

Impact of increased surveillance requirements on EU candidate and potential candidate countries

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ECONOMIC AND FISCAL SURVEILLANCE

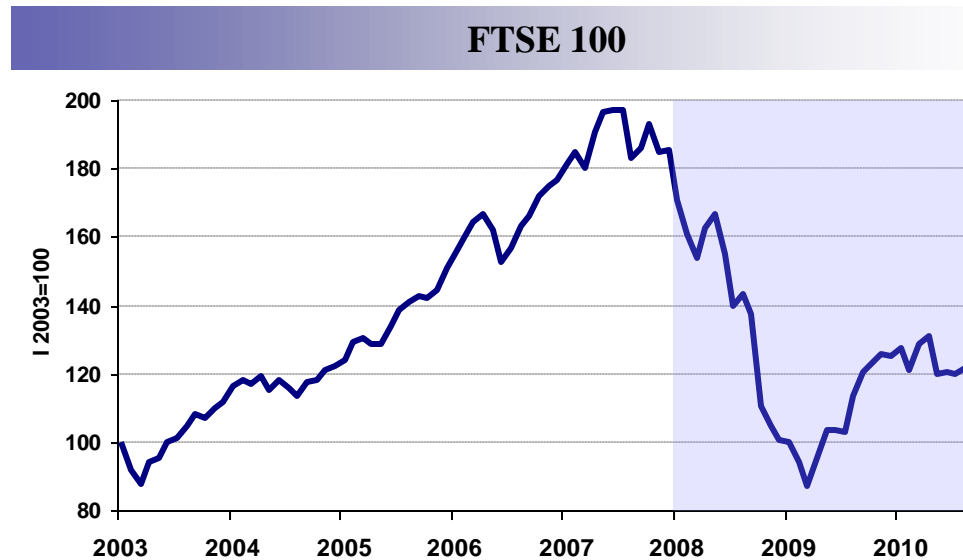
Potential candidate countries:

- Economic and Fiscal Programme

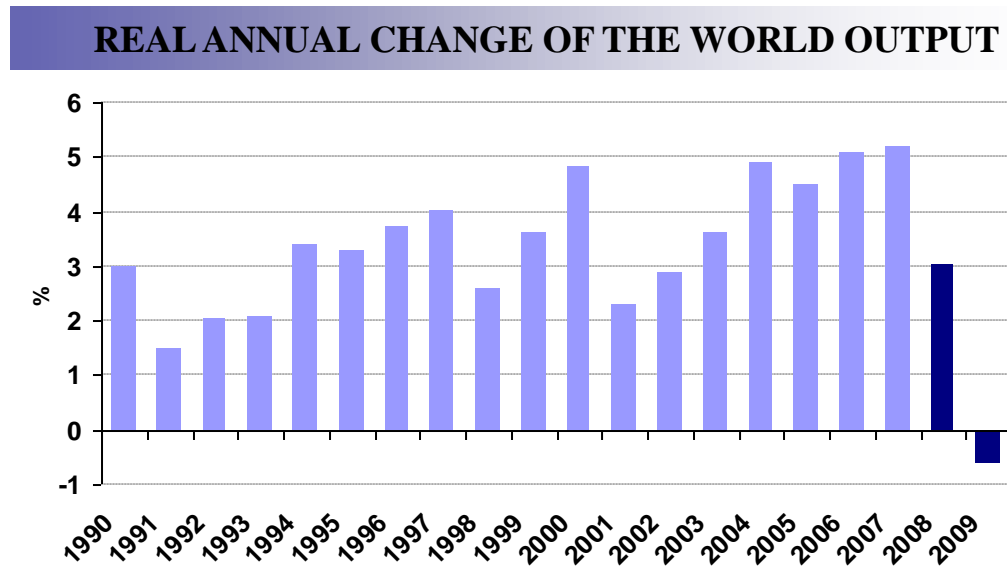
Candidate countries:

- Pre – Accession Economic Programme
- Fiscal Notification

WORLD FINANCIAL AND ECONOMIC CRISIS



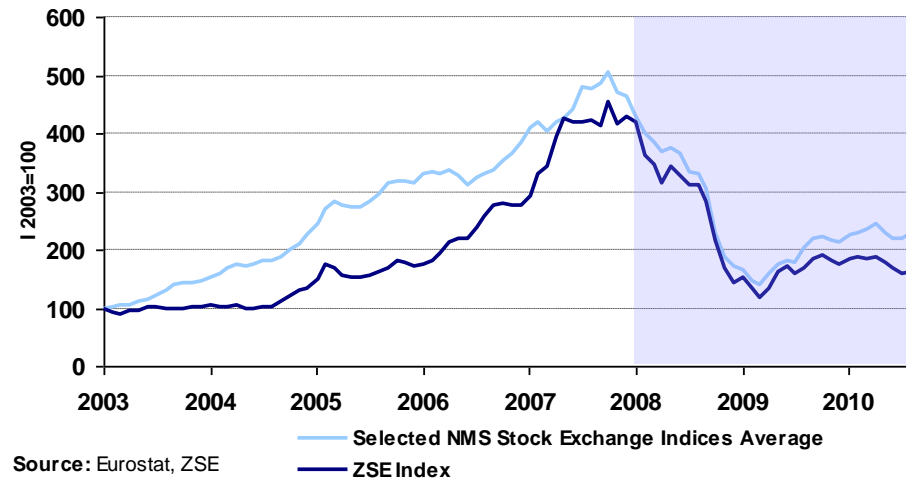
Source: Eurostat



Source: IMF

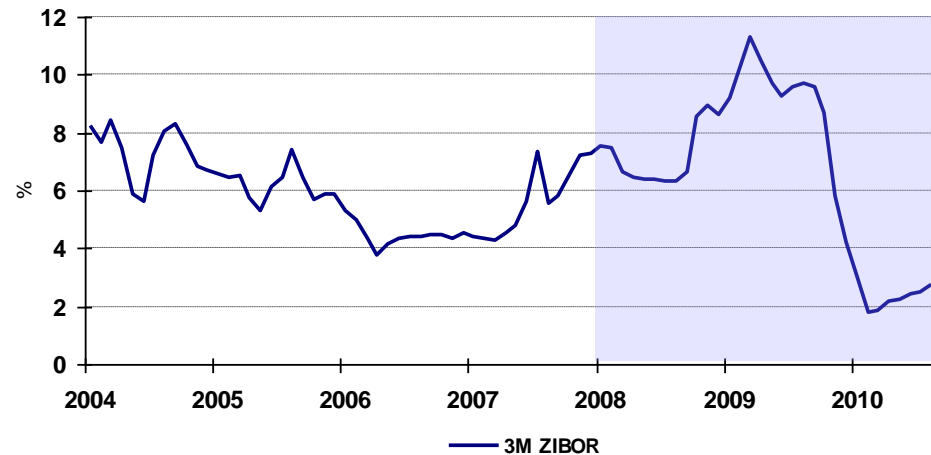
FINANCIAL SECTOR

STOCK PRICES



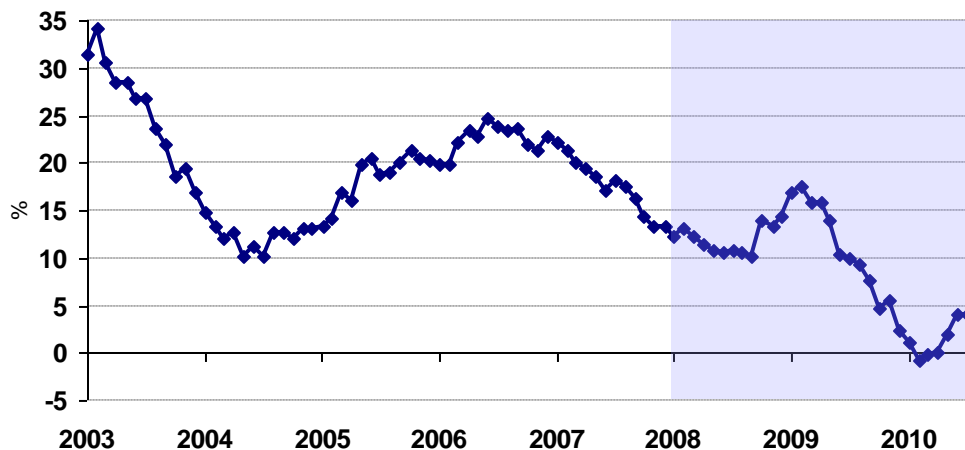
Source: Eurostat, ZSE

SHORT TERM INTEREST RATES



Source: Reuters

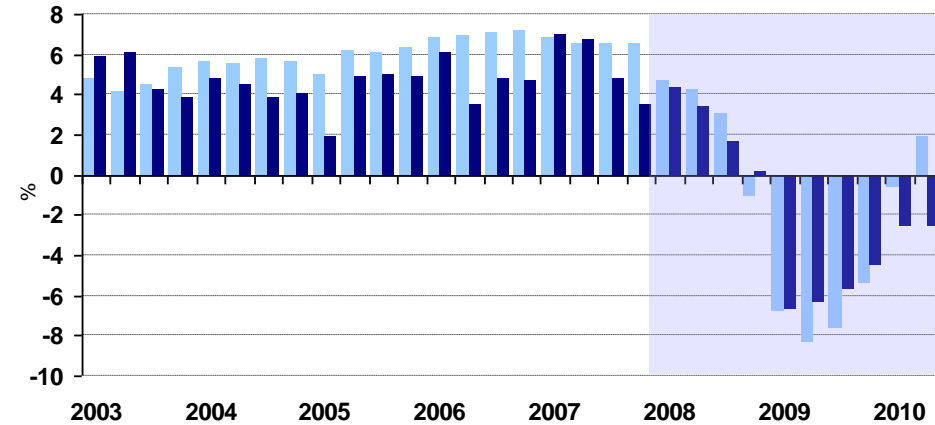
CREDIT GROWTH TO DOMESTIC SECTORS IN CROATIA



