



CROATIAN  
CHAMBER OF  
ECONOMY

SEKTOR ZA MEĐUNARODNE POSLOVE I EU  
INTERNATIONAL AFFAIRS AND EU SECTOR

# Croatia – Investment & Business Cooperation Opportunities

Zagreb, October 2020





*“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 km<sup>2</sup>

Population: 4.1 million

Capital: Zagreb (Population: 800,000)

Currency: Croatian kuna (HRK)

Average exchange rate (2019):

1 EUR = 7.41 HRK

1 USD = 6.62 HRK

GDP: €54 bn

GDP per capita: €13,270

Inflation rate: 0.8%

Unemployment rate (ILO): 8.3% (February 2020)

Average net salary: €912 (February 2020)

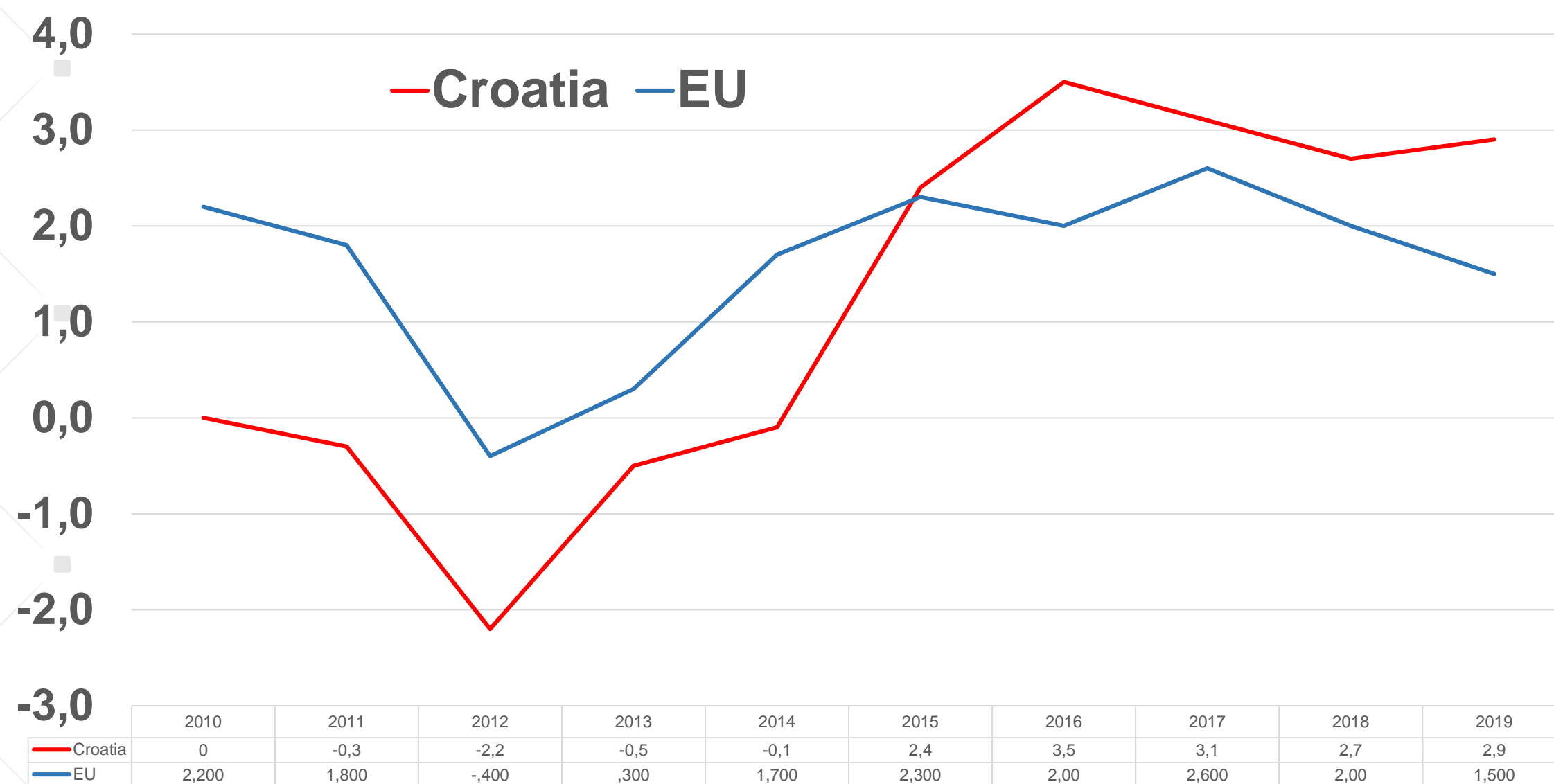




# Vibrant & Dynamic Economy

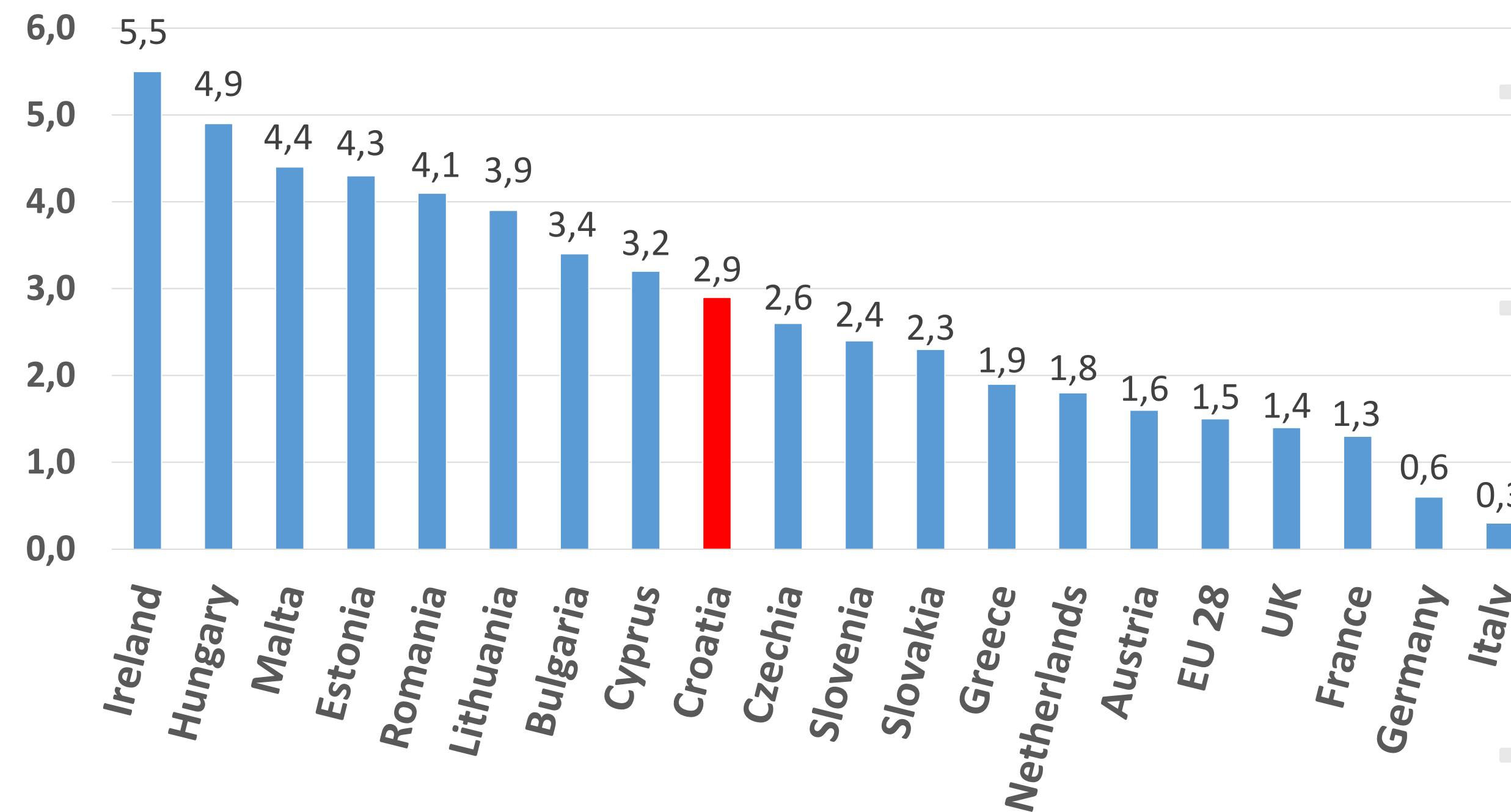


Real GDP growth rate (%)



Source: Eurostat

Real GDP growth rate 2019 (%)



Source: Eurostat

## Estimations for 2020:

Ministry of Finance = 2.5%

EC = 2.6%

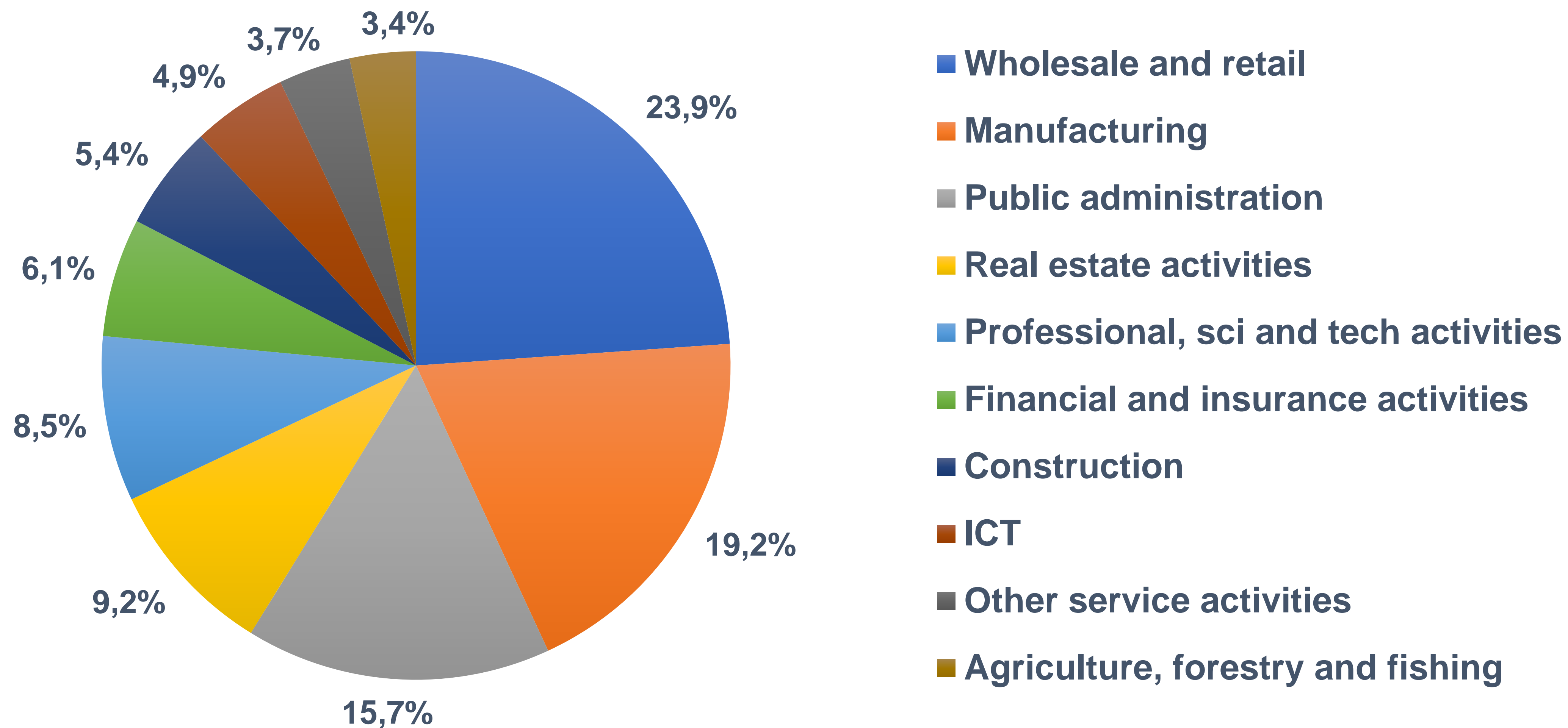
IMF = 2.7%

= - 9.0% (April 2020, due to COVID-19)



