

REPUBLIC OF CROATIA
Ministry of Finance

Republic of Croatia: a success story from the heart of Europe

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Deputy Prime Minister and Minister of Finance of the Republic
of Croatia

Investment Outlook Session
London, May 2025

Agenda

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Country Overview

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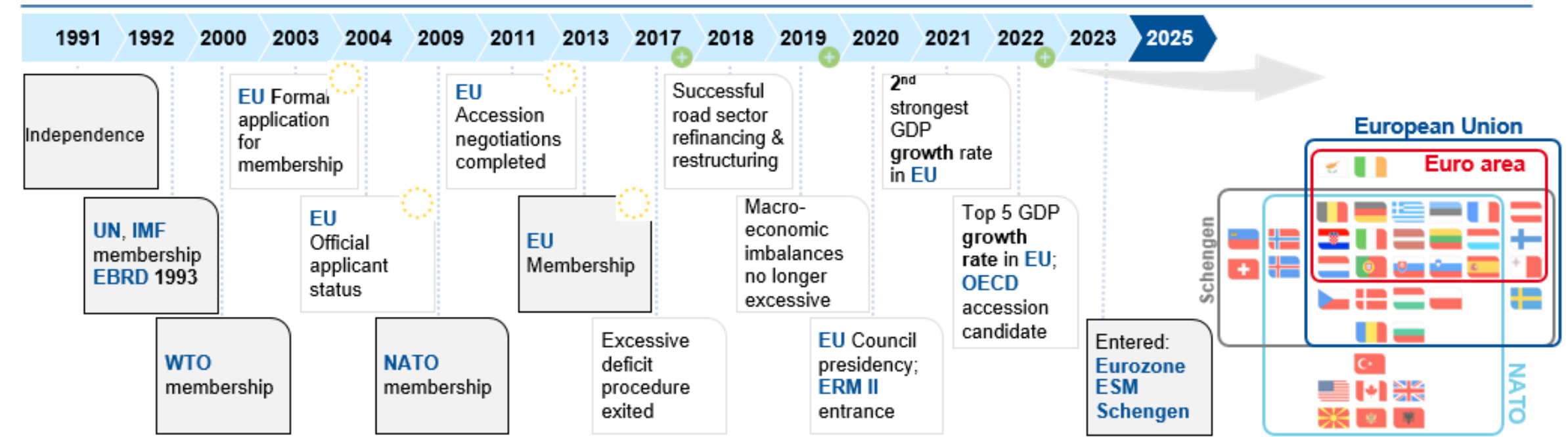
Macroeconomic Performance and Key Investment Highlights

3

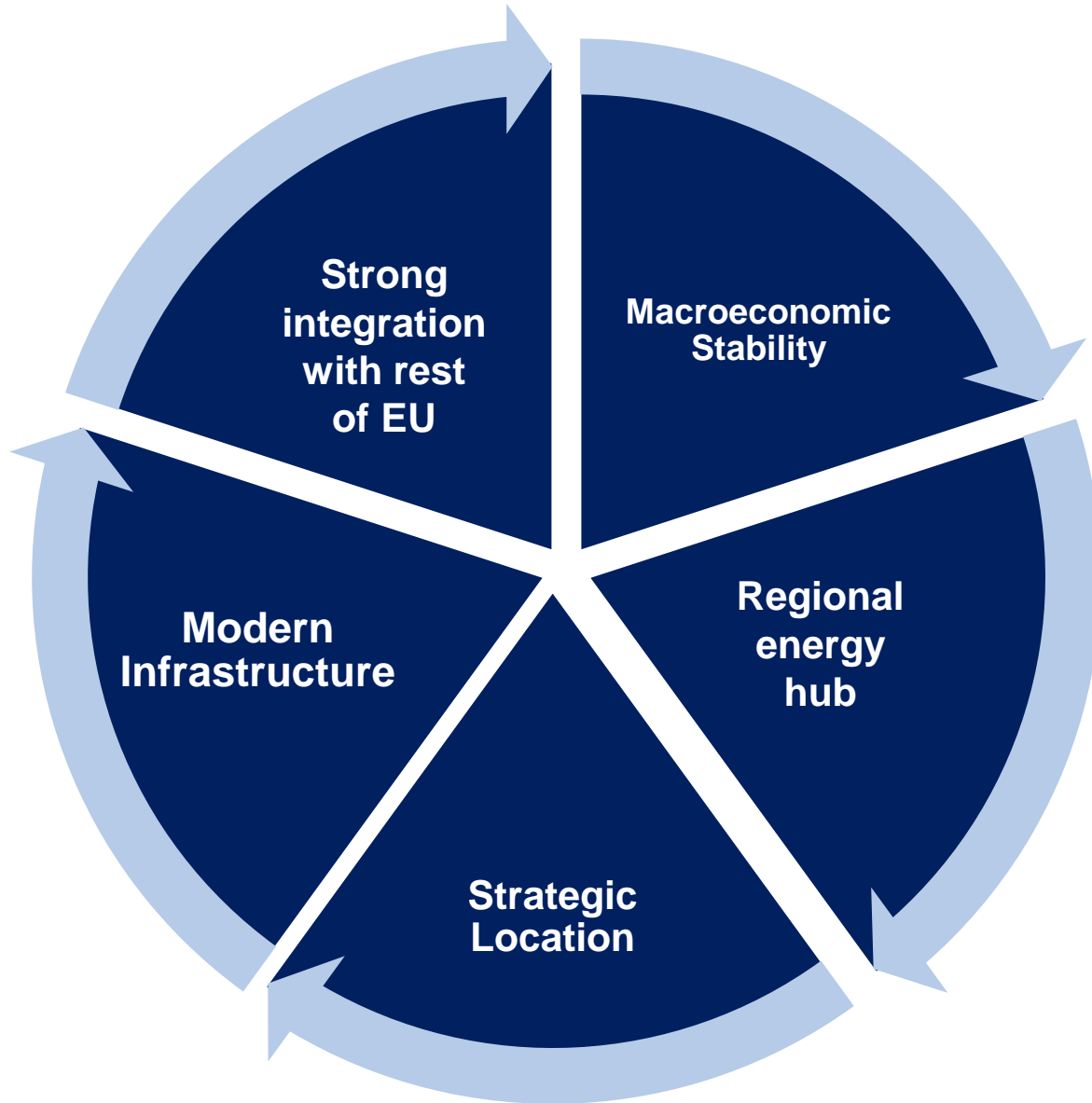
Strategic Policy Objectives and Reform Agenda

Remarkable economic and political achievements in the last three decades

- ✓ Over the past 30 years, from a **low-income country** and a significant recipient of development assistance to a **high-income country** and a global donor
- ✓ Fully integrated in vital **Pan-European and global organizations**:
 - **EU**
 - **Euro Area**
 - **Schengen Area**
 - **OECD Accession in process**
- ✓ At the moment, one of the **fastest growing economy in Europe**



