

# Republic of Croatia

## Rating report

### Rating rationale

#### Robust growth prospects, a strengthening external position, and sustained reform momentum.

Croatia's reform momentum is solid, underpinned by the implementation of structural reforms and investments agreed under the National Recovery and Resilience Plan and supported by sizeable EU funding. Continued implementation of growth-enhancing measures is expected to yield further structural improvements, strengthening economic resilience and the long-term growth outlook. Economic growth has proven resilient despite several external shocks in recent years and expected to remain robust over the medium term. We project real GDP growth at 3.1% in 2025 and 2.9% in 2026, above the estimated medium-term potential of 2.8%.

**Solid public finances, contained fiscal deficits and moderate public debt:** Croatia holds a solid track record of fiscal prudence, leading to a significant reduction in public debt levels in the past years. The implementation of growth-enhancing measures and some cost pressures will result in moderate fiscal deficits in the coming years. However, the robust economic growth outlook and sound debt profile underpin public debt sustainability. We project the general government debt-to-GDP ratio to remain below the 60% of GDP Maastricht criterion, declining from 57.6% in 2024 to 56.4% in 2025, before stabilising on average around 55.7% over 2026-2030.

**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 in the medium term.

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

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%	b+			- 1/3	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	bbb	[+1]	[-0]	- 1/3	
	Social factors	7.5%	ccc			- 1/3	
	Governance factors	12.5%	a-			- 1/3	
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](#).

### Foreign currency

Long-term issuer rating/Outlook

A-/Positive

Senior unsecured debt/Outlook

A-/Positive

Short-term issuer rating/Outlook

S-1/Stable

### Local currency

Long-term issuer rating/Outlook

A-/Positive

Senior unsecured debt/Outlook

A-/Positive

Short-term issuer rating/Outlook

S-1/Stable

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## Credit strengths and challenges

### Credit strengths

- Robust economic growth; sound structural reform momentum
- Moderate public debt-to-GDP levels
- Euro-area membership

### Credit challenges

- Comparatively low economic diversification
- Adverse demographics

## Outlook and rating triggers

The Positive Outlook reflects the view that risks for the ratings are tilted to the upside over the next 12 to 18 months.

