

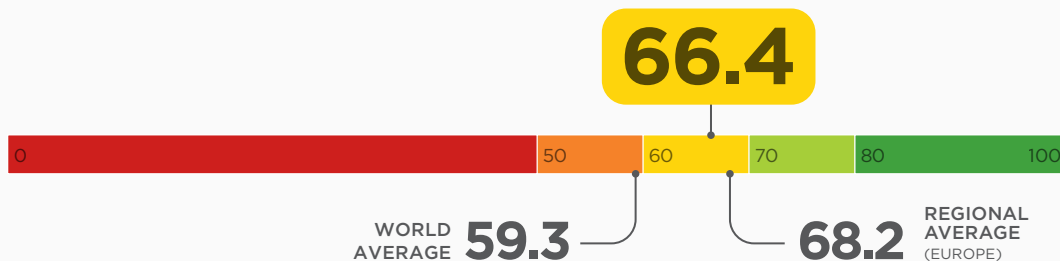
WORLD RANK:	REGIONAL RANK:
46	26
ECONOMIC FREEDOM STATUS: MODERATELY FREE	

CROATIA

Croatia's economic freedom score is 66.4, making its economy the 46th freest in the 2023 *Index*. Its score is 1.2 points lower than last year. Croatia is ranked 26th freest of the 44 countries in the Europe region, and its overall score is above the world average and below the regional average.

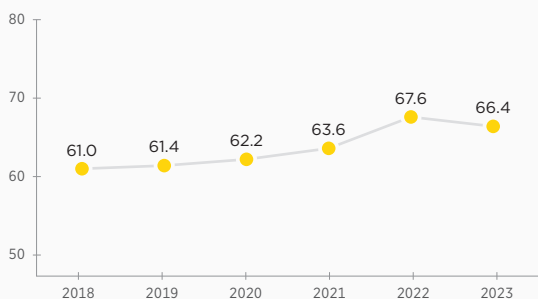
Despite some significant improvements, Croatia's scores on most components of economic freedom remain average. Earlier competitive reforms and trade liberalization have encouraged economic modernization and the emergence of a vibrant private sector, but overall progress has lagged behind that of other emerging markets, and further reform is essential.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +18.4

RECENT FREEDOM TREND



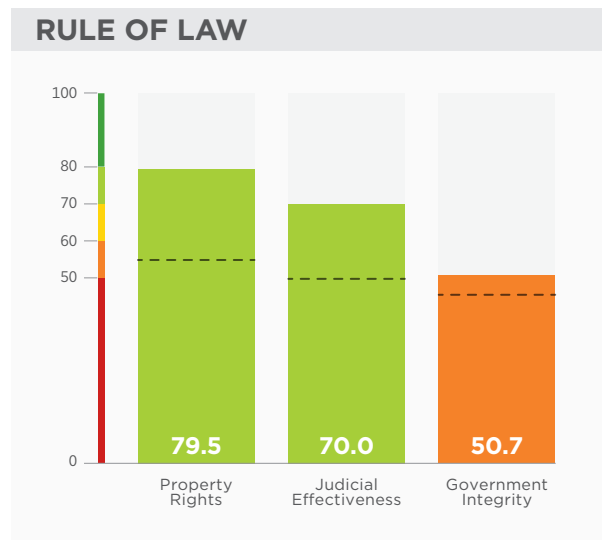
QUICK FACTS

POPULATION: 3.9 million	UNEMPLOYMENT: 7.5%
GDP (PPP): \$132.9 billion 10.4% growth in 2021 5-year compound annual growth 2.4%	INFLATION (CPI): 2.6%
FDI INFLOW: \$568.8 million	PUBLIC DEBT: 79.8% of GDP