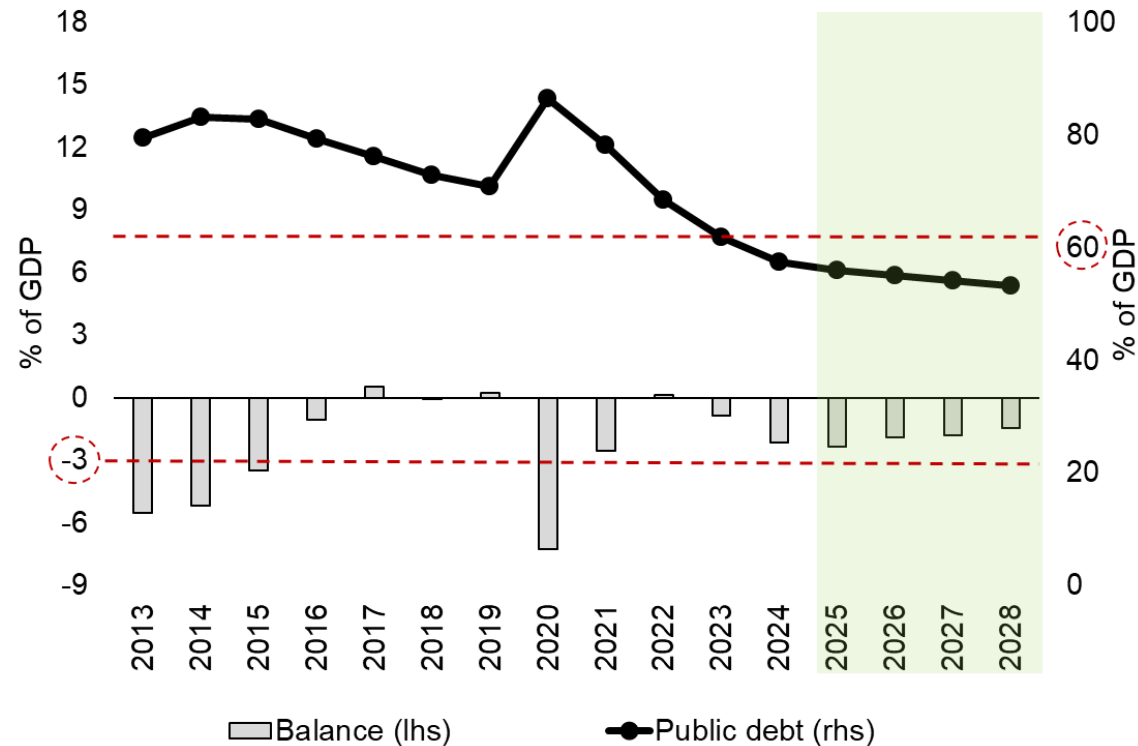
Croatian economy is based on several strong pillars



Croatia is an exceptionally stable small-open economy in the heart of Europe with modern infrastructure, as well as favorable energy mix, and, therefore, a vital part of European value chains

From large macroeconomic imbalances to becoming a champion of stability

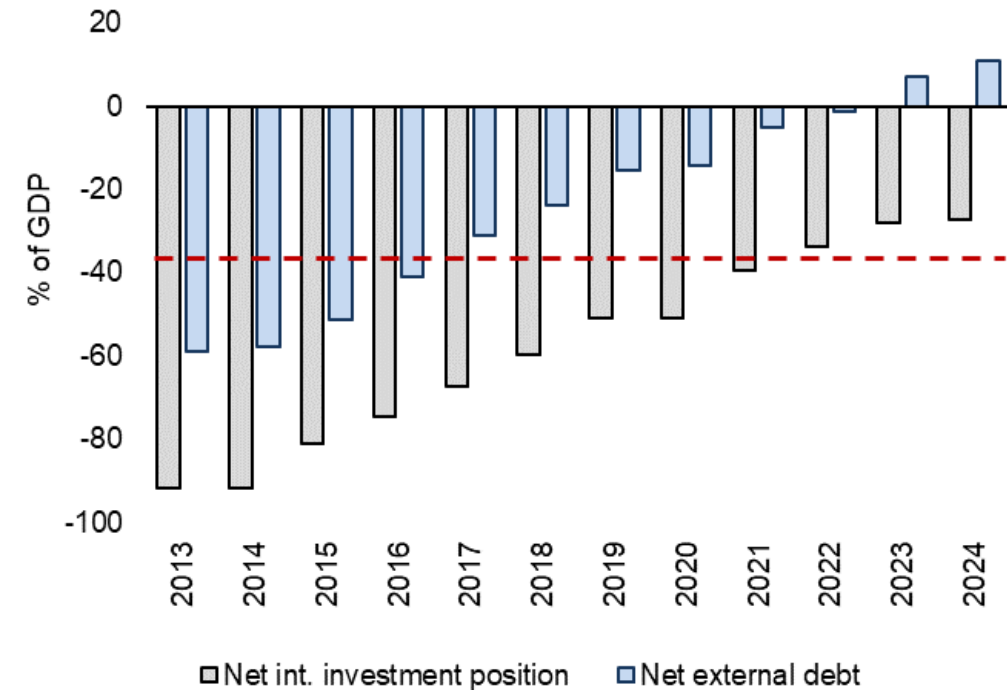
Public debt and budget balance (% of GDP)



Note: Red dotted line represents the Maastricht criteria for public debt (60% of GDP) and government budget balance (3% of GDP).

Source: Ministry of Finance

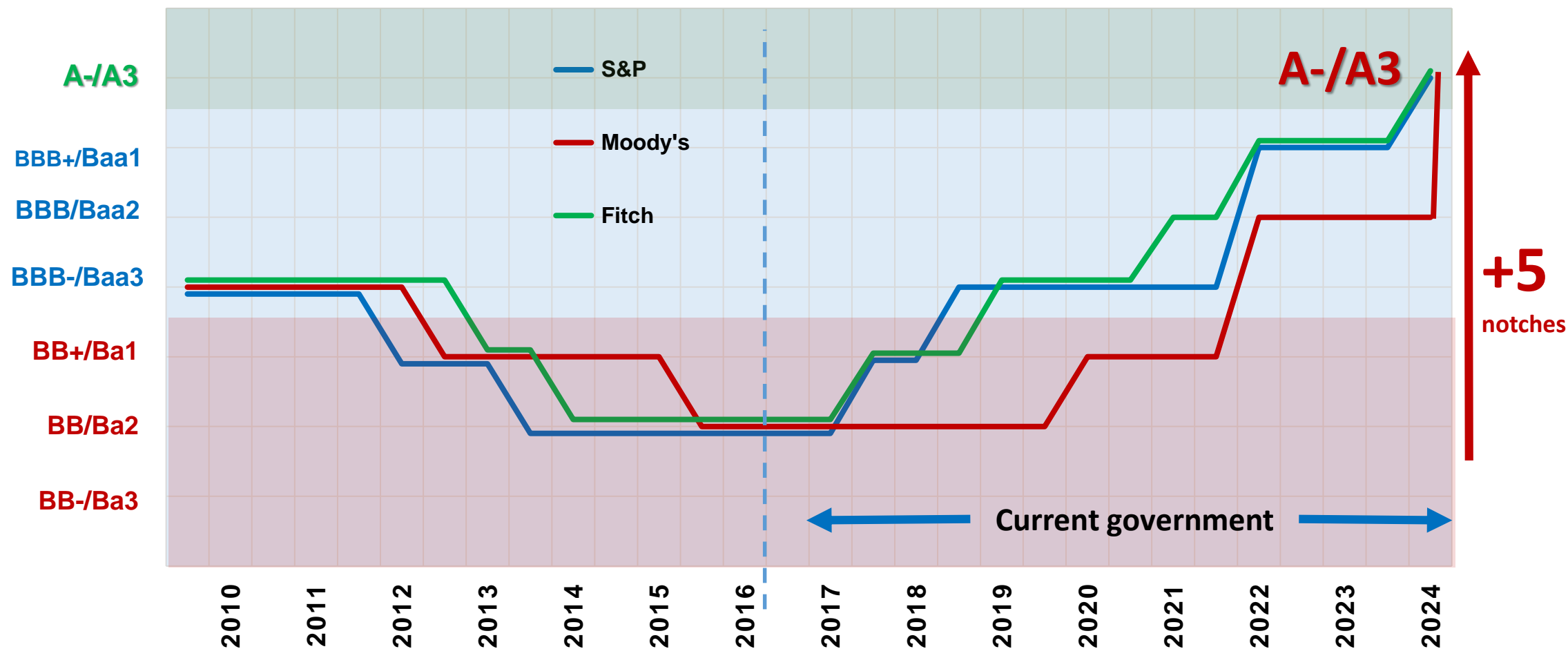
NIIP and NED (% of GDP)



Note: Red dotted line represents -35% of GDP benchmark for NIIP.