# Great economic potential

## GDP structure 2019



Source: Croatian Bureau of Statistics

# Export-oriented economy

**2019**

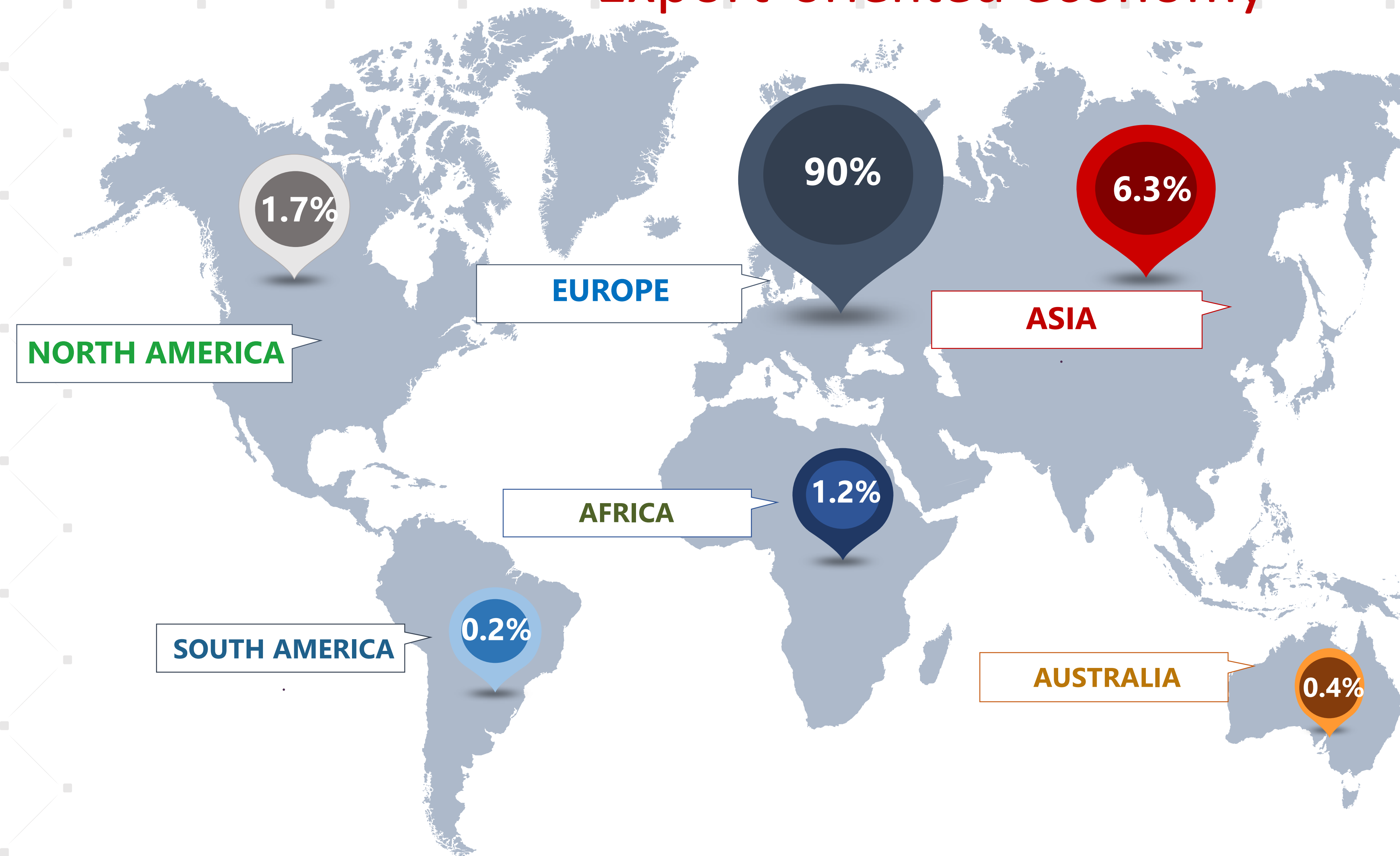
**TOTAL TRADE= € 40.3 bn**

**EXPORT = € 15.4 bn**

**IMPORT = € 24.9 bn**

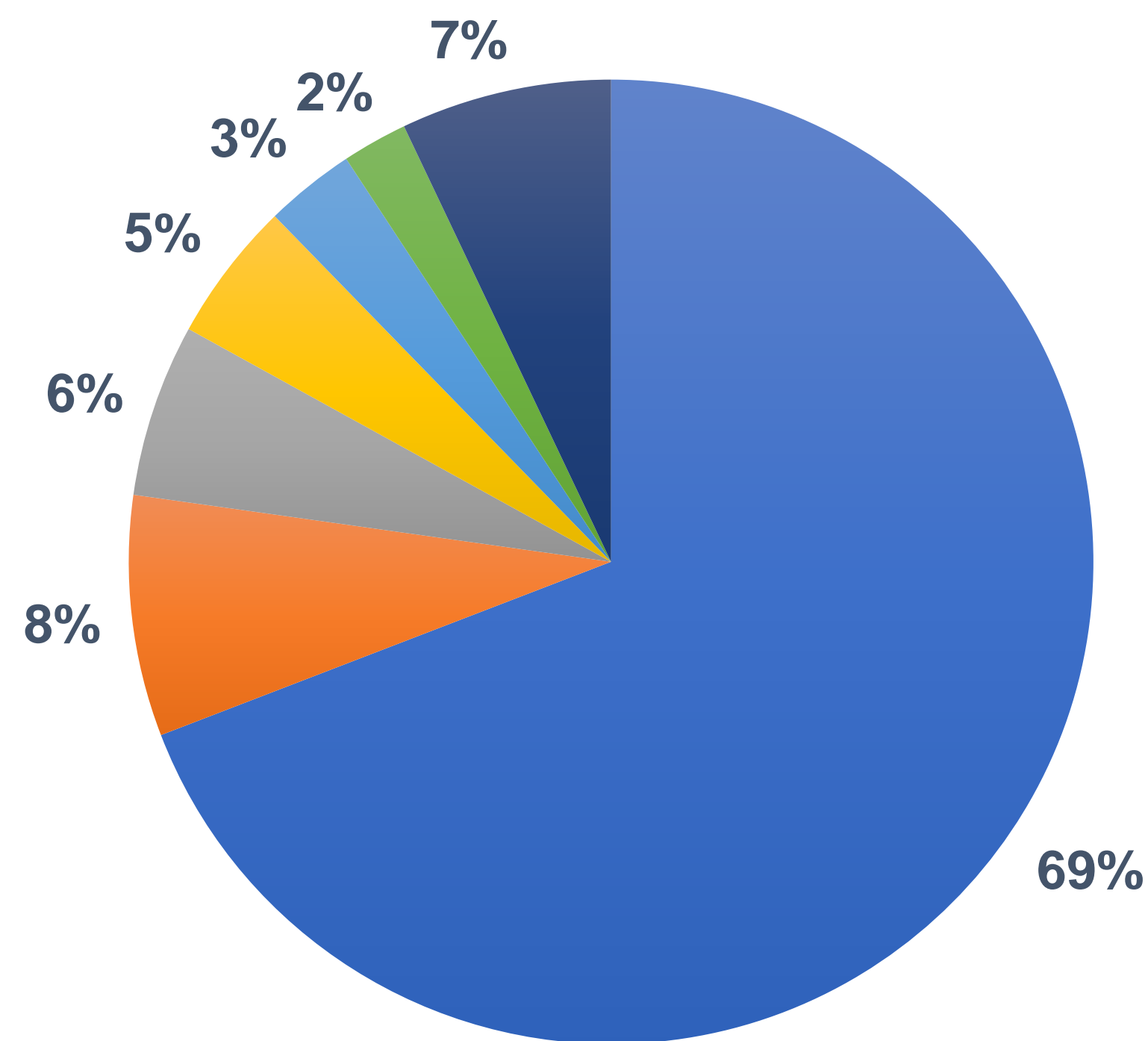


1. Germany 14.5%
2. Italy 13.9%
3. Slovenia 11.2%
4. Hungary 6.8%
5. Austria 6.2%

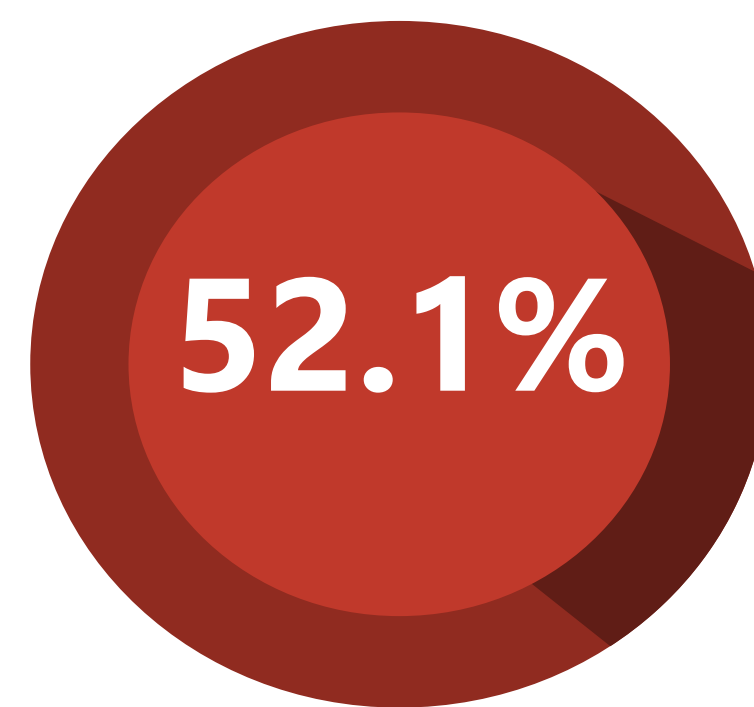


# Export structure

## SERVICES (50%)

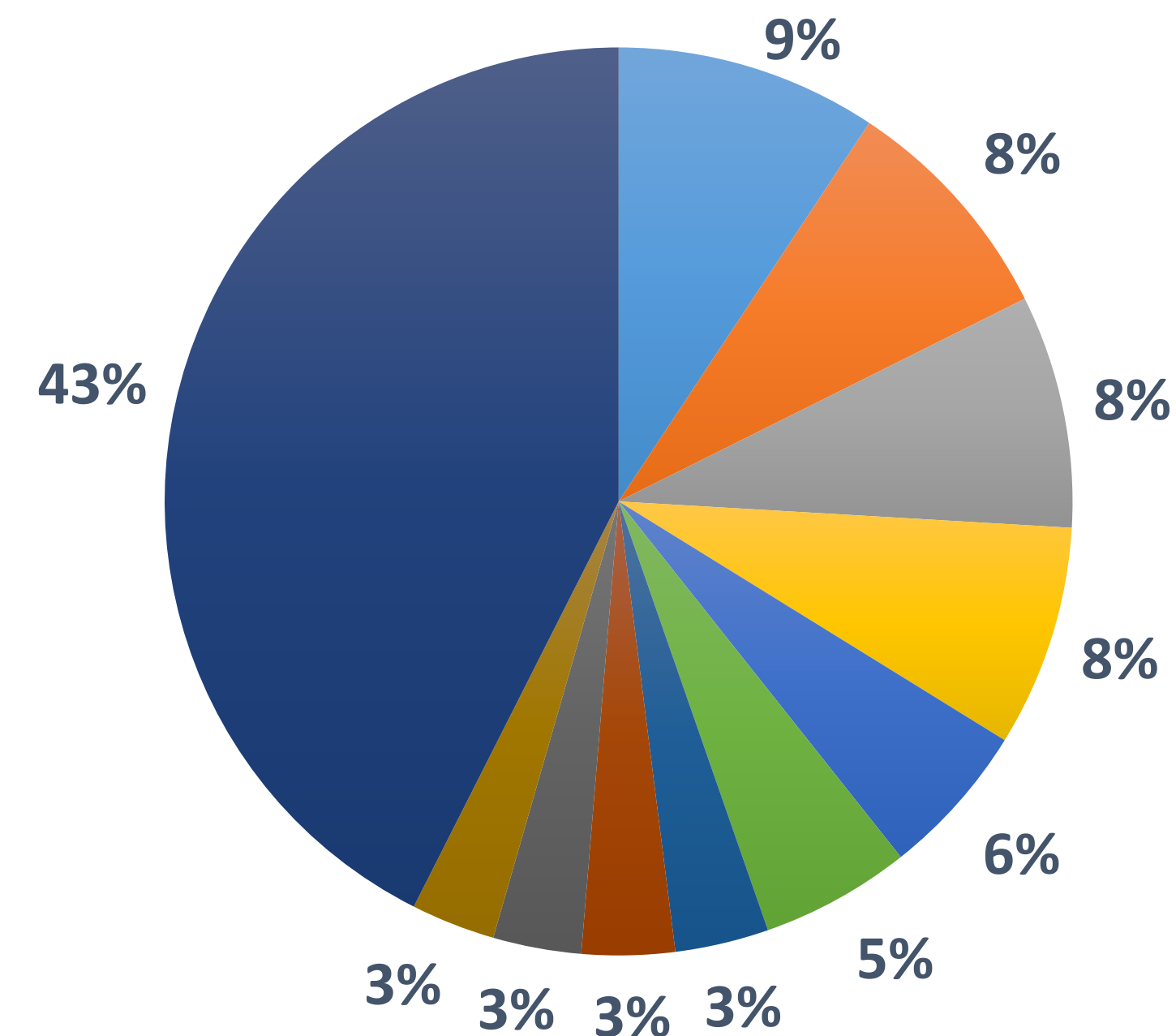


- Travel 69%
- Transport 8%
- Telecommunication, computer, and information services 6%
- Technical, trade-related, and other business services 5%
- Professional and management consulting services 3%
- Manufacturing services on physical inputs owned by others 2%
- Other services 7%



