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CROATIAN
CHAMBER OF
ECONOMY

SEKTOR ZA MEĐUNARODNE POSLOVE
INTERNATIONAL AFFAIRS SECTOR

Croatia – Investment & Business Cooperation Opportunities

Zagreb, March 2021



“Where can you go that has history, gorgeous beaches, national parks, culture, quaint villages, rolling vineyards, and ancient architecture all in one place? Well there might be a few places, but Croatia is definitely one of them that comes highly recommended.”

Travelers Today, February 2015



Strategic Position with Export Potential

- ✓ EU member country
- ✓ Central European, Mediterranean & Danube
- ✓ In the center of Europe
- ✓ Northernmost arm of the Mediterranean Sea
- ✓ 3, 2 or 1 hour flight time to any bigger European city
- ✓ Access to a market of almost 500 million people



Croatia in Numbers

Area: 56,594 km²

Population: 4.1 million

Capital: Zagreb (Population: 800,000)

Currency: Croatian kuna (HRK)

Average exchange rate (2020):

1 EUR = 7.53 HRK

1 USD = 6.61 HRK

GDP: €54 bn

GDP per capita: €13,270

Inflation rate: 0.8%

Unemployment rate: 9.5% (December 2020)

Average net salary: €911.4 (November 2020)

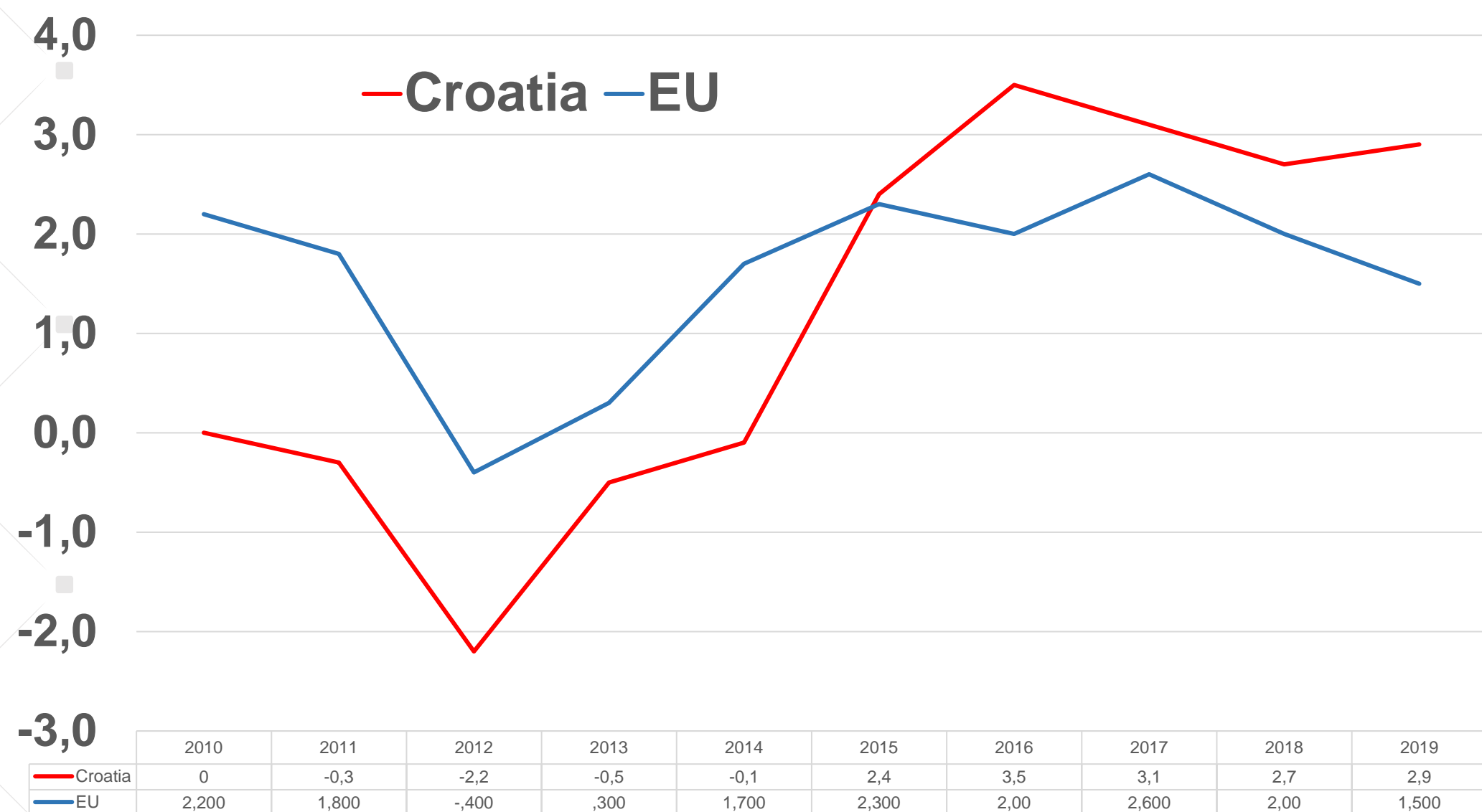
Average gross salary: €1,246.5 (November 2020)



Vibrant & Dynamic Economy



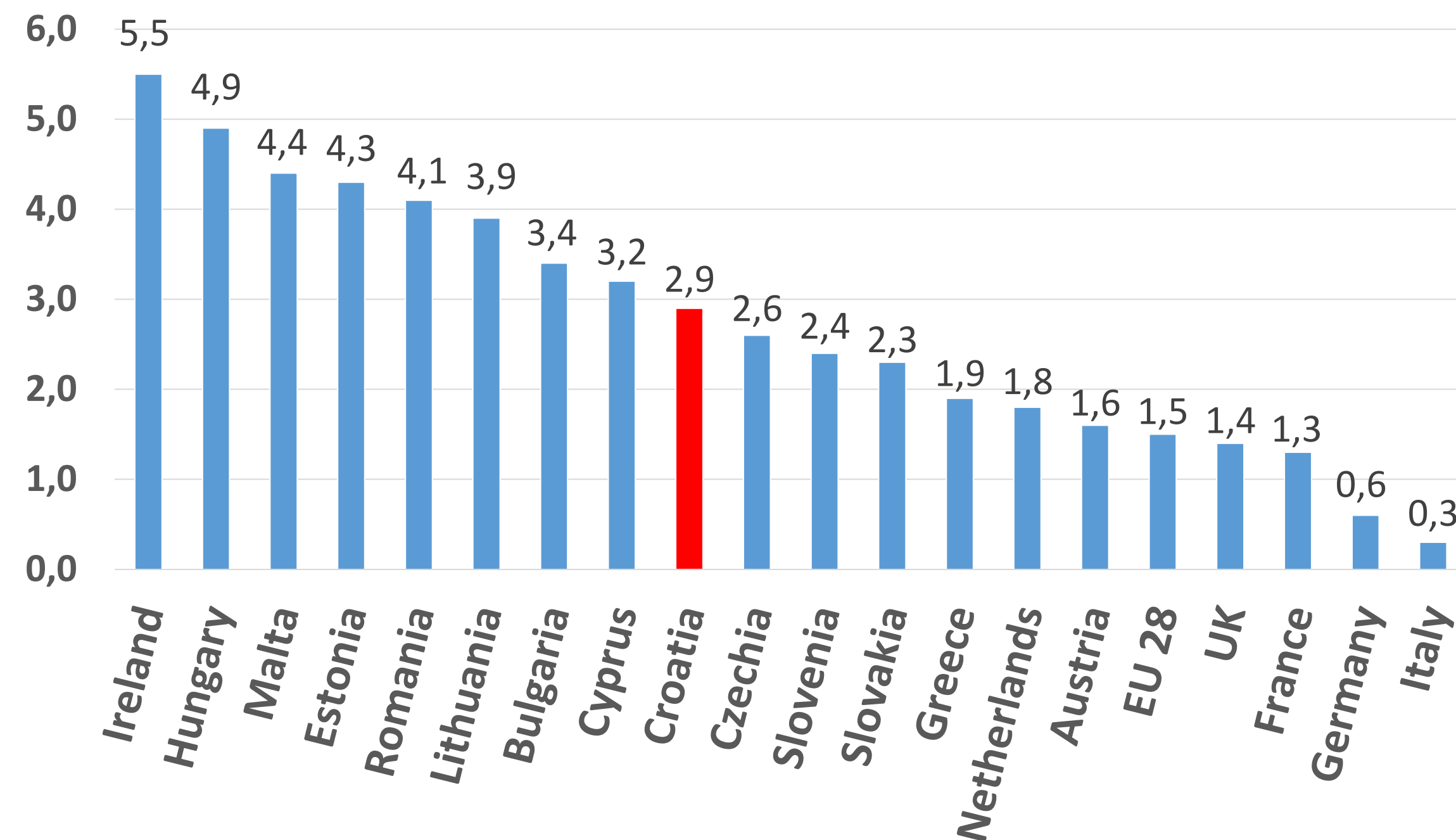
Real GDP growth rate (%)



Source: Eurostat



Real GDP growth rate 2019 (%)



Source: Eurostat

Estimations for 2021:

Ministry of Finance = 5%

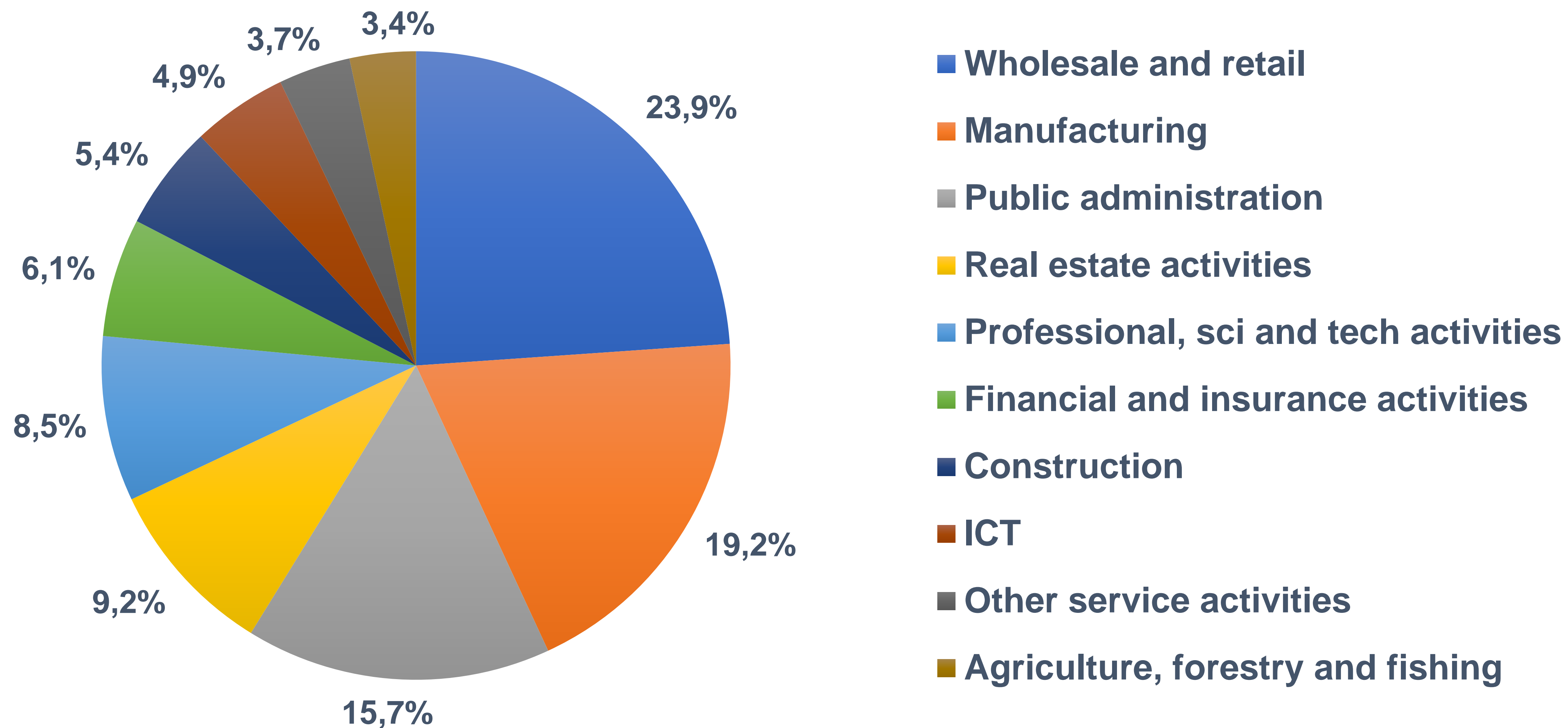
EC = 5.7%

IMF = 6.0%

(Autumn 2020, due to COVID-19)

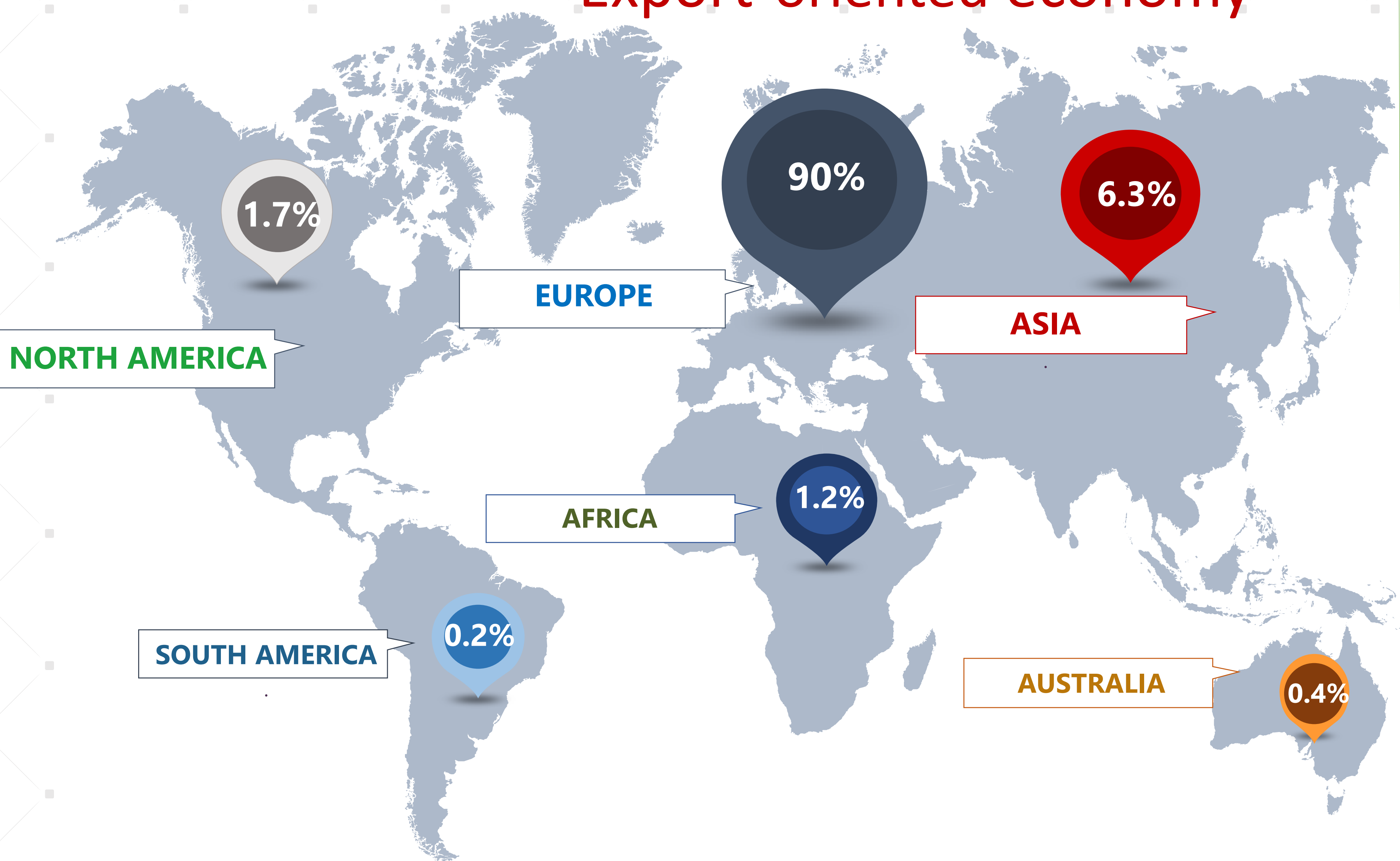
Great economic potential

GDP structure 2019

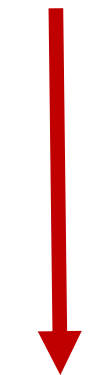


Source: Croatian Bureau of Statistics

Export-oriented economy



2019
TOTAL TRADE = € 40.3 bn
EXPORT = € 15.4 bn
IMPORT = € 24.9 bn

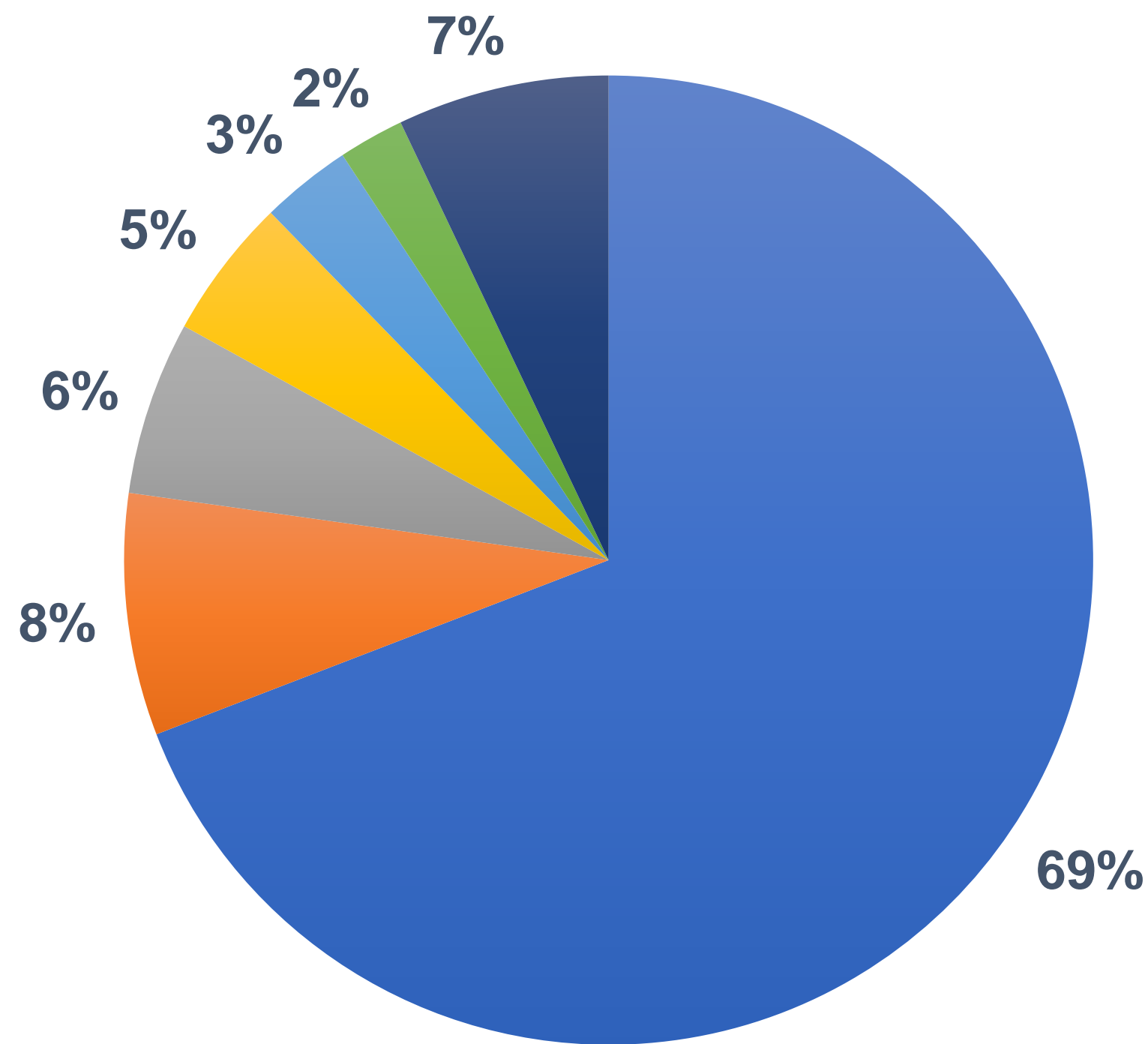


1. Germany 14.5%
2. Italy 13.9%
3. Slovenia 11.2%
4. Hungary 6.8%
5. Austria 6.2%

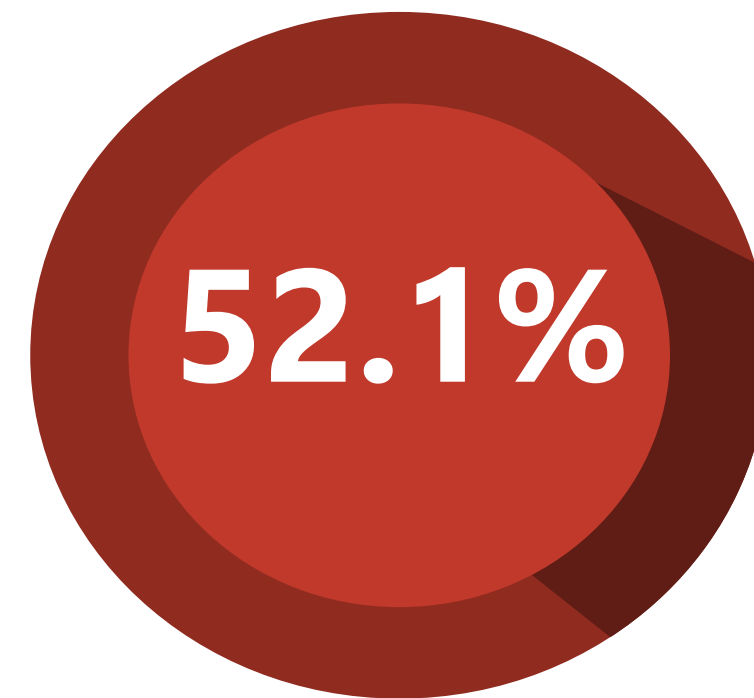


Export structure

SERVICES (50%)