Source: Eurostat

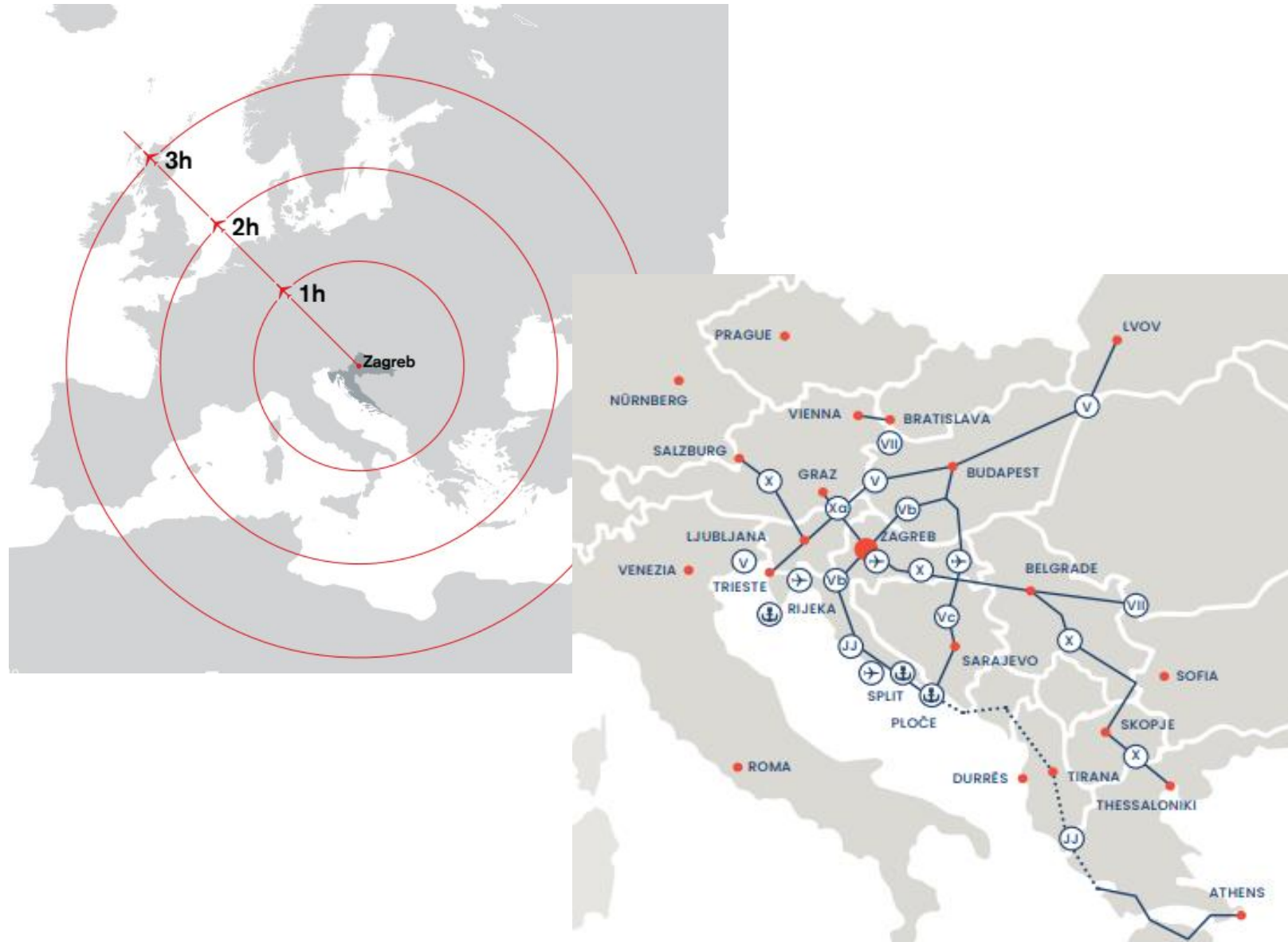
Credit rating – from junk to "A" by all three rating agencies



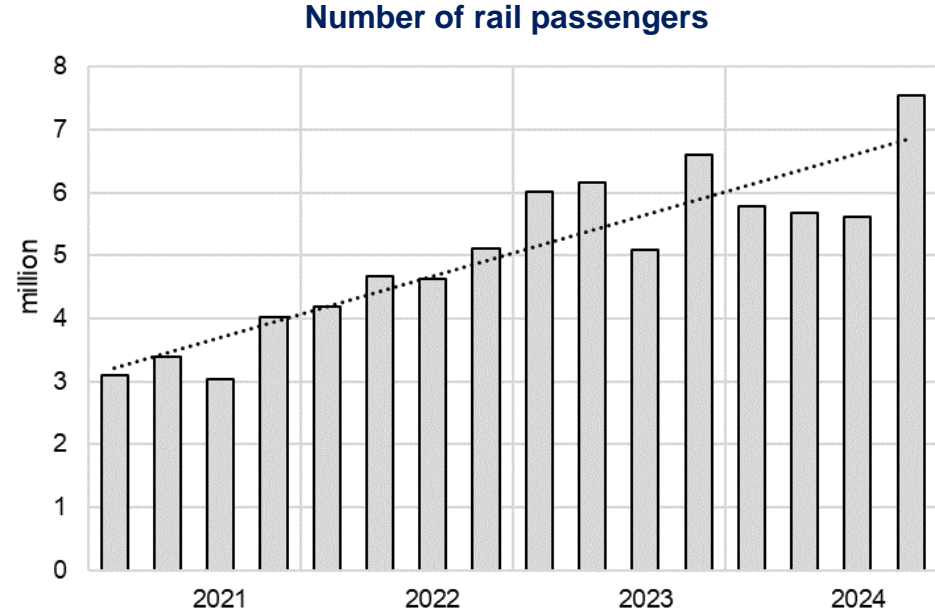
Source: Croatian National Bank

Strategic location combined with modern infrastructure

- ✓ 9 international airports – **all of Europe accessible within 3 hours**
- ✓ **Pan-European Transport Corridors** (X, Xa, Vb, Vc, VII) cross its territory
- ✓ Shortest transit time from the Far East through **6 quality seaports**
- ✓ Direct access to the **Rhine – Main – Danube transport corridor**

