



THE COVID-19 CRISIS IN CROATIA

20 April 2020

COVID-19 update

- Assessment of the health system: On 21 March, Health Minister Vili Beros stated that the country had a total of 800 respirators, of which 500 are stationary and 300 are mobile, claiming that this is far greater than the potential [number of seriously ill patients](#). The Government is working on procuring additional respirators.
- Croatia presently counts 1881 confirmed cases of COVID-19. Forty-seven deaths and 771 recoveries have been reported. As of 20 April, [26610 tests had been carried out](#), and 18 people are on respirators. The Ministry of Health notes that the situation is satisfactory, as the [growth rate remains linear](#).
- On 22 March, amid a partial lockdown of the population, an earthquake of a 5.3 magnitude struck Croatia close to the capital Zagreb, damaging buildings and injuring dozens of people. The government urged the public to maintain social distancing, emphasising that the coronavirus outbreak is more challenging for the authorities than dealing with the consequences of the earthquake.

Economic impact

- *School closure*: On 16 March, the Government closed all educational institutions. Distance learning for primary education is delivered through public service broadcasts.
- *Restrictions on activity and movement*: On 19 March, the Civil Protection Authority introduced a ban on public gatherings and closure of all non-essential commercial and social activity including sports events and religious gatherings. On 24 March, it introduced a ban on travel between cities. Teleworking is encouraged for all businesses where possible. As of 20 April, restrictions on movement [inside individual counties have been lifted for most counties](#). • *Short-term indicators*: [Official data](#) suggests an increase in registered unemployment for the first time since 2013. Due to market instability, the HRK/EUR exchange rate depreciated.
- *Financial markets*: Investor panic did damage to the Croatian financial market, as the Zagreb Stock Exchange's indicator, Crobex, [lost over 32%](#) of its value from 19 February to 19 March. The Crobex resumed growth the following two weeks, possibly due to investor confidence in Government measures and their ability to [limit economic damage](#).

Policy reactions

Border: Croatia temporarily closed its borders to all except nationals and residents. All foreign citizens arriving in Croatia from narrowly defined affected areas are subject to a mandatory 14 day quarantine in government facilities. Those arriving from any country affected by COVID-19 are instructed to enforce self-isolation and health monitoring for 14 days.

Monetary and financial sector policy: On 20 March, the Croatian National Bank (CNB) adjusted its regulatory framework and monitoring activities in order to support the liquidity of financial institutions. On 23 March, the CNB reduced its mandatory reserve requirements from 12% to 9%, lowering the total amount of mandatory reserve by HRK 10.45 billion (EUR 1.3 billion). The CNB also responded by purchasing government bonds and selling foreign exchange to maintain exchange rate stability.

Fiscal policy: On 17 March, the Government announced measures of a combined worth of over HRK 30 billion (around EUR 3.9 billion) to support the economy in coping with the effects of the pandemic. These include: Interventional procurement of critically important sanitary equipment (disinfection equipment, soap, masks etc.), authorised delays in tax payments, purchasing of surpluses of potentially threatened businesses (agricultural or industrial goods), measures to support the tourism industry and aid for preserving jobs in affected sectors.

- The Government has promised interest-free loans to local organs and other public bodies whose revenue will be affected by the delay in payments. On 19 March, in a public address, PM Plenkovic announced that the Government will work to rationalise public spending without affecting healthcare and social services.
- On 24 March, the Government set up dedicated accounts for the collection of donations and the start of a campaign to assist with relief efforts related to the Zagreb earthquake (Together for Zagreb), and the COVID-19 pandemic (Croatia Against Coronavirus).
- On 2 April, the Government announced a new package of measures. Tourism Minister Gari Capelli stated that the Government is preparing to inject around HRK 164 million to support the tourism sector, which is operating at [less than 10% of its capacity](#).

Fiscal measures to support firms – cash support

- From 23 March, the Employment Agency has made available special subsidies to employers, to cover salaries of full-time and part-time workers in accommodation, food and beverage, transportation and storage and other sectors in which workers are prevented from attending work due to [confinement measures](#). With the April measures, the Government increased this support from HRK 3250 per worker to HRK 4000.

Fiscal measures to support firms – liquidity and guarantees :

- Within the April package, the Government announced an exemption on payment of income tax and contributions for entrepreneurs with an annual income of less than HRK 7.5 million (representing 93% of firms), whose revenue declined by more than 50%. Companies with an annual income above the threshold will be partially [exempted](#).
- The Government also announced a deferral on VAT payments until the collection of invoices or payments, applying both to [small and large businesses](#).

Public information:

- Authorities have created a [centralized public information portal](#), and have developed two AI chatbots to provide personalized information to citizens through Whatsapp and Facebook.

Gender aspect

- The [overwhelming majority of Croatia's nurses are women](#), which puts Croatian women at the frontlines of efforts to contain the pandemic and limit the death toll in the country. This often also means increased psychological stress and increased risk of exposure to the virus.
- The adverse impact on the Croatian tourism industry is likely to predominantly affect women in employment categories such as flight attendants, tour operators, sales assistants, hotel cleaners and hairdressers, hence disproportionately exposing them to the risk of poverty.
- As in other countries facing lockdown, there is a risk that isolation will lead to an increase in domestic violence in Croatia, the Croatian government is looking into ways to provide assistance as appropriate to abused women in need during the lockdown.

Outlook

- *Situation Prior to COVID-19:* Croatian GDP growth was accelerating, with a growth rate of 2.9 in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.1% in January 2020. At the end of 2019, the Government budget ran a surplus of 0.9% GDP.
- Croatia's economy strongly relies on the tourism sector, which represents around 20% of GDP. This could exacerbate economic difficulties as the tourism industry is suffering worldwide as a result of the pandemic. Efforts to support both firms and employees in the sector have been announced by the Government. Difficulties related to reduced export of goods are also expected .

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THE COVID-19 CRISIS IN CROATIA

27 April 2020

COVID-19 update

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Economic impact

- *Short-term indicators:* [Official data](#) suggests an increase in registered unemployment for the first time since 2013. Due to market instability, the HRK/EUR exchange rate depreciated. As of 27 April, the Croatian Kuna has [regained some of its lost value](#).
- *Financial markets:* Investor panic did damage to the Croatian financial market, as the Zagreb Stock Exchange's indicator, Crobex, [lost over 32%](#) of its value from 19 February to 19 March. The Crobex resumed growth the following two weeks, possibly due to investor confidence in Government measures and their ability to [limit economic damage](#).