Source: CNB

IMPACT ON THE REAL ECONOMY

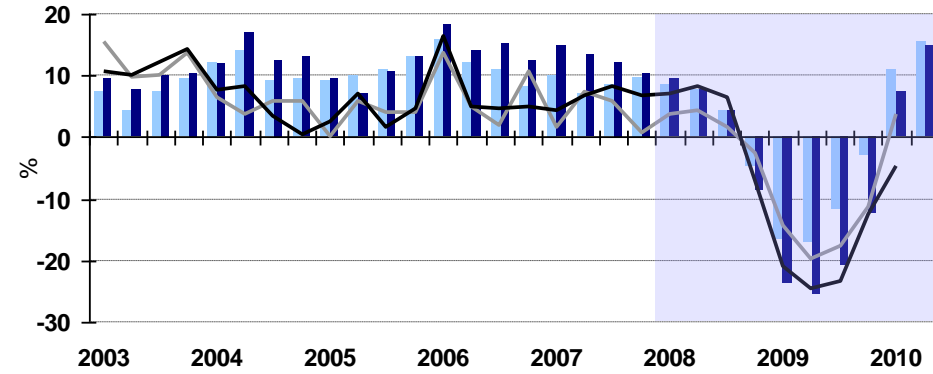
REAL Y-O-Y GDP CHANGE



Source: Eurostat

■ Non Weighted NMS (12) Average ■ Croatia

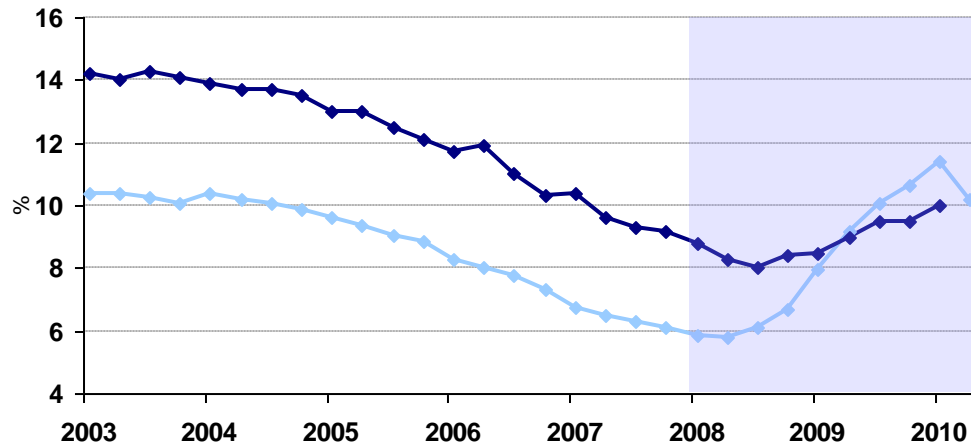
Y-O-Y CHANGE OF IMPORTS AND EXPORTS



Source: Eurostat

■ Non Weighted NMS (12) Average-Exports
 ■ Non Weighted NMS (12) Average - Imports
 — Croatia - Exports
 — Croatia - Imports

