

OECD Economic Outlook

Resilience in uncertain times

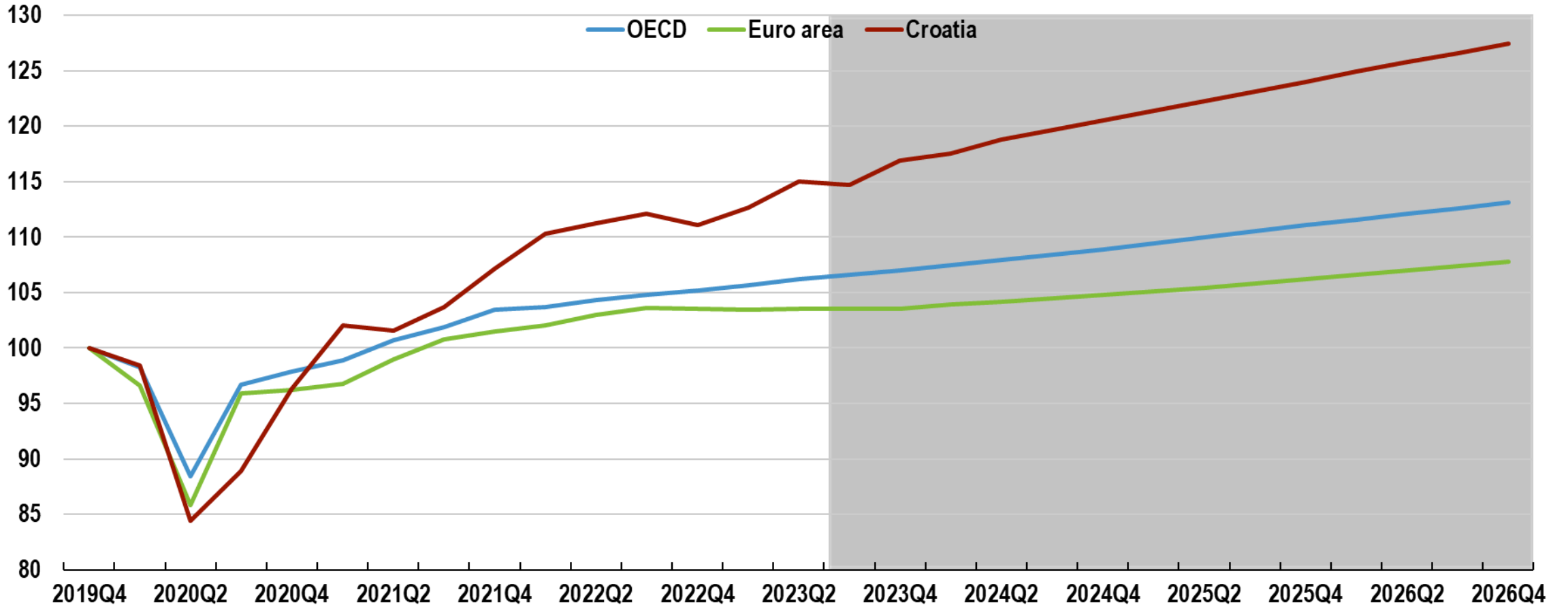
Alvaro Pereira, OECD Chief Economist
Conference: Benefits of Croatia's Accession to
the OECD

18 December 2024

Economic growth in Croatia has been strong

Real GDP

Index, 2019Q4 = 100



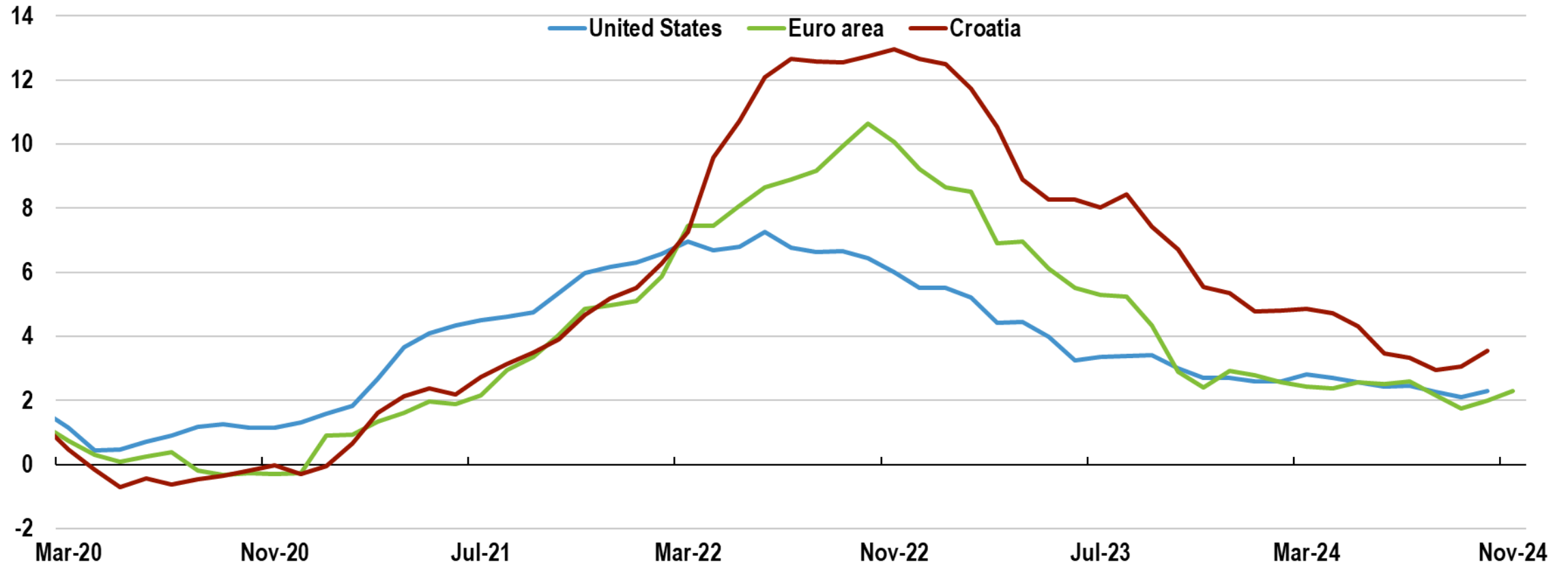
Note: Shaded area refers to OECD projections.

Source: OECD Economic Outlook 116 database; and OECD calculations.