Policy reactions

- *School closure:* On 16 March, the Government closed all educational institutions. Distance learning for primary education is delivered through public service broadcasts. Primary education is expected to partially resume as of 11 May.
- *Restrictions on activity and movement:* On 19 March, the Civil Protection Authority introduced a *ban* on public gatherings and closure of all non-essential commercial and social activity including sports events and religious gatherings. On 24 March, it introduced a ban on travel between cities. Teleworking is encouraged for all businesses where possible. As of 20 April, restrictions on movement [inside individual counties have been lifted for most counties](#). The government plans to begin [easing the restrictions in three phases](#). As of 27 April, businesses selling goods and services may reopen as long as they are not inside shopping malls. Service industries may reopen if they do not offer services that include close human contact (for example, shoemakers, tailors, key

makers, tourist bureaus, photoshops, etc.). Libraries, museums, galleries, antique stores, and bookstores may reopen as well. Country-wide public transportation and domestic air traffic are expected to reopen on 11 May.

- *Border:* Croatia temporarily closed its borders to all except nationals and residents. All foreign citizens arriving in Croatia from narrowly defined affected areas are subject to a mandatory 14-day quarantine in government facilities. Those arriving from any country affected by COVID-19 are instructed to enforce self-isolation and health monitoring for 14 days.
- *Monetary and financial sector policy:* On 20 March, the Croatian National Bank (CNB) adjusted its regulatory framework and monitoring activities in order to support the liquidity of financial institutions. On 23 March, the CNB reduced its mandatory reserve requirements from 12% to 9%, lowering the total amount of mandatory reserve by HRK 10.45 billion (EUR 1.3 billion). The CNB also responded by purchasing government bonds and selling foreign exchange to maintain exchange rate stability.
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- *Fiscal measures to support firms – cash support*
 - From 23 March, the Employment Agency has made available special subsidies to employers, to cover salaries of full-time and part-time workers in accommodation, food and beverage, transportation and storage and other sectors in which workers are prevented from attending work due to [confinement measures](#). With the April measures, the Government increased this support from HRK 3 250 per worker to HRK 4 000.
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 - Within the April package, the Government announced an exemption on payment of income tax and contributions for entrepreneurs with an annual income of less than HRK 7.5 million (representing 93% of firms), whose revenue declined by more than 50%. Companies with an annual income above the threshold will be partially [exempted](#).
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- *Public information:*
 - Authorities have created a [centralized public information portal](#), and have developed two AI chatbots to provide personalized information to citizens through Whatsapp and Facebook.

Gender aspect

- The [overwhelming majority of Croatia's nurses are women](#), which puts Croatian women at the frontlines of efforts to contain the pandemic and limit the death toll in the country. This often also means increased psychological stress and increased risk of exposure to the virus.
- The adverse impact on the Croatian tourism industry is likely to predominantly affect women in employment categories such as flight attendants, tour operators, sales assistants, hotel cleaners and hairdressers, hence disproportionately exposing them to the risk of poverty.
- As in other countries facing lockdown, there is a risk that isolation will lead to an increase in domestic violence in Croatia, the Croatian government is looking into ways to provide assistance as appropriate to abused women in need during the lockdown.

Outlook

- *Situation Prior to COVID-19:* Croatian GDP growth was accelerating, with a growth rate of 2.9 in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.1% in January 2020. At the end of 2019, the Government budget ran a surplus of 0.9% GDP.
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THE COVID-19 CRISIS IN CROATIA

29 June 2020

COVID-19 update

- As of 29 June, Croatia is facing a second wave of the epidemic, as it is seeing a sharp increase of new cases per day (up to 100). Previously, the situation was under control, with no new cases being reported for several weeks. It is not yet known if authorities will impose new confinement measures, considering the vital importance of tourism for the economy.
- Despite the recent increase in cases, Croatian authorities are continuing to open the country for the summer tourist season, of vital importance to the economy, as planned. Borders with several EU countries have been opened and efforts are being made to allow for further openings.

Economic impact

- *Short-term indicators:* [Data](#) from the Croatian Employment Institute shows an increase in registered unemployment from 139 924 persons in January to 159 234 persons in April. However, [it has been argued](#) that the real number of unemployed due to the crisis is higher, and is obscured by jobs created in other sectors and the significance of the informal economy. Due to market instability, the HRK/EUR exchange rate depreciated, but as of 27 April, the Croatian Kuna has [regained some of its lost value](#).
- *Financial markets:* Investor panic did damage to the Croatian financial market, as the Zagreb Stock Exchange's indicator, Crobex, [lost over 32%](#) of its value from 19 February to 19 March. The Crobex resumed growth the following two weeks, possibly due to investor confidence in Government measures and their ability to [limit economic damage](#). As of 18 May, Crobex appears to have stabilized, at a loss of around 25% of its pre-crisis value.

Policy reactions

- *School closure:* On 16 March, the Government closed all educational institutions. Distance learning was delivered through public service broadcasts. From 25 May, primary education [resumed in full](#) for grades one to four, although parents may justify their children's absence for various reasons.
- *Restrictions on activity and movement:* From 27 April to 11 May, social and economic activity has gradually started again. As of 27 April, businesses selling goods and services may reopen. Libraries, museums, galleries, antique stores, and bookstores may reopen as well. As of 4 May, service industries may reopen, including those that involve close human contact, such as barbers and hairdressers, provided they introduce the appropriate protective measures. As of 4 May, religious gatherings have resumed, provided they follow [specifically prescribed safety measures](#). Restrictions on travel within the country have been lifted as of 11 May. Cafes, restaurants, parks,

shopping centres and hotels may also reopen from this date provided they follow specifically prescribed sanitary measures. As of 29 June, the restriction on groupings of 40 people [was lifted](#), and restrictions will be specifically prescribed by the Public Health Institute.