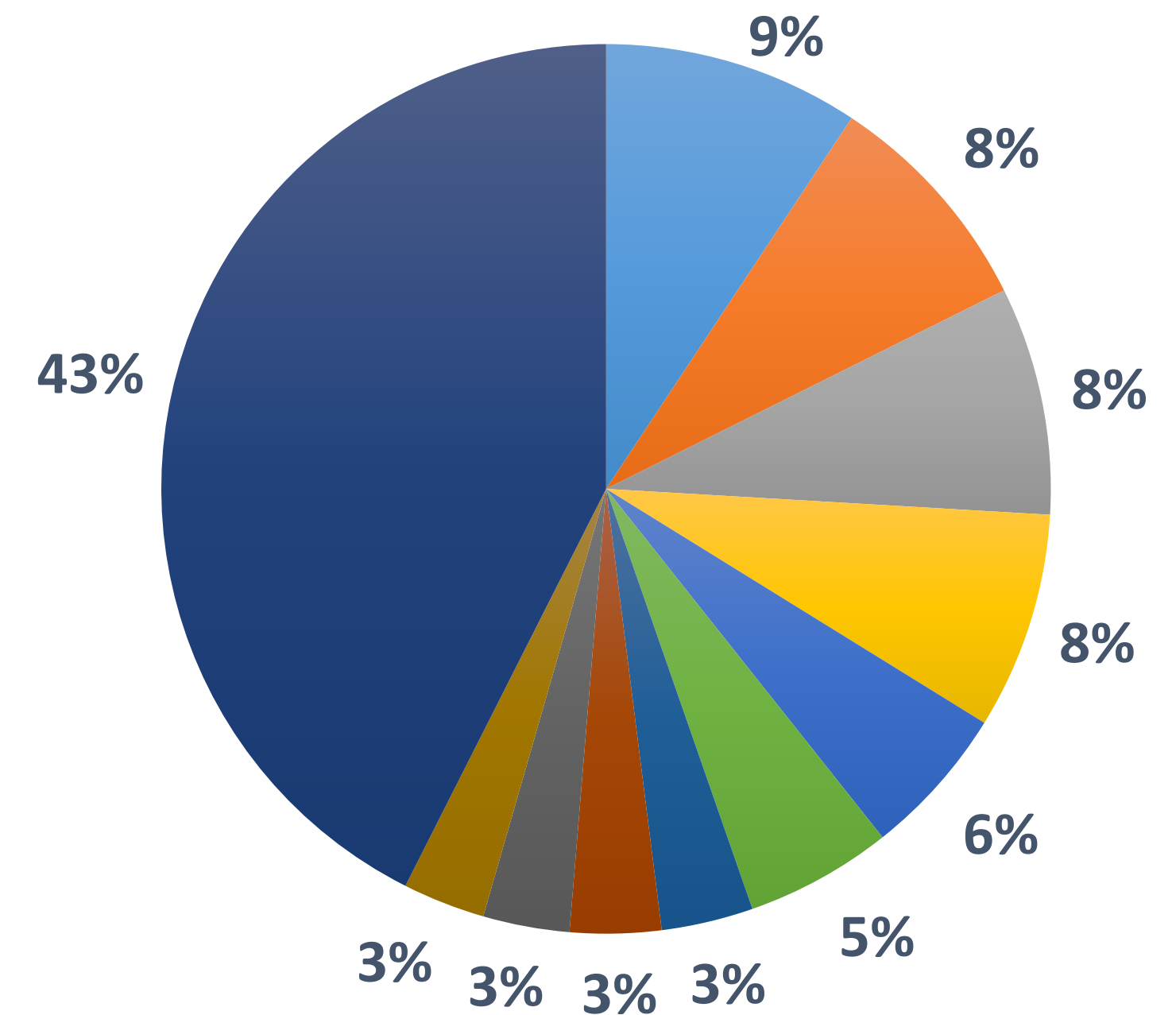


- Travel 69%
- Transport 8%
- Telecommunication, computer, and information services 6%
- Technical, trade-related, and other business services 5%
- Professional and management consulting services 3%
- Manufacturing services on physical inputs owned by others 2%
- Other services 7%



Exports of goods & services in % of GDP

GOODS (50%)



- Mineral fuels and oils 9%
- Nuclear reactors, boilers, machinery and mechanical appliances 8%
- Electrical machinery and equipment 8%
- Pharmaceutical products 8%
- Vehicles other than railway or tramway rolling stock 6%
- Wood and articles of wood 5%
- Articles of apparel and clothing accessories 3%
- Articles of iron or steel 3%
- Aluminium and articles thereof 3%
- Plastics and articles thereof 3%
- Other 43%

Croatian industry

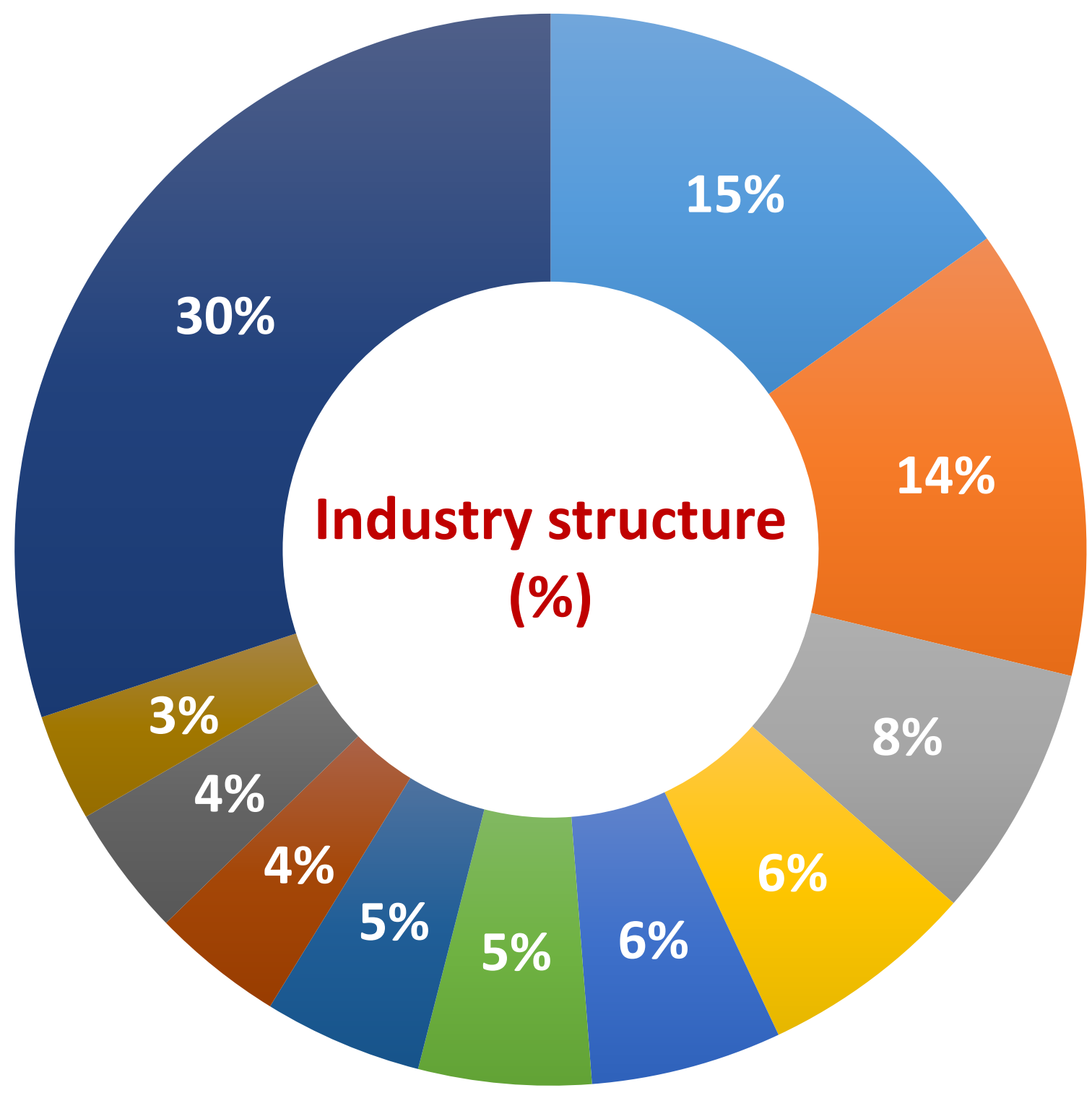
19.2% of GDP (2019)

94.5% of total Croatian export

20.6% of total employment

+15,000 companies

0.6% industrial growth rate






- Food products
- Electricity, gas, steam and air conditioning supply
- Metal products
- Non-metallic mineral products
- Pharmaceutical products
- Beverages
- Rubber and plastic products
- Manufacture of wood and products of wood and cork, except furniture
- Electrical equipment
- Machinery and equipment
- Other

- ✓ Traditionally export-oriented
- ✓ Reliable local suppliers and contractors
- ✓ Skilled and educated workforce
- ✓ Tradition and quality in manufacturing
- ✓ Extensive track record on foreign markets

Industry growth potential







 **Added-value manufacturing of road and rail vehicles parts and systems**


 **Energy technologies, systems and equipment**


 **Sustainable wood manufacturing and processing**


 **Environment-friendly technologies**


 **Pharmaceuticals, biopharmaceuticals, medical equipment and devices**


 **Sustainable food production and processing**



Energy sector

€5.5 bn

Total income (2019)

14.293

Employees

803

Companies

(12 large, 23 middle, 88 small, 680 micro)

200.71 PJ

Primary energy production

405.72 PJ

Total primary energy supply

329.41 PJ

Croatia's energy import

121.75 PJ

Croatia's energy export

- ✓ **Long tradition** – one of the oldest power-generating facilities in the world - Jaruga Hydroelectric Power Plant
- ✓ **The largest Croatian company for equipment production and turn key projects** Končar - Electrical Industry Inc. – since 1921
- ✓ **Number of SMEs in project design** – different segments – providing all activities in the energy project
- ✓ **State of the art technology** – e.g. smart meters production, turn-key projects

Suggestions how to do business in energy sector in Croatia:

- ✓ Identify potential project
- ✓ Contract with reliable Croatian companies that may ensure competitive service or product (sub-suppliers or consortium partners)
- ✓ CCE can help in finding partners, getting information, etc.

