



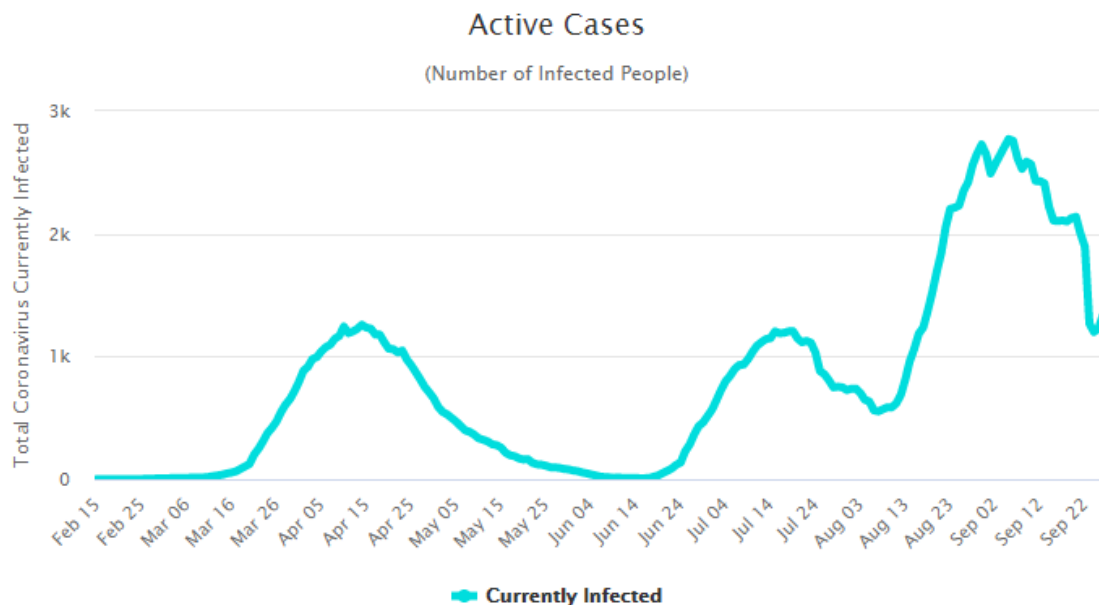
THE COVID-19 CRISIS IN CROATIA

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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