

# Coronavirus response in 2021: building back better

## Update on Croatia (16 June 2021)



### Covid-19 policy response

- **A significant policy response by the authorities in 2020** focused on liquidity support to businesses, mostly through wage subsidies and facilitating access to credit.
- **Covid-related fiscal measures have been extended in 2021.** The key measures (costing an estimated 8% of GDP) include the employment subsidy and the shortened working hours schemes, but the decision to extend measures is taken monthly by the government.
- **Substantial EU funds are available for recovery.** Croatia has prepared a National Recovery and Resilience Plan (NRRP) for absorbing €6.5 billion worth of grants, focusing on green and digital transition among 77 reforms and 152 investments outlined in the draft plan. Its allocation is the highest in the EU as a share of GDP, at 12%.

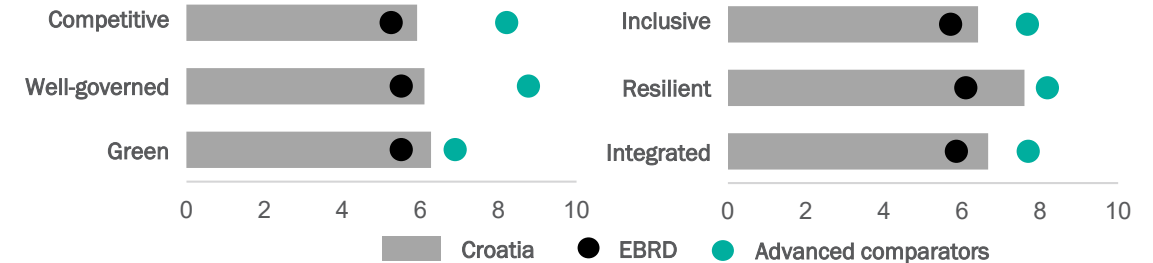
### Macroeconomic indicators (%)

	2018	2019	2020	
<b>GDP growth</b>	2.8	2.9	-8.0	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 6.0%; 2022: 4.5%</b> Quarterly GDP growth: +5.8% q/q (sa), -0.7% y/y (Q1 2021) Economic sentiment: 106.6 (May 2021) Industrial production (ex. construction): 17.3% y/y (April 2021) Retail sales: 32.9% y/y, (April 2021) Annual inflation: 2.1% (April 2021) Unemployment rate: 7.5% (April 2021)
<b>Annual inflation (end-year)</b>	1.0	1.3	-0.3	
<b>Government balance/GDP</b>	0.2	0.3	-7.4	
<b>Current-account balance/GDP</b>	1.8	2.7	-1.1	
<b>Net FDI/GDP</b>	-1.6	-1.9	-1.9	
<b>Public debt/GDP (end-year)</b>	74.3	72.8	88.7	
<b>Unemployment rate (end-year)</b>	7.4	6.4	7.7	

### Key short-term priorities

- Ensure a balance between still-needed fiscal support and the consolidation of public finances towards meeting the Maastricht criteria.
- Continue reforms to ease the business environment and corporate governance of state-owned enterprises.
- Enhance institutional capacity to absorb EU funds and implement the committed reforms in the NRRP.

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

- Competitive**
  - The NRRP has a strong focus on increasing competitiveness, mainly through financial instruments for internationalisation, innovation and human capital reforms.
- Well-governed**
  - As part of the ERM II accession process, Croatia committed to implementing reforms in business environment and public governance. The NRRP includes reforms in reducing red tape, liberalising services, and improving public administration and the judiciary.
- Green**
  - The NRRP focuses on energy sector decarbonisation, improving water and waste management, and greening transport. A separate component targets the energy efficient renovation of buildings affected by two recent earthquakes.
- Inclusive**
  - Planned labour market and social services reforms are designed to ensure inclusion of vulnerable groups.
- Integrated**
  - The NRRP outlines reforms and investments in the transport sector, particularly rail.
- Digital**
  - As part of the public administration reform, e-governance will be further advanced.

To learn more about the EBRD's support for Croatia visit: <https://www.ebrd.com/croatia.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2020), [Transition Report 2020-21: The State Strikes Back](#), London.