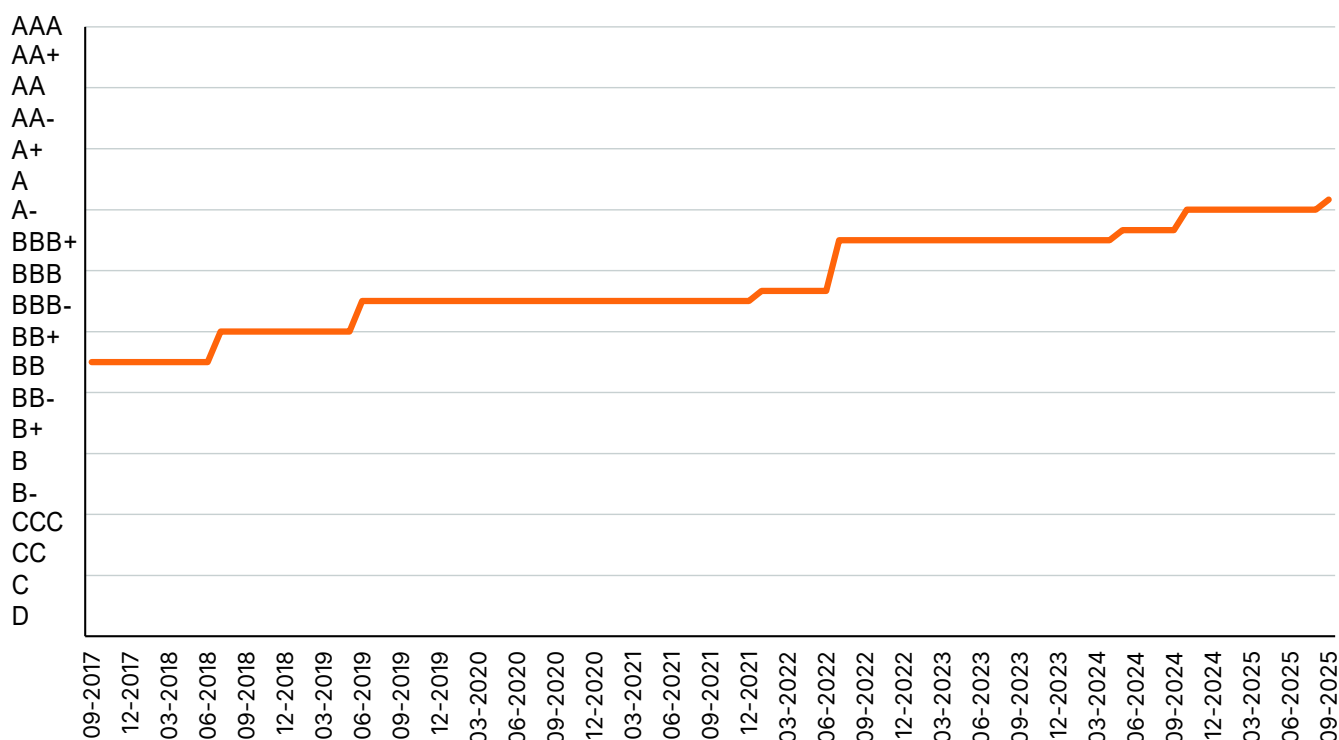
### Positive rating-change drivers

- Favourable fiscal dynamics; smaller deficits and accelerated decline in government debt-to-GDP
- Sustained robust growth and improving external metrics support greater economic diversification, faster convergence with the euro area and a higher medium-term growth potential

### Negative rating-change drivers

- A significant weakening of the fiscal outlook
- A material weakening of the economic growth outlook

Figure 2: Rating history



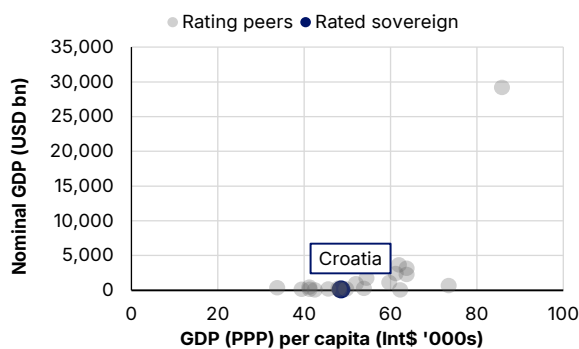
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

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

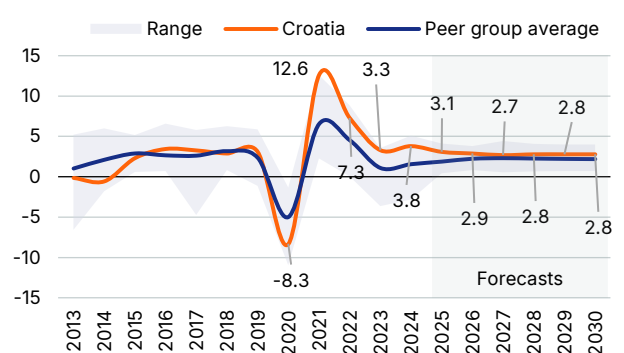
SQM <sup>1</sup> indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Growth potential and outlook	Neutral	0	Growth potential broadly in line with or stronger than that of the economies of sovereign peers; moderate productivity growth; adverse demographics
	Monetary policy 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, %



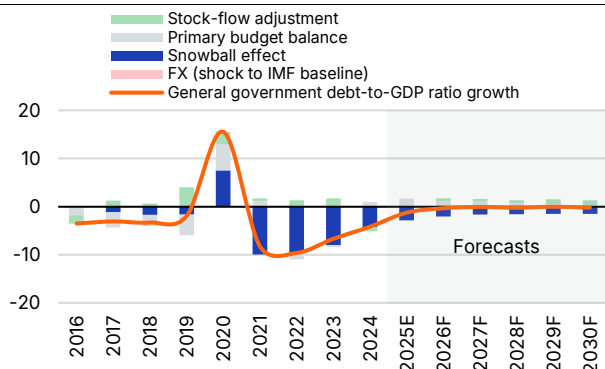
Source: IMF WEO, Scope Ratings forecasts

## Public finance risk

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

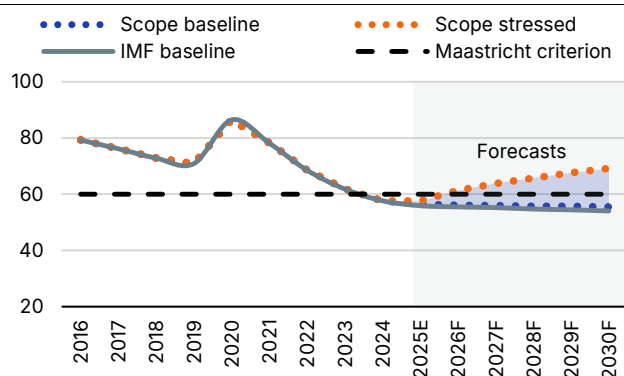
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Fiscal policy framework	Neutral	0	Pre-pandemic budget surpluses; a record of commitment to fiscal discipline, but comparatively restricted tax base. Moderate fiscal deficits
	Long-term debt trajectory	Neutral	0	Moderate levels of public debt, anticipated to mostly stabilize over the forthcoming years
	Debt profile and market access	Neutral	0	Sound sovereign debt structure, 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