Headline inflation in Croatia has declined from 2022 peaks but remains elevated

Headline Inflation

%, year-on-year



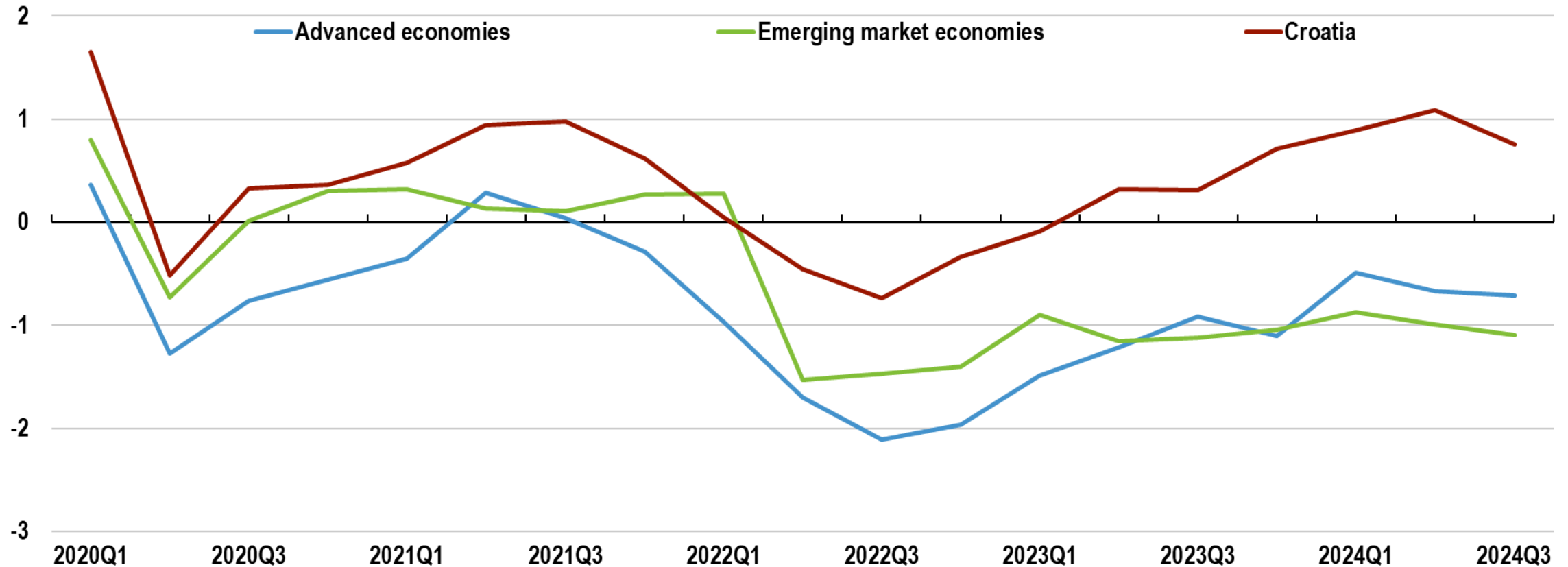
Note: Figure shows personal consumption expenditure price index for the United States, harmonised index of consumer prices for the euro area and Croatia.

Source: OECD Short-term Indicator database.

Consumer confidence is moderating but remains higher than elsewhere

Consumer confidence

Long-term average = 0



Note: Data are standardised so that the long-term average and standard deviation are zero and one, respectively. The values of advanced economies and emerging market economies refer to a weighted mean using GDP in PPP as weights. Advanced economies are non-EME OECD economies plus Croatia. Emerging market economies (EMEs) include BGR, BRA, CRI, CHL, CHN, COL, IDN, IND, MEX, ROU, ZAF and TUR.

Source: OECD Consumer Opinion Surveys database; and OECD calculations.

GDP growth projections

Real GDP growth, year-on-year, %

 Upward revision, by 0.3pp or more

 Downward revision, by 0.3pp or more

		2024	2025	2026		2024	2025	2026
 World		3.2	3.3	3.3	 OECD	1.7	1.9	1.9
					 Croatia	 3.7	3.0	2.8
 Australia		1.1	 1.9	2.5				
 Canada		1.1	2.0	2.0	 Argentina	 -3.8	 3.6	3.8
 Euro area		0.8	1.3	1.5	 Brazil	 3.2	2.3	1.9
 Germany		0.0	 0.7	1.2	 China	4.9	4.7	4.4
 France		1.1	 0.9	1.0	 India	6.8	 6.9	6.8
 Italy		0.5	 0.9	1.2	 Indonesia	5.1	5.2	5.1
 Spain		3.0	 2.3	2.0	 Mexico	 1.4	 1.2	1.6
 Japan		-0.3	 1.5	0.6	 Russia	 3.9	1.1	0.9
 Korea		2.3	2.1	2.1	 Saudi Arabia	 1.0	 3.6	3.8
 United Kingdom		0.9	 1.7	1.3	 South Africa	1.0	1.5	1.7
 United States		2.8	 2.4	2.1	 Türkiye	3.5	 2.6	4.0

Note: Revisions relative to the latest estimates from the May 2024 Economic Outlook. India projections are based on fiscal years, starting in April. World and OECD aggregates use moving nominal GDP weights at purchasing power parities.

Source: OECD Economic Outlook 116 databases; and OECD Economic Outlook 115 database.

Growth in Croatia remains robust but is set to moderate

Selected macroeconomic indicators

% (unless noted)

	2023	2024*	2025*	2026*
Real GDP growth rate	3.3	3.7	3.0	2.8
Headline inflation	8.4	3.9	3.3	2.2
Unemployment rate	6.1	5.0	5.1	5.1
General government deficit (% of GDP)	-0.9	-2.1	-2.1	-2.0
Public debt (% of GDP)	61.8	58.3	58.3	58.6

Note: Headline inflation is the harmonised index of consumer prices. Public debt is the Maastricht definition. Numbers in 2024-2026 are OECD projections.

Source: OECD Economic Outlook 116 database.

