### Key short-term priorities

Provide liquidity to the economy, particularly SMEs and the tourism sector, as well as revenue support to affected individuals.

### Economic channels of disruption

**Tourism, private consumption, goods exports**

- A key channel for disruption is tourism (20% of GDP). Drop of 75-80% tourist arrivals in March y/y, almost a standstill in April and May, and a drop of 71% y/y in June, as the country opened its borders for a number of EU countries, from end of May, including for its main tourist source countries.
- Spillover effects from tourism are affecting the labour market - 25% of employed in Croatia on temporary contracts – unemployment decreased to 8.2% in September, after recording 9% during summer months.
- Containment measures are exacerbating the drop in consumption, especially for social categories and durables (42% of consumption, or 25% GDP). In addition, the Eurozone recession and Croatia's high exposure to the heavily hit Italian economy (15% of total goods exports), is disrupting exports.
- Croatia is still proceeding with the Action Plan on Euro adoption, aiming to enter the ERM2 as early as the second half of 2020.

### Crisis response measures to date

**Support for firms, healthcare, individuals, banking sector and FX stability**

- Interest-free loans to local governments, Health and Pension Insurance Funds, to cover deferred payments; salary increases in healthcare.
- Increase in minimum wage of 23% to HRK 4,000 (530 EUR) (2.1% GDP).
- Short-time work scheme covering HRK 2000 per employee in affected firms until end-2020 and up to HRK 4000 for firms in most affected sectors (tourism, services).
- Deferral or full exemption of public obligations (i.e. taxes, contributions etc.) for three months (or more) for firms, depending on revenue impact and size.
- Loan repayment moratorium for 3 months; Croatian Bank for Reconstruction and Development (HBOR) to provide liquidity loans and guarantees.
- The CNB provided liquidity to banks via repo transactions, established a swap line with the ECB, in the amount of EUR 2 billion, decreased the reserve requirement from 12% to 9%, eased the regulatory burden on banks and intervened a number of times to mitigate depreciation pressures. In addition, the CNB has introduced a repurchase of government bonds, in a QE like move, to support the crisis response.

### Selected crisis impact indicators

**EBRD GDP growth outlook (Sep 2020)**

- **2020**: -8.5%; **2021**: 3.5%

**GDP growth y/y, sa (Q1/Q2 2020)**

- 0.3% y/y, -15.5% y/y

**Economic sentiment (ESI) (Oct 2020)**

- 88.4 (90.9 in August and 72.3 in April)

**Retail sales (Sep/Aug/Apr 2020)**

- -6.7% y/y, -7.2% y/y, -24.9% y/y

**Industrial output (Sep/Aug/Apr 2020)**

- -1.1% y/y, -1.2% y/y, -11% y/y

**Unemployment rate (Sep/Apr 2020)**

- 8.2%, 7.9%

**CPI Inflation (Sep 2020)**

- -0.6% y/y

### Selected crisis response indicators

**Crisis response package (% of GDP)**

- ca. 7%

**Support to employee salaries (% of GDP)**

- 2.1% (ca. 30% of employees to receive aid)

**Support per employee salary**

- Up to HRK 4000 (ca. EUR 530)

**Payment holidays for taxes**

- 3 months, may be extended by another 3 months

**Banking sector liquidity injection (% of GDP)**

- 1.6%

**Committed external assistance**

- EUR 22 bn from the next EU budget