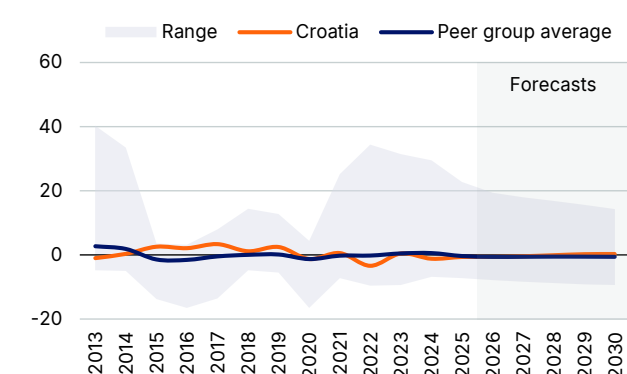
Source: IMF WEO, Scope Ratings forecasts

## External economic risk

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

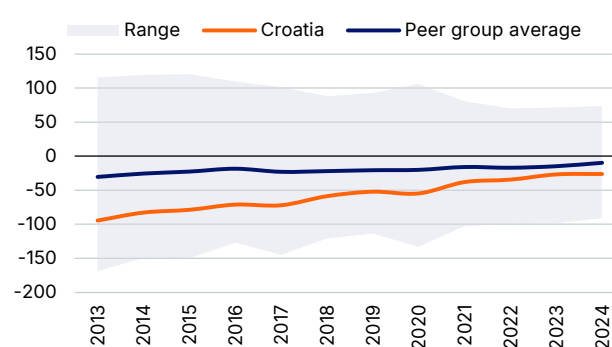
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Current account resilience	Weak	- 1/3	Elevated reliance on tourism-industry revenues weakens exporting-sector resilience
	External debt structure	Neutral	0	Moderate and declining levels of external debt
	Resilience to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

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



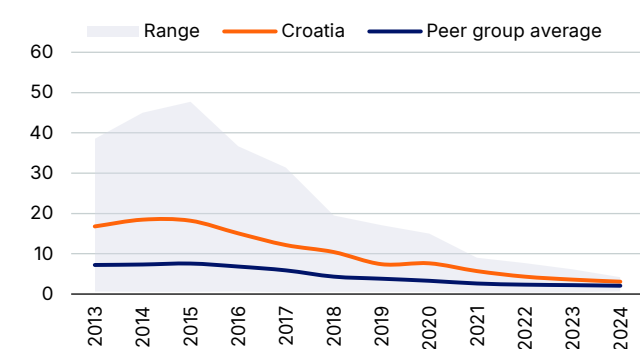
Source: IMF, Scope Ratings

## Financial stability risk

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

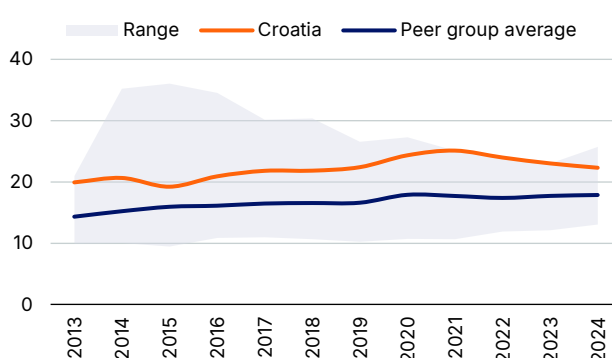
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	A well-capitalised and profitable banking system
	Financial sector oversight and governance	Neutral	0	Financial-system oversight under the Croatian National Bank and the ECB as part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



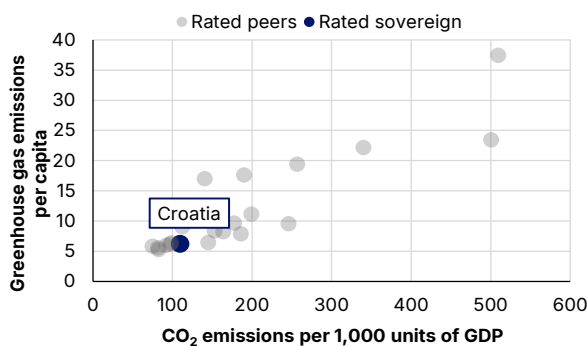
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