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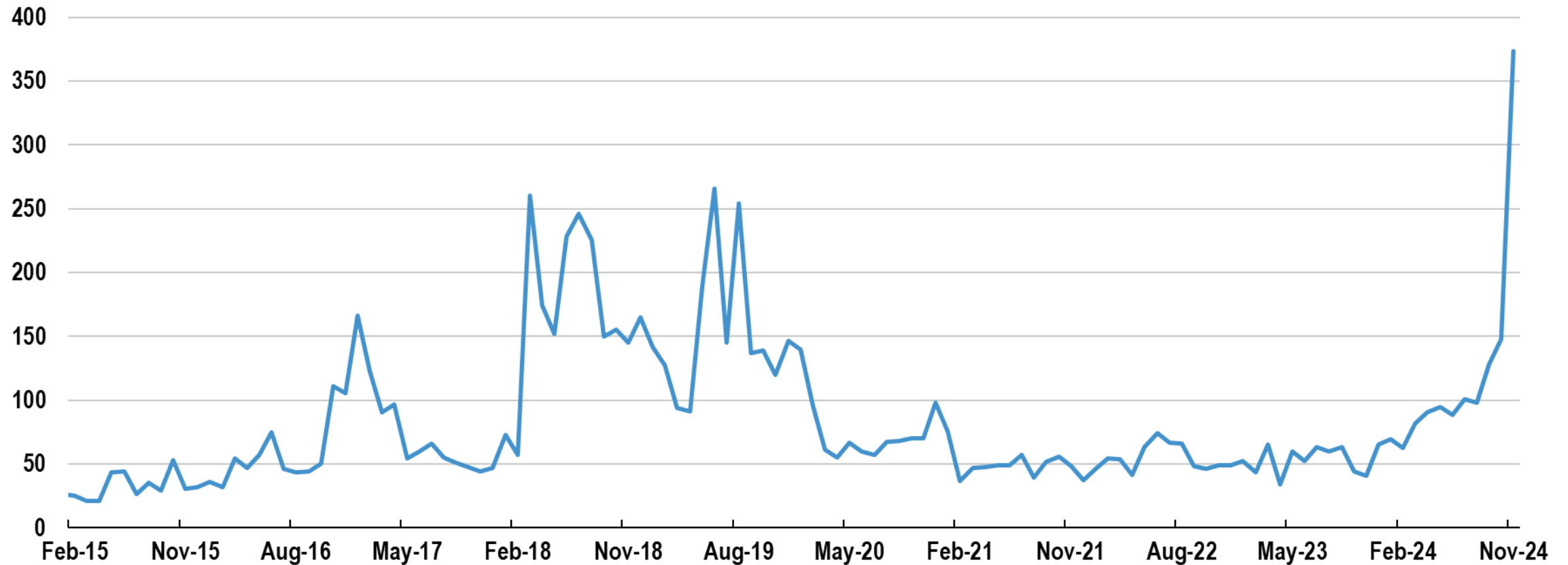
Resilience in
uncertain times

Key risks

Trade policy uncertainty is high

Index of Trade Policy Uncertainty

Normalised index of newspaper articles mentioning trade policy uncertainty



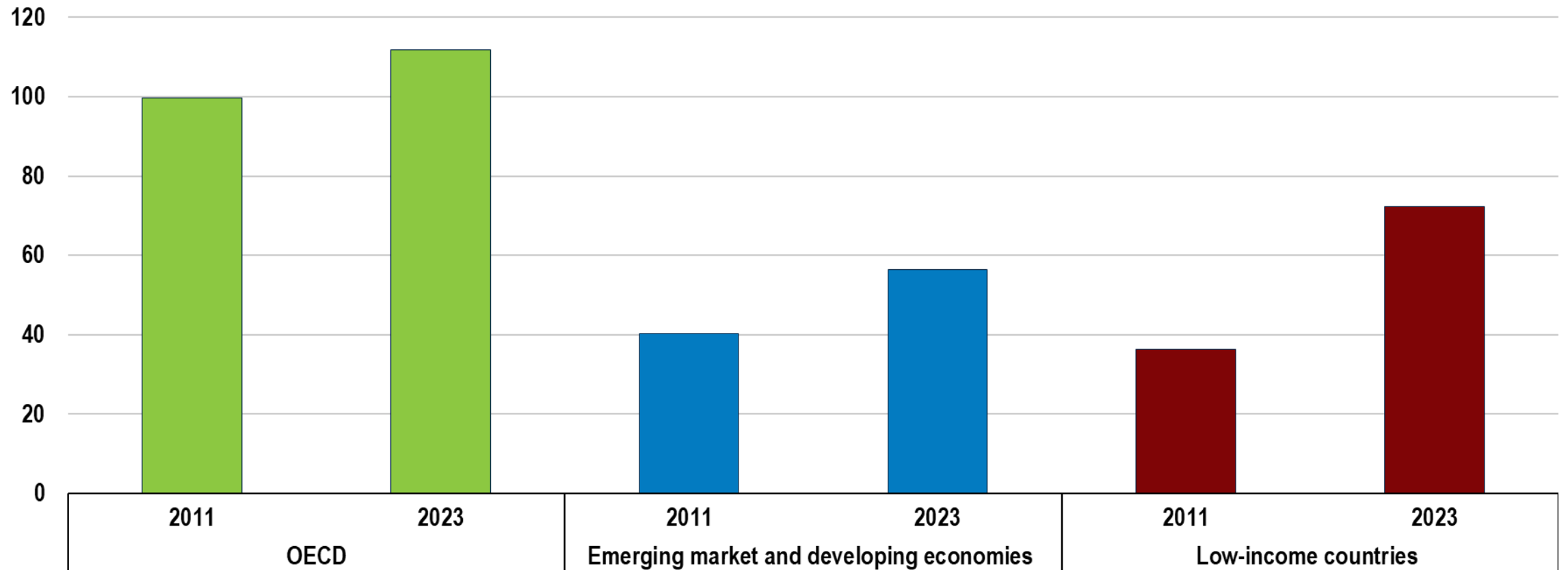
Note: The index of Trade Policy Uncertainty is based on automated text searches of the electronic archives of seven newspapers. The index is equal to 100 for a one percent article share.

Source: Caldara et al. (2020); Trade Policy Uncertainty Index website.

Public debt ratios have risen

Government debt

% of GDP



Note: Emerging market and developing economies (EMDEs) excludes low-income countries (LICs). Bars show the unweighted averages. Based on up to 23 LICs and 128 other EMDEs.

Source: IMF; World Bank; and OECD Economic Outlook 116 database.

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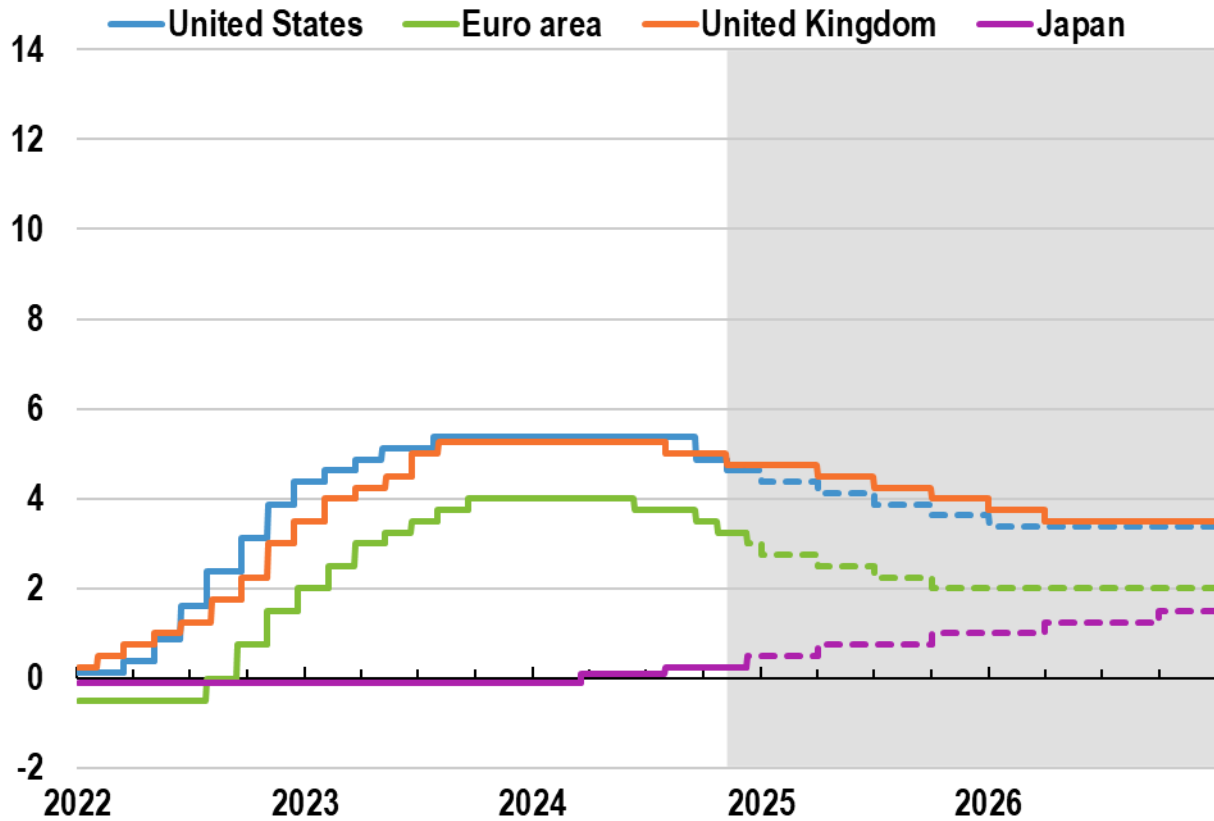
Resilience in
uncertain times