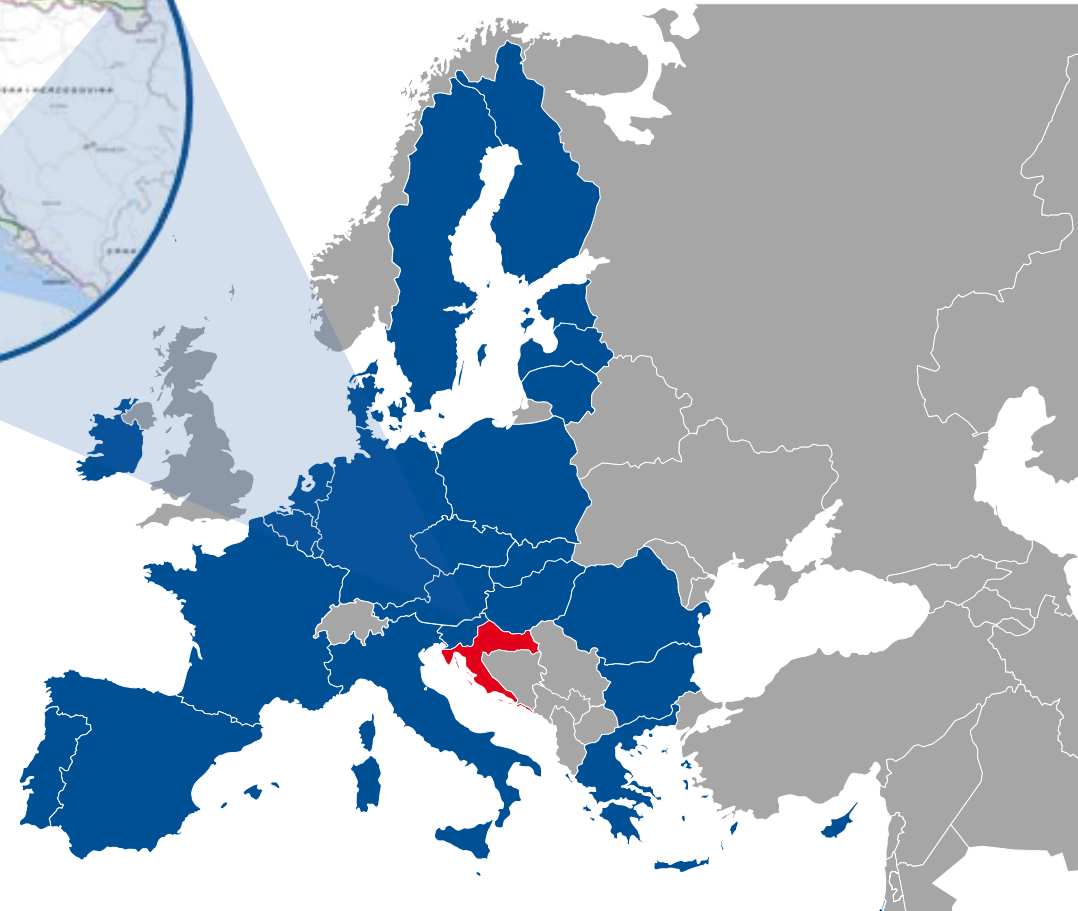


Road network highly developed but railways are also catching up

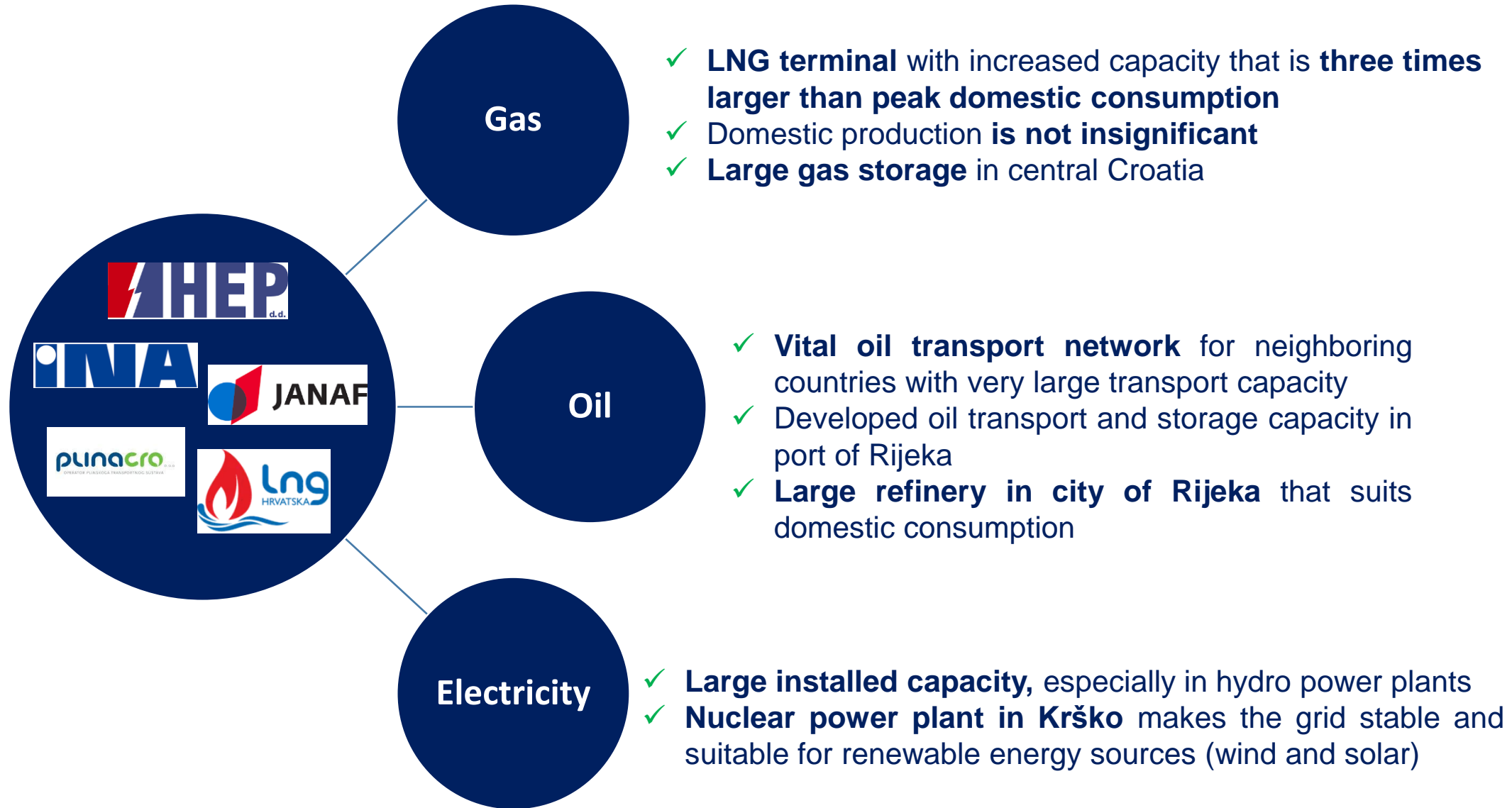


Source: Croatia regulatory authority for network industries

- ✓ Large investments in railways are starting to have a **visible impact on internal mobility in the country**, but main impact yet to come
- ✓ Motorway network nearing **full completion**
- ✓ **Airports modernized or newly built** with a strong national airline company with a new fleet