Croatian tourism

€10.5 bn | International tourism revenue

19.6 mil | Tourist arrivals (+ 4.8%)

17.4 mil | Foreign tourists (+ 4.3%)

91.2 mil | Overnight stays (+ 1.8%)

+ 15,500 | Companies

✓ **Beautiful nature:** 1,244 islands, 8 national parks

✓ **Climate:** 3 different climate zones

✓ **Geographical location**

✓ **Cultural & historical heritage:** 17 intangible cultural heritage, 10 cultural & natural heritage sites included in UNESCO World Heritage List

Tourists from Italy in 2019

- ✓ 1.175.069 Italian tourists (+2.4%)
- ✓ 5.141.064 overnight stays (+2.3%)
- ✓ 6.1% in overall structure of nights
- ✓ 4.4 average number of nights per arrival

Business opportunities:

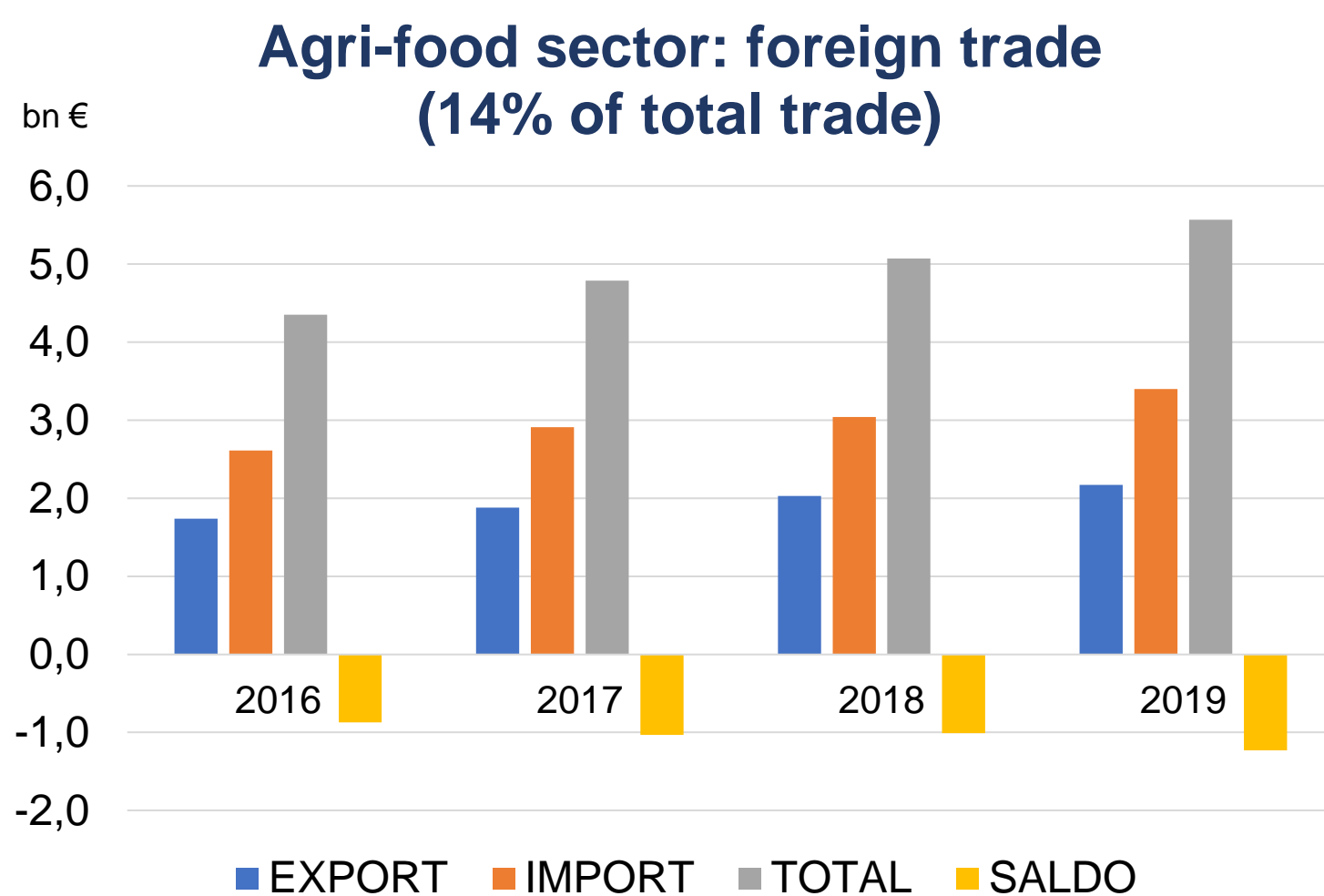
- ✓ Nautical tourism
- ✓ Medical tourism
- ✓ Congress tourism
- ✓ Investments in high quality tourist facilities



Agri-food sector

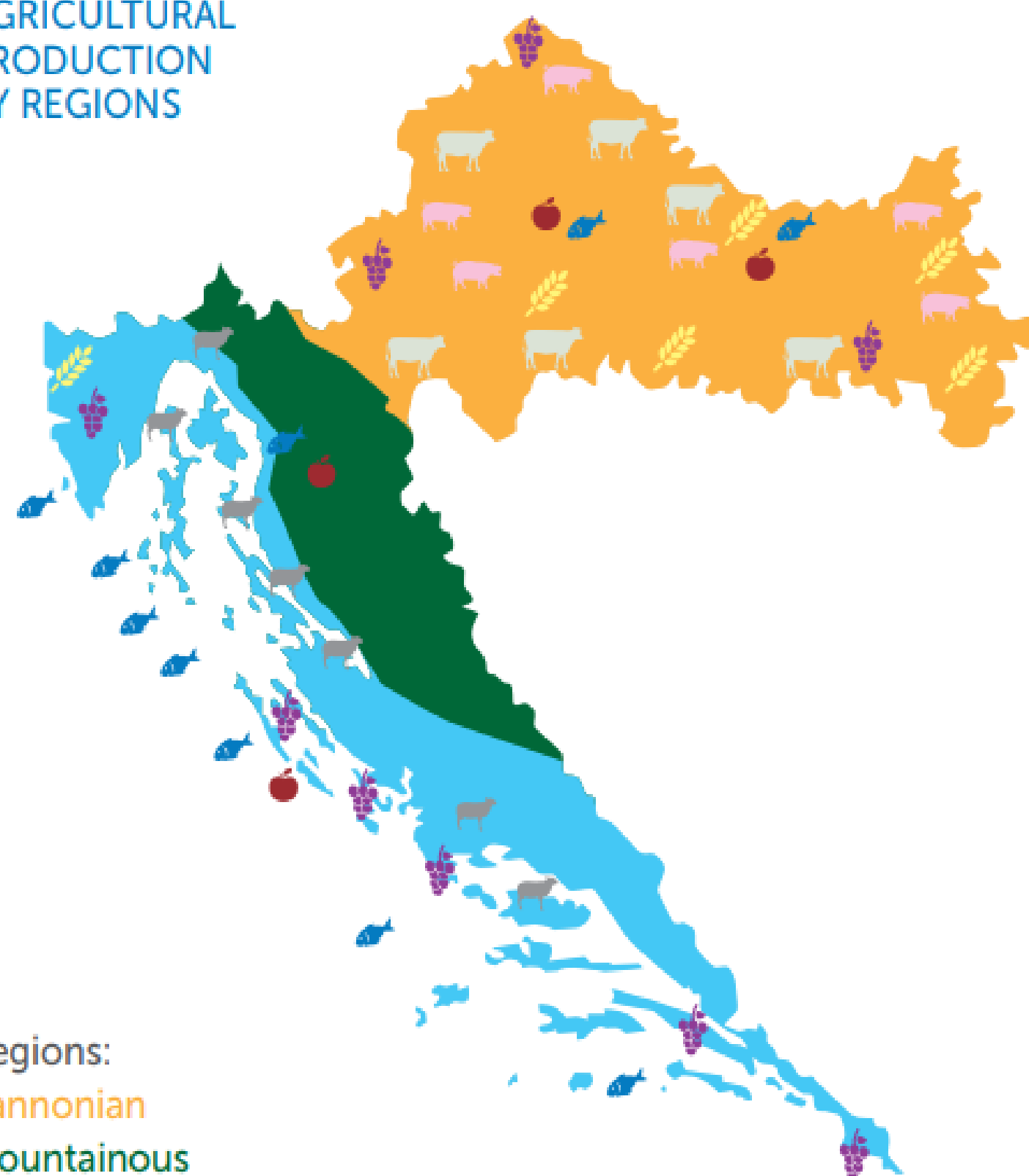
	GVA %	employment %
Agriculture	2.7	5.5
Fishing and aquaculture	0.3	0.3
Manufacture of food products; beverages and tobacco products	3.6	3.6
Total Agri-food sector	6.7	9.5

Source: Eurostat



Source: Croatian Bureau of Statistics

AGRICULTURAL PRODUCTION BY REGIONS



Regions:
 Pannonian
 Mountainous
 Mediterranean

Business opportunities:

- Organic food production
- Aquaculture

- Untarnished soil, unpolluted sea, rich sources of fresh water
- 3 geographical & climate zones
- Wide range of products (cereals, fish, olives, fruits, vegetables, etc.)
- Internationally recognizes food products (confectionary, dairy products, olive oil, wine, soft drinks, water, beer, meat products, bakery products, tobacco products, etc.)
- High quality products protected on EU level
- Business activities conducted according to the highest food quality and safety standards (ISO 9001, ISO 14001, ISO 22000, HACCP, Kosher, Halal, IFS, BRC, OHSAS 18001, etc.)