**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



**19.7%** of GDP (2018)

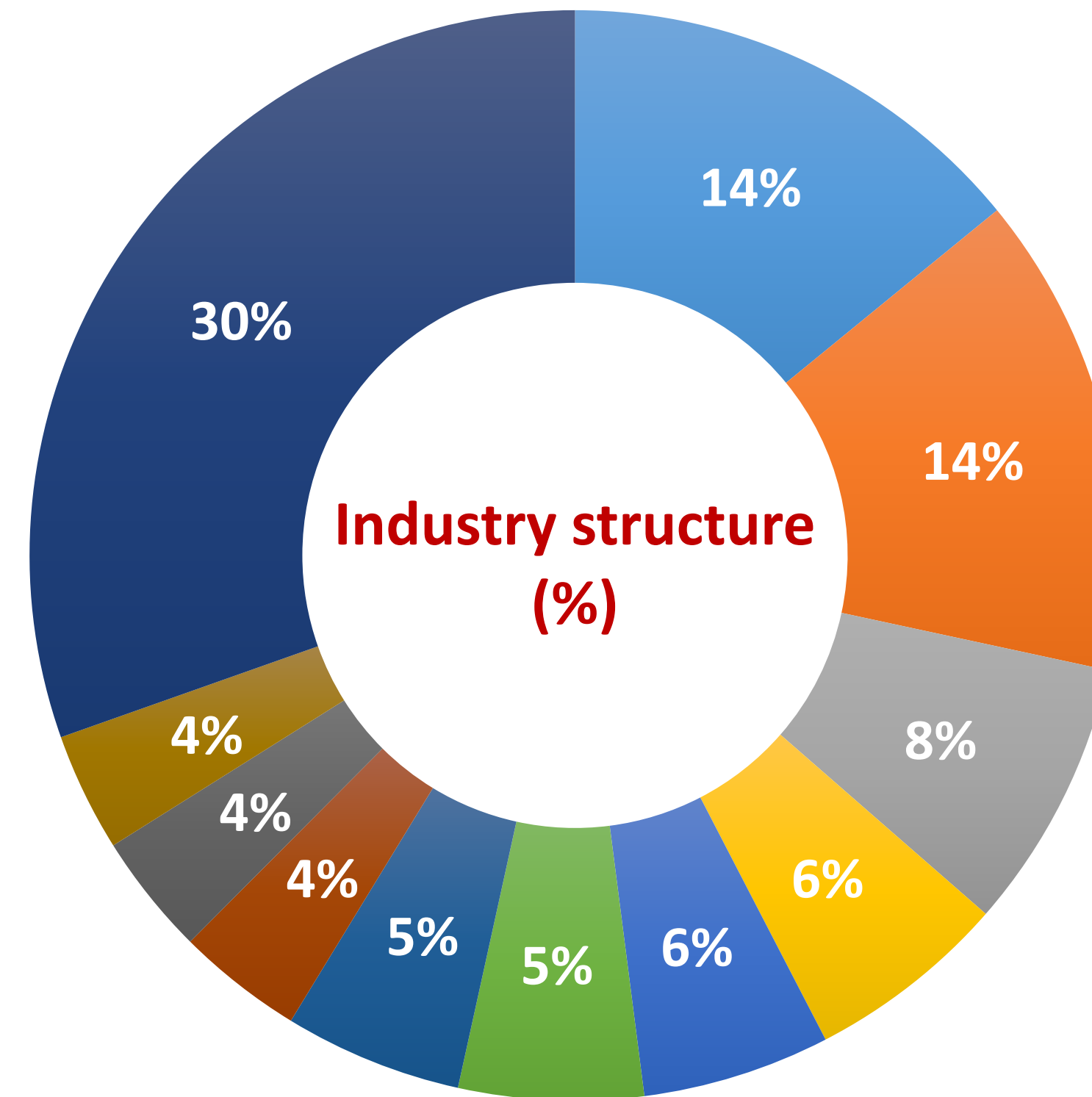
**92%** of total Croatian export

**19.2%** of total employment

**+14,500** companies

**-1.0%** industrial growth rate


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



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




# Industry growth potential




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



Sustainable wood  
manufacturing and processing




Pharmaceuticals,  
biopharmaceuticals, medical  
equipment and devices



Energy technologies,  
systems and equipment



Environment-friendly  
technologies



Sustainable food production  
and processing



# Energy sector



€5.2 bn

Total income (2018)

13,751

Employees

804

Companies

(12 large, 19 middle, 80 small, 693 micro)

218.79 PJ

Primary energy production

413.86 PJ

Total primary energy supply

335.16 PJ

Croatia's energy import

137.25 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

**€10.1 bn** | International tourism revenue (+ 6.4%, 2018)

**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 XY in 2019

- ✓ 448,636 tourists from xy (+20%)
- ✓ 548,624 overnight stays (+23%)
- ✓ 0.7% in overall structure of nights
- ✓ 1.2 average number of nights per arrival

