

Republic of Croatia

Rating report

Rating rationale

Declining trajectory of public debt: Croatia holds a solid record of fiscal prudence, characterised by primary budget surpluses and robust debt reduction in the years leading up to the pandemic crisis. A commitment to fiscal discipline, a robust economic growth outlook and decent debt affordability underpin the declining government debt trajectory. The general government debt-to-GDP ratio is estimated to have declined just below the Maastricht criterion by year-end 2024 (58.8%) and is anticipated remaining on a steadily-declining trajectory over the forthcoming years.

Sound structural reform momentum: Croatian authorities have displayed a commitment to structural reforms and fiscal prudence in line with the requirements for joining the euro area, which the country acceded to by January 2023. The adoption of reforms and investments agreed under the Recovery and Resilience Plan, supported by sizeable EU funding, is anticipated yielding further structural improvements for economic resilience and for the long-run economic growth outlook.

Euro-area membership: Croatia benefits from the credible monetary policy and rigorous financial-system oversight of the Eurosystem. Its membership of the euro area significantly curtails external- and financial-sector risks and is anticipated to support economic growth momentum medium term.

Rating challenges: i) comparatively-low economic diversification, including elevated reliance on the tourism sector, and moderate levels of wealth increase outstanding vulnerabilities to external shocks; and ii) adverse demographics could weaken potential output growth due to labour-supply constraints and see increasing fiscal costs.

Foreign currency

Long-term issuer rating/Outlook

A-/Stable

Senior unsecured debt

A-/Stable

Short-term issuer rating/Outlook

S-1/Stable

Local currency

Long-term issuer rating/Outlook

A-/Stable

Senior unsecured debt

A-/Stable

Short-term issuer rating/Outlook

S-1/Stable

Figure 1: Croatia's sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
	Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk	35%	a-	EUR	Croatia	- 1/3	A-
Public finance risk	20%	aa+			0	
External economic risk	10%	bb-			- 1/3	
Financial stability risk	10%	aaa			0	
ESG risk	Environmental factors	5%	[+1]	[-0]	- 1/3	
	Social factors	7.5%			- 1/3	
	Governance factors	12.5%	a-			
Sovereign Quantitative Model			a+		-2	
Additional considerations					0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#).

Lead Analyst

Dennis Shen
 +49 30 2218239-48
d.shen@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
 +49 69 6677389-85
a.lennkh@scoperatings.com

Credit strengths and challenges

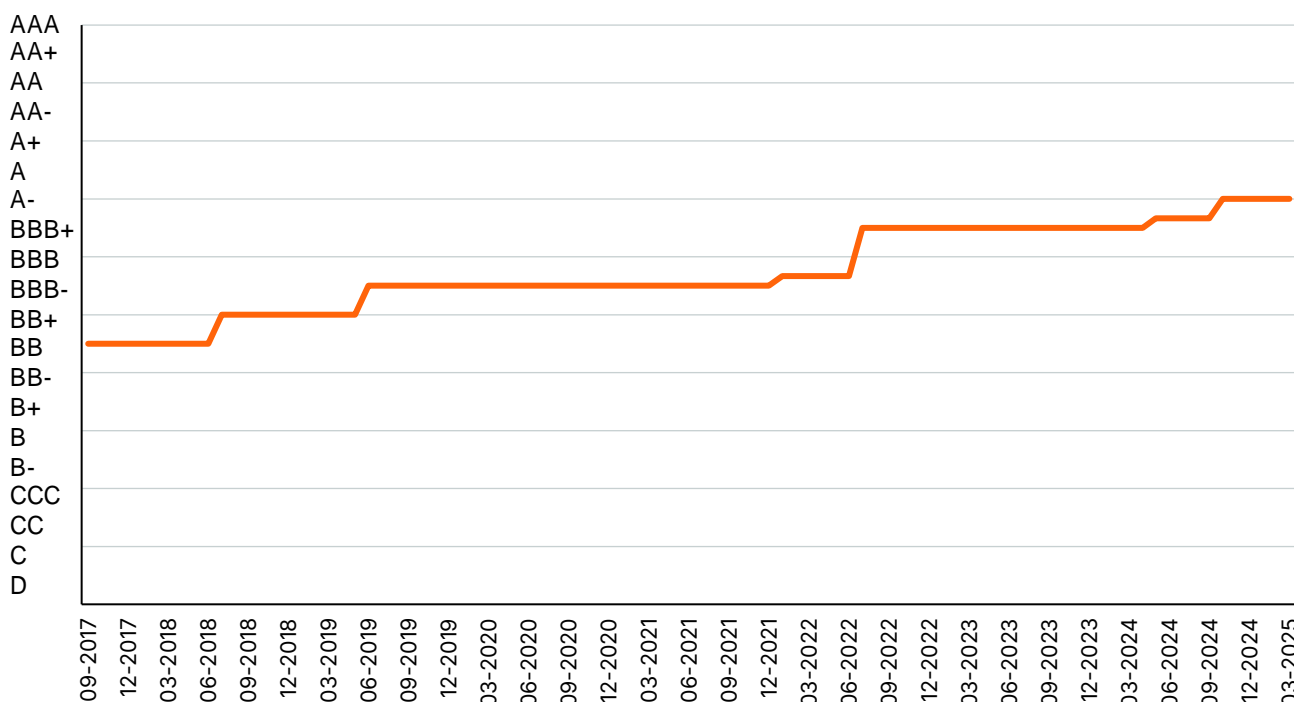
Credit strengths	Credit challenges
<ul style="list-style-type: none"> A sturdy economic outlook; a record of budgetary consolidation Structural reforms Euro-area membership 	<ul style="list-style-type: none"> Moderate economic diversification Adverse demographics