CROATIA

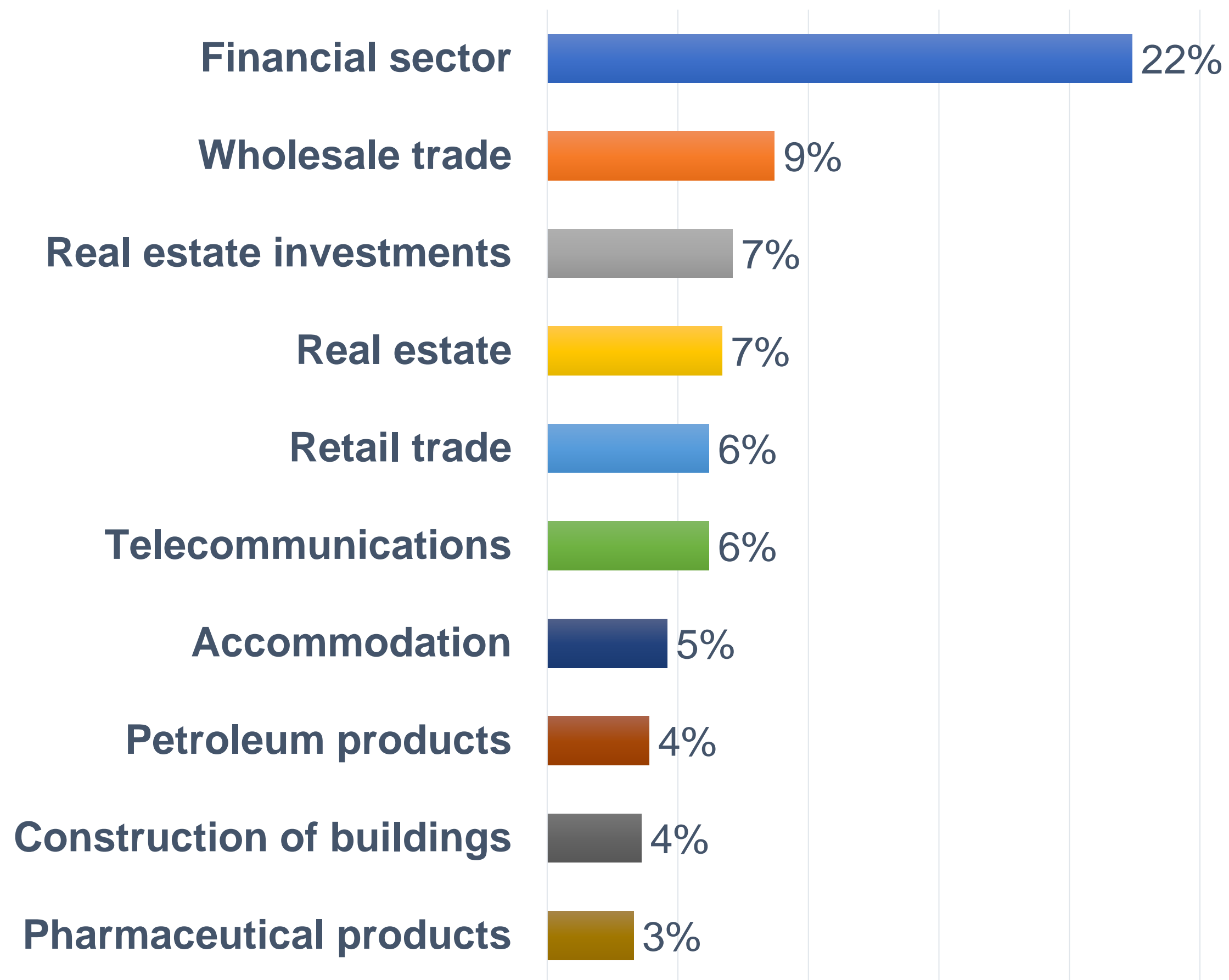
Unique location for your business.



Croatia – business & investment attractive destination

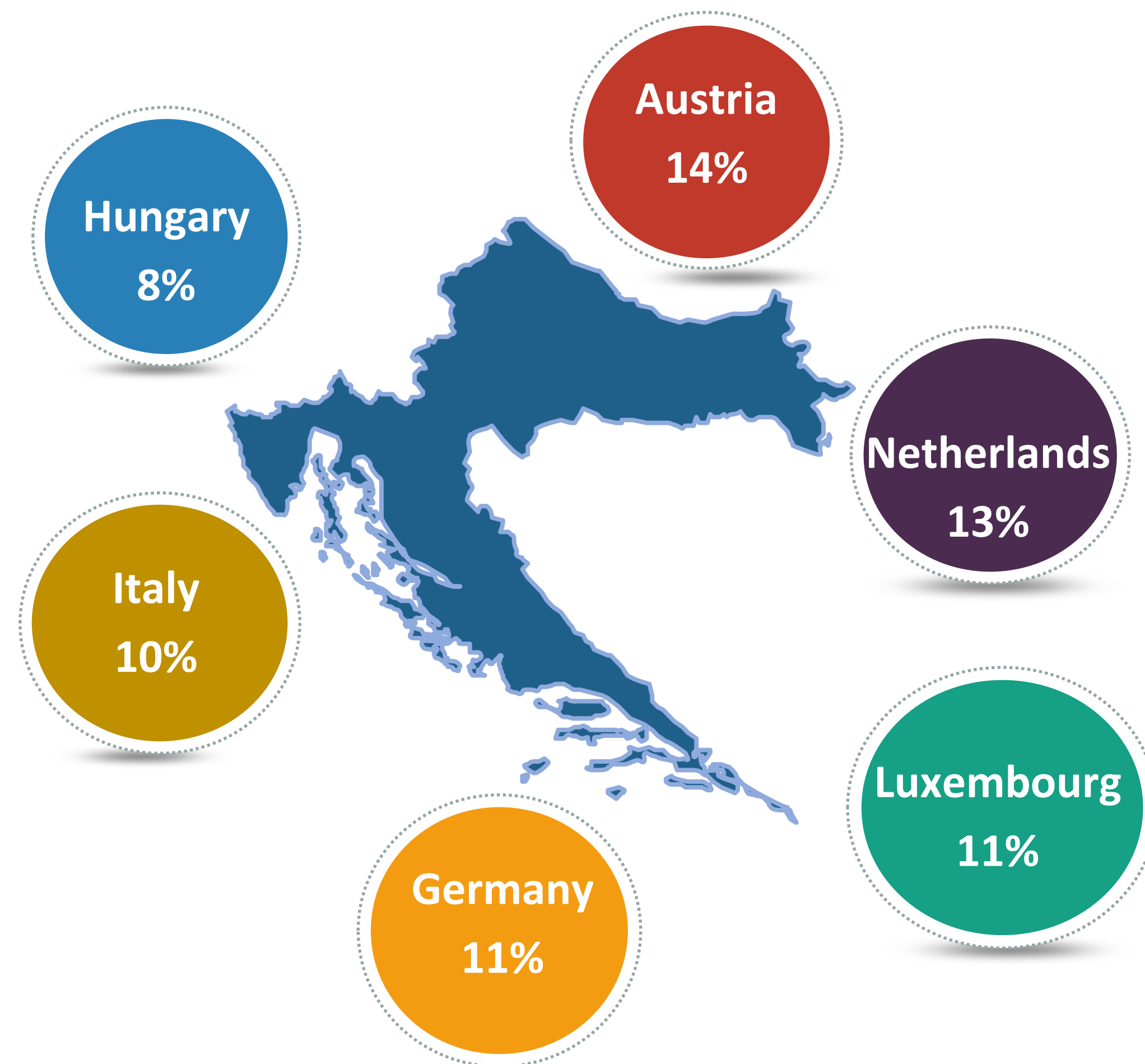


FDI structure % of total FDI



FDI = €33 bn

(1993 – Q3 2020)



Source: Croatian National Bank



Croatia

recognized by more
than 15,000
foreign companies

Croatia – your reliable business partner



Stimulating investment & business environment



Highly educated, multilingual & competent workforce



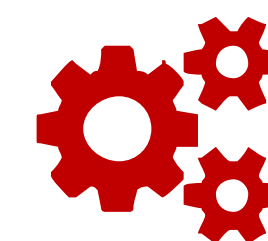
Stability & safety of business activity



Unique geostrategic location in Europe



EU member - access to a market of almost 500 million people



Long tradition in industrial production



Modern transport infrastructure




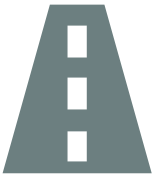




Access to EU funds

Easier access to European & world markets

Modern transport infrastructure



Transport of goods

	2018 (in '000 t)	2019 (in '000 t)
Goods carried	118 260	122 970
 Railway transport	13 444	14 449
 Road transport	73 997	81 110
 Seawater and coastal transport	19 435	18 296
 Inland waterway transport	592	815
 Air Transport	2	2
 Transport via pipelines	10 790	8 298