- *Border:* As of 1 June, nationals of ten EU countries with similar epidemiologic situations (Czech Republic, Slovakia, Hungary, Austria, Estonia, Latvia, Lithuania, Poland, Slovenia and Germany) are [exempt from providing justification](#) and can visit freely, but are required to provide additional information upon entry. As of 29 June, arrivals (excluding transit), from Bosnia and Herzegovina, Kosovo*, Serbia and North Macedonia are subject to mandatory 14 day self-isolation.
- *Monetary and financial sector policy:* On 20 March, the Croatian National Bank (CNB) adjusted its regulatory framework and monitoring activities in order to support the liquidity of financial institutions. On 23 March, the CNB reduced its mandatory reserve requirements from 12% to 9%, lowering the total amount of mandatory reserve by HRK 10.45 billion (~EUR 1.3 billion). The CNB also responded by purchasing government bonds and selling foreign exchange to maintain exchange rate stability.
- *Fiscal policy:* On 17 March, [the Government announced measures](#) of a combined worth of over HRK 30 billion (~EUR 3.9 billion) to support the economy in coping with the effects of the pandemic. These include: Interventional procurement of critically important sanitary equipment (disinfection equipment, soap, masks etc.), authorised delays in tax payments, purchasing of surpluses of potentially threatened businesses (agricultural or industrial goods), measures to support the tourism industry and aid for preserving jobs in affected sectors.
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 - On 2 April, the Government [announced a new package of measures](#). Tourism Minister Gari Capelli stated that the Government is preparing to inject around HRK 164 million to support the tourism sector, which was operating at [less than 10% of its capacity](#). On 17 May, the Ministry of Tourism announced the allocation of HRK 388 million from the state budget and European Social Fund to finance six regional competence centers.
 - On 1 June, Minister of Labor and Pensions Josip Aladrović [announced](#) that the Government will consult with social partners to explore the possibility of reducing the number of hours worked per employee per week for firms with reduced turnover, with the goal of subsidizing hours not worked and supporting employment. On 29 June, Minister Aladrović and PM Plenković [announced](#) that the measure would be implemented by the Croatian Employment Institute as of 1 July.
- *Fiscal measures to support firms – cash support*
 - From 23 March, the Employment Agency has made available special subsidies to employers, to cover salaries of full-time and part-time workers in accommodation, food and beverage, transportation and storage and other sectors in which workers are prevented from attending work due to [confinement measures](#). With the April measures, the Government increased this support from HRK 3 250 to HRK 4 000 per worker.
- *Fiscal measures to support firms – liquidity and guarantees :*

- Within the April package, the Government announced an exemption on payments of income tax and contributions for entrepreneurs with an annual income of less than HRK 7.5 million (representing 93% of firms), whose revenue declined by more than 50%. Companies with an annual income above the threshold will be partially [exempted](#). The Government also announced a deferral on VAT payments until the collection of invoices or payments, applicable to both [small and large businesses](#).
- The Croatian Small Business Agency (HAMAG-BICRO) [has given loans](#) totalling HRK 343 million (~EUR 93 million), to support liquidity of small businesses, benefitting around 900 businesses so far. The Government plans to expand this programme and continue allocations in the coming months.
- *Efforts to support the tourism industry:*
 - On 23 May, the Government and the Croatian Tourism Union [announced plans for the opening of the tourist season](#). Measures to gradually facilitate travel from selected countries with similar epidemiologic situations (see list above) were put in place starting from 29 May, and Croatia is gradually opening its borders for inter-EU tourism. Croatian authorities have [set up a website](#) for gathering entry information of arrivals, in order to shorten waiting times at the border. As of 19 June, over [136 000 tourists have visited Croatia](#), the largest share of them domestic (45%), followed by tourists from Slovenia (34%), Germany (15%) and Austria (12%). According to Minister Cappelli, this level of activity represents around 20% of the previous year's tourist inflow in the same period. The Minister also predicted 30% to 35% of total tourism revenues compared to last year. The number of foreign tourists sharply increased in the second half of June, with school holidays starting in several EU countries.
 - The Government, together with the Tourism Union, [adopted measures](#) to support the industry such as reducing the Union's membership fee and the sojourn tax.
- *Public information:*
 - Authorities have created a [centralized public information portal](#), and have developed two AI chatbots to provide personalized information to citizens through Whatsapp and Facebook.

Gender aspect

- The overwhelming majority of Croatia's nurses are women, which puts Croatian women at the frontlines of efforts to contain the pandemic and limit the death toll in the country. This often also means increased psychological stress and increased risk of exposure to the virus.
- The adverse impact on the Croatian tourism industry is likely to predominantly affect women in employment categories such as flight attendants, tour operators, sales assistants, hotel cleaners and hairdressers, hence disproportionately exposing them to the risk of poverty.

Outlook

- Situation Prior to COVID-19: Croatian GDP growth was accelerating, with a growth rate of 2.9% in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.9% in 2019. At the end of 2019, the Government budget ran a surplus of 0.9% GDP.
- Croatia's economy strongly relies on the tourism sector, which represents around 25% of the GDP. This could exacerbate economic difficulties as the tourism industry is suffering worldwide as a result of the pandemic. Efforts to support both firms and employees in the sector have been announced by the Government. Difficulties related to reduced export of goods are also expected. A recession of around 9% of GDP is expected for 2020.
- On 22 March, amid a partial lockdown of the population, an earthquake of a 5.3 magnitude struck Croatia close to the capital of Zagreb, killing one person, damaging buildings and injuring dozens of people. Efforts have been made by the authorities to finance reconstruction efforts and mitigate the social impact of the disaster.

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THE COVID-19 CRISIS IN CROATIA

4 August 2020

COVID-19 update

- As of 4 August, Croatia counts [647 active cases of COVID-19](#), and has had 5 318 total cases since the beginning of the epidemic. 154 deaths from the disease have been reported. Previously, the situation was considered fully under control, with no new cases being reported for several weeks. Since mid-June, the country has seen a sharp increase in new cases amounting to around 100 cases per day. As of early August, the progression of the epidemic seems to have slowed down, with around 30 new cases per day reported from 2 to 4 August. As of 13 July, [wearing of facemasks is mandatory](#) in most public spaces, and the authorities have reintroduced restrictions of gatherings of more than 100 people (see below).
- Parliamentary elections were held in Croatia on 5 July. Voter turnout was [significantly lower](#) than in previous years, at 46.9%, the lowest since the first democratic elections in 1990, most probably due to fear of COVID-19 infection by voters.

Economic impact

- *Short-term indicators:* [Data](#) from the Croatian Employment Institute shows an increase in registered unemployment from 139 924 persons in January to 159 234 persons in April. However, [it has been argued](#) that the real number of unemployed due to the crisis is higher, and is obscured by jobs created in other sectors and the significance of the informal economy. Due to market instability, the HRK/EUR exchange rate depreciated and the Croatian Kuna has [not yet fully](#) regained its lost value still as of early July.
- *Financial markets:* Investor panic did damage to the Croatian financial market, as the Zagreb Stock Exchange's indicator, Crobex, [lost over 32%](#) in the first month of the pandemic. The Crobex resumed growth the following two weeks, possibly due to investor confidence in Government measures and their ability to [limit economic damage](#). As of early July, the Crobex has stabilised, at a loss of around 25% of its pre-crisis value.

Policy reactions

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service industries may reopen, including those that involve close human contact, such as barbers and hairdressers, provided they introduce the appropriate protective measures. As of 4 May, religious gatherings have resumed, provided they follow [specifically prescribed safety measures](#). Restrictions on travel within the country have been lifted as of 11 May. Cafes, restaurants, parks, shopping centres and hotels may also reopen from this date provided they follow specifically prescribed sanitary measures. Restrictions on gatherings of people, initially removed, were reinstated on 10 July, as organisers must now register gatherings of more than 100 people in advance and provide the authorities with information on the participants in case any are infected.