## Business opportunities:

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





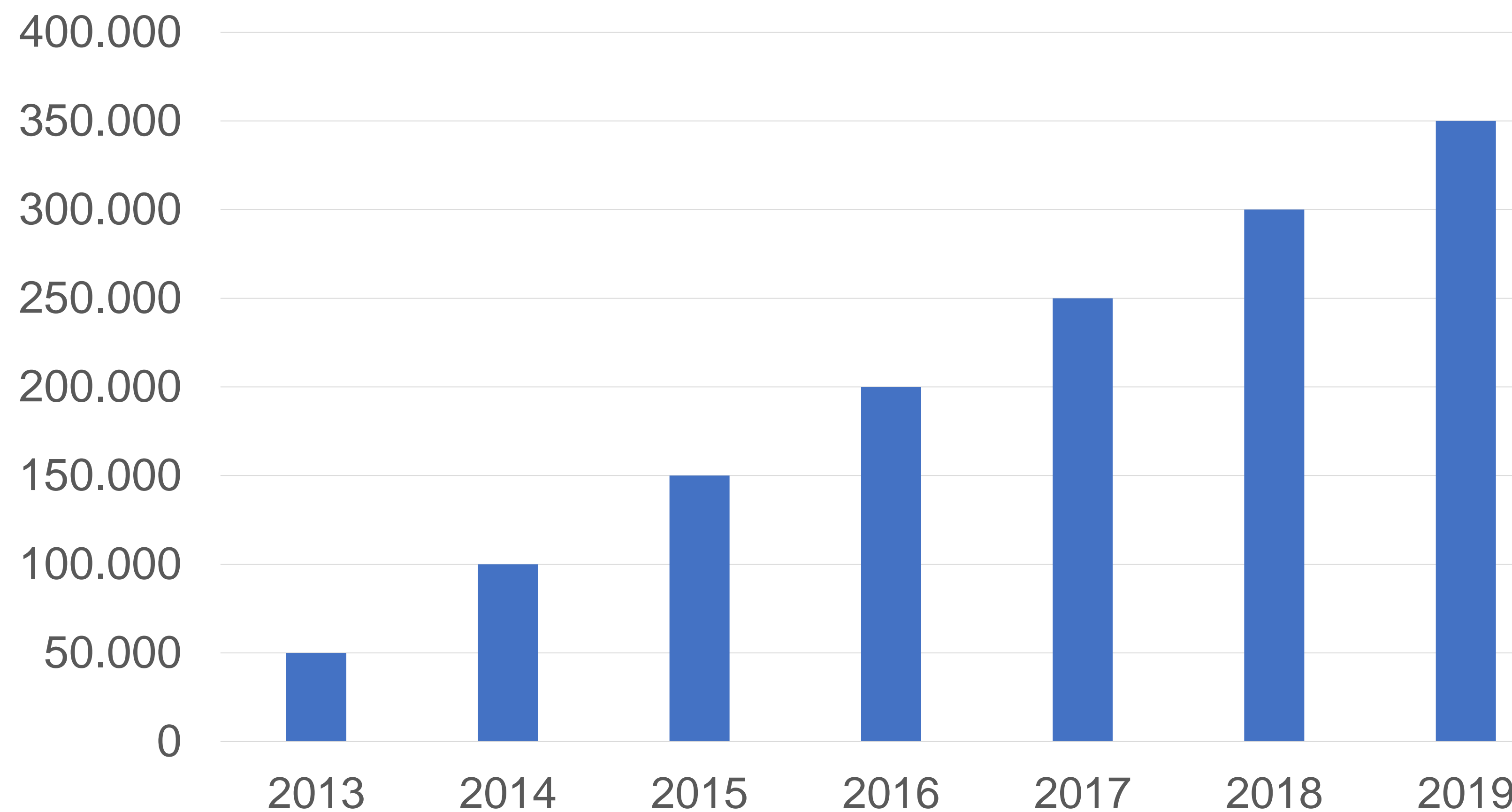


# Croatia – XY

## Tourism 2013 - 2019



Number of arrivals from XY



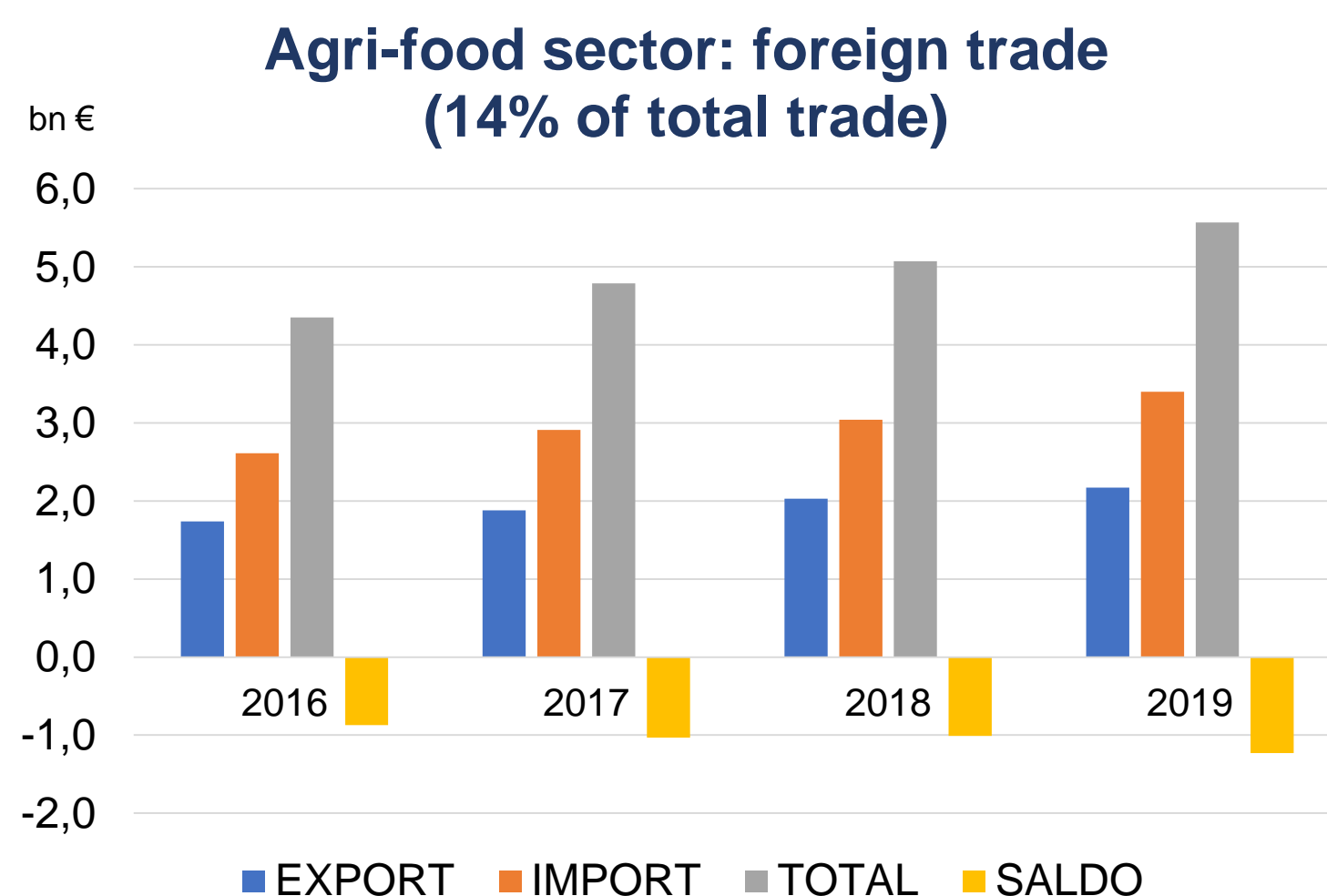
Source: Croatian Bureau of Statistics



# Agri-food sector

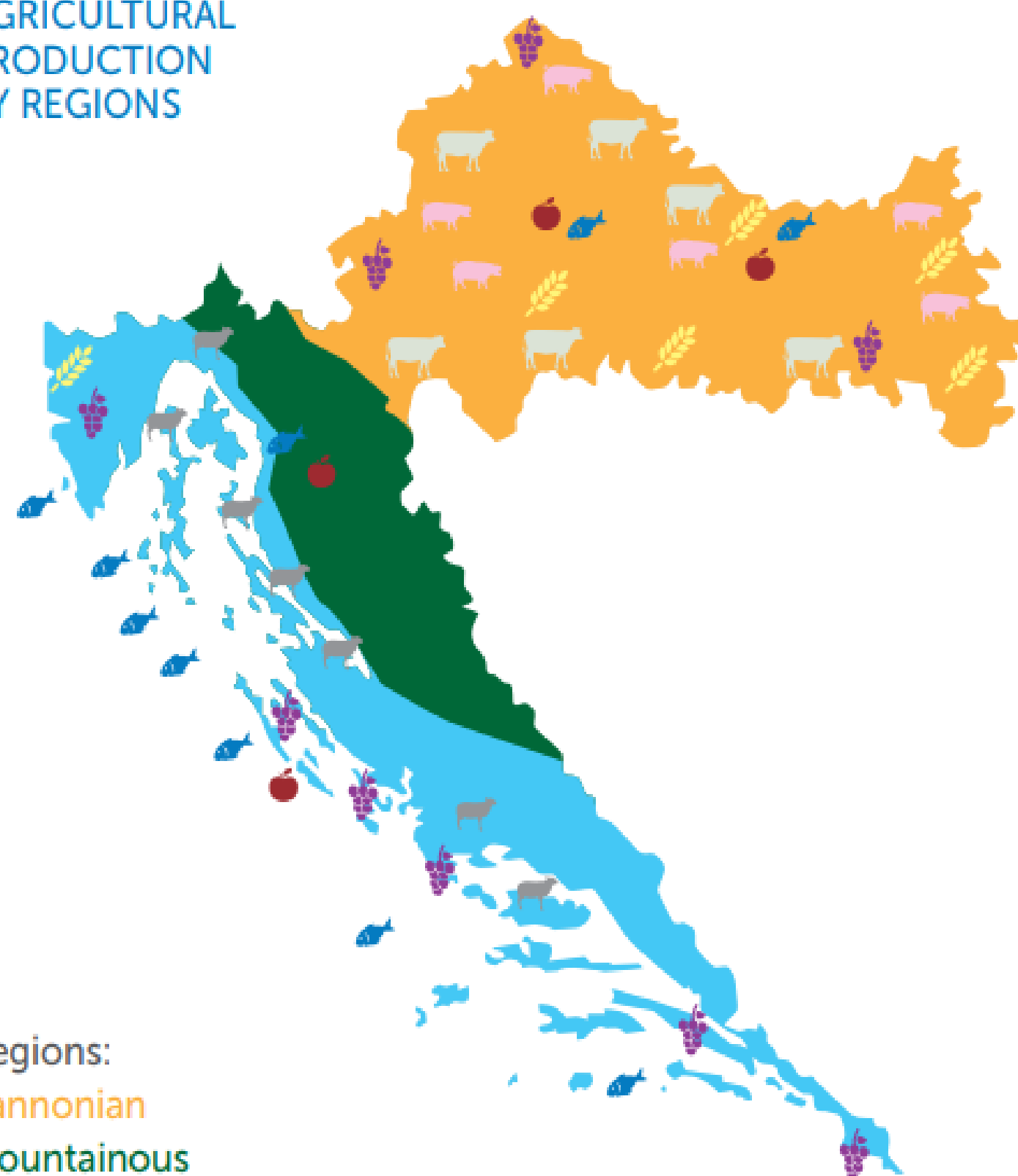
	GVA %	employment %
Agriculture	2.7	5.5
Fishing and aquaculture	0.3	0.3
Manufacture of food products; beverages and tobacco products	3.6	3.6
<b>Total Agri-food sector</b>	<b>6.7</b>	<b>9.5</b>

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

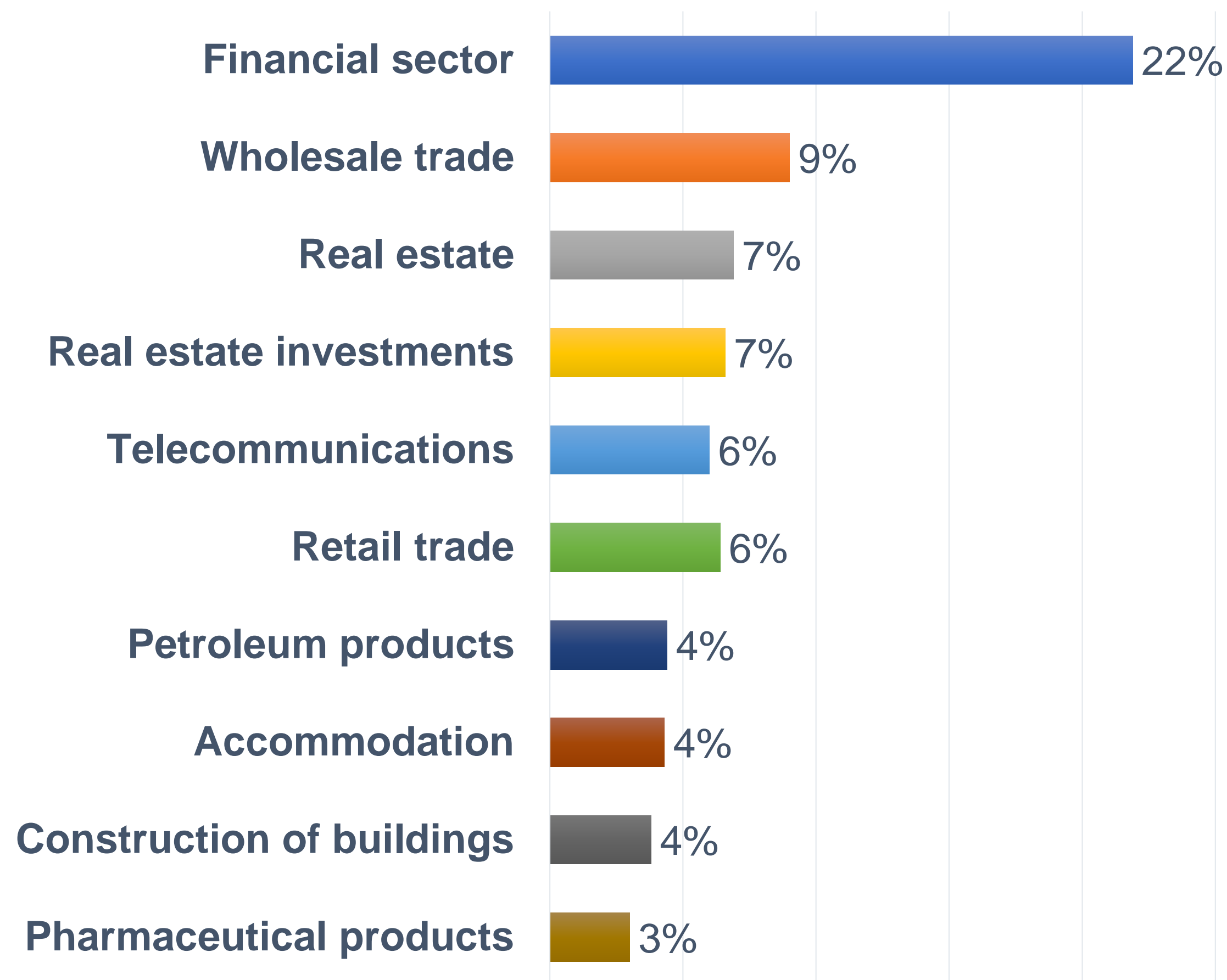
*Unique location for your business.*



# Croatia – business & investment attractive destination



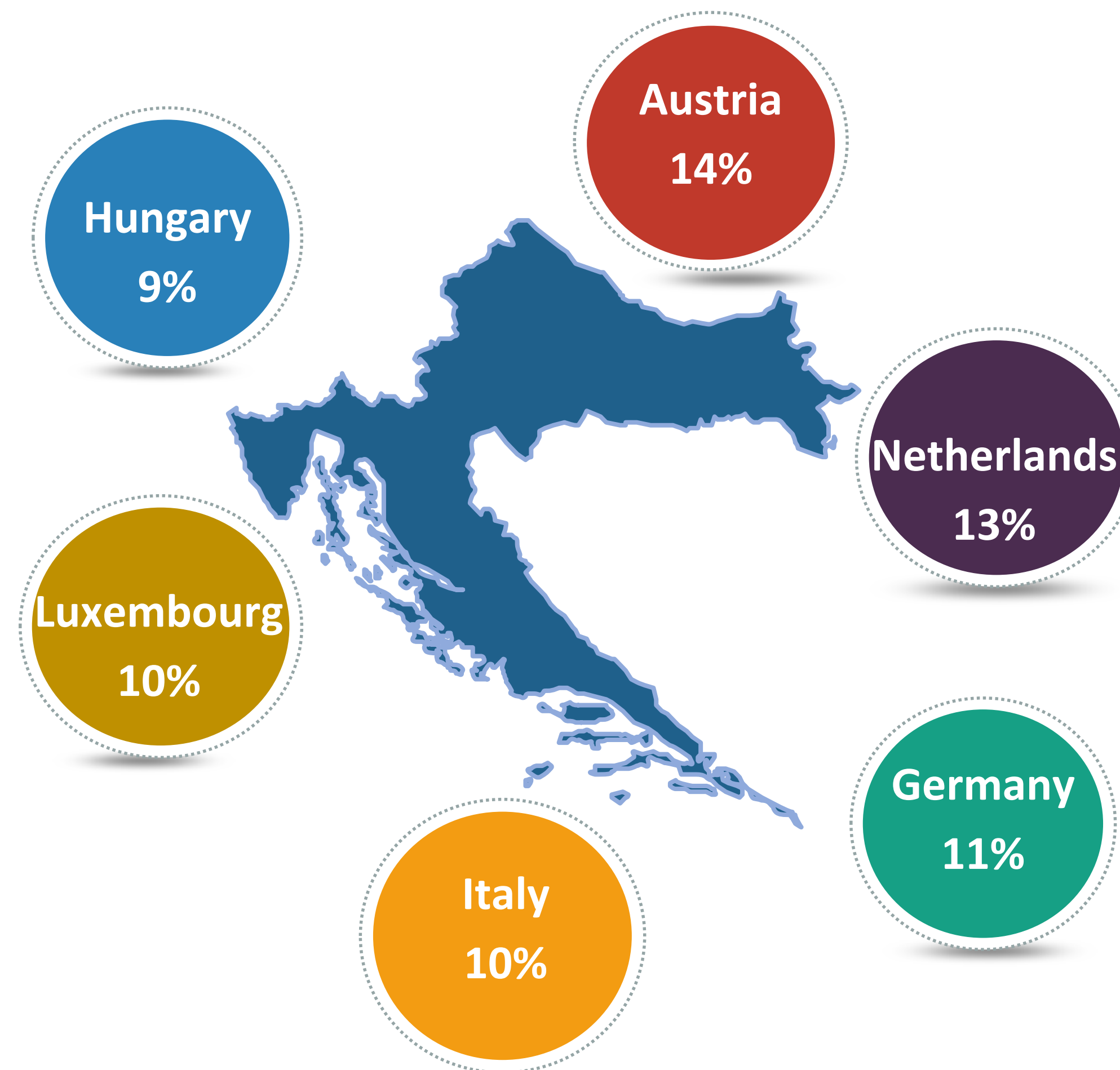
## FDI structure % of total FDI



Source: Croatian National Bank

## FDI = €31.8 bn

(1993 - 2019)







# Croatia

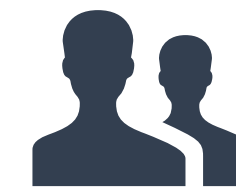
recognized by more  
**than 15,000**  
foreign companies



# Croatia – your reliable business partner



Stimulating investment &  
business environment



Highly educated, multilingual &  
competent workforce



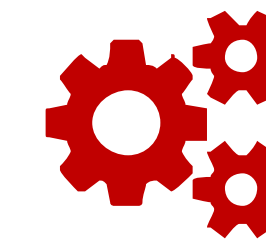
Stability & safety of business  
activity



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








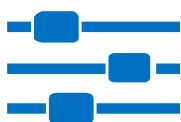
# Easier access to European & world markets

## Modern transport infrastructure





# Transport of goods

	2018 (in '000 t)	2019 (in '000 t)
<b>Goods carried</b>	<b>118 260</b>	<b>122 970</b>
 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 12-18%**

