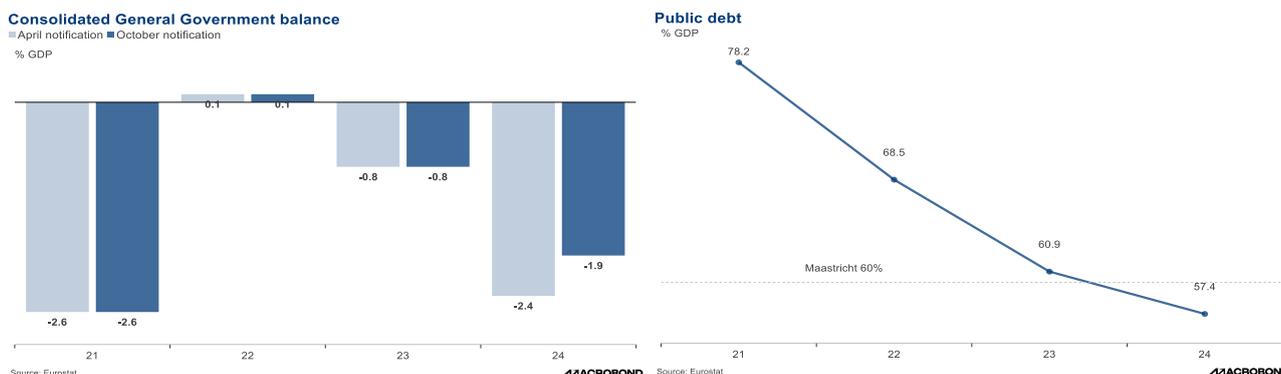


## NUMBER 920, OCTOBER 27, 2025

### Deterioration of the fiscal position

- With last week's publication of the Report on the Excessive Deficit Procedure and the General Government Debt Level, the CBS, with minor corrections, confirmed the trend of the generated deficit/surplus in the period 2021-2023, while for 2024 the share of general government deficit in GDP was revised from the previously published -2.4% to -1.9%, due to the correction of the deficit amount to a lower one, and the nominal amount of GDP to higher. The data on the movement of public debt remained unchanged.

**General government deficit in 2024 -1.9%, public debt 57.4% of GDP**



- At the same time, by publishing quarterly data, Eurostat gave an insight into recent fiscal developments that indicate a further deterioration of the fiscal position in the first half of the current year. Namely, according to the published data, the consolidated general government deficit observed on the basis of the last four quarters (3Q24-2Q25) amounted to 3.0% of GDP, while in the same period last year it amounted to 1.7%. The widening of the deficit is a consequence of faster growth in expenditure than revenues, with expenditures reaching 49.8% of GDP and revenues reaching 46.8% of GDP. If we look at the structure of the expenditure side, the largest share of 31.4% refers to social transfers to households, expenditure for employee persons accounts for 27.2% of total expenditure, while intermediate consumption accounts for 15.6% of expenditure, followed by expenditure for capital investments (11.2%), while the rest refers to capital and current transfers, expenditure for interests and subsidies. If we look at the expenditure side through shares in GDP, in the last two years there has been a slight increase in expenditure on social transfers (from 13.8% in 2Q23 to 15.6% in 2Q25), while a noticeably faster growth was recorded in the wage bill (from 11.1% to 13.6%). Specifically, in the first half of the year, total expenditure recorded a nominal growth of

**Quarterly data indicate that we are approaching the limit of 3%...**

15.1% compared to the same period last year, with the growth of wage bill and social transfers amounting to 16.1% and 16.9%, respectively, which, if we add the increase in intermediate consumption (12.7%), accounts for 2/3 of the increase in total expenditure. At the same time, total revenues grew at a rate of 10.4%, and almost 2/3 of this growth can be attributed to the growth of revenues from social contributions (+17.1%) and direct taxes (+8.7%), while the growth of indirect taxes amounted to 6.4%.

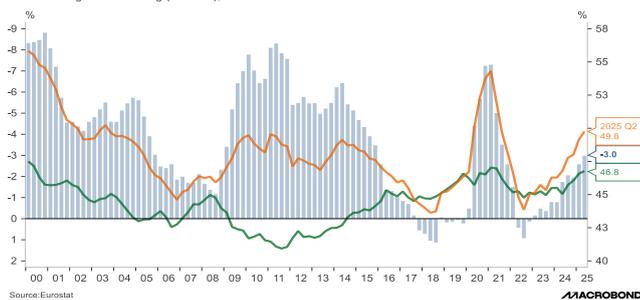
- The recently adopted amending state budget and the projection provided in the explanation thereof, along the lines of the previously described trends, envisages the expansion of the general government deficit according to the ESA methodology to 2.9%, whereby the budget deficit is planned at the level of -4.2% of GDP (from the originally planned -4.4%), extra-budgetary beneficiaries move from a small deficit (-0.2%) to a small surplus (+0.1%), and the largest correction refers to local government units, which are now expected to generate a deficit of -0.4% instead of 0.6% of GDP surplus, and other adjustments are planned in a slightly lower amount (1.2% instead of 1.4% of GDP).

