



THE GOVERNMENT OF THE REPUBLIC OF CROATIA INTRODUCES THE 5TH PACKAGE OF MEASURES TO PROTECT CROATIAN HOUSEHOLDS AND ECONOMY FROM PRICE INCREASES

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The Government's response to the energy crisis and inflation

Due to the current energy crisis in Europe, numerous European countries have introduced emergency measures to reduce consumption, ensure energy security and prevent wastage, as well as to limit the impact which rising energy bills have on households.

From the spring of 2022 until the spring of 2023, the Republic of Croatia introduced four packages of measure aimed to protect Croatian households and economy from price increases with the total value of the packages at 5,2 billion EUR.

On 18th September 2023 the first set of measures from the 5th package entered into force, while the remainder will enter into force on 1st October 2023. The measures will be in effect for six months, i.e., until 1st March 2024.

Significance of the new anti-inflation measures package

The new package of measures is worth around 464 million EUR and includes measures aimed at:

- (i) maintaining low energy costs,
- (ii) protecting against inflation,
- (iii) assisting with financial supports and incentives, and
- (iv) reduction of energy consumption.

The first goal of the new measures is to ensure low energy prices by maintaining the same price of electricity for households, as well as increasing the six-month threshold from 2.500 kWh to 3.000 kWh, i.e., households will consume more electricity at a cheaper price.

Electricity prices for the public sector and non-profit sectors as well as small and medium-sized enterprises remain the same.

In relation to anti-inflation measures, one-time compensation fee in the amount of 72 million EUR will be allocated to support the retired population.

Financial support in the amount of 11 million EUR for children's allowance beneficiaries will be paid in October and in November 2023 (to 112.000 families with 220.000 children).

Furthermore, the Government has restricted prices of 30 basic household products and the restricted prices will be highlighted for the consumers to notice.

The package also includes compensation fees in the social welfare, pension and veteran care systems worth around 33,3 million EUR, i.e. 150,00 EUR of one-time compensation fee for disadvantaged buyers of energy products and unemployed veterans as well as one-time compensation fee in the amount of 100 EUR for 73.000 unemployed persons.

Moreover, the package involves measures for the farming sector for: (i) mitigation of the consequences of natural disasters through financial support, (ii) mitigation of the effects of African swine fever virus, including lease deduction for state-owned agricultural land in areas affected by the virus and (iii) lending to farmers and processors.

Prime Minister Andrej Plenkovic highlighted that this package of measures has been crafted through discussions with various stakeholders in Croatian society, including

social organizations, retail businesses, and financial institutions.

Concluding thoughts

The Government's 5th package of measures represents a necessary instrument for combating national inflation.

As the Prime Minister stated, the 5th anti-inflation measure package "(...) is a message of economic security, stability, and predictability for citizens and all (...) stakeholders. "

Further implications of this measure package will most definitely be the subject of future discussions.

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