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



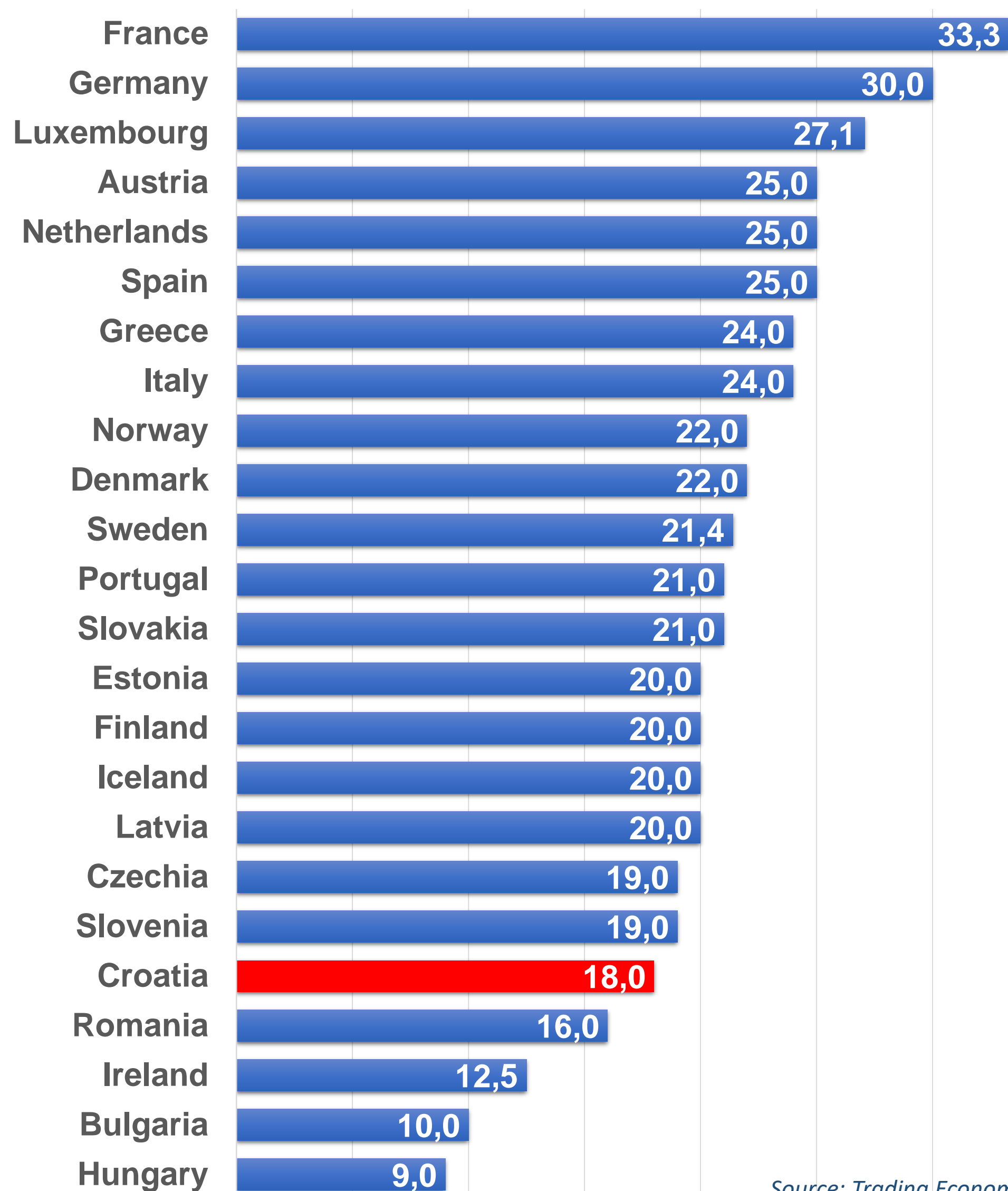
**Additional government support measures**

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)

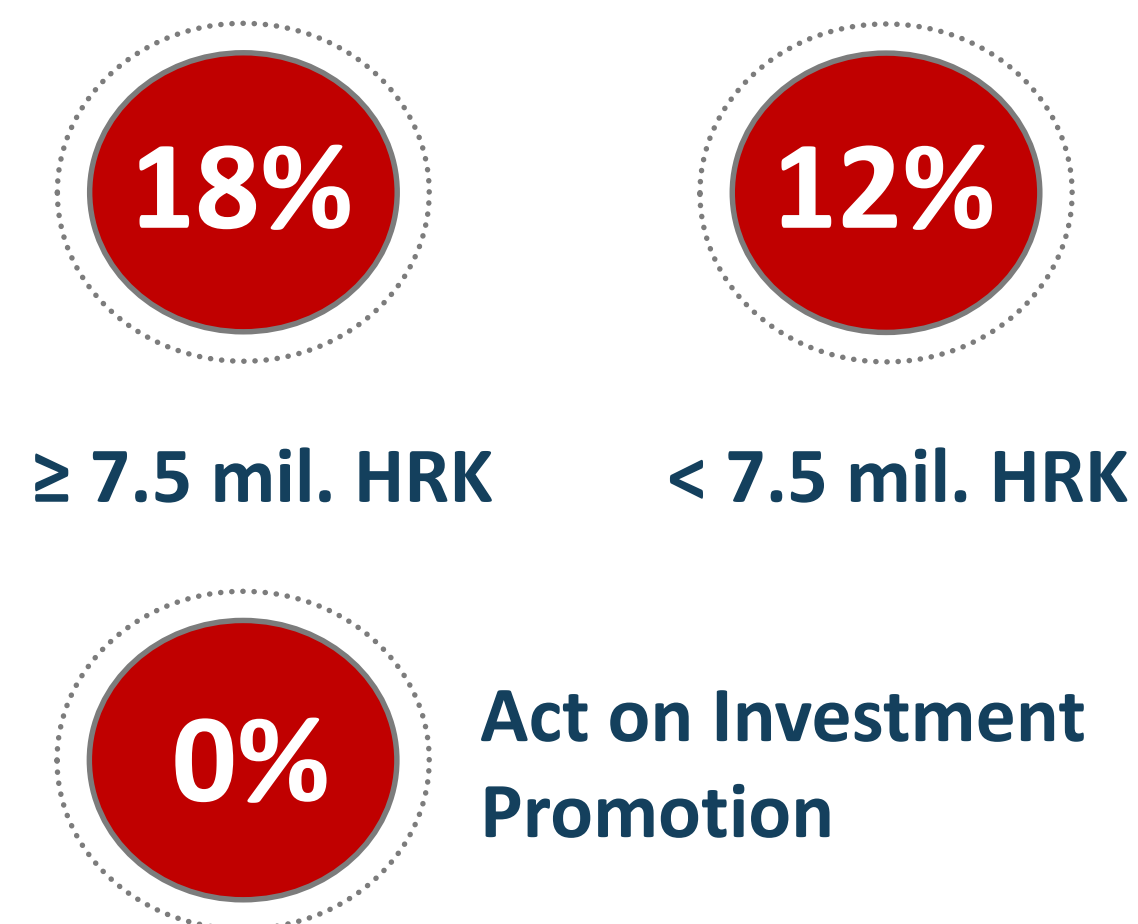


Source: Trading Economics

## VAT



## CORPORATE INCOME TAX



## CAPITAL INCOME TAX



## PERSONAL INCOME TAX

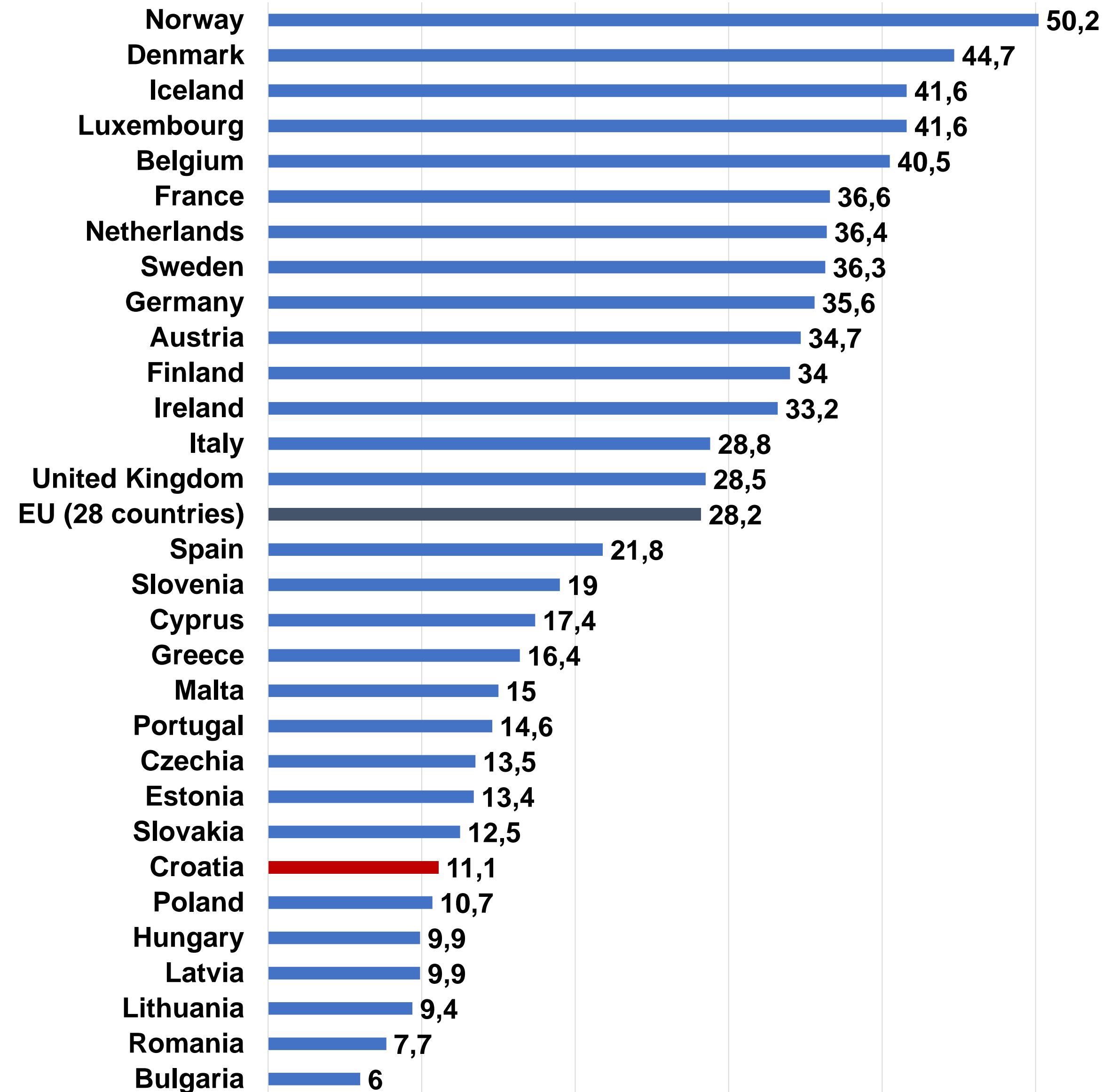


## POSSIBILITY OF TAX RELIEFS (Entrepreneurial zones)

- ✓ 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

# 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, or in the units of local (regional) self-government of the 1<sup>st</sup> group or in the units of local self-government of the 1<sup>st</sup> and 2<sup>nd</sup> groups, in accordance with the act governing the regional development of the Republic of Croatia, or on islands, or if the investment falls within the area of agriculture and fisheries;
- *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 and fisheries
  - ✓ activities related to health care
  - ✓ activities related to science and education