- *Border:* All EU/EEA nationals and persons with permanent residence in EU/EEA countries, plus their family members, can enter Croatia freely. However, they are required to provide additional information via the ENTERCROATIA website before entry. Third country nationals may enter the country for business, tourist reasons, other economic interests for Croatia, or pressing personal reasons, if they provide relevant proof. The obligation to self-isolate upon entering Croatia was lifted for all countries.
- *Monetary and financial sector policy:* On 20 March, the Croatian National Bank (CNB) adjusted its regulatory framework and monitoring activities in order to support the liquidity of financial institutions. On 23 March, the CNB reduced its mandatory reserve requirements from 12% to 9%, lowering the total amount of mandatory reserve by HRK 10.45 billion (~EUR 1.3 billion). The CNB also responded by purchasing government bonds and selling foreign exchange to maintain exchange rate stability.
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 - On 1 June, Minister of Labor and Pensions Josip Aladrović [announced](#) that the Government will consult with social partners to explore the possibility of reducing the number of hours worked per employee per week for firms with reduced turnover, with the goal of subsidizing hours not worked and supporting employment. On 29 June, Minister Aladrović and PM Plenković [announced](#) that the measure would be implemented by the Croatian Employment Institute as of 1 July. The measure will be financed primarily from EU SURE and will apply to all sectors and all businesses with over 10 employees.
- *Fiscal measures to support firms – cash support*

- From 23 March, the Employment Agency has made available special subsidies to employers, to cover salaries of full-time and part-time workers in accommodation, food and beverage, transportation and storage and other sectors in which workers are prevented from attending work due to [confinement measures](#). With the April measures, the Government increased this support from HRK 3 250 to HRK 4 000 per worker. According to the Ministry of Labour and Pensions and the Croatian Bureau of Statistics, at the end of May these subsidies [covered 37% of all employees in Croatia](#).
- *Fiscal measures to support firms – liquidity and guarantees :*
 - Within the April package, the Government announced an exemption on payments of income tax and contributions for entrepreneurs with an annual income of less than HRK 7.5 million (representing 93% of firms), whose revenue declined by more than 50%. Companies with an annual income above the threshold will be partially [exempted](#). The Government also announced a deferral on VAT payments until the collection of invoices or payments, applicable to both [small and large businesses](#).
 - The Croatian Small Business Agency (HAMAG-BICRO) [has given loans](#) totalling HRK 343 million (~EUR 93 million), to support liquidity of small businesses, benefitting around 900 businesses so far. The Government plans to expand this programme and continue allocations in the coming months.
 - In late June, the Croatian Bank for Reconstruction and Development (HBOR) announced an extension of its export loan insurance program (extended from EUR 50 000 to EUR 150 000). HBOR will take on 95% of the risk of foreign buyers' non-payments in order to protect the liquidity of SMEs. HBOR can insure short-term export claims by SMEs with an annual export revenue of up to EUR 2 million.
- *Efforts to support the tourism industry:*
 - On 23 May, the Government and the Croatian Tourism Union [announced plans for the opening of the tourist season](#). Measures to gradually facilitate travel from selected countries with similar epidemiologic situations (see list above) were put in place starting from 29 May, and Croatia is gradually opening its borders for inter-EU tourism.
 - Croatian authorities have [set up a website](#) for gathering entry information of arrivals, in order to shorten waiting times at the border.
 - Official statistics released by the Croatian authorities accounted for 722 565 foreign tourists as of late June 2020, compared to 2 851 865 for the corresponding period last year. The main countries from which tourists visit Croatia include Slovenia (~207 000 as of end June), Germany (~204 000 as of end June) and Austria (~72 000 as of late June). In July, the tourism sector operated at approximately [50% of its previous year's results](#). Revenues from tourism are expected to amount to around 30% of last year's total.
 - The Government, together with the Tourism Union, [adopted measures](#) to support the industry such as reducing the Union's membership fee and the sojourn tax.
- *Public information:*

Authorities have created a [centralized public information portal](#), and have developed two AI chatbots to provide personalized information to citizens through Whatsapp and Facebook. On 28 July, the Croatian version of the [Stop COVID-19 mobile application was released](#). The application helps users track possible contacts with other users who may be at risk of infection or of spreading the disease.

Gender aspect

- The overwhelming majority of Croatia's nurses are women, which puts Croatian women at the frontlines of efforts to contain the pandemic and limit the death toll in the country. This often also means increased psychological stress and increased risk of exposure to the virus.
- The adverse impact on the Croatian tourism industry is likely to predominantly affect women in employment categories such as flight attendants, tour operators, sales assistants, hotel cleaners and hairdressers, hence disproportionately exposing them to the risk of poverty.

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THE COVID-19 CRISIS IN CROATIA

12 August 2020

COVID-19 update

- As of 12 August, Croatia counts [686 active cases of COVID-19](#), and has had 5 870 total cases since the beginning of the epidemic. 160 deaths from the disease have been reported. Previously, the situation was considered fully under control, with no new cases being reported for several weeks. Since mid-June, the country has seen a sharp increase in new cases amounting to around 100 cases per day. As of 13 July, [wearing of facemasks is mandatory](#) in most public spaces, and the authorities have reintroduced restrictions on gatherings of more than 100 people (see below).
- Parliamentary elections were held in Croatia on 5 July. Voter turnout was [significantly lower](#) than in previous years, at 46.9%, the lowest since the first democratic elections in 1990, most probably due to fear of COVID-19 infection by voters.

Economic impact

- *Short-term indicators:* [Data](#) from the Croatian Employment Institute shows an increase in registered unemployment from 139 924 persons in January to 159 234 persons in April. However, [it has been argued](#) that the real number of unemployed due to the crisis is higher, and is obscured by jobs created in other sectors and the significance of the informal economy. Due to market instability, the HRK/EUR exchange rate depreciated and the Croatian Kuna has [not yet fully](#) regained its lost value still as of early July.
- *Financial markets:* Investor panic did damage to the Croatian financial market, as the Zagreb Stock Exchange's indicator, Crobex, [lost over 32%](#) in the first month of the pandemic. The Crobex resumed growth the following two weeks, possibly due to investor confidence in Government measures and their ability to [limit economic damage](#). As of early July, the Crobex has stabilised, at a loss of around 25% of its pre-crisis value.