Source: Croatian Bureau of Statistics

Stimulating business environment

51/190
DB 2020

63/141
GCR 2019



Equal rights for foreign & domestic investors



Avoidance of double taxation

Signed with over 50 countries



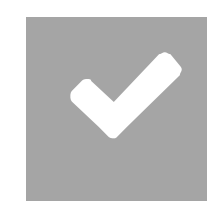
Corporate tax 10% and 18%

Tax incentives up to 100% tax deduction



Incentives for capital expenditure, labour cost, education grants

Up to €9,000 per new job created



EU funds

Around 7 billion EUR for financing business activities

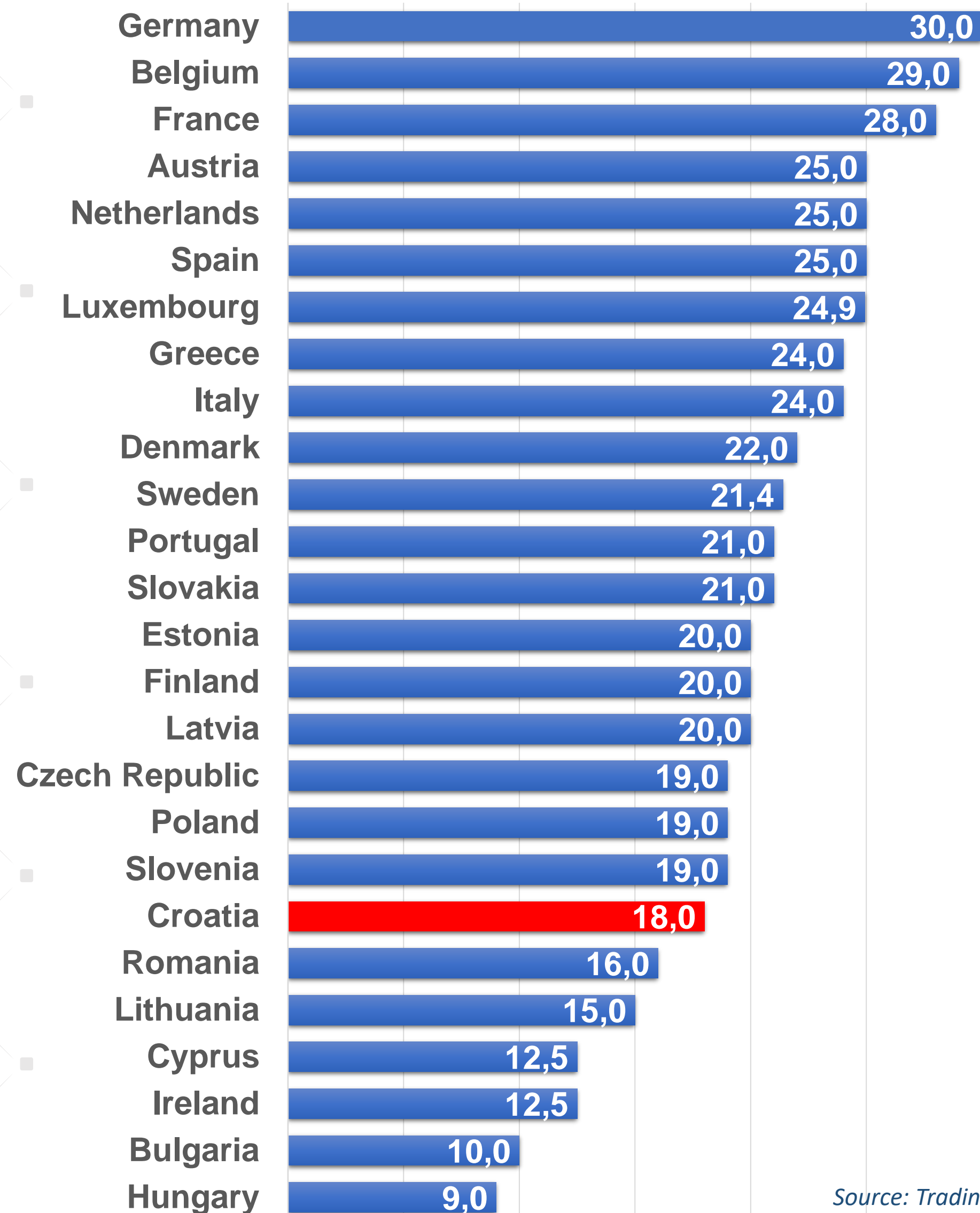


Additional government support measures

Croatian Bank for Reconstruction and Development; bank loan guarantees for SMEs (HAMAG-BICRO); EIB, EBRD, etc.

Overview of Croatian tax system

Corporate tax rate (% , 2020)



Source: Trading Economics

VAT

25%

General tax rate

13%

Lowered tax rates

5%

CORPORATE INCOME TAX

18%

≥ 7.5 mil. HRK

10%

< 7.5 mil. HRK

0%

Act on Investment Promotion

CAPITAL INCOME TAX

10%

PERSONAL INCOME TAX

20%

30%

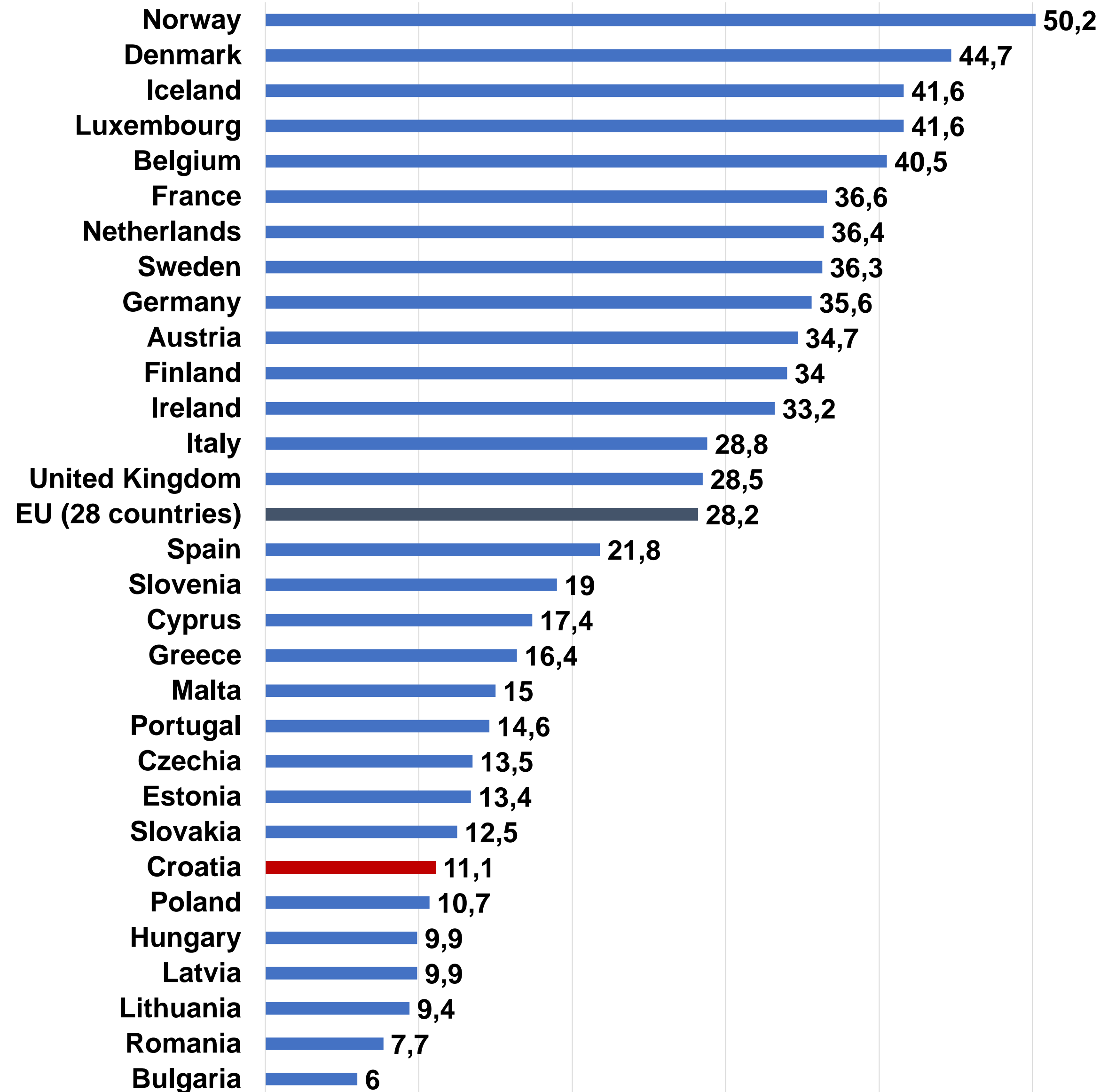
POSSIBILITY OF TAX RELIEFS (Entrepreneurial zones)

- ✓ Relief from utility tax
- ✓ Lower municipal services payments
- ✓ Lower land prices

Cost competitive labour force



Labour costs EUR/hour 2019



Source: Eurostat

Act on Investment Promotion

Incentives for:

- Manufacturing and processing activities
- Development-innovation activities
- Strategic business support activities
- High added value services
- Initial and capital expenses
- Labour intensive investment projects



Minimum investment required:

- €150,000 + creating 5 new jobs (for SMEs and large companies)
- €50,000 + creating 3 new jobs (micro entrepreneurs)
- €50,000 + creating 10 new jobs (centres for development of information-communication systems and software)
- €500,000 for investment projects in modernising and increasing business process productivity

Incentives



1. Tax incentives for micro entrepreneurs
2. Tax incentives for small, medium and large entrepreneurs
3. Incentives for eligible costs of creating new jobs related to investment project
4. Incentives for eligible costs of training related to investment project
5. Additional incentives for specific business activities:
 - Development-innovation activities
 - Business support activities
 - High added value services
6. Incentive measures for capital expenses of investment project
7. Incentive measures for labour intensive investment projects
8. Incentive measures for investment projects undertaking economic activation of inactive state-owned property of the Republic of Croatia
9. Incentive measures for modernization and increase of business processes productivity - automation, robotisation and digitalisation of production and manufacturing processes

Tax Incentives

Min. investment (€ million)	Number of newly employed	Corporate income tax reduction	Duration of incentives
>0,05 for micro entrepreneurs	3	50%	up to 5 years
>0,05 - 1 for ICT system and software development centers	10	50%	up to 10 years
0.15 - 1	5	50%	up to 10 years
1 – 3	10	75%	up to 10 years
More than 3	15	100%	up to 10 years

New vacancies have to be filled within 3 years after the start of investment.

Minimal period for maintaining investment project:

- SME – 3 years
- Large enterprises – 5 years

Incentives for eligible costs of creating new jobs

County unemployment rate	*Mandatory period for retaining new jobs	Non-refundable financial incentive for the costs of creating new jobs	Max. incentive amount
up to 10%	3/5 years	up to 10% eligible costs	up to €3,000
10% - 20%	3/5 years	up to 20% eligible costs	up to €6,000
More than 20%	3/5 years	up to 30% eligible costs	up to €9,000

Mandatory period for retaining new jobs

- SME – 3 years
- Large enterprises – 5 years

Incentives for eligible costs of training

- The beneficiary of incentive measures shall be approved a non-repayable grant for training of employees in the newly created jobs linked to the investment project.

The maximum aid intensity does not exceed 50% of eligible costs and can be increased up to 70% of eligible costs as follows:

- by 10 percentage points if the training is conducted for disabled workers
- by 10 percentage points if the aid is granted to medium-sized enterprise
- by 20 percentage points if the aid is granted to small and micro entrepreneurs

Additional incentives for specific business activities

- Development-innovation activities
- Business support activities
- High added value services

Non-refundable aid for the creation of new jobs created is increased as follows:

County unemployment rate	Mandatory period for retaining new jobs	Non-refundable financial incentive for the costs of creating new jobs	Max. incentive amount	Increase for development and innovation activities	Increase for business support activities and high value added services
up to 10%	5 years	10% eligible costs	€3,000	+50% (max. €1,500)	+25% (max. €750)
10% - 20%	5 years	20% eligible costs	€6,000	+50% (max. €3,000)	25% (max. €1,500)
more than 20%	5 years	30% eligible costs	€9,000	+50% (max. €4,500)	+25% (max. €2,250)

- For investment in the development and innovation activities, a non-repayable grant is approved for the purchase of equipment/ machinery

Act on Strategic Investment Projects of the Republic of Croatia



Criteria

- *private, public or public-private investment projects which include the construction of buildings*
- *total value of capital investment costs:*
 - ✓ equal to or greater than 75,000,000.00 HRK or
 - ✓ equal to or greater than 75,000,000.00 HRK and have the ability to be co-financed from the funds and programs of the EU or
 - ✓ equal to or greater than 10,000,000.00 HRK and are realized in assisted areas in accordance with the act governing the assisted areas and the regional development of the Republic of Croatia, or on islands, or if the investment falls within the area of agriculture production, fisheries and forestry;
- *in accordance with the physical planning documents*
- *if private investment project, the investment relates to:*
 - ✓ production and processing activities
 - ✓ development and innovation activities
 - ✓ business support activities
 - ✓ activities of high added value services
 - ✓ activities in energy sector
 - ✓ infrastructure
 - ✓ activities related to agriculture, forestry and fisheries
 - ✓ activities related to health care
 - ✓ activities related to science and education