Outlook and rating triggers

The Stable Outlook reflects the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Favourable fiscal dynamics; a sustained decline in government debt-to-GDP A strengthened economic outlook, for example reflected in improvements in economic diversification, productivity or income convergence on EU averages 	<ul style="list-style-type: none"> A significant weakening of the fiscal outlook A material weakening of the economic growth outlook

Figure 2: Rating history



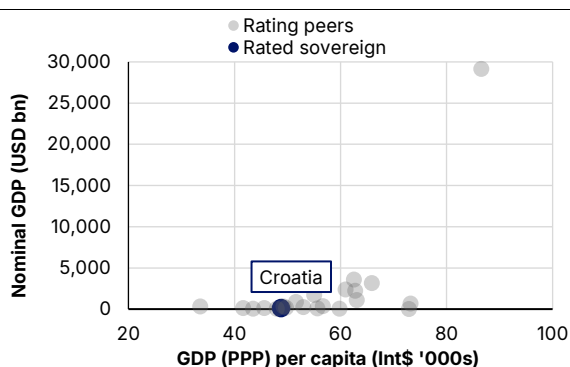
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Croatia's Domestic Economic Risk

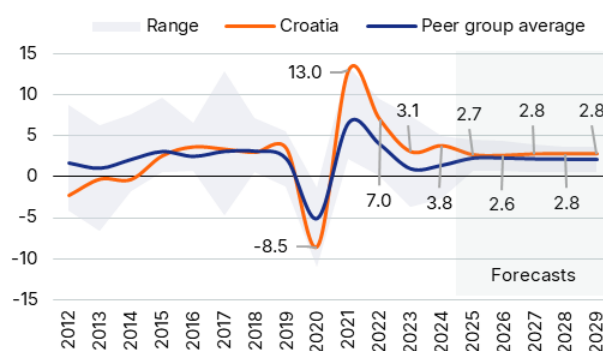
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Growth potential and outlook	Neutral	0	Growth potential broadly in line with or stronger than that of the economies of sovereign peers; moderate productivity growth; adverse demographics
	Monetary policy framework	Neutral	0	The ECB is a credible and effective G-4 central bank; effective policy framework and efficient monetary transmission through the cycle
	Macroeconomic stability and sustainability	Weak	-1/3	Limited economic diversification; shortages of skilled labour

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



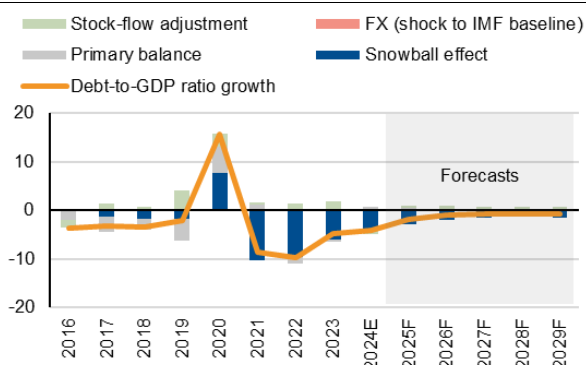
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Croatia's Public Finance Risk

