



CROATIA

State of Play – Winter 2018



MACROECONOMIC SITUATION

- Solid and broad-based economic growth in 2017 projected to continue into 2018-2019
- Low potential output set to weigh on growth in the long run
- Unemployment has dropped due to moderate employment growth and decrease in working-age population; activity rates remain low; productivity growth lags
- Competitiveness and investment remain hindered by a restrictive business environment

Excessive imbalances (in-depth review):

- Private sector debt continues to decline, but currency risk is still a source of vulnerability
- Continued current account surplus translates into a further reduction of external liabilities
- Government debt-to-GDP ratio still high but declines further, supported by GDP growth and fiscal discipline



PROGRESS ON COUNTRY-SPECIFIC RECOMMENDATIONS

Some progress

- in reinforcing public debt management

Limited progress

- in improving the social benefits system
- in improving adult education
- in reforming the education system
- in divestment of state-owned enterprises and improving corporate governance
- in reducing administrative and regulatory burdens
- in removing restrictions to regulated professions and services
- in improving quality and efficiency of justice

No progress

- in reinforcing the fiscal framework
- in introducing a value-based property tax
- in reforming the pension system
- in the public administration reform
- in harmonising the wage-setting frameworks in the public sector



FISCAL SITUATION

- No excessive deficit
- Public debt, at 80.3% in 2017, stands above 60% of GDP reference value, but is decreasing



SOCIAL SITUATION

- More efforts are needed in upskilling and reskilling the workforce
- Although falling, poverty and social exclusion levels are still high
- Rate of young people not in employment, education or training remains high, while there is low participation in active labour market policy measures



POLICY HIGHLIGHT

The National Strategy for Education, Science and Technology to modernise and improve the education system uses state of the art approaches in policy development and was designed following principles of inclusion and transparency.