Energy mix with no supply concerns even during the largest shocks



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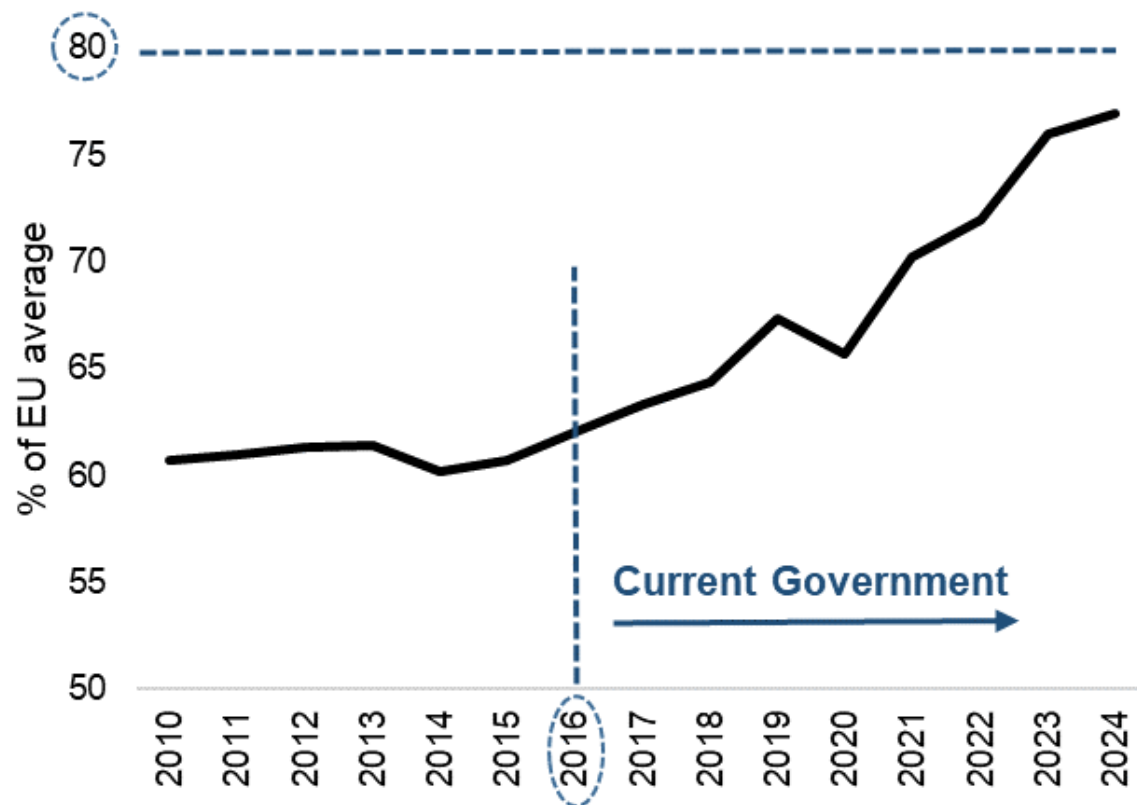
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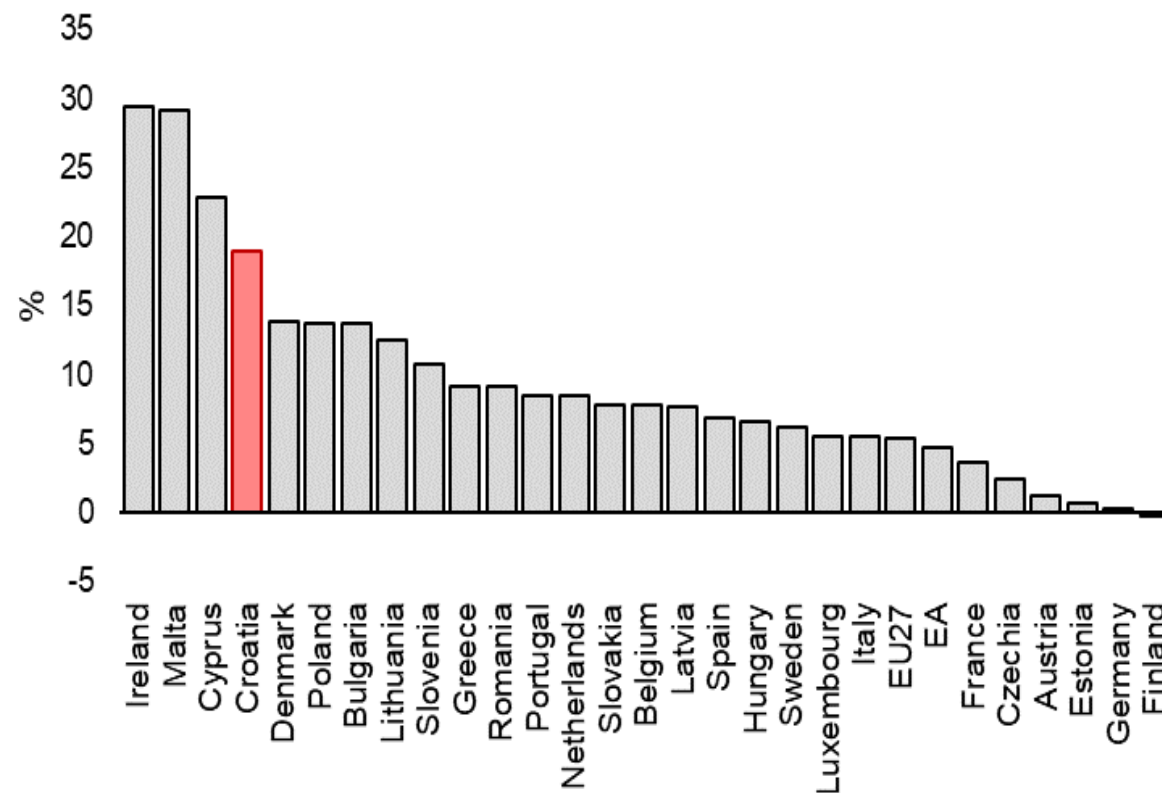
Croatia is rapidly converging with the EU average

Croatia GDP per capita



Source: Eurostat

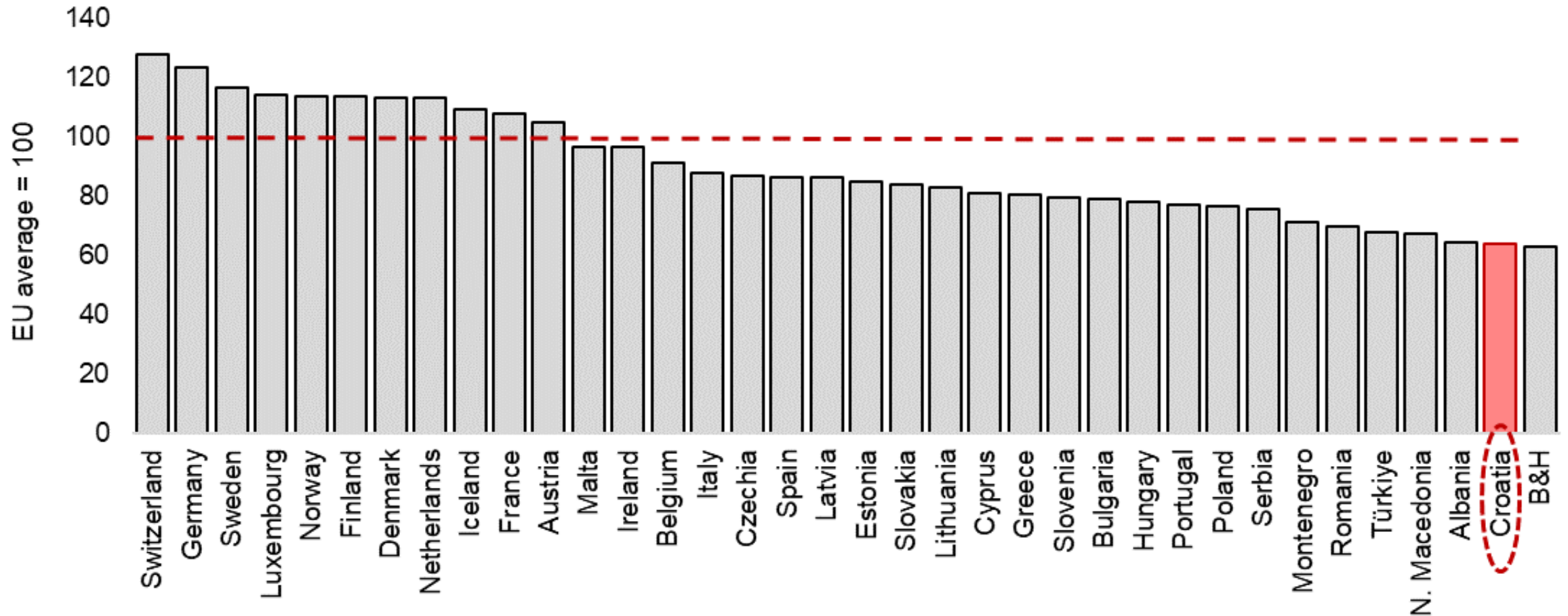
Real GDP change in % (2024 vs 2019)