Investment sites

- More than **100** ready entrepreneurial zones
 - utility services, clear ownership, good logistic & traffic connection
- Strong support form local communities
- Additional tax reliefs:
 - ✓ relief from utility tax
 - ✓ lower payments for municipal services
 - ✓ lower land prices



Home of many pioneering innovations



128 higher education institutions



158,016 enrolled students



18.5% graduates in tertiary education in science, math, computing, engineering, manufacturing, construction

99.7%

Secondary school students learning English

1.2

Average number of foreign languages studied per pupil = 3rd best in Europe

97%

Young people with at least secondary education

40%

Human resources in science and technology (% of active population)



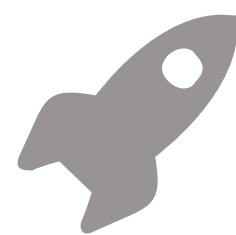
Tie



Slavoljub Penkala



Nikola Tesla



Torpedo



MP3 Audio



SMS Parking



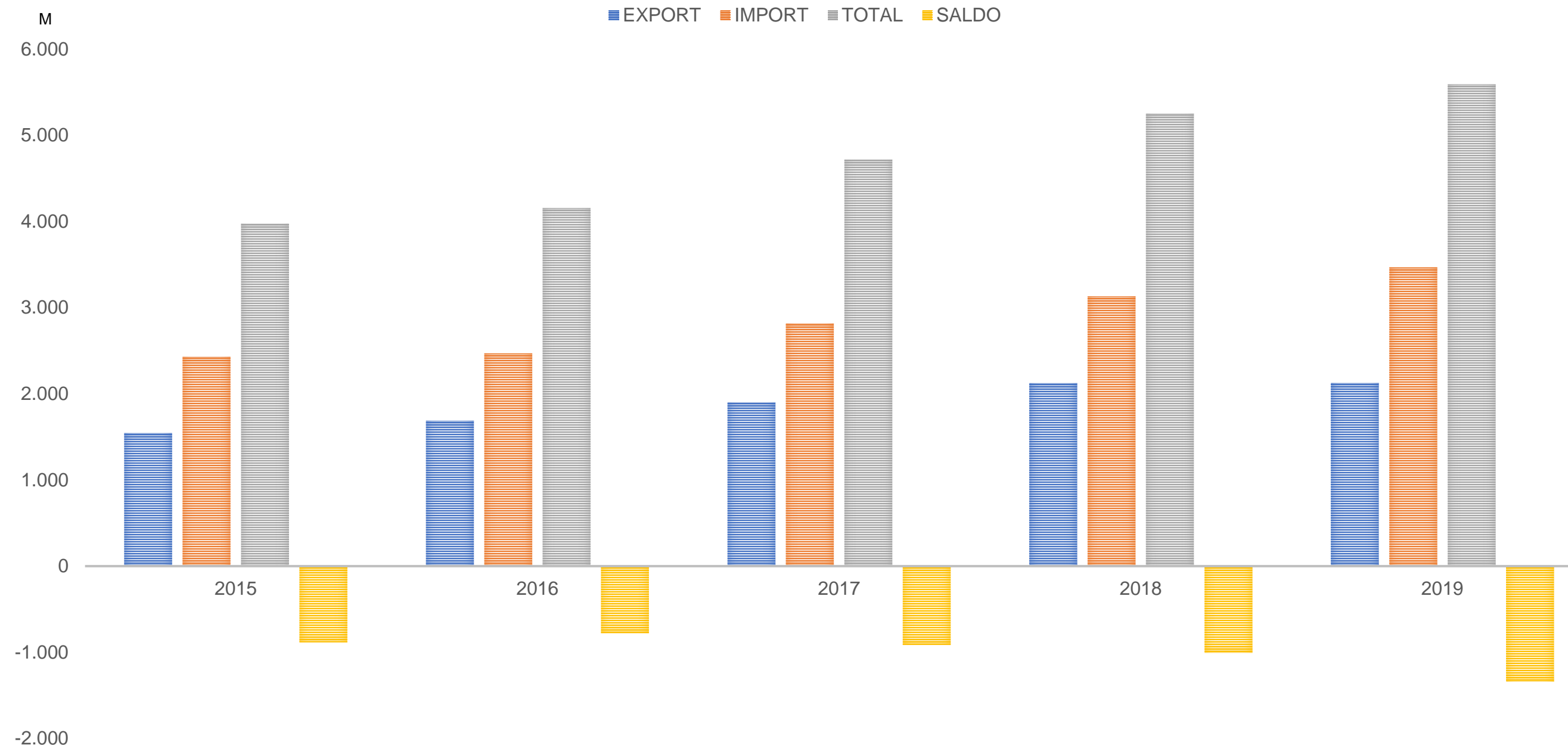
Photomath



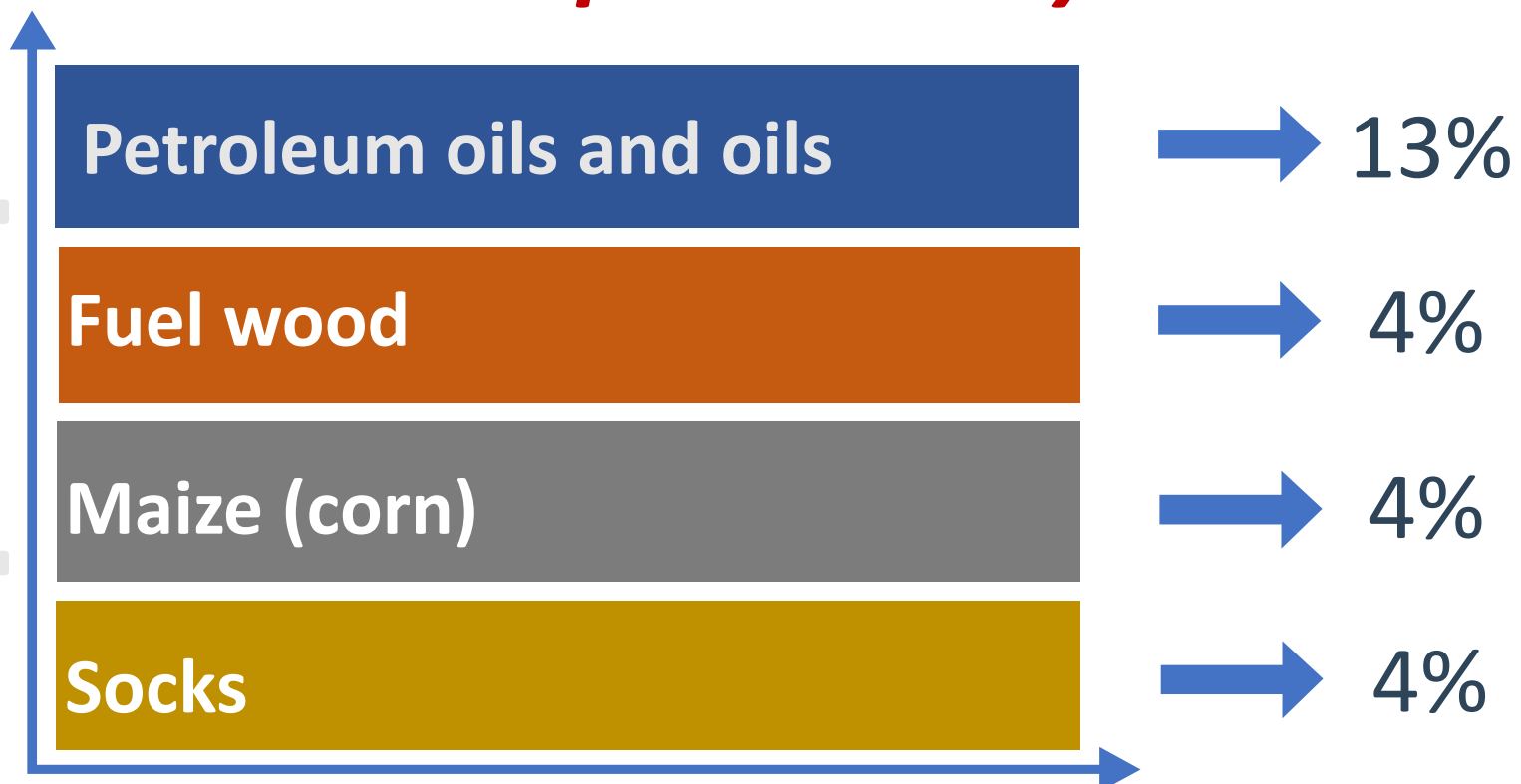
Infrared design

Croatia – Italy

Trade (2019) = 5.6 bn EUR



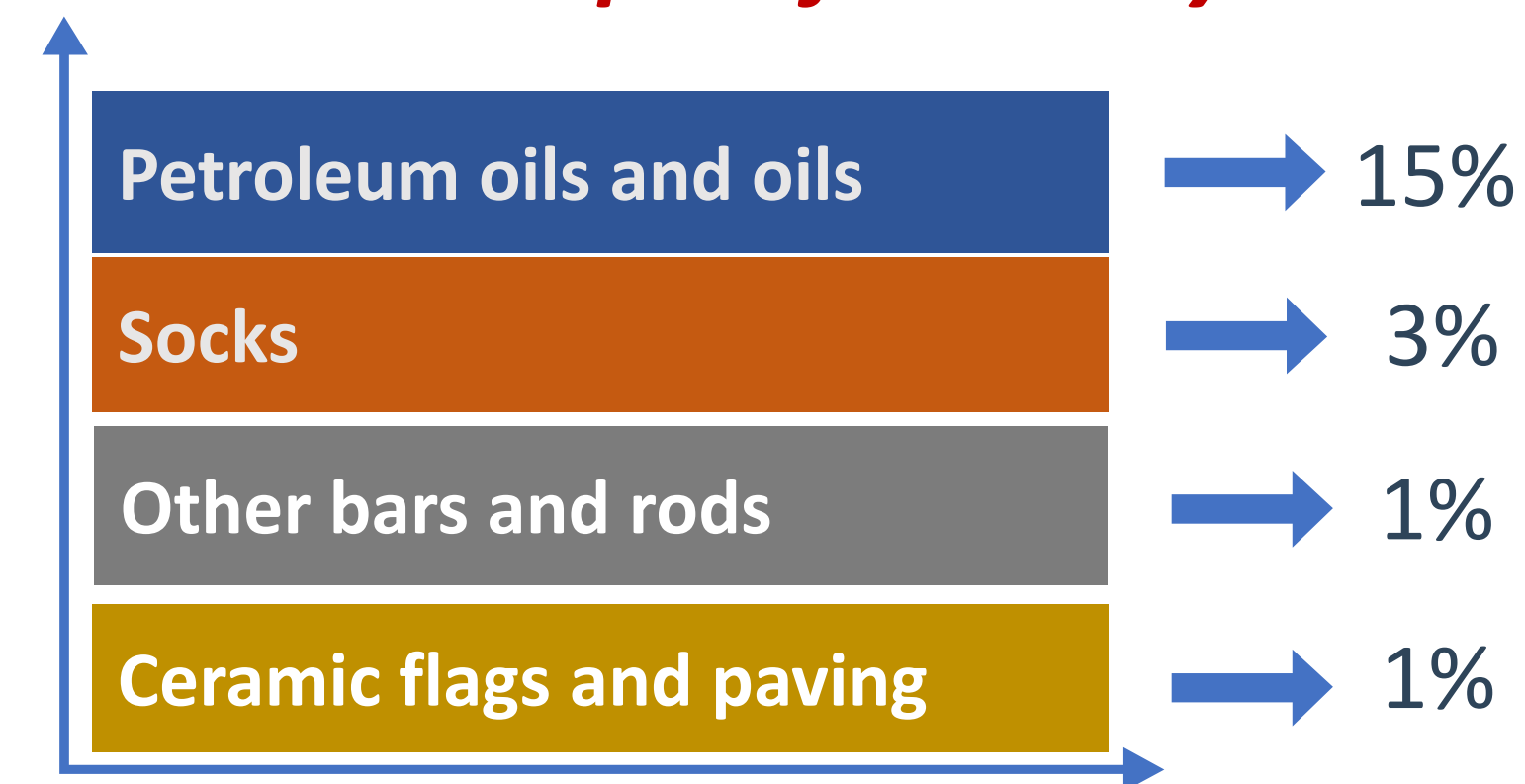
Croatian export to Italy



2.1 bn EUR (+0.1%)