Policy
recommendations

Monetary policy should continue to loosen, but needs to remain prudent

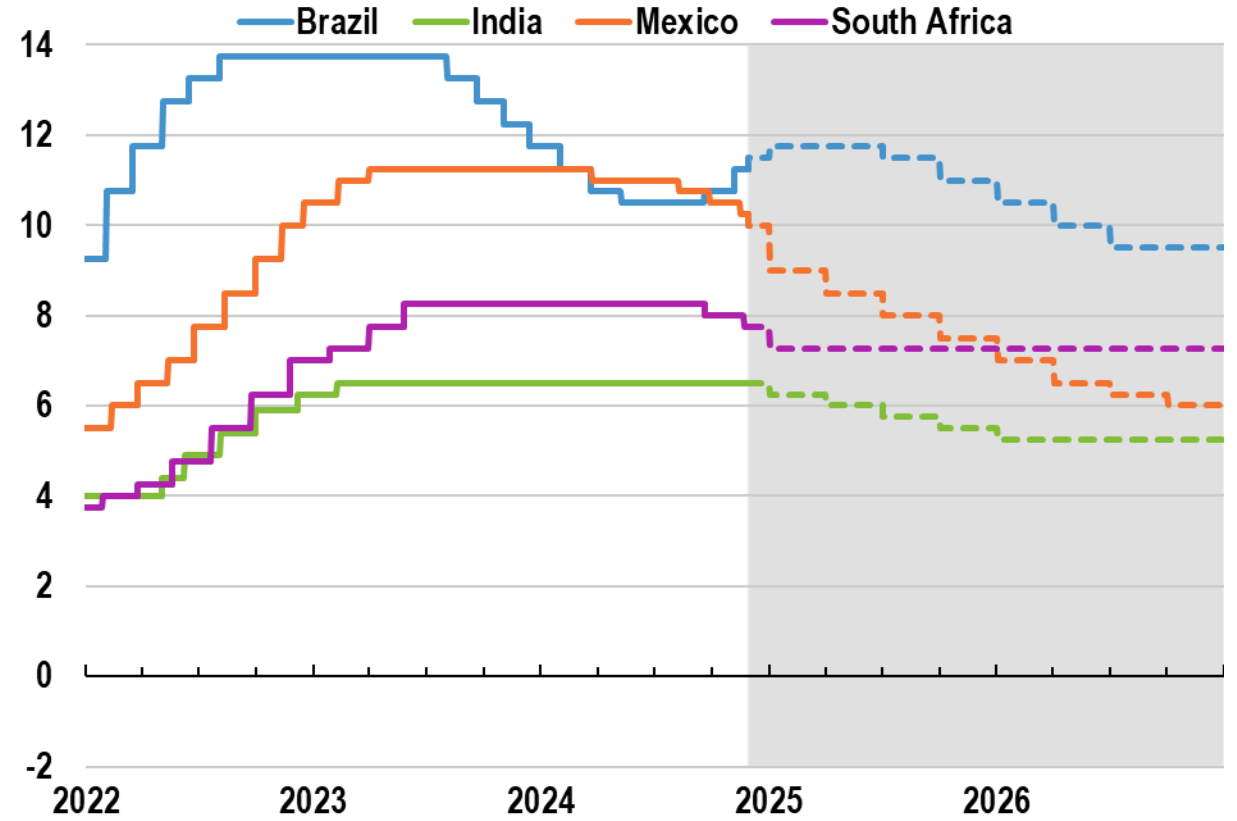
Advanced economies

Policy rates, %



Emerging market economies

Policy rates, %



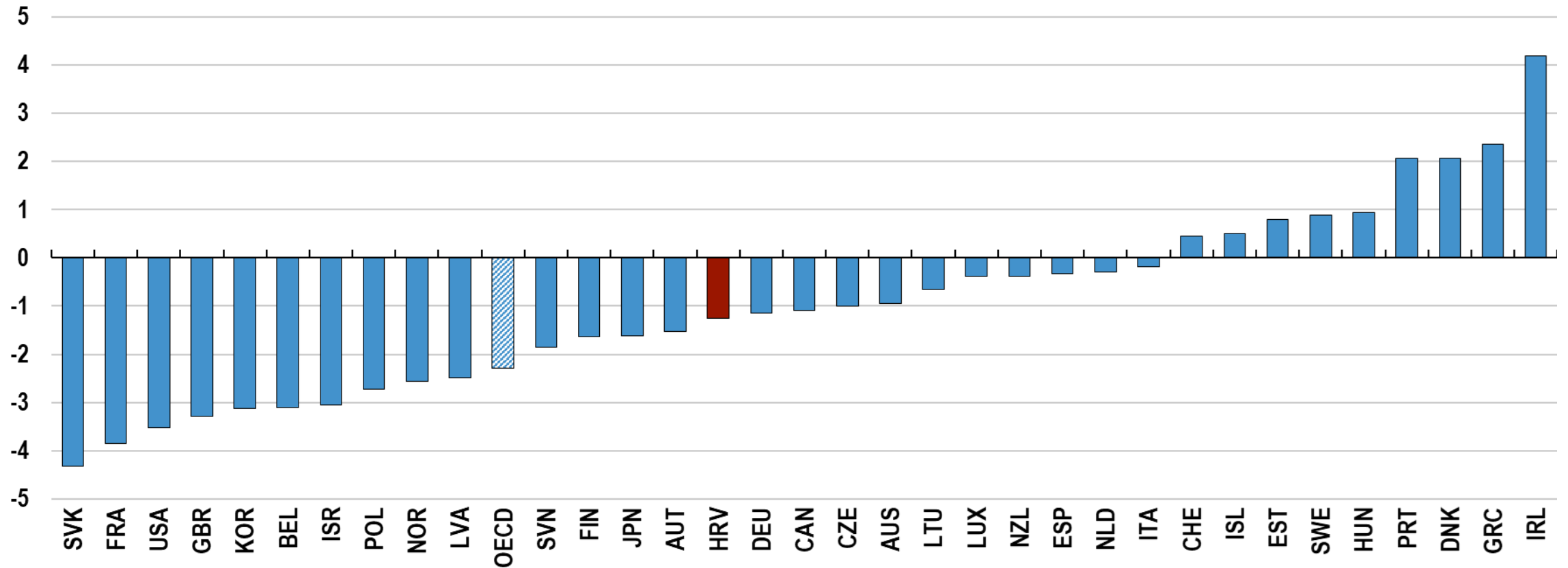
Note: Shaded area refers to OECD projections. For the United States, the policy rate refers to the midpoint of the federal funds rate range. The deposit facility rate is used as the policy rate indicator for the euro area. For Japan, from 21 March 2024 to 31 July 2024, the policy rate refers to the maximum of Bank of Japan's rate range. The assumed path of policy interest rates and unconventional measures represents the most likely outcome, conditional upon the OECD projections of activity and inflation.

