Responding to the Coronavirus Crisis
Update on Croatia (24/04/20)

EBRD Policy Comparator

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Economic channels of disruption
Tourism, private consumption, goods exports
- A key channel for disruption is tourism (more than 20% of GDP). Drop of 75% tourist arrivals in March y/y.
- Spillover effects from tourism will affect the labour market - 25% of employed in Croatia on temporary contracts.
- Containment measures will exacerbate drop in consumption, especially for social categories and durables (42% of consumption, or 25% GDP).
- Goods exports and value chains, will be disrupted given the high exposure to the Italian economy (15% of total exports go to Italy).
- Rental prices have decreased by 20% and property sales slowed down.
- Croatia is still proceeding with the Action Plan on Euro adoption, aiming to enter the ERM2 as early as the second half of 2020.

Selected crisis impact indicators
Economic sentiment (March 2020): ESI 103.3 (down 9.3 points m/m)
CPI inflation (March 2020) 0.6% y/y, 0.5pp lower than target
CROBEX (April 24 2020) 1,556 (down 23% since January 02)
Unemployment indicator (March 2020) 4pp increase of job seekers m/m
Fiscal revenues (April 2020) ca. -33% y/y

Crisis response measures to date
Support for firms, healthcare, individuals, banking sector and FX stability
- Interest-free loans to local governments, Health and Pension Funds, to cover deferred payments; salary increases in healthcare.
- Increase in minimum wage of 23% (by ca. 100 EUR) to HRK 4,000 (25 EUR) costing 2.1% GDP, on top of the full subsidisation of net minimum wages and social contributions for 3 months in the affected sectors (1% GDP).
- 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, decreased the reserve requirement from 12% to 9%, eased the regulatory burden on banks and intervened a number of times to mitigate depreciation pressures.

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 HRK 5460 (ca. EUR 700)
Banking sector liquidity injection (% of GDP) 1.6%
Committed external assistance EUR 1.16 billion (EU CRII)

Key short-term priorities
Provide liquidity to the economy, particularly SMEs and the tourism sector; revenue support to affected individuals; ensure the stability of the Kuna; alleviate the consequences of the Zagreb earthquake

To learn more about EBRD’s support to Croatia visit: https://www.ebrd.com/croatia.html
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