SEASONALLY ADJUSTED ILO UNEMPLOYMENT RATE

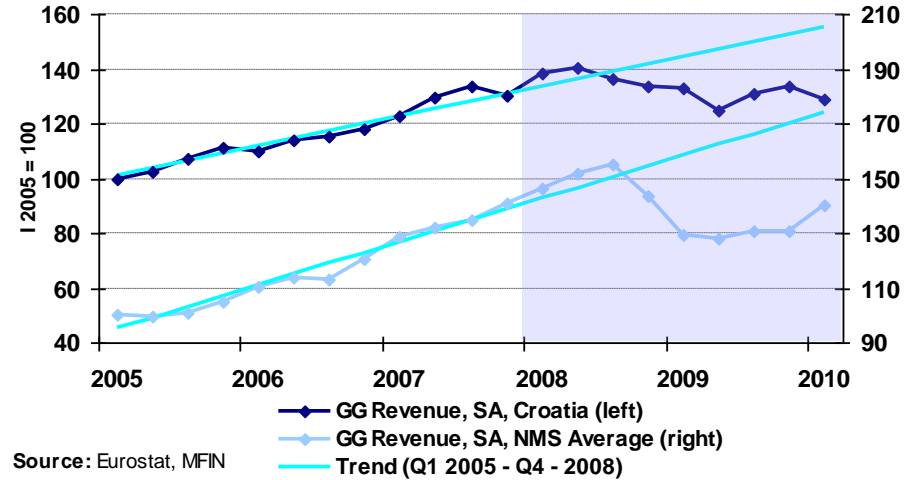


Source: Eurostat

— Non Weighted NMS (12) Average — Croatia

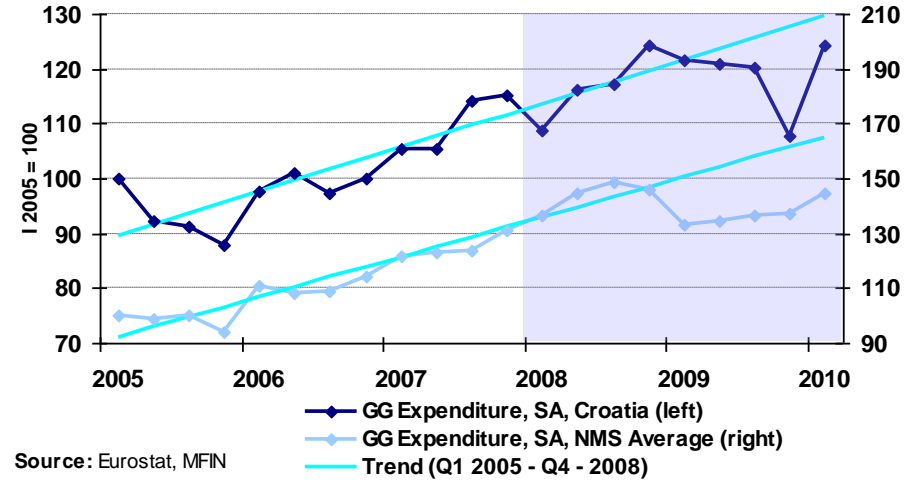
FISCAL POSITION

GENERAL GOVERNMENT REVENUES



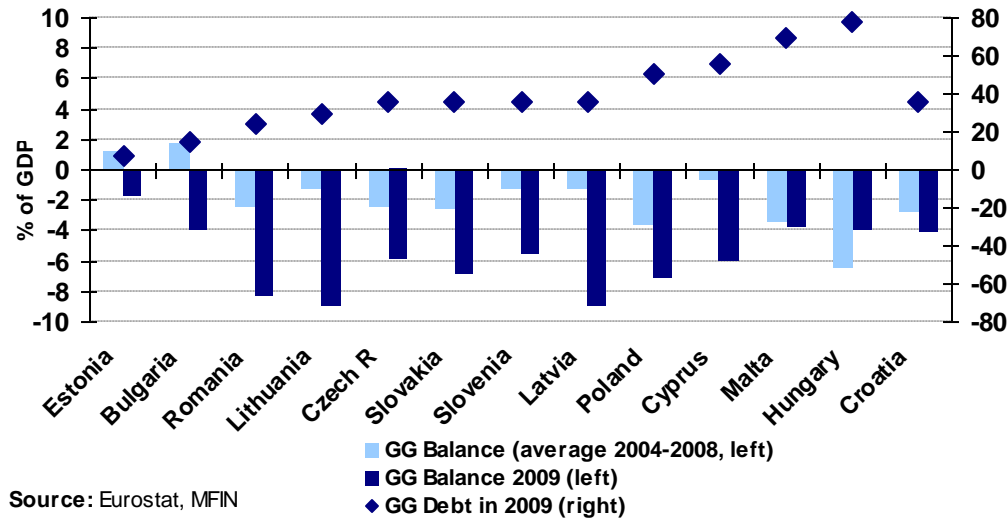
Source: Eurostat, MFIN

GENERAL GOVERNMENT EXPENDITURES



Source: Eurostat, MFIN

GENERAL GOVERNMENT DEFICIT AND DEBT



Source: Eurostat, MFIN

MEASURES OF THE CROATIAN GOVERNMENT

- **Decision on the increase in the deposit guarantee scheme in 2008**
- **Three supplementary budgets in 2009:**
 - First supplementary budget: GG revenue plan revised by 2.6 GDP percentage points, expenditure by 1.8 GDP percentage points
 - Second and third supplementary budgets: further reduction of GG revenue by 1.9 and expenditure by 0.5 percentage points
 - Deficit of the GG higher compared to the initial plan
- **Three financing programmes were formulated by the government in 2010 to alleviate the reluctance of banks to lend money to business sector**
- **Government adopted comprehensive Economic Recovery Programme**

ECONOMIC RECOVERY PROGRAMME

Economic recovery and more efficient economy will be achieved by:

- Reduced spending in the public sector
- Reallocation of budget expenditures
- Reduction of state interventions in the economy
- Initiation of the new investment cycle
- Increasing the pace of structural reforms

These measures are aiming at the final result of:

- Providing more space to the private sector
- Increased competitiveness
- Improved investment climate

CONCLUSION

- **Fiscal discipline**
- **Fiscal rules**
- **Position in the cycle**
- **Structural reforms and economic growth potential**

Thank you for your attention!