... which has been confirmed by the recently adopted amending budget

#### General Government Revenue and Expenditure

% of GDP (4Q rolling)

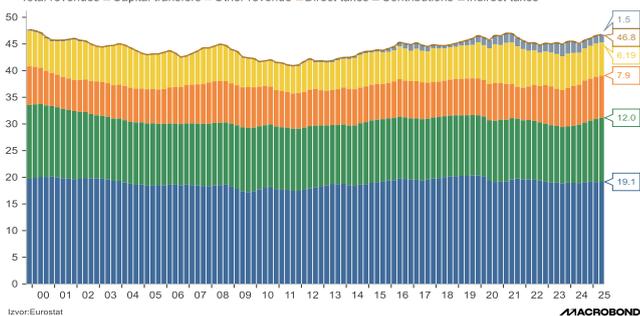
— General Government Expenditure, rhs — General Government Revenue, rhs  
■ Net Lending/Net Borrowing (inverted), lhs



#### Consolidated general government revenues

% GDP (4Q rolling)

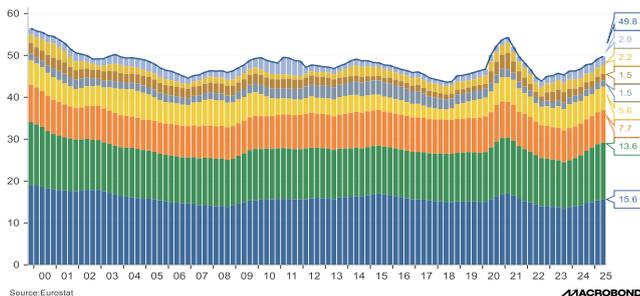
— Total revenues ■ Capital transfers ■ Other revenue ■ Direct taxes ■ Contributions ■ Indirect taxes



#### Consolidated general government expenditures

% GDP (4Q rolling)

— Total exp. ■ Capital transfers ■ Current transfers ■ Subsidies ■ Interest ■ Capital expenditures  
■ Intermediate consumption ■ Wage bill ■ Social transfers



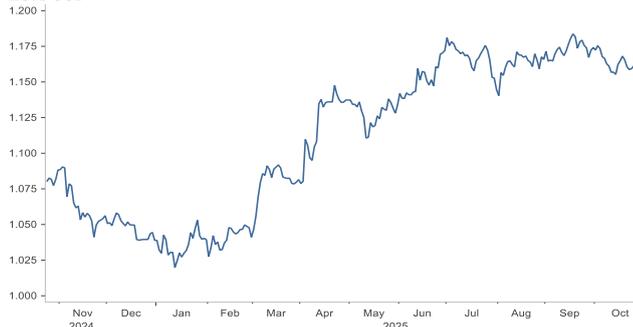
#### Consolidated General Government balance 2Q2025, 4-q rolling base, % of GDP

	4q rolling 2Q25							pp change vs 2Q24 (- deterioration / (+) improvement)						
	-10.0	-7.5	-5.0	-2.5	0.0	2.5	5.0	-2	-1	0	1	2	3	4
Ireland	3.7													2.3
Denmark	3.2													-1.2
Greece	2.2													2.1
Portugal	0.5													-0.6
Estonia	-0.9													2.2
Netherlands	-1.4													-0.9
Sweden	-1.4													-0.3
Latvia	-1.7													0.4
Slovenia	-1.7													0.1
Lithuania	-1.8													-0.9
Czechia	-2.1													0.7
Germany	-2.2													0.5
Italy	-2.9													3.3
Croatia	-3.0													-1.2
Bulgaria	-3.0													-0.7
Spain	-3.2													-0.2
Hungary	-3.4													2.3
Finland	-3.9													-0.2
Belgium	-4.7													-0.7
Slovakia	-4.8													0.3
Austria	-4.9													-1.5
France	-5.6													0.0
Poland	-7.0													-1.1
Romania	-9.3													-1.9

MACROBOND

- The exchange rate fell below \$1.16 per euro last week until Friday and the release of the US inflation data, which did not change the expectations of market players that another interest rate cut would follow at this week's Fed meeting. The exchange rate stood at \$1.1612 per euro on Friday, down by 0.6% week-on-week.
- The Euribor recorded a variety of movements, so week-on-week, 3M grew by 6 b.p. to 2.07%, while 6M decreased by 1 b.p. to 2.10%.
- The positive trend on the ZSE continued, so Crobex recorded a 1.6% week-on-week increase to 3,843 points. Sectoral indices also closed the week on a positive note (CROBEXindustry +1.2% to 3,286, CROBEXnutris +2.2% to 827, CROBEXtourist +1.6% to 4,758). Crobis stagnated (at 99.2 points).

### EUR/ USD



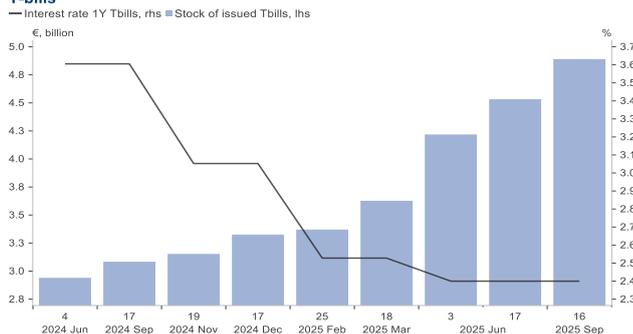
Source: ECB

### Euribor



Source: EMMI, ECB

### T-bills



Source: MoF

### Crobex/Crobis



Source: Zagreb Stock Exchange

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