Policy reactions

- *School closure:* On 16 March, the Government closed all educational institutions. Distance learning was delivered through public service broadcasts. From 25 May, primary education [resumed in full](#) for grades one to four, although parents may justify their children's absence for various reasons.
- *Restrictions on activity and movement:* From 27 April to 11 May, social and economic activity has gradually started again. As of 27 April, businesses selling goods and services may reopen. Libraries, museums, galleries, antique stores, and bookstores may reopen as well. As of 4 May, service industries may reopen, including those that involve close human contact, such as barbers and hairdressers, provided they introduce the appropriate protective measures. As of 4 May,

religious gatherings have resumed, provided they follow [specifically prescribed safety measures](#). Restrictions on travel within the country have been lifted as of 11 May. Cafes, restaurants, parks, shopping centres and hotels may also reopen from this date provided they follow specifically prescribed sanitary measures. Restrictions on gatherings of people, initially removed, were reinstated on 10 July, as organisers must now register gatherings of more than 100 people in advance and provide the authorities with information on the participants in case any are infected.

- *Border:* All EU/EEA nationals and persons with permanent residence in EU/EEA countries, plus their family members, can enter Croatia freely. However, they are required to provide additional information via the ENTERCROATIA website before entry. Third country nationals may enter the country for business, tourist reasons, other economic interests for Croatia, or pressing personal reasons, if they provide relevant proof. The obligation to self-isolate upon entering Croatia was lifted for all countries.
- *Monetary and financial sector policy:* On 20 March, the Croatian National Bank (CNB) adjusted its regulatory framework and monitoring activities in order to support the liquidity of financial institutions. On 23 March, the CNB reduced its mandatory reserve requirements from 12% to 9%, lowering the total amount of mandatory reserve by HRK 10.45 billion (~EUR 1.3 billion). The CNB also responded by purchasing government bonds and selling foreign exchange to maintain exchange rate stability.
- *Fiscal policy:* On 17 March, [the Government announced measures](#) of a combined worth of over HRK 30 billion (~EUR 3.9 billion) to support the economy in coping with the effects of the pandemic. These include: Interventional procurement of critically important sanitary equipment (disinfection equipment, soap, masks etc.), authorised delays in tax payments, purchasing of surpluses of potentially threatened businesses (agricultural or industrial goods), measures to support the tourism industry and aid for preserving jobs in affected sectors.
 - The Government has promised interest-free loans to local agencies and other public bodies whose revenue will be affected by the delay in payments. On 19 March, in a public address, PM Plenkovic announced that the Government will work to rationalise public spending without affecting healthcare and social services.
 - On 24 March, the Government set up dedicated accounts for the collection of donations and the start of a campaign to assist with relief efforts related to the Zagreb earthquake (Together for Zagreb), and the COVID-19 pandemic (Croatia Against Coronavirus).
 - On 2 April, the Government [announced a new package of measures](#). Tourism Minister Gari Capelli stated that the Government is preparing to inject around HRK 164 million to support the tourism sector, which was operating at [less than 10% of its capacity](#). On 17 May, the Ministry of Tourism announced the allocation of HRK 388 million from the state budget and European Social Fund to finance six regional competence centers.
 - On 1 June, Minister of Labor and Pensions Josip Aladrović [announced](#) that the Government will consult with social partners to explore the possibility of reducing the number of hours worked per employee per week for firms with reduced turnover, with the goal of subsidizing hours not worked and supporting employment. On 29 June, Minister Aladrović and PM Plenković [announced](#) that the measure would be implemented by the Croatian Employment Institute as of 1 July. The measure will be financed primarily from EU SURE and will apply to all sectors and all businesses with over 10 employees.
- *Fiscal measures to support firms – cash support*

- From 23 March, the Employment Agency has made available special subsidies to employers, to cover salaries of full-time and part-time workers in accommodation, food and beverage, transportation and storage and other sectors in which workers are prevented from attending work due to [confinement measures](#). With the April measures, the Government increased this support from HRK 3 250 to HRK 4 000 per worker. According to the Ministry of Labour and Pensions and the Croatian Bureau of Statistics, at the end of May these subsidies [covered 37% of all employees in Croatia](#).
- *Fiscal measures to support firms – liquidity and guarantees :*
 - Within the April package, the Government announced an exemption on payments of income tax and contributions for entrepreneurs with an annual income of less than HRK 7.5 million (representing 93% of firms), whose revenue declined by more than 50%. Companies with an annual income above the threshold will be partially [exempted](#). The Government also announced a deferral on VAT payments until the collection of invoices or payments, applicable to both [small and large businesses](#).
 - The Croatian Small Business Agency (HAMAG-BICRO) [has given loans](#) totalling HRK 343 million (~EUR 93 million), to support liquidity of small businesses, benefitting around 900 businesses so far. The Government plans to expand this programme and continue allocations in the coming months.
 - In late June, the Croatian Bank for Reconstruction and Development (HBOR) announced an extension of its export loan insurance program (extended from EUR 50 000 to EUR 150 000). HBOR will take on 95% of the risk of foreign buyers' non-payments in order to protect the liquidity of SMEs. HBOR can insure short-term export claims by SMEs with an annual export revenue of up to EUR 2 million.
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 - On 23 May, the Government and the Croatian Tourism Union [announced plans for the opening of the tourist season](#). Measures to gradually facilitate travel from selected countries with similar epidemiologic situations (see list above) were put in place starting from 29 May, and Croatia is gradually opening its borders for inter-EU tourism.
 - Croatian authorities have [set up a website](#) for gathering entry information of arrivals, in order to shorten waiting times at the border.
 - Official statistics released by the Croatian authorities accounted for 722 565 foreign tourists as of late June 2020, compared to 2 851 865 for the corresponding period last year. The main countries from which tourists visit Croatia include Slovenia (~207 000 as of end June), Germany (~204 000 as of end June) and Austria (~72 000 as of late June). In July, the tourism sector operated at approximately [60% of its previous year's results](#), and is operating at an estimated 70% as of early August. Revenues from tourism are expected to amount to around 30% of last year's total.
 - The Government, together with the Tourism Union, [adopted measures](#) to support the industry such as reducing the Union's membership fee and the sojourn tax.
- *Public information:*

Authorities have created a [centralized public information portal](#), and have developed two AI chatbots to provide personalized information to citizens through Whatsapp and Facebook. On 28 July, the Croatian version of the [Stop COVID-19 mobile application was released](#). The application helps users track possible contact with other users who may be at risk of infection or of spreading the disease.

Gender aspect

- The overwhelming majority of Croatia's nurses are women, which puts Croatian women at the frontlines of efforts to contain the pandemic and limit the death toll in the country. This often also means increased psychological stress and increased risk of exposure to the virus.
- The adverse impact on the Croatian tourism industry is likely to predominantly affect women in employment categories such as flight attendants, tour operators, sales assistants, hotel cleaners and hairdressers, hence disproportionately exposing them to the risk of poverty.