3.5 bn EUR (+10.8%)

Croatian import from Italy



Source: Croatian Bureau of Statistics

Possibilities of cooperation

Croatia – Italy

 Agriculture and
Food industry

 Tourism

 ICT

 Metal processing industry

 Wood processing industry

 Healthcare industry

 Energy technologies,
systems, and equipment

 Textile industry



How can we help?





Croatian Chamber of Economy

169 year old tradition



**MORE THAN 130,000
MEMBER COMPANIES**

**60 PROFESSIONAL
ASSOCIATIONS**



**REPRESENTATIVE
OFFICES ABROAD**

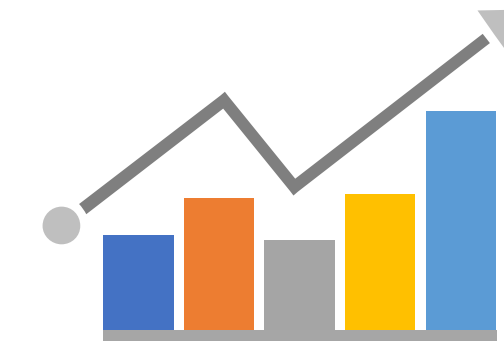


20 COUNTY CHAMBERS



Our services

INFORMATION

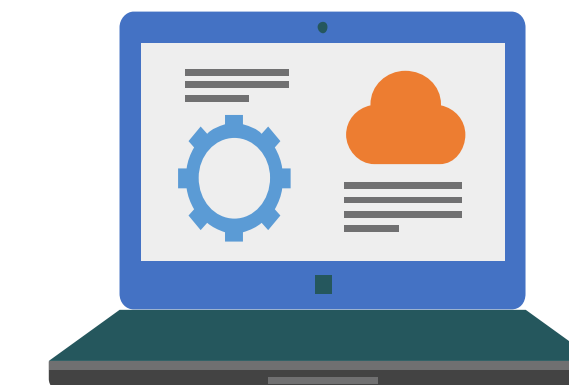
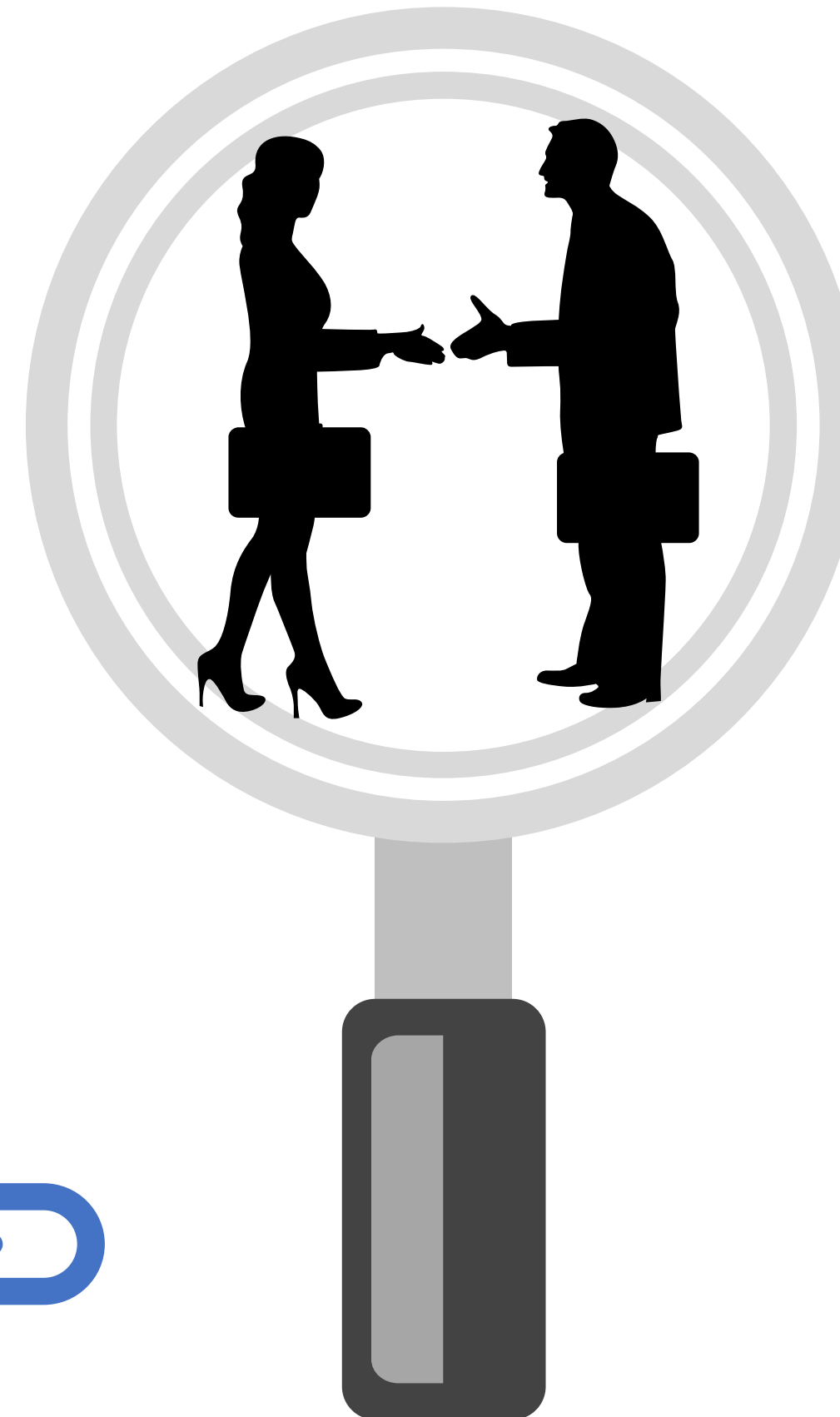


INTERNATIONALISATION

LEGISLATION



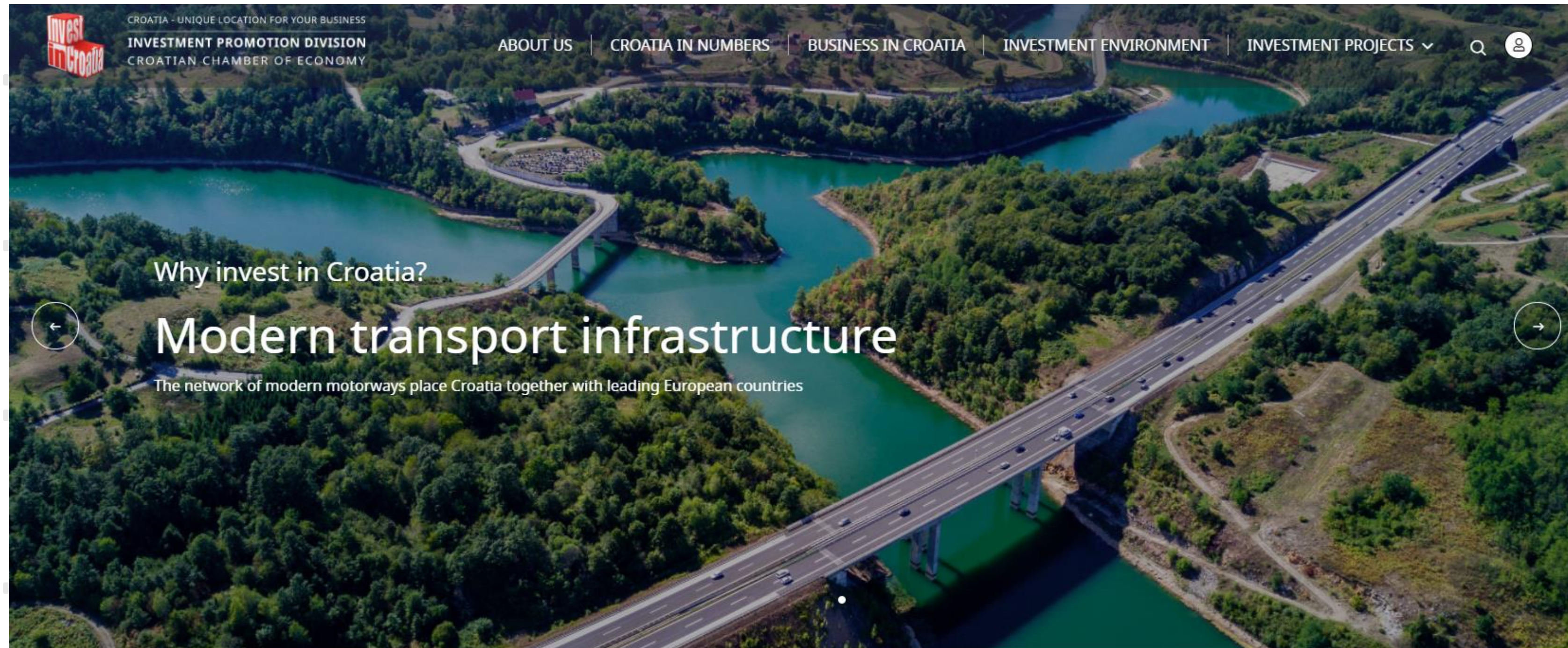
EDUCATION



PROMOTION

ASSISTANCE & SUPPORT





- Business and investment information
- Investment locations explorer
- Business zones information
- Investment projects catalogue

Why invest in Croatia?





Contact us



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