OECD ECONOMIC SURVEY
OF CROATIA
For faster and sustainable convergence
Zagreb, 21 September 2023
Growth is resilient

Note: The shaded area shows projections. Peers are an average of the Czech Republic, Hungary, the Slovak Republic and Slovenia.
Source: OECD Economic Outlook 113 (database), updated.
The labour market is tight

Labour market indicators

Note: 2023Q1 and 2023Q2 observations are OECD preliminary estimates, based on published labour force data adjusting for a series break between 2022Q4 and 2023Q1.

Source: OECD Economic Outlook (database).
Inflation is slowly declining

Note: Core, headline and energy inflation are based on the harmonised consumer price index. Core inflation excludes energy and food products.

Source: OECD Economic Outlook (database) and Eurostat.
Banks are better capitalised than in other countries

Source: IMF, Financial Soundness Indicators (database).
Fiscal policy should avoid a widening deficit in 2023 and 2024

Note: The fiscal balance corrected for the business cycle measures the government's fiscal stance once cyclical variation in revenues and spending are taken into account and excludes net one-off operations.

Source: OECD Economic Outlook 113 (database), updated.
Growth is projected to remain resilient in the short term

<table>
<thead>
<tr>
<th>Annual growth rates, volumes unless specified</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic product (GDP)</td>
<td>13.1</td>
<td>6.2</td>
<td>3.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Private consumption</td>
<td>9.9</td>
<td>5.1</td>
<td>2.3</td>
<td>2.3</td>
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<tr>
<td>Investment</td>
<td>4.7</td>
<td>5.8</td>
<td>2.6</td>
<td>2.6</td>
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<tr>
<td>Unemployment rate (% of labour force)</td>
<td>7.6</td>
<td>7.0</td>
<td>6.0</td>
<td>5.8</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>2.7</td>
<td>10.7</td>
<td>8.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Fiscal balance (% of GDP)</td>
<td>-2.5</td>
<td>0.4</td>
<td>-0.1</td>
<td>-1.0</td>
</tr>
<tr>
<td>General government gross debt (% of GDP, Maastricht definition)</td>
<td>78.3</td>
<td>68.8</td>
<td>63.8</td>
<td>61.0</td>
</tr>
</tbody>
</table>

Source: OECD Economic Outlook 113 (database), updated.
The Recovery and Resilience Plan is furthering progress with reforms and investment

Note: Disbursements as of 16 June 2023.
Robust growth needs to continue for incomes to converge

Note: Real GDP per capita at 2015 prices and PPPs.
Source: OECD National Accounts database.
Achieving faster convergence by boosting productivity and investment
A more dynamic business environment would spur productivity growth

Labour productivity
% of USA

Croatia
Peers

Note: Figure shows labour productivity as % of the USA values, taken to be the global technological frontier. Labour productivity is measured as real GDP at current USD at purchasing power parity, divided by number of persons employed. Peers is an average of the Czech Republic, Hungary, the Slovak Republic and Slovenia.

Source: Penn World Table Version 10.0; OECD calculations.
Better monitoring regulatory burdens would unlock the benefits of ongoing reforms

Product market regulation index
Index, 0-6, 0 indicates most competition-friendly regulations

Croatia
OECD

Notes: OECD Product Market Regulation Index, preliminary 2018 and 2023 values applying the 2023 methodology.
Source: OECD 2023 PMR database (July 2023).
Encouraging out-of-court processes would make the judicial system more responsive

Estimated time to resolve litigious civil and commercial cases at first instance, 2021

Note: Unweighted average for EU and Peers, which includes the Czech Republic, Hungary, the Slovak Republic and Slovenia.
Source: European Commission (2023), The 2023 EU Justice Scoreboard.
Stronger governance of state-owned enterprises is key given their share in the economy.

SOEs’ share of total non-agricultural dependent employment, 2019

Encouraging ethical behaviour among public officials would complement anti-corruption measures.

Corruption by sector, “Control of Corruption”
Scale: 0 (worst) to 1 (best), 2021

- Executive embezzlement
- Judicial corruption
- Executive bribery
- Public sector embezzlement
- Public sector bribery
- Legislature corruption

Note: Unweighted average for OECD.
Source: Varieties of Democracy Project, V-Dem Dataset v12.
Raising skills and participation to promote incomes and equality of opportunities
A big push on training and activation would help solve shortages of skilled workers

Share of firms reporting lack of right skilled staff as an obstacle to investment, 2021

Source: EIB (2022), Investment Survey.
Employment rates among younger and older persons can be strengthened

Employment rates, 2022

A. Women

B. Men

Pension reform should encourage Croatians to retire later

Average number of years worked, 2019

Note: An unweighted average across men and women is shown.
Source: European Commission (2021), Ageing report 2021
Longer working lives would reduce old-age poverty

Severe material deprivation rate, 2020

Note: The severe material deprivation rate is the share of respondents living in households unable to afford at least four of the following: unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears.

Attracting skilled immigrants and encouraging return migration would increase labour supply

Increasing housing supply and reforming property taxation would improve housing access and mobility.

Number of dwellings per 100 inhabitants

2020 or latest available year

Note: Unweighted OECD average.
Source: OECD Affordable Housing Database – http://oe.cd/ahd; European Statistical System, Census Hub website.
Ensuring robust growth is also sustainable
Further investing in public transport and restricting polluting cars would reduce air pollution.

Note: Air pollution measured in PM2.5 particles.
Source: OECD Environmental Statistics (database).
Pricing greenhouse gas emissions consistently and investing in energy efficiency would help reduce emissions.

Greenhouse gas emissions

Note: GHG emissions include land use, land-use change and forestry (LULUCF).
Source: OECD (2022), Environment Statistics (database).