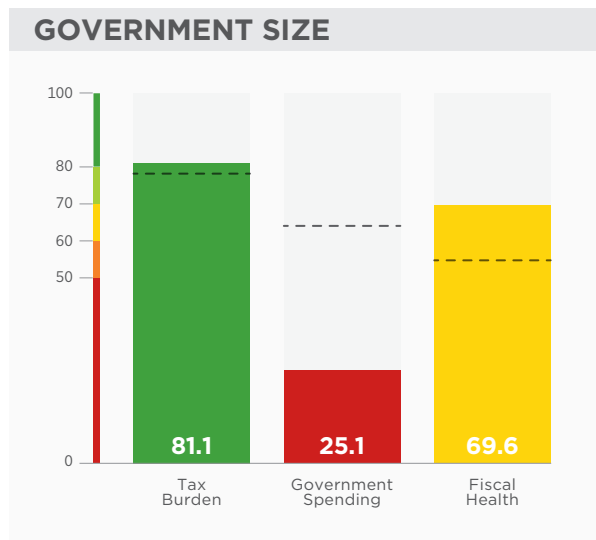
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Independent since 1991, Croatia joined NATO in 2009 and the European Union in 2013. Prime Minister Andrej Plenkovic's center-right Croatian Democratic Union won the most seats in July 2020 elections and formed a parliamentary coalition with the liberal Croatian People's Party, the People's Party-Reformists, and representatives of national minorities. Croatia will adopt the euro in 2023 and join the Schengen Area in 2024. Shipbuilding and tourism are major industries. A weak export base, emigration, labor shortages, and slow privatization remain significant challenges. Croatia recently opened a liquid natural gas import terminal at Krk Island and a Chinese-built bridge along its coast.

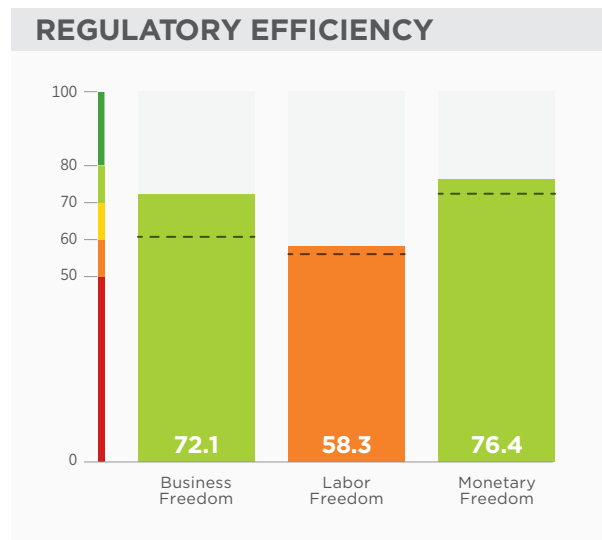
12 ECONOMIC FREEDOMS | CROATIA



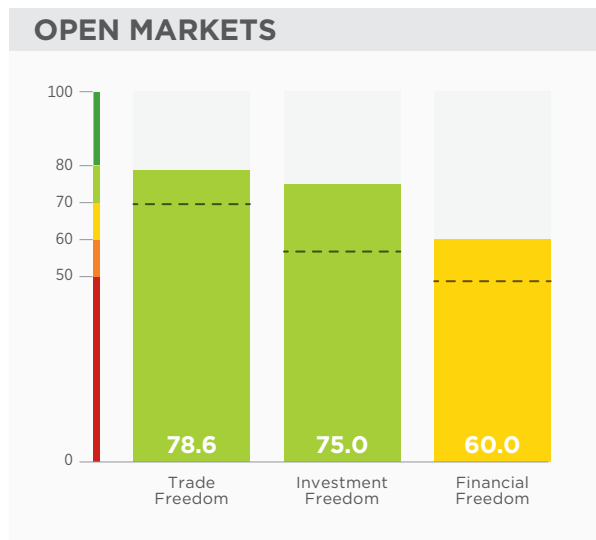
The overall rule of law is relatively well respected in Croatia. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 30 percent and 18 percent. The tax burden equals 25.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 50.0 percent and -3.3 percent of GDP. Public debt equals 79.8 percent of GDP.



Despite reform measures that have streamlined the procedures for establishing a business, Croatia's overall regulatory environment remains burdensome and inefficient. Similarly, the labor market remains relatively rigid despite some improvements. The most recent available inflation rate is 2.6 percent.



The trade-weighted average tariff rate (common among EU members) is 3.2 percent; more than 600 EU-mandated nontariff measures and eight country-specific nontariff barriers are in force. Foreign investment faces no restrictive screening mechanisms. Financial markets are open to foreign investment.