

## Comparing Croatia's Economic Forecasts With the Euro Area

Croatia became the European Union's 28th member on July 1. The country is an example both of the shift away from fiscal austerity and the indirect impact of the euro on the smaller economies that remain outside of the monetary union. Use Bloomberg functions to assess how Croatia's economic forecasts compare with other European countries and the euro area.

Run { ECFC <GO> } for Bloomberg's Economic Forecasts function. Select Croatia from the country drop-down menu at the top left of the screen.

As with other peripheral economies, Croatia has suffered through a five-year downturn. Real GDP growth is expected to turn positive next year, with analysts forecasting 1 percent growth in 2014 and 1.7 percent in 2015.

90 Chart		97 Set as Default View		Economic Forecasts							
Country/Region/World	Contributor	Contributor	Composites	Yearly Quarterly							
Croatia	Select	Private	Official	Actual / Forecasts							
Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
<b>Economic Activity</b>											
1) Real GDP (YoY%)	3.20	6.37	1.38	-7.53	-1.29	0.16	-2.93	-0.50	1.00	1.70	
2) CPI (YoY%)	3.18	2.88	6.09	2.40	1.04	2.25	3.43	3.00	2.00	2.50	
3) Unemployment (%)	16.95	15.14	13.39	14.88	17.53	17.94	19.06	20.00	19.10	18.60	
<b>External Balance</b>											
4) Curr. Acct. (% of GDP)	-6.62	-7.35	-9.14	-5.16	-1.06	-0.82	0.01	-0.30	-0.10	0.40	
<b>Fiscal Balance</b>											
5) Budget (% of GDP)	0.56	1.35	0.39	-1.97	-3.63	-3.64	-2.44	-4.50	-3.90	-3.50	
<b>Interest Rates</b>											
6) Central Bank Rate (%)	4.50	4.50	9.00	9.00	9.00	7.00	7.00	6.00	-	-	
7) 3-Month Rate (%)	4.60	7.43	8.16	3.50	2.71	4.65	1.42	1.63	-	-	
8) 2-Year Note (%)	-	-	-	-	-	-	-	-	-	-	
9) 10-Year Note (%)	-	-	-	-	-	-	-	-	-	-	
<b>Exchange Rates</b>											
10) USDHRK	5.57	5.03	5.28	5.08	5.52	5.82	5.73	-	-	-	
11) EURHRK	7.35	7.33	7.37	7.30	7.39	7.54	7.56	-	-	-	

Croatia's unemployment rate is above 20 percent, and analysts project 19.1 percent and 18.6 percent for the next two years, respectively.

According to Bloomberg News, Croatia central bank Governor Boris Vujcic advocates the adoption of the euro as soon as possible because much of the economy is already based around the common currency, making it difficult for the central bank to use the domestic exchange rate as a monetary policy tool.

For a comparison of Croatia forecasts with the monetary union, select '3 Region Differential' using the top drop-down, and look at the line labeled '2) Euro Area (YoY%)'.

Analysts expect that Croatia's real GDP growth will mirror the euro area's over the next two years and then outpace growth in the euro area by 0.4 percentage point in 2015.

90 Chart		97 Set as Default View		Economic Forecasts							
Region Differential	Contributor	Contributor	Composites	Yearly Quarterly							
3)10 vs. Croatia	Select	Private	Official	Actual / Forecasts							
Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
1) United States (YoY%)	-0.50	-4.47	-1.68	4.43	3.69	1.64	5.13	2.20	1.20	1.20	
2) Euro Area (YoY%)	0.00	-3.47	-0.98	3.13	3.29	1.34	2.33	-0.10	0.00	-0.40	
3) Japan (YoY%)	-1.50	-4.19	-2.38	2.00	5.94	-0.76	4.91	2.25	0.20	-0.60	
4) United Kingdom (YoY%)	-0.60	-2.77	-2.38	3.53	3.09	0.84	3.23	1.40	0.60	0.35	
5) Canada (YoY%)	-0.57	-4.36	-0.20	4.82	4.66	2.37	4.65	2.20	1.40	1.10	
6) Australia (YoY%)	-0.50	-1.74	1.30	8.96	3.89	2.27	6.56	3.00	1.80	1.30	
7) New Zealand (YoY%)	-1.05	-2.97	0.17	7.81	2.19	1.12	6.08	2.20	1.20	0.20	
8) Switzerland (YoY%)	0.58	-2.54	0.80	5.58	4.32	1.77	3.91	1.85	0.55	0.10	
9) Denmark (YoY%)	0.18	-4.77	-2.16	1.90	2.89	0.97	2.55	1.20	0.20	-	
10) Norway (YoY%)	-0.90	-3.72	-1.23	5.90	1.74	1.09	6.06	3.00	1.70	1.04	
11) Sweden (YoY%)	1.38	-2.94	-2.06	2.43	7.44	3.64	4.01	1.20	1.20	0.20	

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Select 'Unemployment Rate' using the drop-down at the top right of the screen. Croatia's unemployment forecasts are higher than than euro area's by 6 to 7 percentage points during the next three years. This suggests that monetary policy in the euro area might not yet be appropriate for Croatia or the peripheral countries already using the euro.

9) Chart		9) Set as Default View		Economic Forecasts							
Region Differential	Contributor	Contributor	Composite	Unemployment Rate							
EU	vs.	Croatia		Unemployment Rate							
Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
1) United States (%)	-12.35	-10.54	-7.59	-5.58	-7.93	-9.04	-10.96	-12.20	-12.10	-12.10	
2) Euro Area (%)	-8.49	-7.54	-5.76	-5.29	-7.40	-7.78	-7.69	-7.80	-6.70	-6.30	
3) Japan (%)	-12.83	-11.29	-9.40	-9.85	-12.48	-13.39	-14.75	-15.90	-15.00	-14.80	
4) United Kingdom (%)	-11.55	-9.76	-7.79	-7.35	-9.67	-9.91	-11.05	-12.00	-11.20	-11.00	
5) Canada (%)	-10.65	-9.08	-7.24	-6.59	-9.54	-10.47	-11.77	-12.90	-12.10	-11.90	
6) Australia (%)	-12.15	-10.77	-9.12	-9.29	-12.30	-12.85	-13.82	-14.40	-13.40	-12.70	
7) New Zealand (%)	-13.12	-11.49	-9.19	-8.73	-11.03	-11.44	-12.16	-13.20	-13.10	-13.10	
8) Switzerland (%)	-13.62	-12.38	-10.81	-11.17	-14.02	-15.11	-16.16	-16.85	-15.95	-15.40	
9) Denmark (%)	-13.05	-11.38	-9.92	-8.83	-10.07	-10.36	-11.53	-13.20	-13.10	..	
10) Norway (%)	-13.53	-12.61	-10.85	-11.73	-13.97	-14.64	-15.87	-16.70	-15.75	-	
10) Sweden (%)	-9.91	-9.02	-7.22	-6.58	-8.95	-10.17	-11.09	-11.80	-11.20	..	

In terms of fiscal policy, a Bloomberg News article { NSN MP22246KLVRP <GO> } suggests that Croatia has taken a different path than many of its euro-area neighbors. “Austerity no, but a rational approach to the budget,” according to Prime Minister Zoran Milanovic.

To contact the author of this { FFM<GO> } article:

Yedau Ogroundele at +44-20-3216-4008 or [yogoundele3@bloomberg.net](mailto:yogoundele3@bloomberg.net)

To suggest ideas for Functions for the Market or provide feedback: [ffmeditors@bloomberg.net](mailto:ffmeditors@bloomberg.net)

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