Source: OECD Economic Outlook 116 database.

Governments need to step up efforts to consolidate public finances

Estimated cyclically adjusted government primary balance for 2024

% of potential GDP

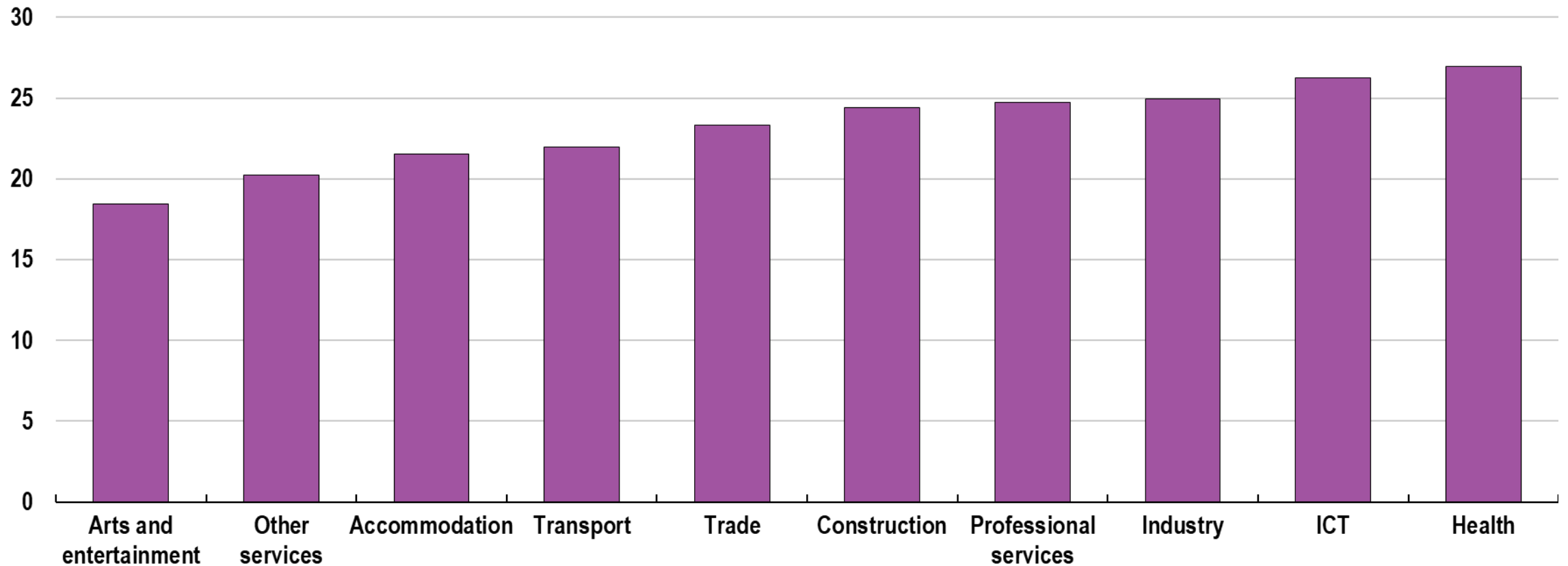


Source: OECD Economic Outlook 116 database.

Labour shortages are uneven across sectors

Firms reporting severe labour shortages as share of all firms

%, 2022-2023, 34 selected OECD and 2 non-OECD countries



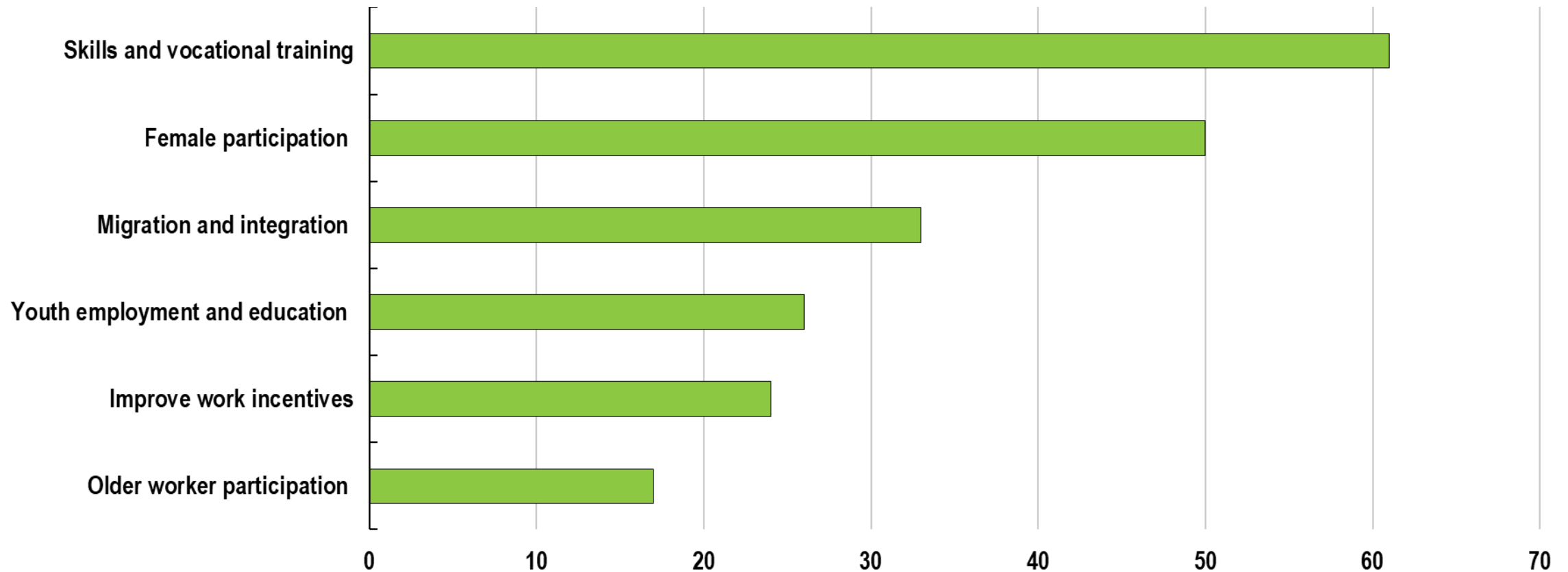
Note: The survey covers firms with 10 or more employees in all sectors of the economy except agriculture, utilities, financial services, public administration, education, household production and activities of extra-territorial entities, in 34 OECD countries (AUS, AUT, BEL, CAN, CHL, COL, CRI, CZE, DNK, FIN, FRA, DEU, GRC, HUN, IRL, ISR, ITA, JPN, KOR, LTU, MEX, NLD, NZL, NOR, POL, PRT, SVK, SVN, ESP, SWE, CHE, TUR, GBR, USA), and BRA and ZAF. The Survey was administered in March – August 2024 as an online survey of about 500-1000 entities per country, sampled according to strata that account for the sectoral affiliation of the company and its size category. Sectors are, respectively: Industry (ISIC Rev.4 sectors B and C), Construction (F), Trade (G), Transportation (H), Accommodation (I), ICT (J), Professional Services (L, M, and N), Health (Q), Arts and Entertainment (R), other services (S). Data for missing sectors are not collected in the GFP Employer Survey. Figures shown in graphs are averages across countries for each sector.