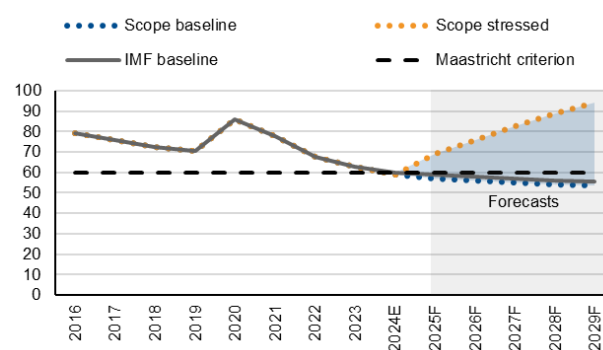
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Fiscal policy framework	Neutral	0	Pre-pandemic budget surpluses; a record of commitment to fiscal discipline, but comparatively restricted tax base
	Long-term debt trajectory	Neutral	0	Moderate levels of public debt, anticipated to further decline over the forthcoming years
	Debt profile and market access	Neutral	0	Sound sovereign debt structure despite the below-average maturity structure of government debt, moderate government funding requirements, and the ability to issue on favourable terms in capital markets

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



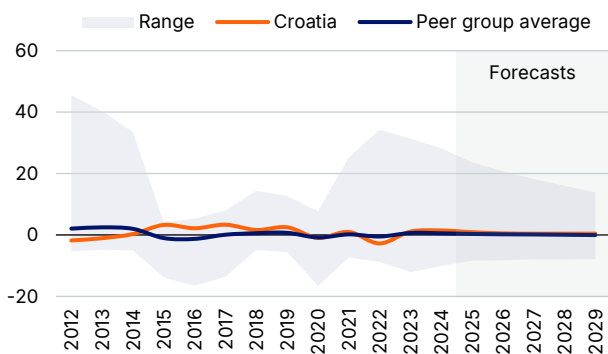
Source: IMF WEO, Scope Ratings forecasts

External economic risk

Overview of Scope's assessments of Croatia's External Economic Risk

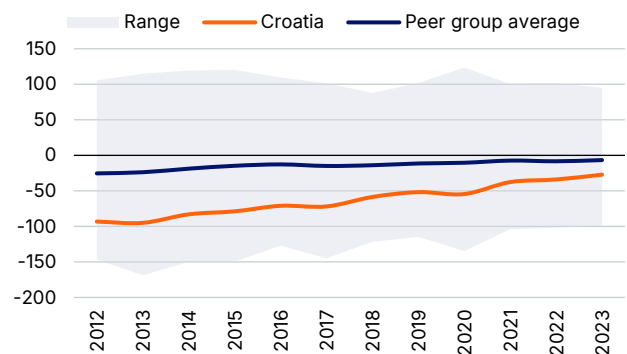
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Current account resilience	Weak	-1/3	Elevated reliance on tourism-industry revenues weakens exporting-sector resilience
	External debt structure	Neutral	0	Moderate and declining levels of external debt
	Resilience to short-term external shocks	Neutral	0	A small and open economy; euro-area membership mitigates vulnerabilities to external-sector crises

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



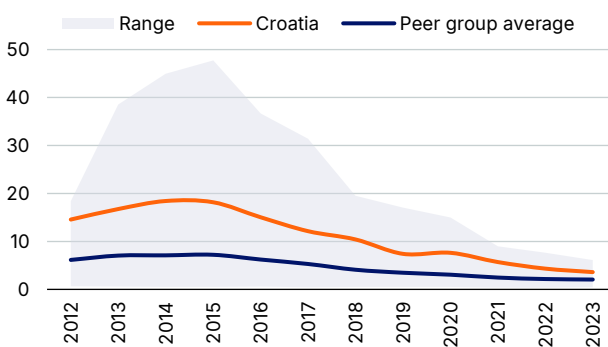
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Croatia's Financial Stability Risk

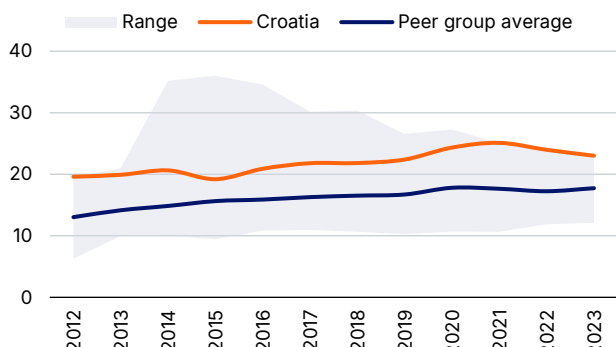
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	A well-capitalised and profitable banking system
	Financial sector oversight and governance	Neutral	0	Financial-system oversight under the Croatian National Bank and the ECB as part of Banking Union
	Financial imbalances	Neutral	0	Low private-sector indebtedness

