
IMF CALLS FOR MORE REFORM IN CROATIA

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The International Monetary Fund (IMF) has welcomed Croatias continued growth as macroeconomic conditions in the country remain positive. Private demand and tourism are the main pillars supporting economic activity.

However, a possible slowdown in main trading partners may affect these benign conditions, commented Srikant Seshadr, head of the IMF visiting mission to Croatia. If a slowdown were to emanate from Europe, the authorities are encouraged to let the social safety net work, before considering fiscal stimulus.

Croatias recently approved convergence programme for 2019-22 projects further reduction of public debt, while EU funds need to be increasingly utilised to ramp up public investment.

Yet reducing macroeconomic vulnerabilities is only half the task. There is another equally important half on which significantly greater progress is called for, to raise living standards durably and make the economy more dynamic through structural reforms. Without the willingness to embrace change, the countrys long-term aspirations are unlikely to materialise. These reforms must be pursued while favourable economic conditions last, to derive the maximum benefits of euro adoption, added Mr Seshadr.

The IMF suggested reducing total public employment expenditures in order to create room for higher public sector wages, and added that modernising labour contracts would improve employment prospects for the young and reduce the incentive to emigrate. The IMF also believes that despite recent pension reform, without an increase in retirement age, Croatia will incur sizable debts.

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