# 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 = **3<sup>rd</sup> best in Europe**

**97%**

Young people with at least secondary education

**40%**

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



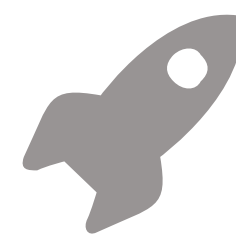
Tie



Slavoljub Penkala



Nikola Tesla



Torpedo



MP3 Audio



SMS Parking



Photomath



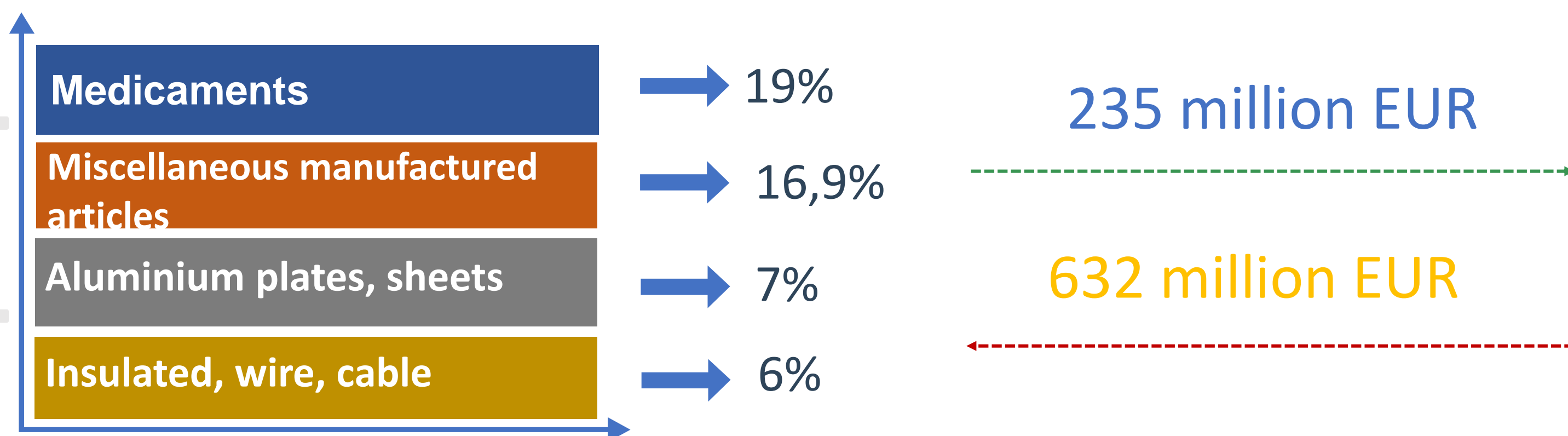
Infrared design

# Croatia – Czech Republic

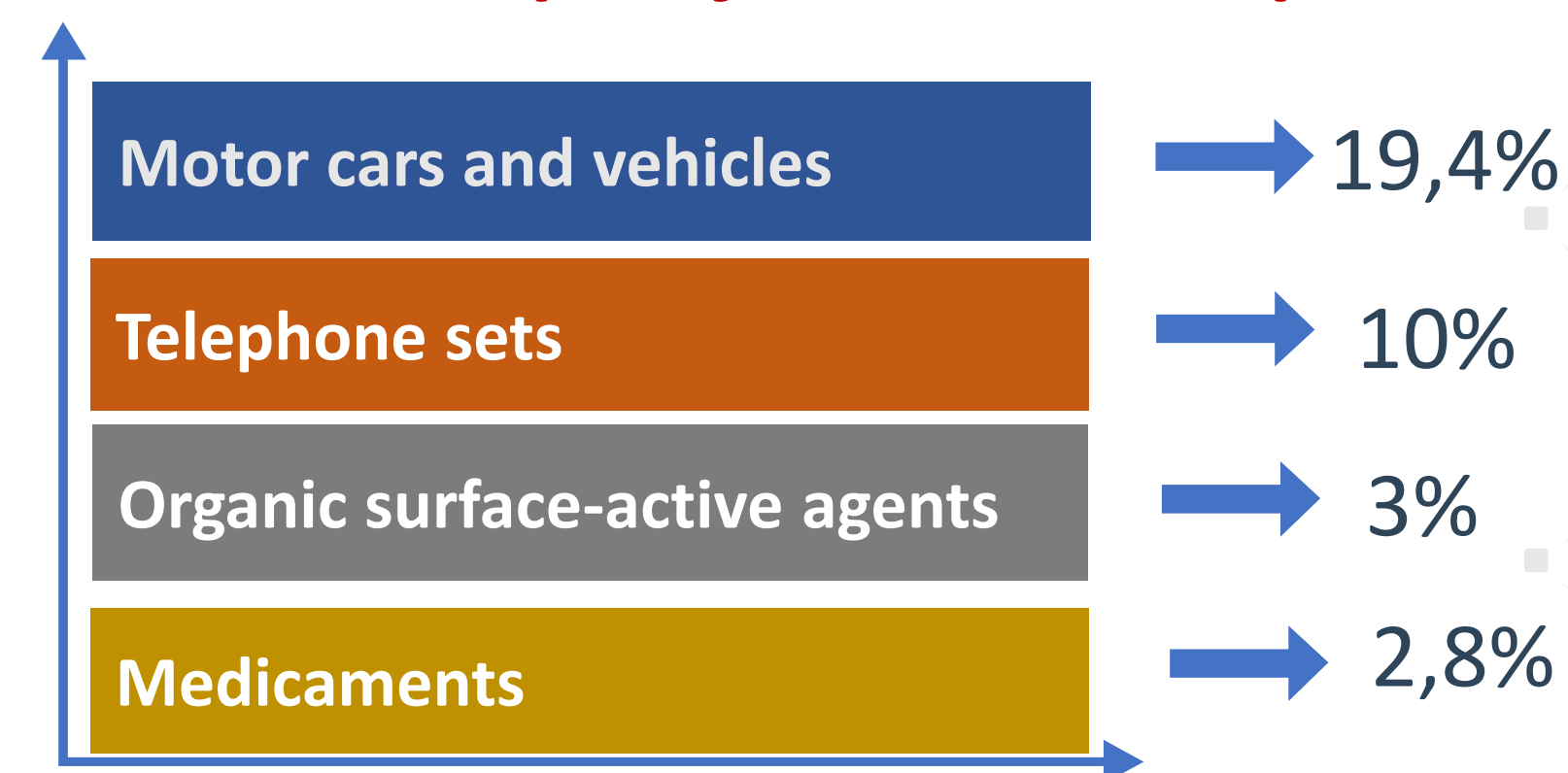
## Trade (2019) = 867million EUR



### Croatian export to Czech Republic



### Croatian import from Czech Republic

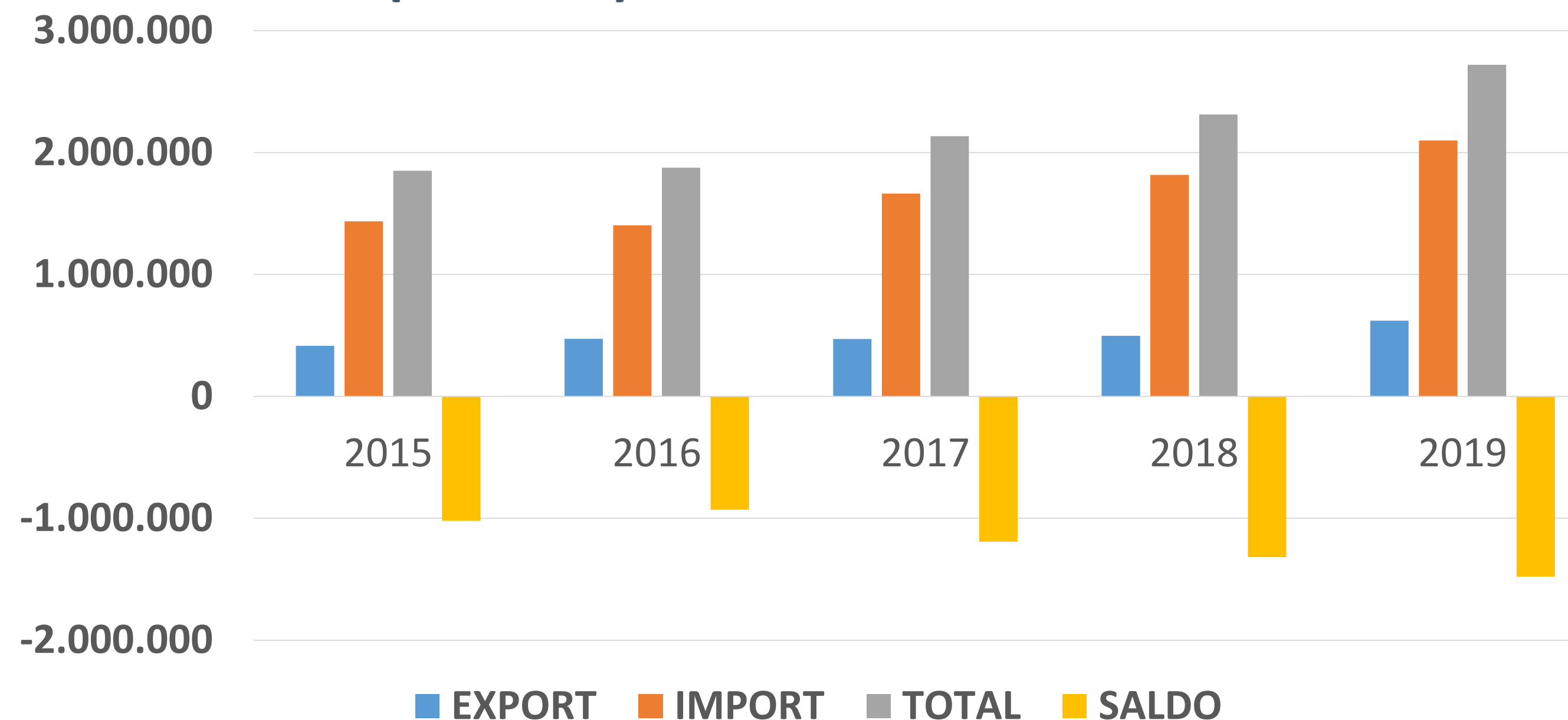