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

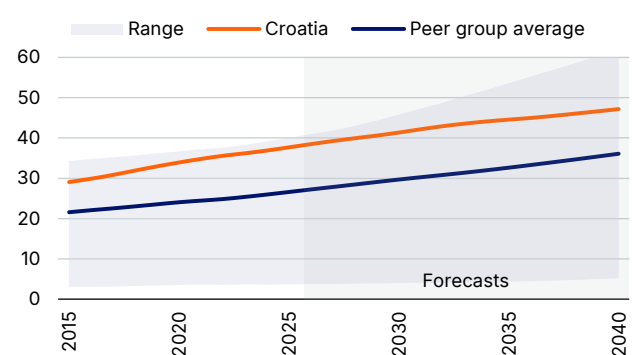
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Environmental factors	Weak	- 1/3	Outstanding transition risks in line with those of sovereign peers; comparatively higher climate vulnerabilities through climate change's effects on agricultural, tourism and energy sectors
	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: CO<sub>2</sub> emissions per capita/GDP (2023), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

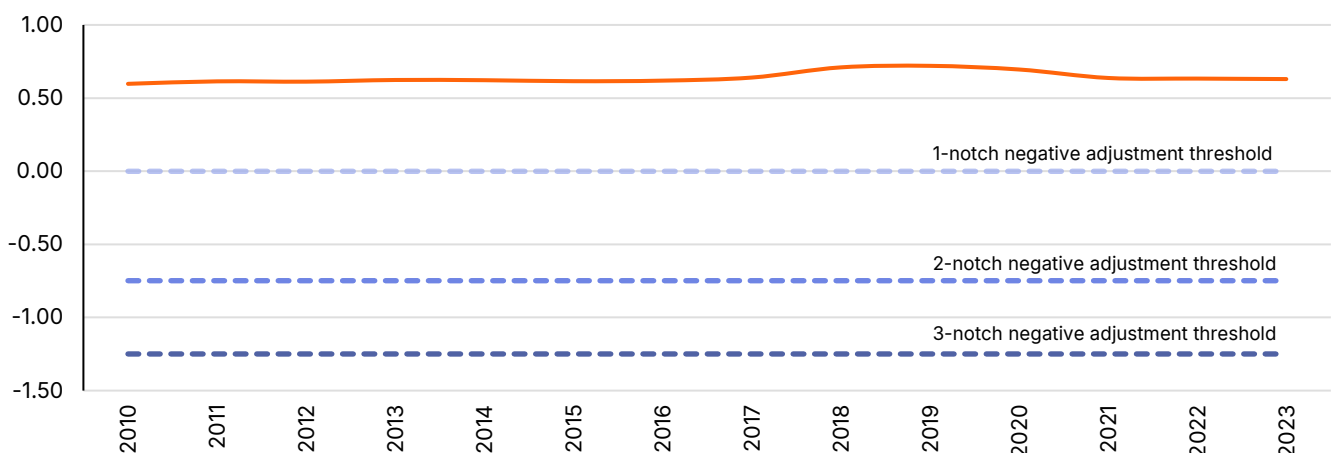
### IMF SDR basket and Scope reserve-currency adjustment

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*
Bulgaria
Cyprus
Latvia
Portugal
Spain
Slovakia
Poland
Estonia
Italy

\*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 26 September 2025	67

#### 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	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	33.1	31.6	36.9	42.7	45.6	48.6
	Nominal GDP, USD bn	IMF	61	58	69	71	84	93
	Real growth, %	IMF	3.1	-8.3	12.6	7.3	3.3	3.8
	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	70.9	86.5	78.2	68.5	61.8	57.6
	Net interest payment, % of government revenue	IMF	4.3	3.8	3.1	2.7	2.8	2.5
	Primary balance, % of GDP	IMF	4.3	-5.4	-1.2	1.4	0.4	-1.0
External Economic	Current-account balance, % of GDP	IMF	2.5	-1.3	0.5	-3.5	0.4	-1.2
	Total reserves, months of imports	WB	7.1	9.3	8.5	7.0	0.7	-
	NIIP, % of GDP	IMF	-52.1	-54.7	-38.0	-34.3	-26.7	-26.0
Financial Stability	NPL ratio, % of total loans	IMF	7.4	7.6	5.7	4.3	3.6	3.1
	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	47.1
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	128.6	135.0	122.7	112.8	109.6	-
	Income share of bottom 50%, %	WID	20.2	20.2	20.2	20.2	20.2	
	Labour-force participation rate, %	WB	66.7	67.2	68.8	70.0	69.9	70.0
	Old-age dependency ratio, %	UN	33.0	33.9	34.8	35.6	36.2	36.9
	Composite governance indicators*	WB	0.4	0.4	0.4	0.4	0.5	-
	Political stability, index	WB	0.7	0.7	0.6	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.

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## Related research

[CEE Sovereign Outlook 2025: risk balance to ratings broadly neutral for 2025](#), December 2024

## Applied methodology

[Sovereign Rating Methodology](#), January 2025

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