Source: Global Forum on Productivity Employer Survey on labour shortages.

Alleviating labour shortages requires a broad policy mix

Shares of countries with policy recommendations in each category

%, OECD and selected non-member OECD countries



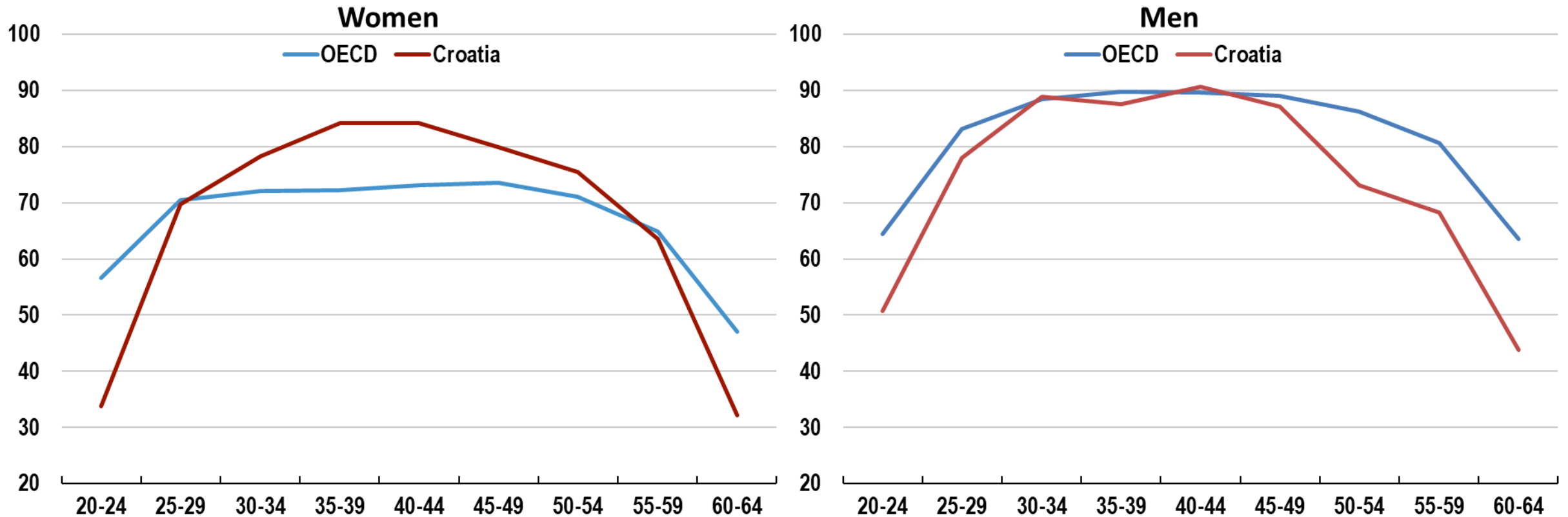
Notes: Policy recommendations are taken from the Economic Outlook 116 chapter on developments in individual OECD and selected non-member economies that covers 54 countries, including all OECD countries, Argentina, Brazil, Bulgaria, China, Croatia, Egypt, India, Indonesia, Mauritius, Morocco, Malaysia, Romania, South Africa, and Thailand. A total of 54 countries were assessed.

Source: OECD Economic Outlook 116.

Better preparing youth for work and incentives to work until retirement would raise employment and incomes

