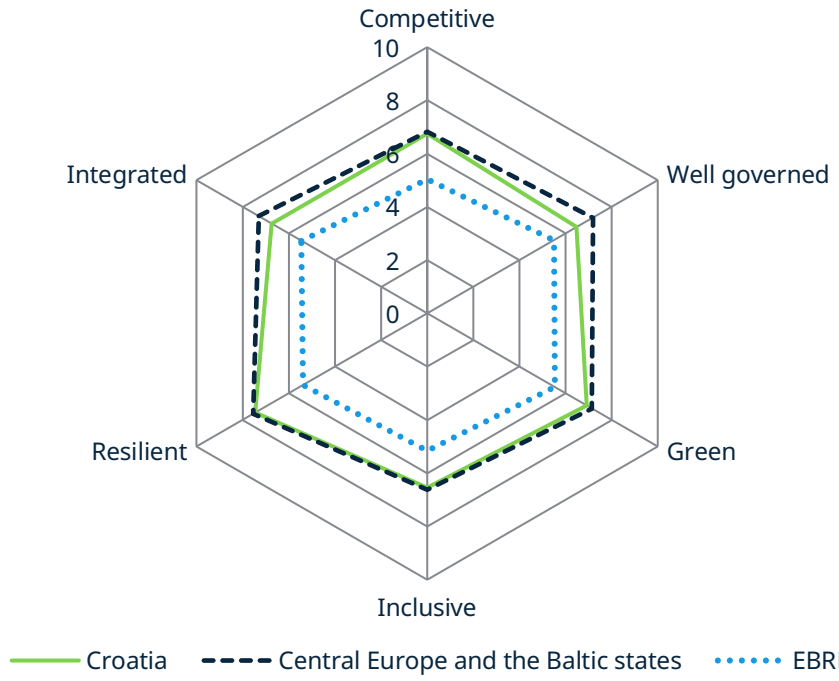
- **Economic growth is slowing**. Real gross domestic product (GDP) grew 3.4 per cent in 2025 but weakened in the first quarter of 2026 on slower investment growth and a decline in export growth. Private consumption continues to moderate amid a gradual deceleration in real wage growth.
- **Implementation of the Recovery and Resilience Plan is being finalised**. As at the end of August 2026, Croatia had received €4.9 billion in grants and €2.4 billion in loans from the European Union, with 62 per cent of the requisite measures fulfilled. The final payment request was submitted at the end of September, following the completion of the remaining targets and milestones.
- **A grid connection fee for renewable energy has been set**. The energy regulator approved a fee for new capacity connections to the electricity grid, removing an obstacle to more investment in renewable energy in the country.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Contain fiscal pressures.** Rising public wages, social transfers, and defence and investment spending are increasing budgetary pressures. The European Commission projects net expenditure growth to exceed the agreed fiscal path in 2026 and recommends spending reviews, more effective property taxation and better prioritisation of growth-enhancing investment.
- **Implement the state-owned enterprise (SOE) governance framework.** The updated governance framework will require effective implementation and monitoring to enforce the new rules and achieve higher operational efficiency in the SOE sector.
- **Enable more private investment in renewable energy.** Following a few years of regulatory and grid barriers that resulted in less renewable capacity being installed than in regional peers, the authorities should streamline the permitting and connection processes for the existing pipeline of projects.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Digitalisation of fiscal and tax administration

- The Fiscalisation 2.0 reform, applied from January 2026, made e-invoicing mandatory for domestic business-to-business transactions between taxpayers within the value-added tax (VAT) system and introduced electronic reporting. This extends fiscalisation beyond cash and consumer transactions and creates a fuller digital record of economic activity.
- The reform includes the modernisation of the tax administration's information system.

1 From the fourth quarter of 2025 to October 2026.

Construction, spatial-planning and permitting reform

- Adopted in December 2025 and effective from January 2026, new construction and spatial-planning legislation digitalised spatial plans, introduced a 30-day target period for issuing building permits and re-established urban land consolidation to facilitate the assembly and servicing of development land.

Renewable energy grid connection network

- In April 2026 the Croatian energy regulator adopted updated electricity grid connection charges, providing greater cost predictability for renewable-energy developers.
- The move will potentially unblock up to 3.5 GW of utility-scale renewable projects delayed by uncertainty over connection costs.

Water-sector consolidation

- Croatia has consolidated nearly 160 local water service providers into 41 regional utilities and established a regulatory and benchmarking framework to compare operational performance, costs and service quality.
- The reform aims to achieve economies of scale, improve investment capacity and reduce substantial water losses, while supporting investment in more than 1,200 km of water supply and more than 1,000 km of wastewater networks under the country's Recovery and Resilience Plan.

Corporate governance and commercialisation of state- and locally owned enterprises

- Completed in June 2026, the reform extends Organisation for Economic Co-operation and Development (OECD) corporate governance principles, previously applied only to centrally owned SOEs, to those majority owned by local and regional governments. The same month, five of the nine implementing acts were presented to parliament, including those on ownership policy, appointments, reporting and compliance. Gradual implementation will start in 2027.
- As part of its Recovery and Resilience Plan, Croatia has also completed the sale of more than 130 non-strategic SOEs from its central portfolio.

Affordable Housing Act

- Adopted in 2026, the Affordable Housing Act introduces the concept of affordable housing into Croatian legislation, defining housing costs as affordable when they do not exceed 30 per cent of household net income.
- It supports the construction and renovation of more than 20,000 housing units by 2030 through regulated sale and rental schemes, targeting households without adequate housing, particularly younger and lower-income groups.

New industrial strategy

- Adopted in September 2026, the National Industrial Development Plan 2027-34 aims to increase the competitiveness, decarbonisation and resilience of Croatian industry through digitalisation, industrial modernisation, innovation and export growth.
- The strategy will be implemented by way of 10 measures and 55 projects and activities spanning automation, clean technologies, energy efficiency, renewable energy and industrial research and development, with total planned investment of around €3 billion by 2034.