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



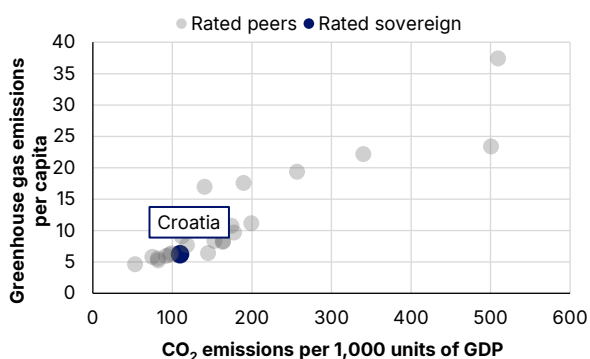
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Croatia's ESG Risk

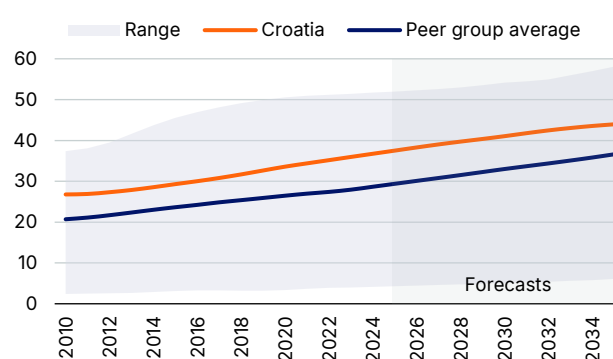
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Environmental factors	Weak	-1/3	Outstanding transition risks in line with those of sovereign peers; comparatively higher climate vulnerabilities through climate change's effects on agricultural, tourism and energy sectors
	Social factors	Weak	-1/3	Comparatively high human development, but relatively low employment ratios and unfavourable demographics
	Governance factors	Weak	-1/3	Comparatively moderate institutional capacity; challenges concerning the efficiency of the judicial system

Figure 11: CO₂ emissions per capita/GDP (2023), mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

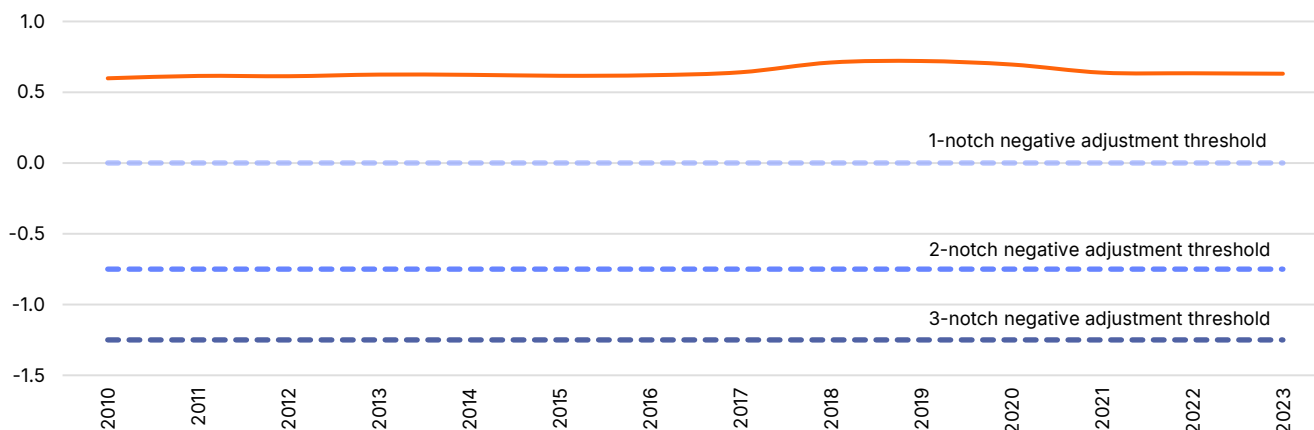
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Croatia, three-year moving average