Employment rates by age group

%, 2023

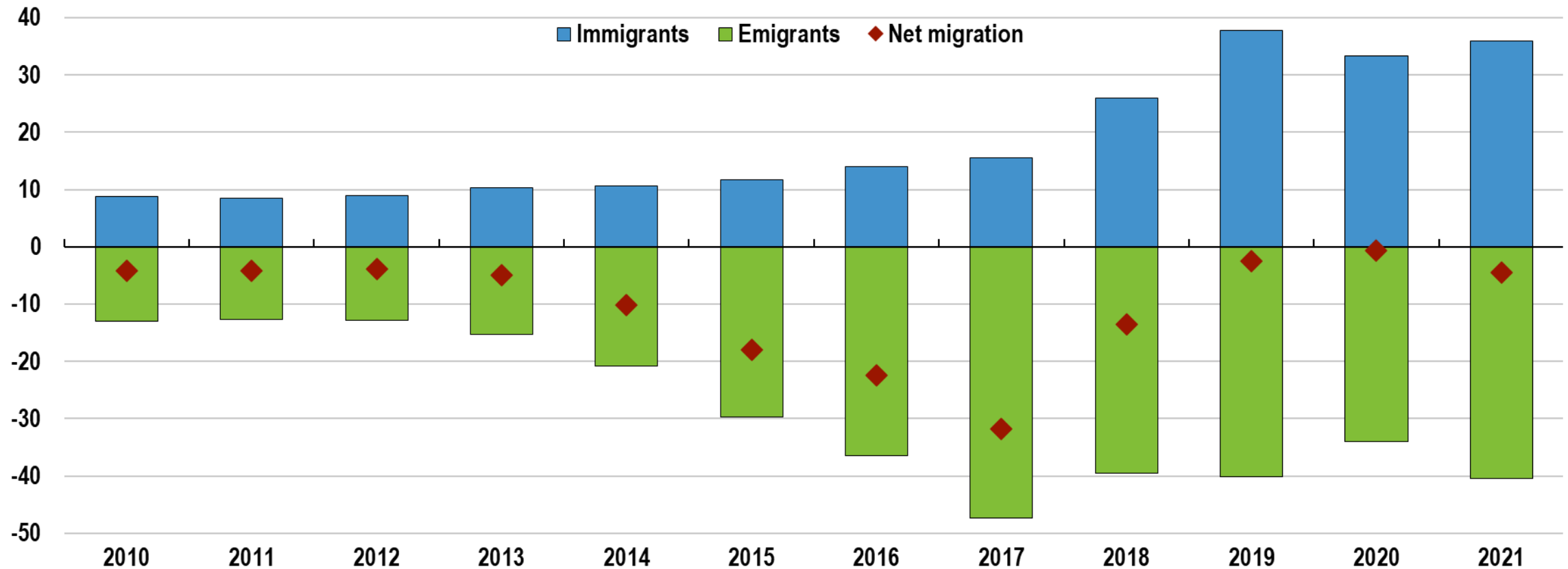


Source: OECD Labour Force Statistics database.

Attracting skilled immigrants and encouraging return migration would increase labour supply

Migration flows

Thousands, Croatia

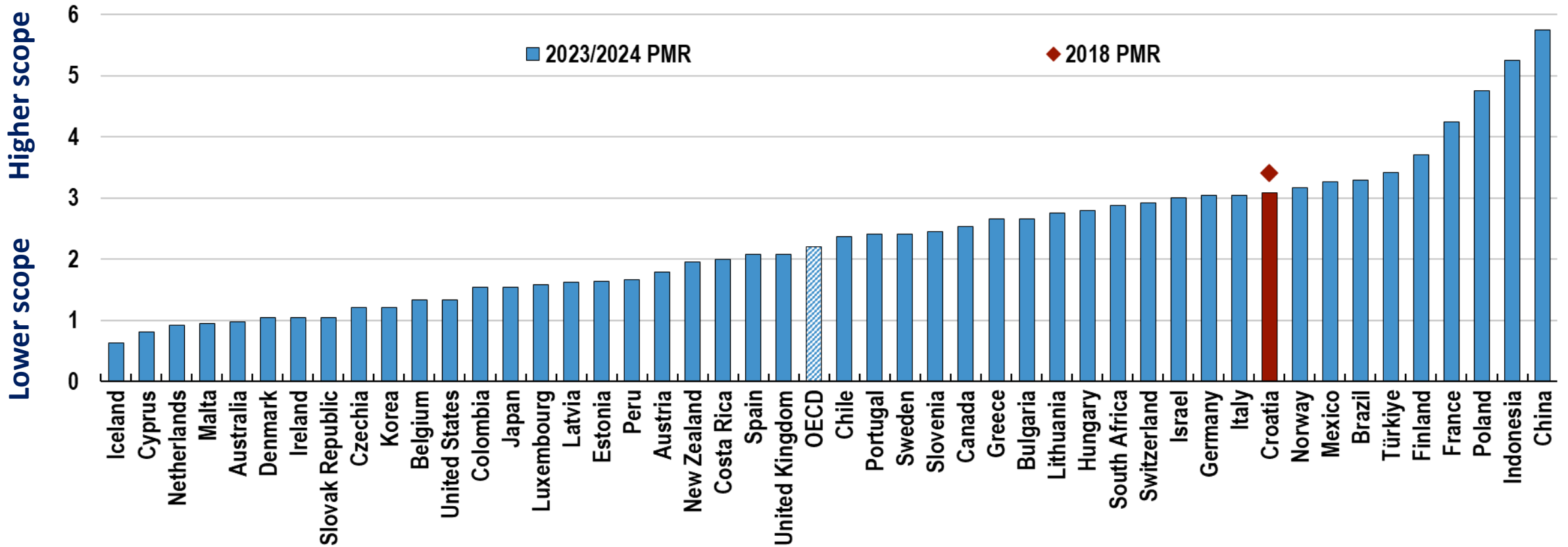


Source: OECD Economic Surveys: Croatia 2023, OECD Publishing, Paris.

The role of state-owned enterprises (SOEs) remains large

Scope of direct and indirect control of firms by the State

OECD PMR indicator (0-6)



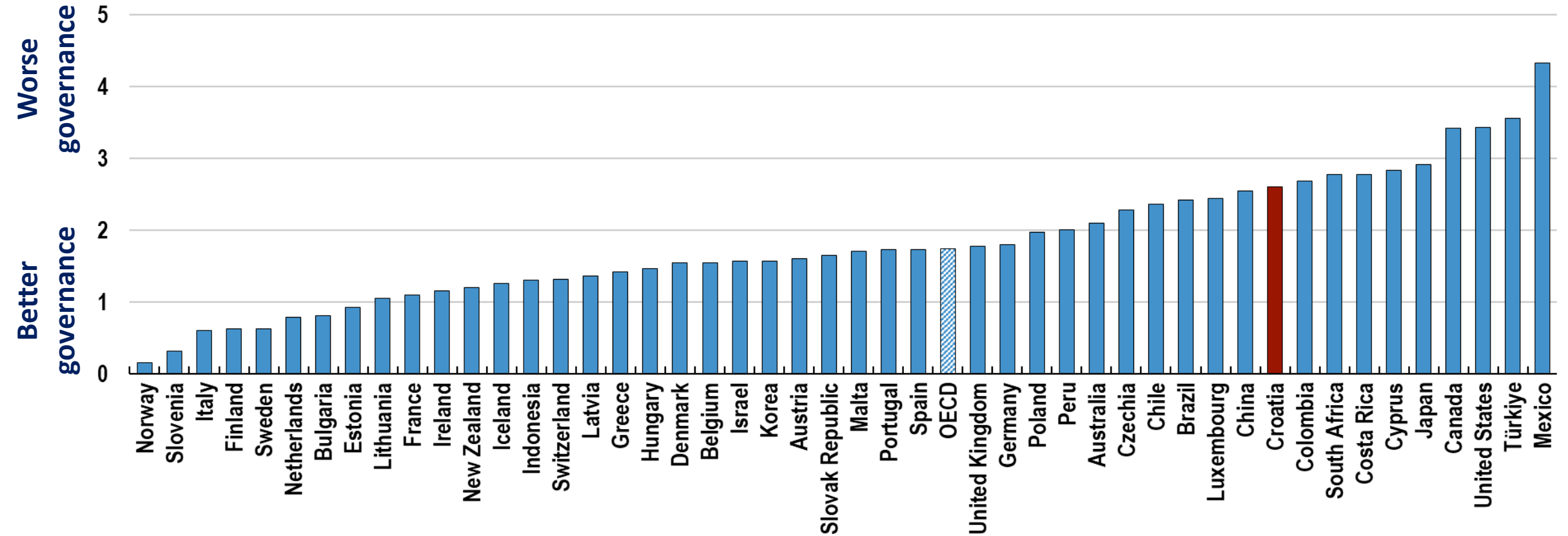
Note: The chart shows OECD PMR sub-indicator "Scope of public ownership".