Outlook

- Situation Prior to COVID-19: Croatian GDP growth was accelerating, with a growth rate of 2.9% in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.9% in 2019. At the end of 2019, the Government budget ran a surplus of 0.9% GDP.
- Croatia's economy strongly relies on the tourism sector, which represents around 25% of the GDP. This could exacerbate economic difficulties as the tourism industry is suffering worldwide as a result of the pandemic. Efforts to support both firms and employees in the sector have been announced by the Government. Difficulties related to reduced export of goods are also expected. A recession of around 9% of GDP is expected for 2020.

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THE COVID-19 CRISIS IN CROATIA

19 August 2020

COVID-19 update

- As of 19 August, Croatia counts [1 520 active cases of COVID-19](#), and has had 7 074 total cases since the beginning of the epidemic. 166 deaths from the disease have been reported. Previously, the situation was considered fully under control, with no new cases being reported for several weeks. Since mid-June, the country has seen a sharp increase in new cases amounting to around 100 cases per day. Throughout August the number of cases has been progressing steadily with 219 new cases recorded on 19 August. The [wearing of facemasks was mandatory](#) in most public spaces as of 13 July, and the authorities reintroduced restrictions on gatherings of more than 100 people (see below).
- Parliamentary elections were held in Croatia on 5 July. Voter turnout was [significantly lower](#) than in previous years, at 46.9%, the lowest since the first democratic elections in 1990, most probably due to fear of COVID-19 infection by voters.

Economic impact

- *Short-term indicators:* [Data](#) from the Croatian Employment Institute shows an increase in registered unemployment from 139 924 persons in January to 159 234 persons in April. However, [it has been argued](#) that the real number of unemployed due to the crisis is higher, and is obscured by jobs created in other sectors and the significance of the informal economy. Due to market instability, the HRK/EUR exchange rate depreciated and the Croatian Kuna has [not yet fully](#) regained its lost value still as of early July.
- *Financial markets:* Investor panic did damage to the Croatian financial market, as the Zagreb Stock Exchange's indicator, Crobex, [lost over 32%](#) in the first month of the pandemic. The Crobex resumed growth the following two weeks, possibly due to investor confidence in Government measures and their ability to [limit economic damage](#). As of early July, the Crobex has stabilised, at a loss of around 25% of its pre-crisis value.

Policy reactions

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Gender aspect

- The overwhelming majority of Croatia's nurses are women, which puts Croatian women at the frontlines of efforts to contain the pandemic and limit the death toll in the country. This often also means increased psychological stress and increased risk of exposure to the virus.
- The adverse impact on the Croatian tourism industry is likely to predominantly affect women in employment categories such as flight attendants, tour operators, sales assistants, hotel cleaners and hairdressers, hence disproportionately exposing them to the risk of poverty.

Outlook

- Situation Prior to COVID-19: Croatian GDP growth was accelerating, with a growth rate of 2.9% in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.9% in 2019. At the end of 2019, the Government budget ran a surplus of 0.9% GDP.
- Croatia's economy strongly relies on the tourism sector, which represents around 25% of the GDP. This could exacerbate economic difficulties as the tourism industry is suffering worldwide as a result of the pandemic. Efforts to support both firms and employees in the sector have been announced by the Government. Difficulties related to reduced export of goods are also expected. A recession of around 9% of GDP is expected for 2020.

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THE COVID-19 CRISIS IN CROATIA

31 August 2020

COVID-19 update

- As of 26 August, Croatia counts [2 649 active cases of COVID-19](#), and has had 10 269 total cases since the beginning of the epidemic. 186 deaths from the disease have been reported. Previously, the situation was considered fully under control, with no new cases being reported for several weeks. Since mid-June, the country has seen a sharp increase in new cases amounting to around 100 cases per day. Throughout August the number of cases has been progressing steadily with 146 new cases recorded on 31 August. The [wearing of facemasks was mandatory](#) in most public spaces as of 13 July, and the authorities reintroduced restrictions on gatherings of more than 100 people (see below).

Economic impact

- *Short-term indicators:* [Data](#) from the Croatian Employment Institute shows an increase in registered unemployment from 139 924 persons in January to 159 234 persons in April. However, [it has been argued](#) that the real number of unemployed due to the crisis is higher, and is obscured by jobs created in other sectors and the significance of the informal economy. Due to market instability, the HRK/EUR exchange rate depreciated and the Croatian Kuna has [not yet fully](#) regained its lost value still as of early July.
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Policy reactions

- *School closure:* On 16 March, the Government closed all educational institutions. Distance learning was delivered through public service broadcasts. From 25 May, primary education [resumed in full](#) for grades one to four, although parents may justify their children's absence for various reasons. The 2020-2021 schoolyear is starting on 7 September, and education will resume [either online or in-person on a school-by-school basis](#).
- *Restrictions on activity and movement:* From 27 April to 11 May, social and economic activity has gradually started again. As of 27 April, businesses selling goods and services may reopen. Libraries, museums, galleries, antique stores, and bookstores may reopen as well. As of 4 May, service industries may reopen, including those that involve close human contact, such as barbers

and hairdressers, provided they introduce the appropriate protective measures. As of 4 May, religious gatherings have resumed, provided they follow [specifically prescribed safety measures](#). Restrictions on travel within the country have been lifted as of 11 May. Cafes, restaurants, parks, shopping centres and hotels may also reopen from this date provided they follow specifically prescribed sanitary measures. Restrictions on gatherings of people, initially removed, were reinstated on 10 July, as organisers must now register gatherings of more than 100 people in advance and provide the authorities with information on the participants in case any are infected. From 13 August until 7 September, bars, cafes and nightclubs [must limit their activity to midnight](#). From 24 August, localised restrictions on gatherings of people are in force for a period of two weeks in the Split-Dalmatia county and the Brodsko-Posavska county. Localised restrictions were expanded and include several other counties as well as of 31 August.

- *Border:* All EU/EEA nationals and persons with permanent residence in EU/EEA countries, plus their family members, can enter Croatia freely. However, they are required to provide additional information via the ENTERCROATIA website before entry. Third country nationals may enter the country for business, tourist reasons, other economic interests for Croatia, or pressing personal reasons, if they provide relevant proof. The obligation to self-isolate upon entering Croatia was lifted for all countries.
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Institute as of 1 July. The measure will be financed primarily from EU SURE and will apply to all sectors and all businesses with over 10 employees. On 23 August, Minsiter Aladrović [announced](#) that the measure would remain in force until the end of the year. He also announced that the Government will consult with social partners to propose amendments to the labor law, which would mainly serve to provide further flexibility regarding work from home.