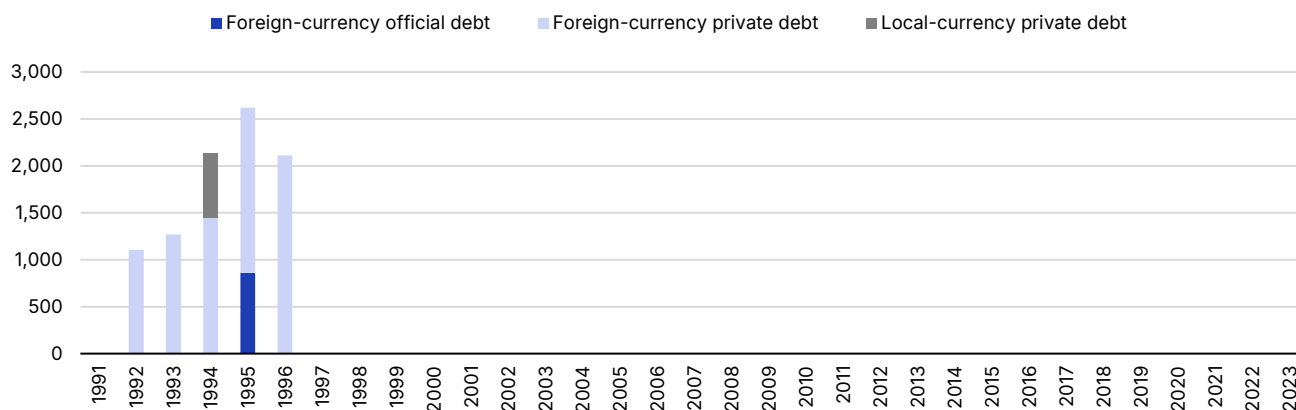
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada-Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*	
Belgium	Malta
Cyprus	Poland
Czech Republic	Portugal
Estonia	Slovakia
France	Slovenia
Italy	Spain
Japan	United Kingdom
Latvia	United States

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 8 April 2025	96.0

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024E
Domestic Economic	GDP per capita (PPP) , Int\$ '000s	IMF	32.3	30.7	37.2	42.9	46.0	48.8
	Nominal GDP , USD bn	IMF	62	58	70	72	83	90
	Real growth , %	IMF	3.4	-8.5	13.0	7.0	3.1	3.4
	CPI inflation , %	IMF	0.8	0.0	2.7	10.7	8.4	4.0
	Unemployment rate , %	WB	6.6	7.5	7.6	7.0	6.1	-
Public Finance	Public debt , % of GDP	IMF	70.4	86.1	77.5	67.8	63.0	59.9
	Net interest payment , % of government revenue	IMF	4.4	3.9	3.1	2.7	2.8	3.1
	Primary balance , % of GDP	IMF	4.3	-5.5	-1.1	1.3	0.6	-1.1
External Economic	Current-account balance , % of GDP	IMF	2.5	-1.0	1.0	-2.8	1.1	1.5
	Total reserves , months of imports	WB	7.1	9.3	8.5	7.0	0.7	-
	NIIP , % of GDP	IMF	-51.8	-54.4	-37.6	-34.0	-27.2	-
Financial Stability	NPL ratio , % of total loans	IMF	7.4	7.6	5.7	4.3	3.6	-
	Tier 1 ratio , % of risk-weighted assets	IMF	21.6	22.7	24.6	25.2	23.0	22.7
	Credit to the private sector , % of GDP	WB	52.9	59.1	52.9	50.5	47.1	-
ESG	CO₂ per EUR 1,000 of GDP , mtCO ₂ e	EC	128.6	135.0	122.7	112.8	109.6	-
	Income share of bottom 50% , %	WID	19.5	19.5	19.5	19.5	19.5	-
	Labour-force participation rate , %	WB	66.7	67.2	68.8	70.0	69.9	-
	Old-age dependency ratio , %	UN	32.6	33.6	34.4	35.2	36.0	36.7
	Composite governance indicators*	WB	0.4	0.4	0.4	0.4	0.5	-
	Political stability , index	WB	0.7	0.7	0.7	0.6	0.6	0.6

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

Analyst

Dennis Shen
+49 30 2218239-48
d.shen@scoperatings.com

Associate Analyst

Brian Marly
+33 186 261 882
b.marly@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Related research

[CEE Sovereign Outlook: Recovering growth, diverging fiscal paths, and persistent geopolitical risks](#), January 2025

Applied methodology

[Sovereign Rating Methodology](#), January 2025

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
[scoperatings.com](https://www.scoperatings.com)

Disclaimer

© 2025 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.