Source: Eurostat

Croatia offers the lowest investment costs in Europe

Price level indices for investment

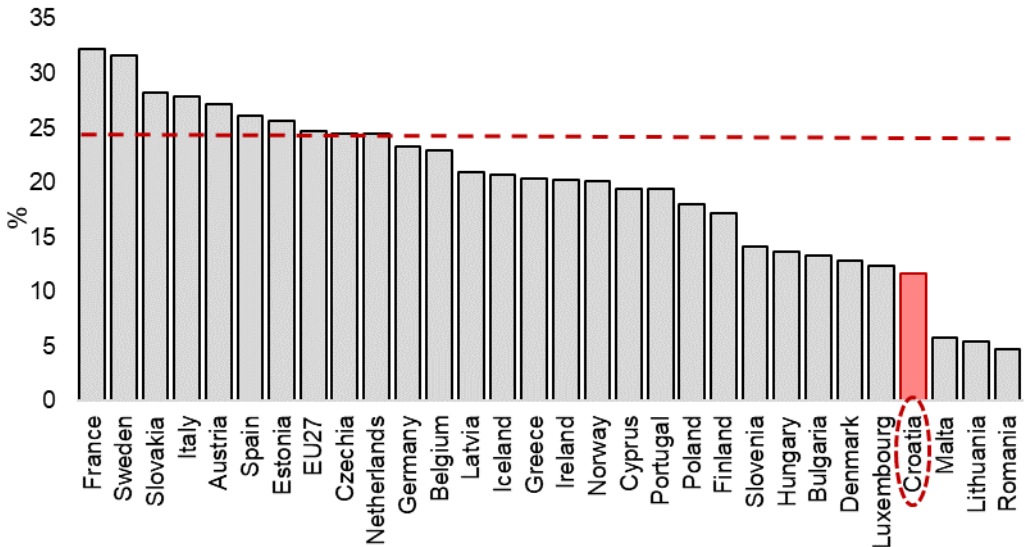


Note: Data for 2023

Source: Eurostat

One of the most cost-effective but highly skilled labor markets in EU

Non-wage costs (% of total)



Source: Eurostat

Foreign language knowledge



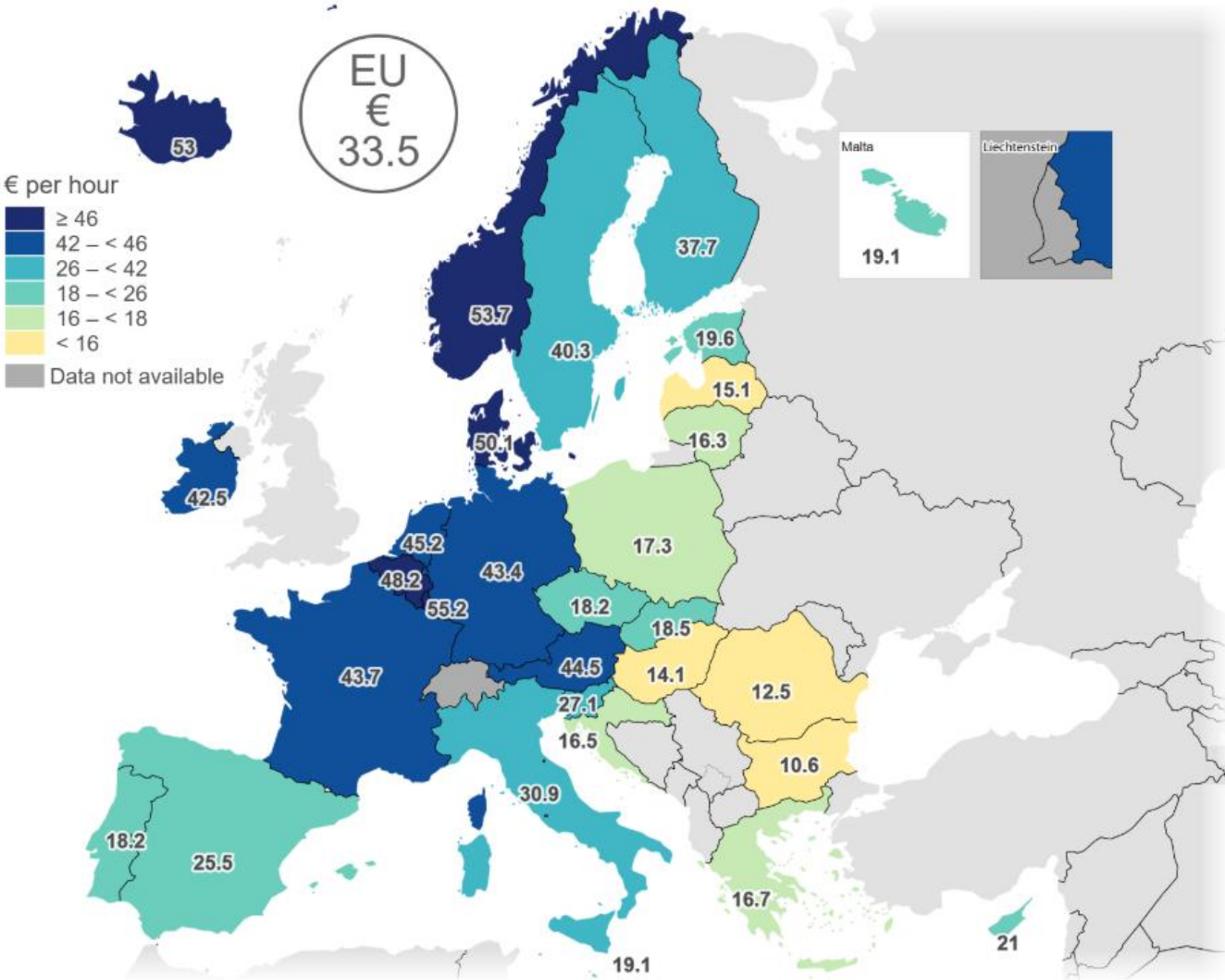
Source: Hendal 2019 (at least basic knowledge)