- *Fiscal measures to support firms – cash support*
 - From 23 March, the Employment Agency has made available special subsidies to employers, to cover salaries of full-time and part-time workers in accommodation, food and beverage, transportation and storage and other sectors in which workers are prevented from attending work due to [confinement measures](#). With the April measures, the Government increased this support from HRK 3 250 to HRK 4 000 per worker. According to the Ministry of Labour and Pensions and the Croatian Bureau of Statistics, at the end of May these subsidies [covered 37% of all employees in Croatia](#).
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- The Government, together with the Tourism Union, [adopted measures](#) to support the industry such as reducing the Union's membership fee and the sojourn tax.

- *Public information:*

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Outlook

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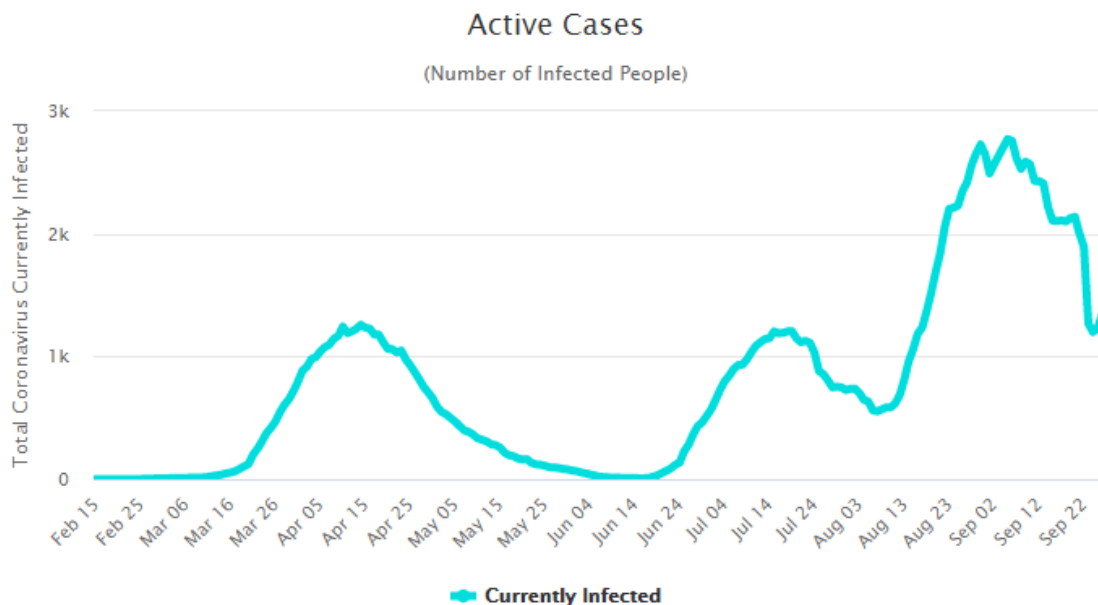
THE COVID-19 CRISIS IN CROATIA

1 October 2020

COVID-19 health situation – September 2020

- While the Croatian Government declared the epidemiological situation under control in early June, with almost no new cases being reported for several weeks, the situation has progressively worsened over the summer. Throughout September, the number of new cases has been growing steadily, with the daily rate ranging from [around 200 to 350 new cases per day](#). However, due to a rapid increase in recoveries, the number of active cases has decreased from [60 per 100 000 inhabitants to 30](#) since the beginning of the month. As of 28 of September, a total of 272 people have died from the virus, representing 6.6 deaths per 100 000 inhabitants.

Evolution of active cases in Croatia



Source: Worldometers.info

- Since July, facemasks are mandatory outside and in most public spaces and organisers of events gathering more than 100 participants must register the event with the authorities in advance so that participants may be contacted in case of an identified infection. The working hours of bars, cafes and nightclubs are [limited to midnight countrywide](#). Localized restrictions on gatherings, the mandatory wearing of masks and restrictions of economic activity are constantly being introduced and modified on county and municipality levels.

- Several countries, including [the UK](#) and [Germany](#), have issued travel warnings on non-essential travel to all or part of Croatia due to the increase in cases.

Policy reactions – September 2020

- The school year has started in September, with schools being able to choose the mode of instruction (between physical, mixed and distance learning). [Over 92% of schools](#) chose the first mode, i.e. in-classroom, presence-based education.
- On 3 September, PM Plenković announced that the Government would [extend the existing aid for jobs and liquidity until 31 December](#). So far, the Government paid out a total of HRK 6.3 billion (around EUR 834 million) to businesses through this measure, to prevent a significant increase of unemployment and avoid business failures. The extension of these measures is expected to cost around HRK 800 million (around EUR 105 million), financed from the state budget together with EU SURE loans and future programs such as the EU Recovery and Resilience Facility.
- The PM also announced government guarantees for two shipbuilding sites in Rijeka and Pula.
- On 30 September, the Civil Protection Headquarters extended (until 15 October) the [prohibition on entry](#) into Croatia for non-EU nationals and residents who do not have justification allowing them to enter the country.

Economic impact and outlook

- *Macroeconomic data:* Croatian GDP growth was accelerating, with a growth rate of 2.9% in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.9% in 2019. However, a [recession of around 10.8% GDP](#) is expected for 2020, driven mainly by fall of domestic consumption and difficulty in exports. A fall in remittances due to the global nature of the crisis will also affect the economy, as Croatia received [around 6% of GDP](#) in personal remittances in 2019.
- Croatia is highly dependent on tourism, a sector which was among the most severely affected by the pandemic, which provides around 25% of GDP. Despite a significant drop in tourist visits in 2020, the Government managed to [salvage 50% of tourism revenues](#) compared to the previous year, which was an overachievement compared to initial expectations (set at around 30%).
- The Croatian Employment Institute [currently counts around 150 000 unemployed](#) in the country, which represents a 16% increase in the number of registered unemployed since the previous year. This upsurge is lower than expected, presumably linked to the government measures in support of businesses and employment. Still, it is possible that real unemployment is higher, due to the importance of the informal economy in the country.
- *Fiscal and financial data:* The effect of the crisis on public spending is expected to be softened by the over performance of the tourist season. The [HRK-EUR exchange rate](#), which plummeted at the onset of the crisis (from 0.1343 to 0.1311 between February and April), has regained some value but has not yet reached its pre-crisis level (as of September it is at 0.1326), although fluctuations have been observed. The Zagreb Stock Exchange's main indicator, [CROBEX](#), lost over 27% of its value in the first month of the crisis. It has, however, regained some of its lost value and stabilised at around 14% of loss compared to its pre-crisis value since July.