Source: Croatian Bureau of Statistics

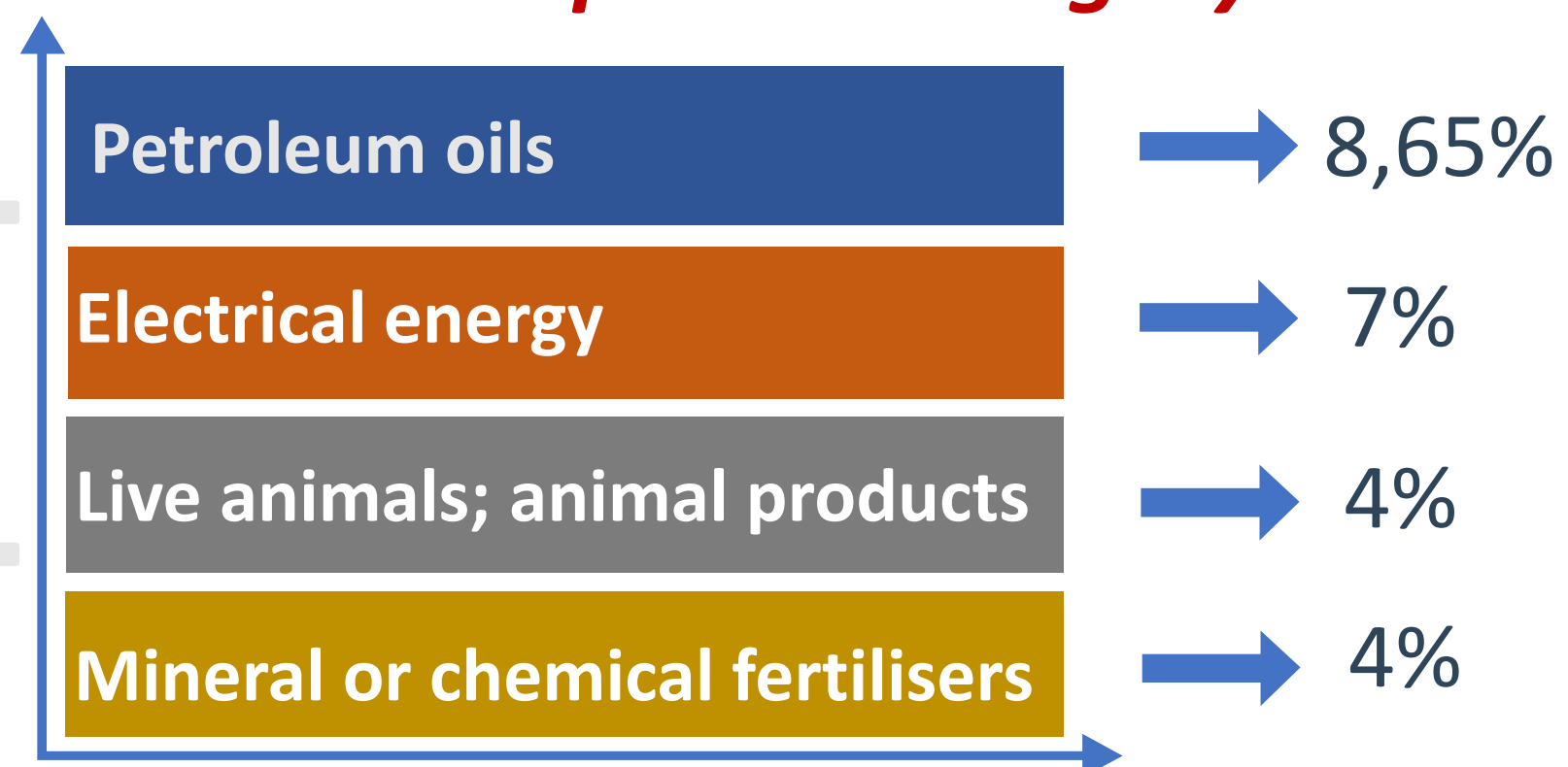


# Croatia – Hungary

Trade (2019) = 2.719 milliard EUR



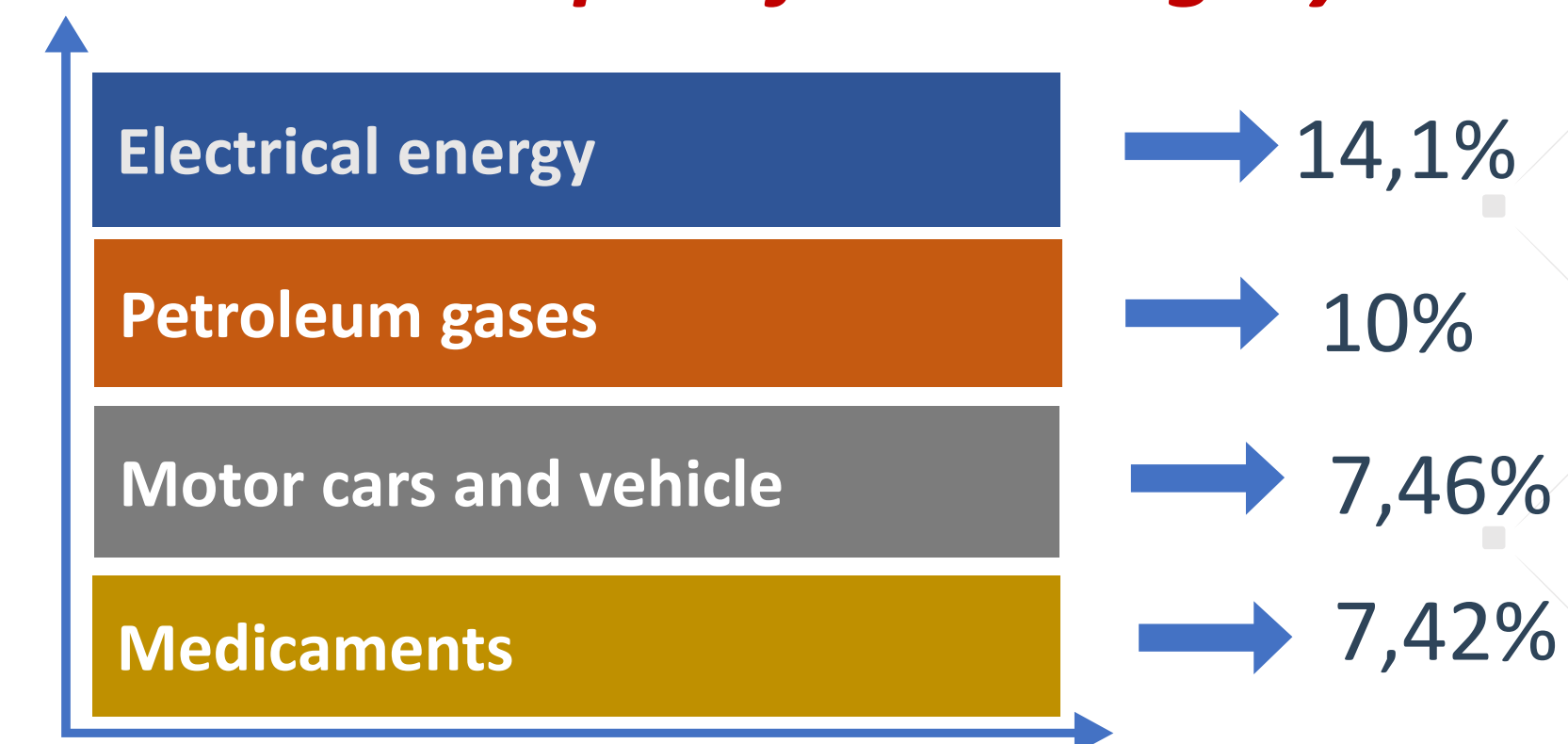
## Croatian export to Hungary



620 million EUR

2.099 million EUR

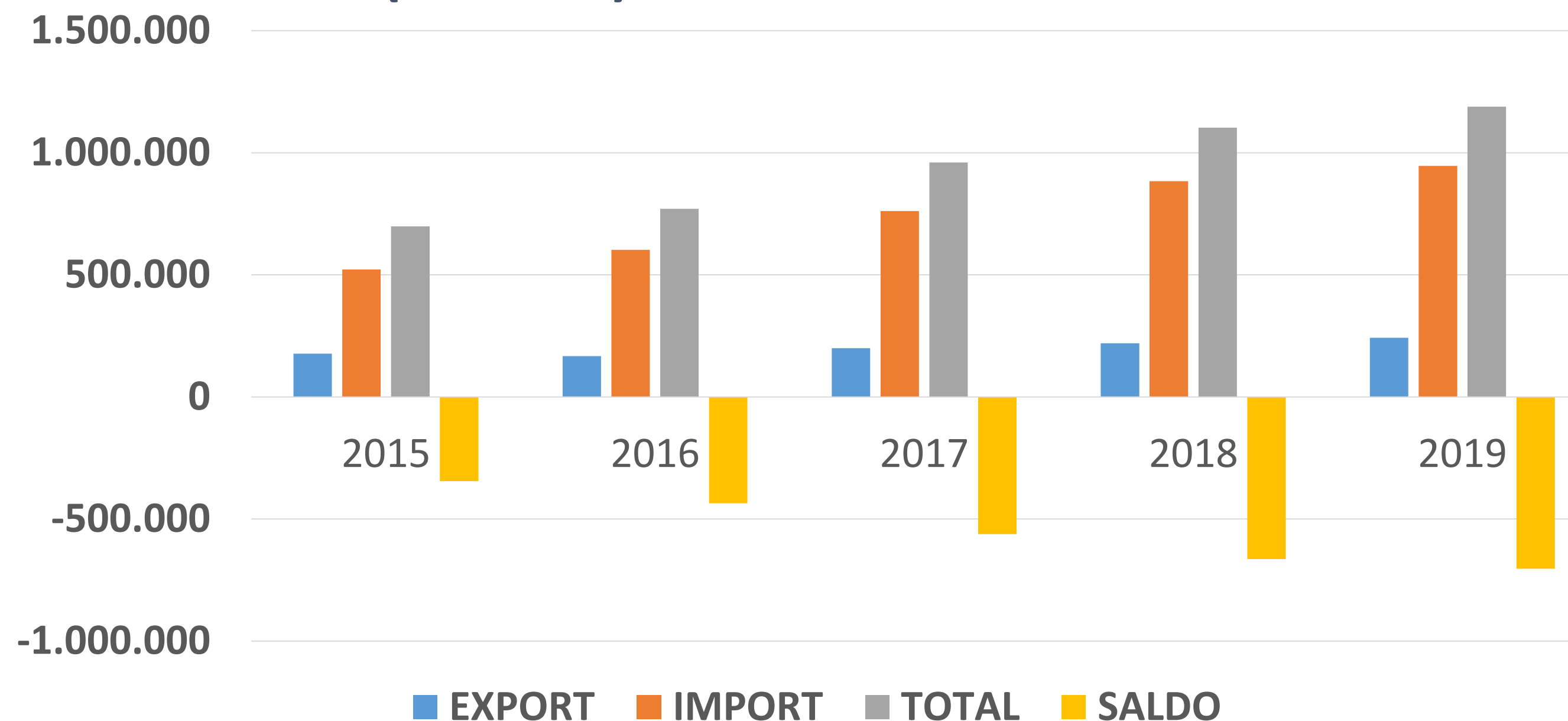
## Croatian import from Hungary



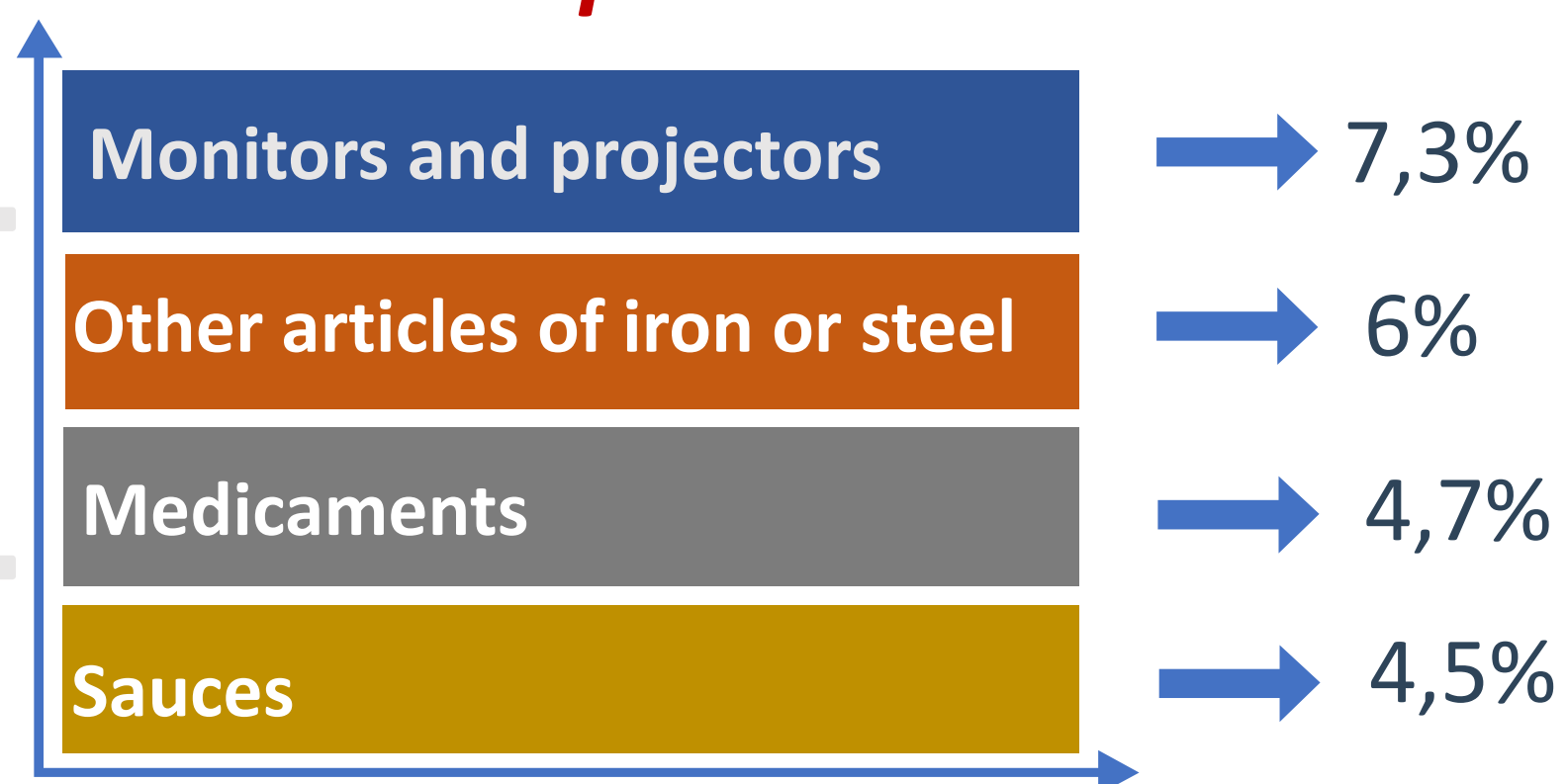
Source: Croatian Bureau of Statistics

# Croatia – Republic of Poland

## Trade (2019) = 1.188 milliard EUR



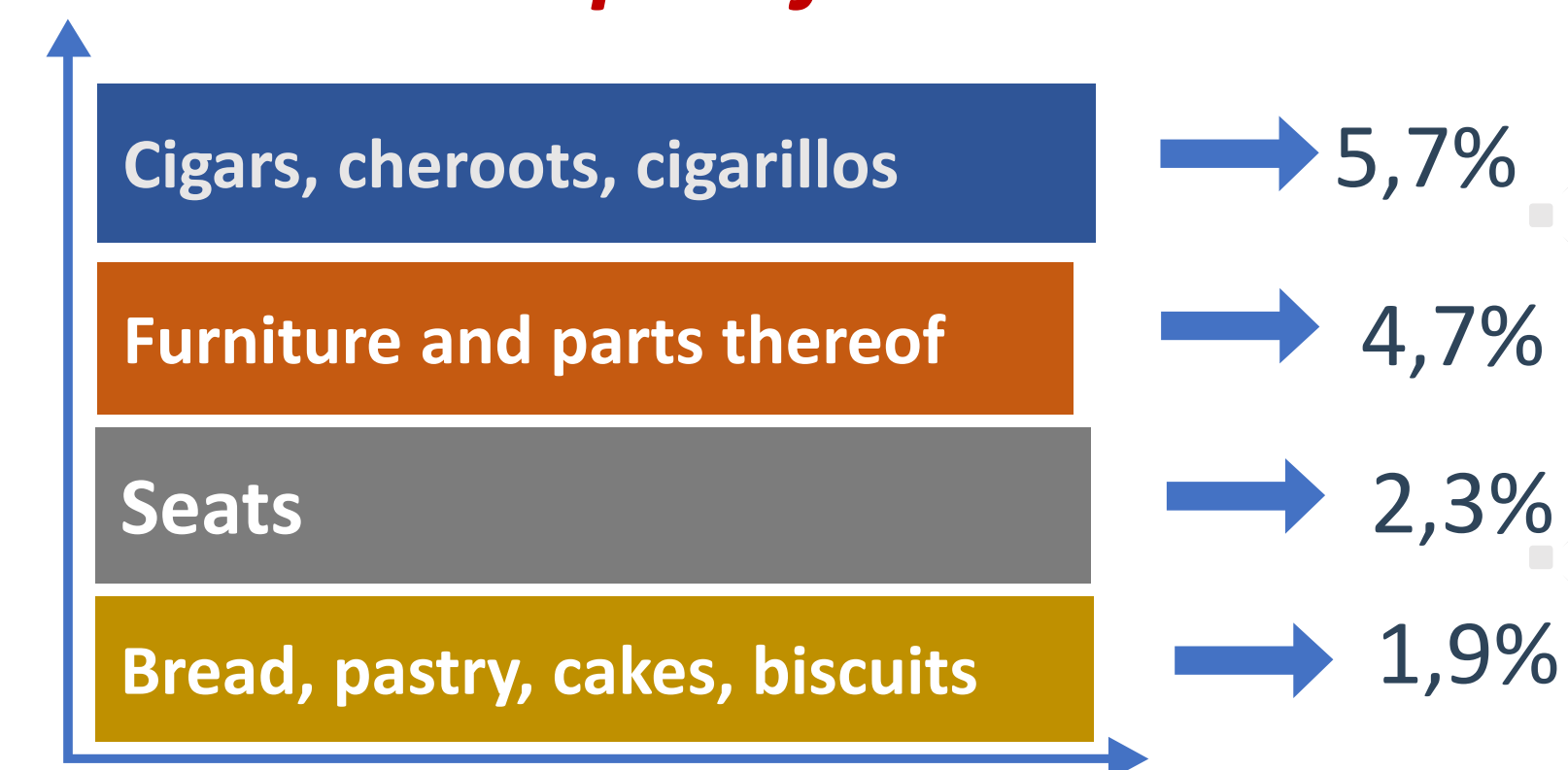