English proficiency index



Source: Education First 2024

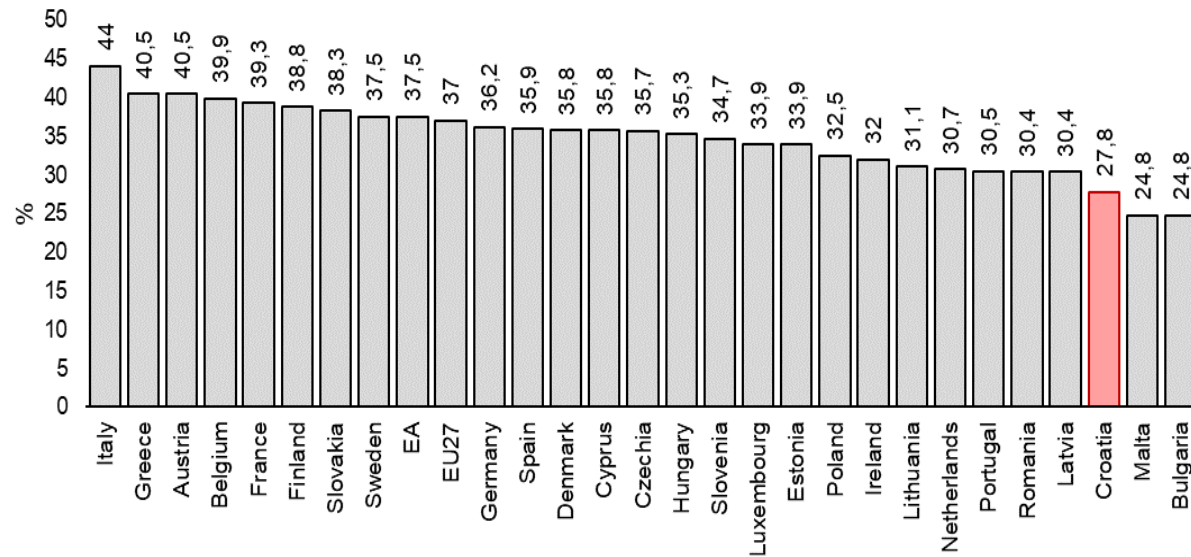
Hourly labor cost



Note: Data for 2024, enterprises with 10 or more employees.
Source: Eurostat

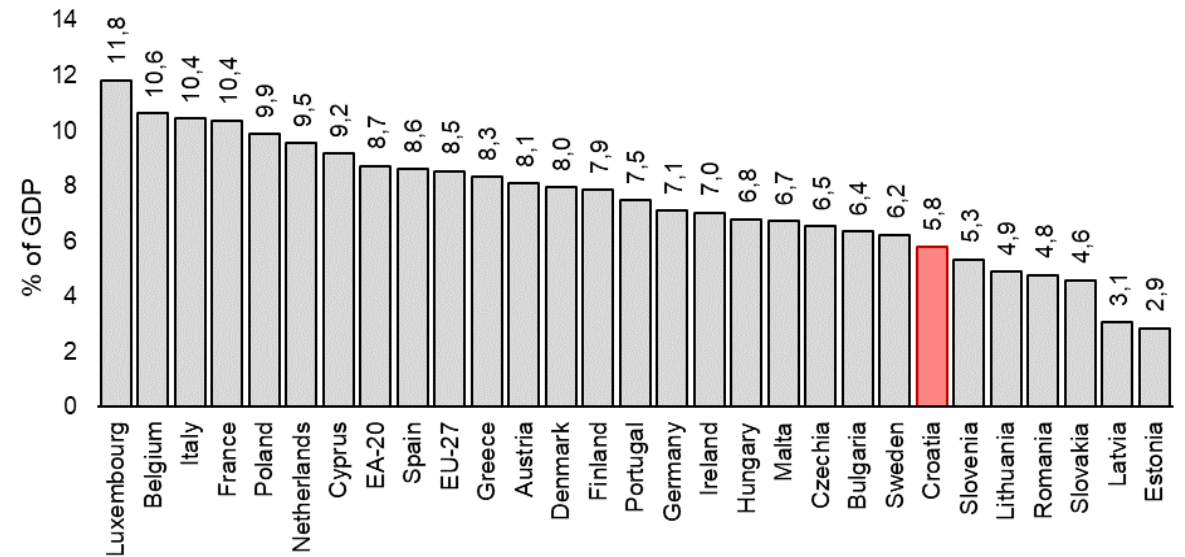
Favorable taxation of both capital and labor

Implicit Tax Rate on Labor



Source: European Commission (DG Taxation and Customs Union), March 2025

Tax on Capital (% of GDP)



Source: European Commission (DG Taxation and Customs Union), March 2025

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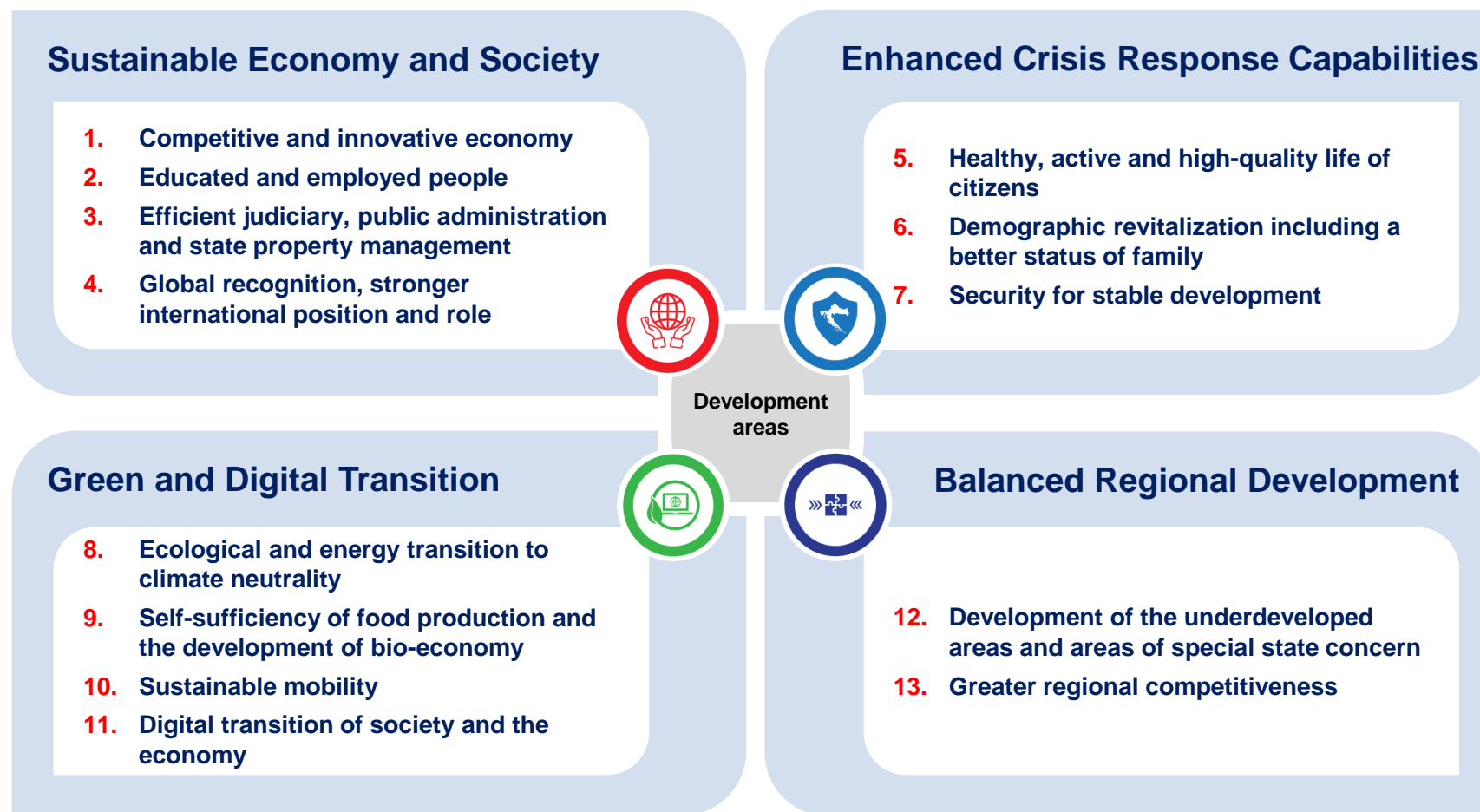
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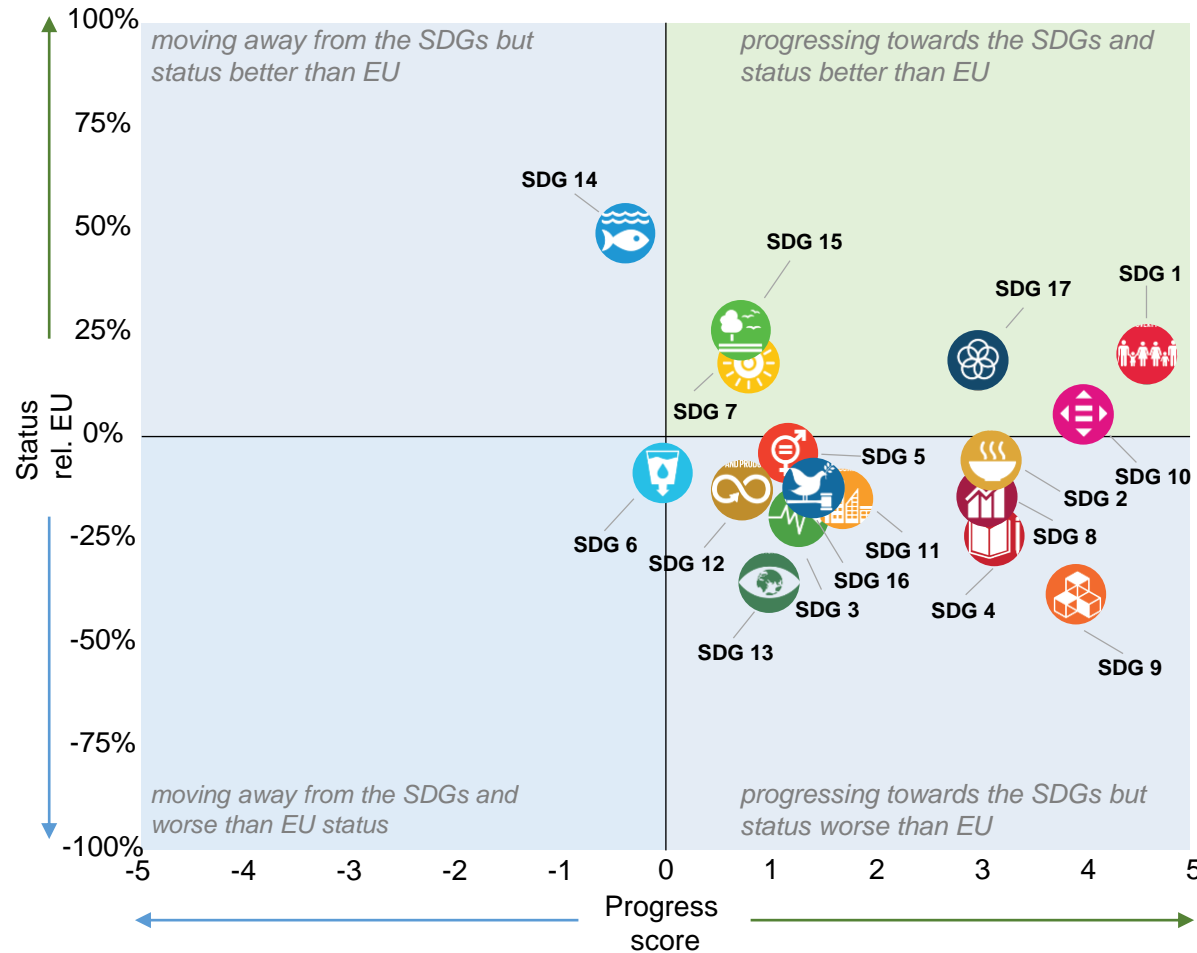
National Development Strategy until 2030