All previously published COVID-19 notes can be accessed on the [OECD South East Europe webpage](#)

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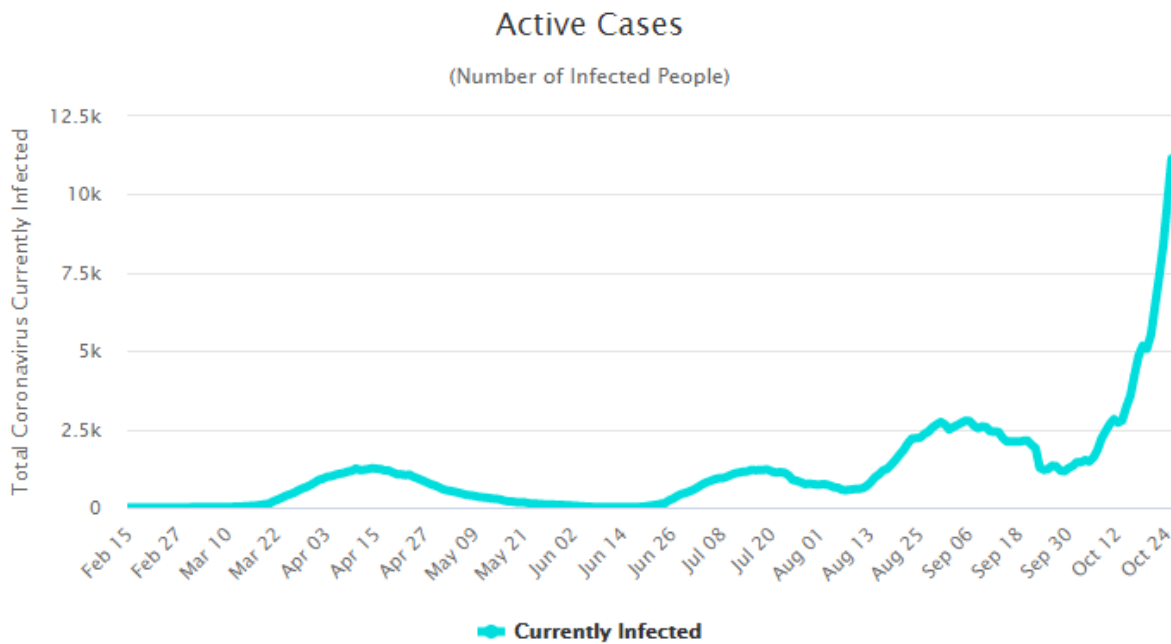
THE COVID-19 CRISIS IN CROATIA

31 October 2020

COVID-19 health situation – October 2020

While the Croatian Government declared the epidemiological situation under control in early June, with almost no new cases being reported for several weeks, the situation has progressively worsened over the summer. Throughout September and early October, the number of new cases has been steadily growing, with the daily rate ranging from [around 200 to 350 new cases per day](#). In late October, the number of daily new cases started to increase dramatically, reaching a record of [2421 new cases on 25 October](#). The number of active cases per 100 000 inhabitants [increased from 32.3 on 1 October to 275.5 on 27 October](#).

Evolution of active cases in Croatia



Source: Worldometers.info

- Several countries, including [the UK, Ireland](#) and [Germany](#), have issued travel warnings on non-essential travel to all or part of Croatia due to the increase in cases. The European Centre for Disease Control [classifies Croatia, along with many other EU countries, in the highest category](#) regarding test positivity rate and incidence of cases.

Policy reactions – October 2020

Measures to slow the spread of the virus and support the health system

- The organisation of events gathering more than 50 participants [is prohibited as of 27 October](#), and other events and gatherings are subject to extensive restrictions, including mandatory registration of participants, prior approval by authorities and limitation of hours. The working hours of bars, cafes and nightclubs are [limited to midnight countrywide](#). Additional, localized restrictions on gatherings mandatory wearing of facemasks and restrictions of economic activity are constantly being introduced and modified on county and municipality levels. Teleworking is encouraged for employers.
- Due to the deteriorating health situation and stretching of the health system's capacities, the authorities have [begun re-converting the Zagreb Arena](#) into a space for treating mild to moderate cases of COVID-19. The space was previously mobilized during the first wave of the epidemic in March.
- On 14 October, the Civil Protection Headquarters extended (until 2 November), the [prohibition on entry into Croatia](#) for non-EU nationals and residents, who do not have justification allowing them to enter the country.
- The school year had started in September, with schools being able to choose the mode of instruction (between physical, mixed and distance learning). [Over 92% of schools](#) chose the first mode, i.e. in-classroom, presence-based education in September, with this share decreasing to around [78% as of 22 October, with some schools transitioning to mixed or distance learning models](#).

Economic support measures

- On 20 October, the Government [announced](#) the extension of existing measures to support businesses and employment to other sectors (including agriculture, fishing and transport), as well as the reduction of the threshold of reduced activity for applying for the measures (from 50% reduced activity to 70%). This expansion is expected to cost between 300 and 350 million HRK (between EUR 39.5 million and EUR 46.2 million).

Economic impact and outlook

- *Macroeconomic data:* Croatian GDP growth was accelerating, with a growth rate of 2.9% in 2019 (after a slight slowdown from 2017 to 2018). Unemployment was low, registering at 6.9% in 2019. However, a [recession of around 10.8% GDP](#) is expected for 2020, driven mainly by fall of domestic consumption and difficulty in exports. A fall in remittances due to the global nature of the crisis will also affect the economy, as Croatia received [around 6% of GDP](#) in personal remittances in 2019.
- Croatia is highly dependent on tourism, a sector which was among the most severely affected by the pandemic, which provides around 25% of GDP. Despite a significant drop in tourist visits in 2020, the Government managed to [salvage 50% of tourism revenues](#) compared to the previous year, which was an overachievement compared to initial expectations (set at around 30%).
- The Croatian Employment Institute [currently counts around 150 000 unemployed](#) in the country, which represents a 16% increase in the number of registered unemployed since the previous year. This upsurge is lower than expected, presumably linked to the government measures in support of businesses and employment. Still, it is possible that real unemployment is higher, due to the importance of the informal economy in the country.

- *Fiscal and financial data:* The effect of the crisis on public spending is expected to be softened by the over performance of the tourist season. The [HRK-EUR exchange rate](#), which plummeted at the onset of the crisis (from 0.1343 to 0.1311 between February and April), has regained some value but has not yet reached its pre-crisis level (as of October it is at 0.132), although fluctuations have been observed. The Zagreb Stock Exchange's main indicator, [CROBEX](#), lost over 27% of its value in the first month of the crisis. It has, however, regained some of its lost value and stabilised at around 14% of loss compared to its pre-crisis value since July.

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