Source: OECD Product Market Regulation database and OECD-WBG Product Market Regulation database for 2023/2024.

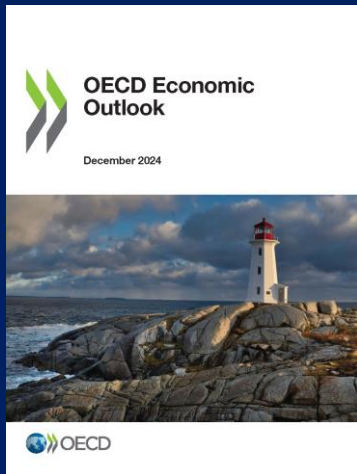
Stronger governance of SOEs is key

Governance of SOEs

OECD PMR indicator (0-6), 2023/2024 PMR

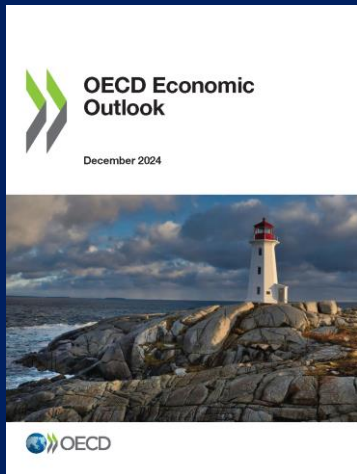


Source: OECD Product Market Regulation database and OECD-WBG Product Market Regulation database for 2023/2024.



Summing up

- **Growth is projected to remain stable amid high geopolitical risks and uncertainties**
- **Monetary policy should continue to ease, but needs to remain prudent and data dependent**
- **Governments need to step up consolidation efforts to ensure public finance sustainability**
- **Addressing labour shortages is necessary to unleash future growth potential**



Recommendations for Croatia

- Fiscal prudence is needed to rebuild fiscal buffers, support disinflation and prepare for the challenges of ageing
- Untargeted energy support measures should be phased out as planned
- Increasing labour force participation of underutilised groups would help to address chronic labour shortages and boost growth
 - (a) strengthen incentives for older workers and mothers with young children to participate in labour market
 - (b) better integrate immigrants
 - (c) improve vocational training and targeted upskilling and reskilling programmes
- Align state-owned enterprise governance with OECD guidelines

Thank you!

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GDP growth projections – non-G20 economies

Real GDP growth, year-on-year, %

 Upward revision, by 0.3pp or more

 Downward revision, by 0.3pp or more

		2024		2025	2026		2024		2025	2026	
 Austria		-0.5		1.1	1.4	 Israel		0.6		2.4	4.6
 Belgium		0.9		1.2	1.4	 Latvia		-0.3		1.9	2.5
 Chile		2.4		2.3	2.1	 Lithuania		2.4		3.1	2.8
 Colombia		1.8		2.7	2.9	 Luxembourg		1.2		2.3	2.4
 Costa Rica		4.0		3.5	3.6	 Netherlands		0.9		1.6	1.6
 Czechia		1.0		2.4	2.6	 New Zealand		0.6		1.4	2.1
 Denmark		2.8		2.5	1.7	 Norway		1.2		1.7	1.0
 Estonia		-0.9		1.7	2.7	 Poland		2.8		3.4	3.0
 Finland		-0.3		1.6	1.7	 Portugal		1.7		2.0	2.0
 Greece		2.3		2.2	2.5	 Slovak Republic		2.3		2.4	2.1
 Hungary		0.6		2.1	2.9	 Slovenia		1.1		2.6	2.6
 Iceland		0.7		2.3	2.8	 Sweden		0.6		1.8	2.8
 Ireland		-0.5		3.7	3.5	 Switzerland		1.3		1.5	1.9

Note: Revisions relative to the latest estimates from the May 2024 Economic Outlook.

Source: OECD Economic Outlook 116 database; OECD Economic Outlook 115 database; and OECD calculations.

Inflation projections

%, G20 economies

	2024	2025	2026		2024	2025	2026
OECD	5.2	3.7	2.9				
Australia	3.2	2.3	2.6	Argentina	120.9	29.8	25.1
Canada	2.4	2.0	2.1	Brazil	4.5	4.2	3.6
Euro area	2.4	2.1	2.0	China	0.4	1.1	1.4
Germany	2.4	2.0	1.9	India	4.8	4.2	4.0
France	2.4	1.6	1.8	Indonesia	2.3	2.2	2.4
Italy	1.2	2.1	2.0	Mexico	4.7	3.3	3.0
Spain	2.8	2.1	2.0	Russia	8.2	7.0	5.2
Japan	2.6	1.9	2.1	Saudi Arabia	1.6	1.7	2.0
Korea	2.3	1.8	2.0	South Africa	4.6	3.9	4.5
United Kingdom	2.6	2.7	2.3	Türkiye	58.3	30.7	17.2
United States	2.5	2.1	2.0				

Note: Table shows personal consumption expenditure price index for the United States, harmonised index of consumer prices for the euro area and its member states and the United Kingdom, and national consumer price index for all other countries. India projections are based on fiscal years, starting in April. Spain is a permanent invitee to the G20.

Source: OECD Economic Outlook 116 database; and OECD calculations.

Inflation projections

%, Non-G20 economies

	2024	2025	2026		2024	2025	2026
Austria	2.9	2.1	2.0	Israel	3.1	3.6	2.9
Belgium	4.3	2.9	2.1	Latvia	1.2	2.0	2.1
Chile	4.3	4.2	3.2	Lithuania	0.9	2.3	2.4
Colombia	6.7	4.3	3.1	Luxembourg	2.3	2.4	1.9
Costa Rica	-0.4	1.6	2.6	Netherlands	3.2	2.7	2.5
Czechia	2.4	2.3	2.0	New Zealand	2.9	2.0	2.1
Denmark	1.4	2.0	2.0	Norway	3.2	2.6	2.3
Estonia	3.4	3.8	2.8	Poland	3.8	5.0	3.9
Finland	0.9	1.8	1.8	Portugal	2.7	2.2	2.1
Greece	3.0	2.7	2.1	Slovak Republic	3.2	4.4	2.7
Hungary	3.8	3.3	2.9	Slovenia	1.9	2.4	2.6
Iceland	6.0	4.1	2.6	Sweden	2.8	0.8	1.9
Ireland	1.5	1.9	1.8	Switzerland	1.1	0.9	1.0

Note: Table shows harmonised index of consumer prices for the euro area member states and national consumer price index for all other countries.

Source: OECD Economic Outlook 116 database; and OECD calculations.