Source: National Development Strategy 2030, adopted by the Parliament on February 5, 2021

Significant progress achieved across all Sustainable Development Goals

Croatia is ranked the 8th out of 167 countries in overall performance in SDGs



- 1) No poverty
- 2) Zero hunger
- 3) Good health and well-being
- 4) Quality education
- 5) Gender equality
- 6) Clean water and sanitation
- 7) Affordable and clean energy
- 8) Decent work and economic growth
- 9) Industry, innovation and infrastructure
- 10) Reduced inequalities
- 11) Sustainable cities and communities
- 12) Responsible consumption and production
- 13) Climate action
- 14) Life below water
- 15) Life on land
- 16) Peace, justice and strong institutions
- 17) Partnerships for the goals

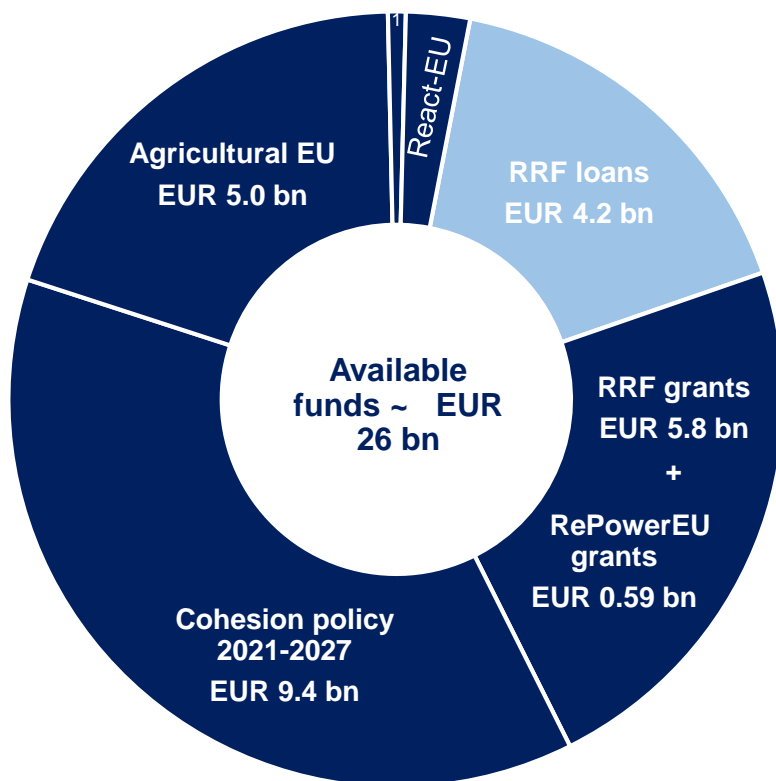
EU funds – a key driver of reform and investment agenda

| | Type of package | Total EU Budget ¹ | Allocated to Croatia | Purpose | Allocation as % of '22 GDP |
|---|---|------------------------------|---|---|----------------------------|
| 1 | Next Generation EU Fund (NGEU) | EUR 807 bn | EUR 5.8 bn in grants EUR 4.2 bn in loans | <ul style="list-style-type: none"> COVID-19 pandemic recovery plan for building greener, more digital and more resilient EU, key areas including: <ul style="list-style-type: none"> ✓ Recovery and Resilience Facility ✓ React EU ✓ Rural Development ✓ Fair Transition Fund ✓ RePowerEU | 15.0% |
| 2 | Multiannual Financial Framework (MFF) 2021-2027 | EUR 1.2 tn | EUR 14.0 bn | <ul style="list-style-type: none"> EU long-term budget for 2021-2027, key areas including: <ul style="list-style-type: none"> ✓ European Regional Development Fund ✓ European Social Fund ✓ Cohesion Fund ✓ Just Transition Fund ✓ Fisheries sector ✓ European Maritime, Fisheries and Aquaculture Fund ✓ Asylum, Migration and Integration Fund ✓ European Agricultural Fund for Rural Development ✓ European Agricultural Guarantee Fund | 20.9% |
| 3 | EU Solidarity Fund | - | EUR 1 bn | <ul style="list-style-type: none"> Reconstruction of damage caused by earthquakes: <ul style="list-style-type: none"> ✓ Zagreb earthquake: EUR 684mn ✓ Sisak-Moslavina county: EUR 319mn | 1.5% |

Source: European Commission, MoF, CNB

Croatia is a front-runner in the absorption of RRF funds

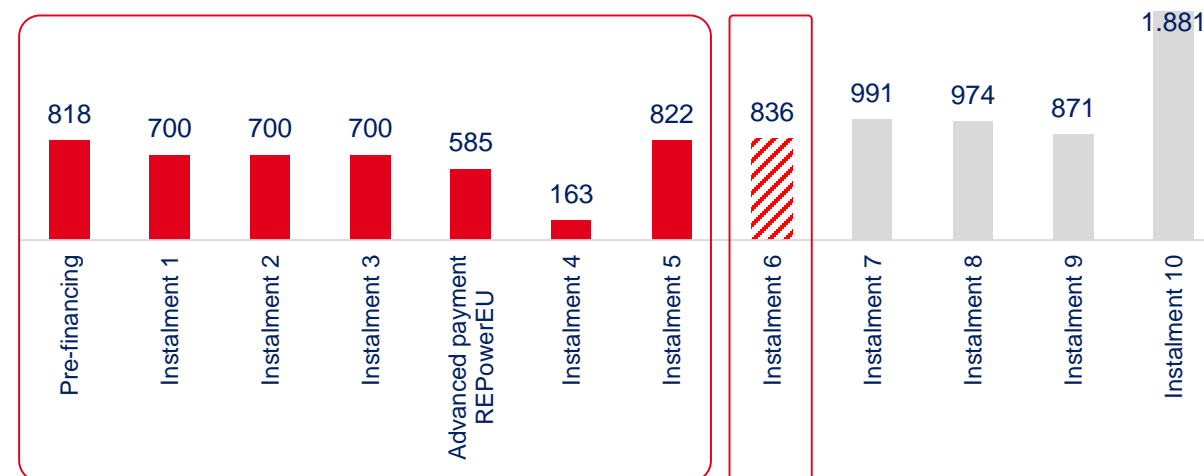
One of the champion states in the EU funds absorption



Source: MoF

Allocation of funds (in EUR mn)

Largest amount of funds received from EU



1st

EU country that has received more than 50% of grant allocation

+

Additional EUR 2.1 bn funds from the MFF 2014 – 2020 absorbed by end-2023



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Thank you for your attention!

London, May 2025