### Croatian export to Poland



242 million EUR

945 million EUR

### Croatian import from Poland

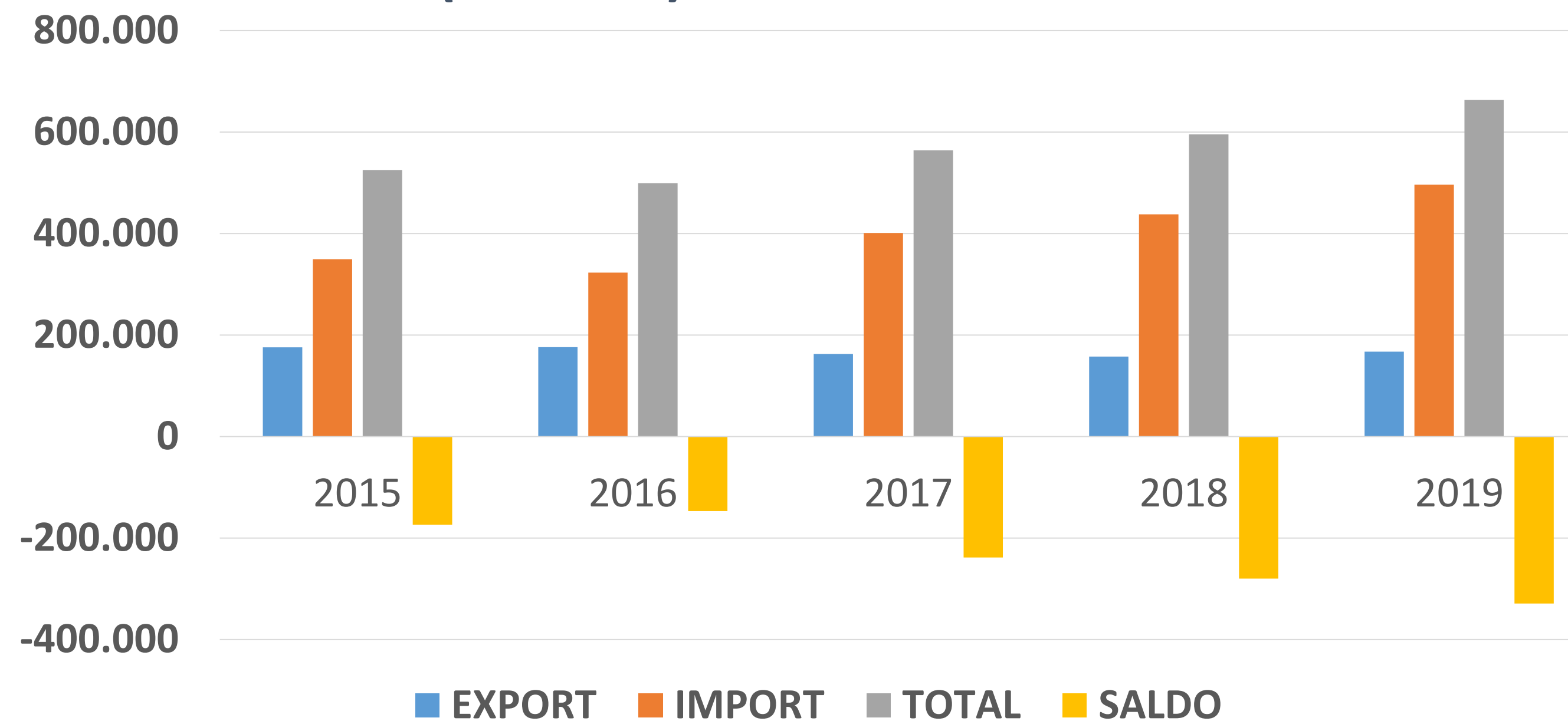


Source: Croatian Bureau of Statistics

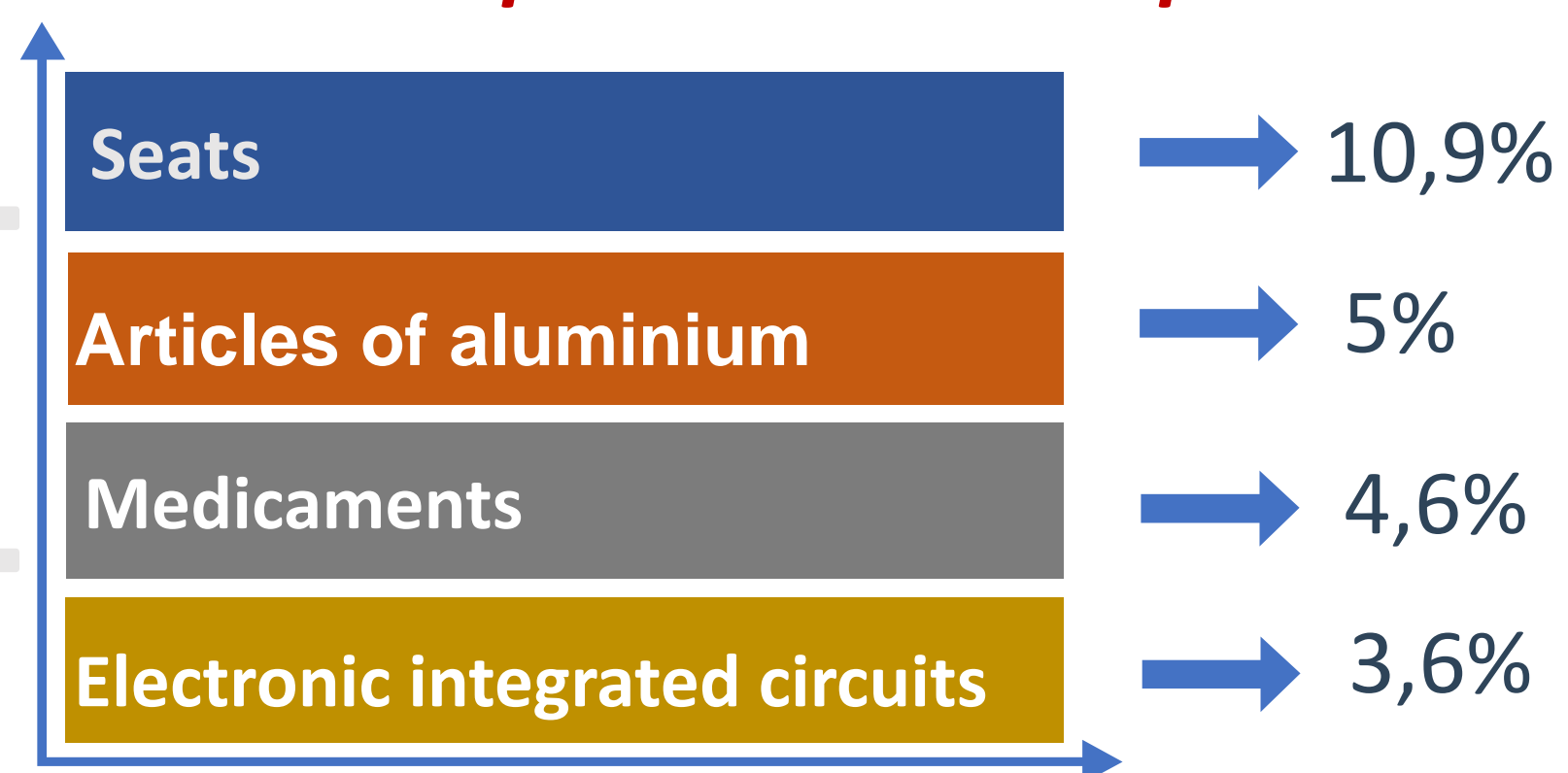


# Croatia – Slovak Republic

## Trade (2019) = 663 million EUR



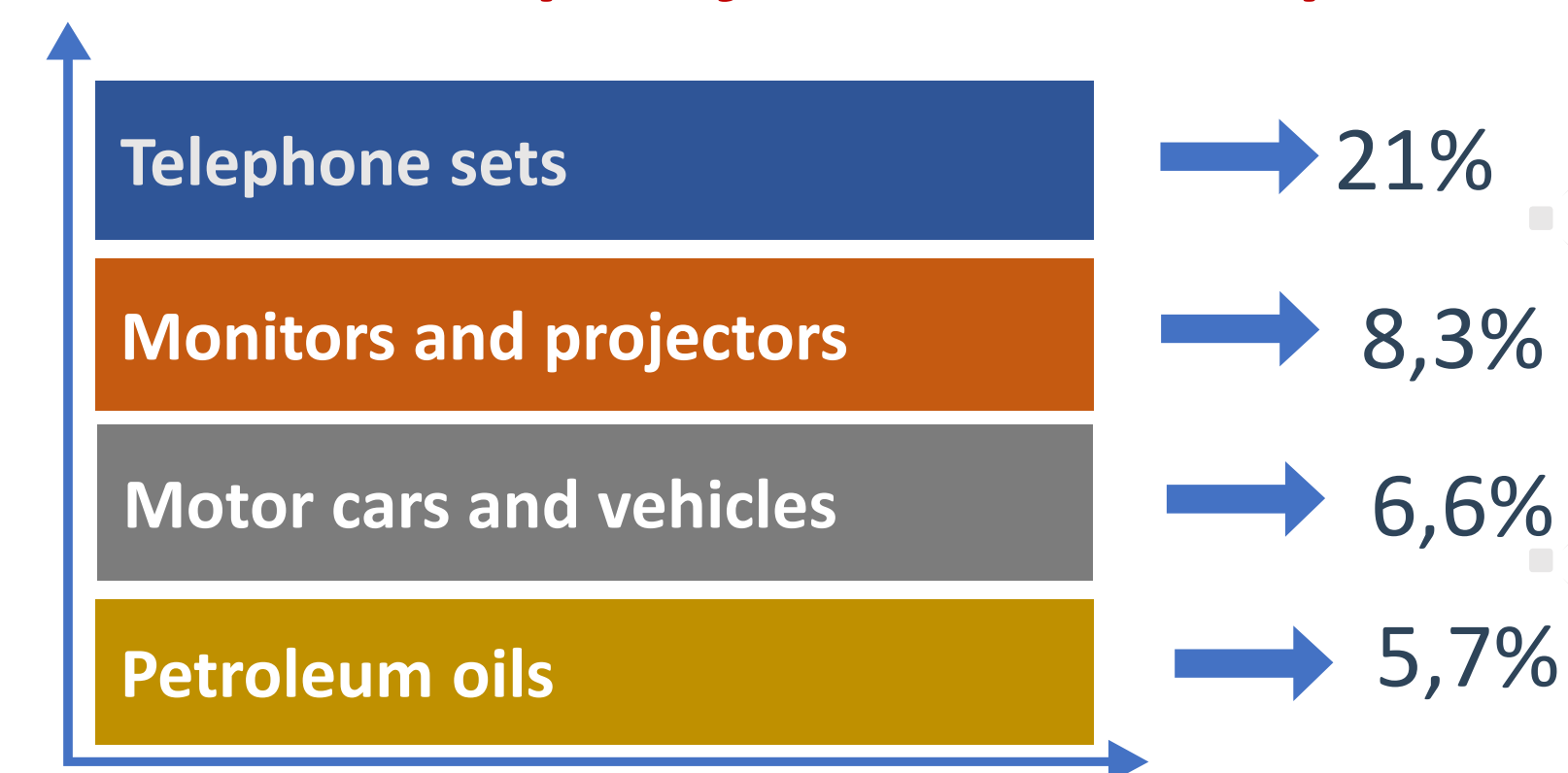
### Croatian export to Slovak Republic



167 million EUR

496 million EUR

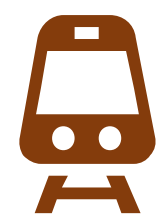
### Croatian import from Slovak Republic



Source: Croatian Bureau of Statistics

# Possibilities of cooperation

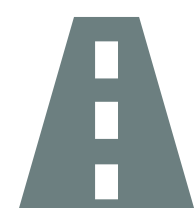
## Croatia – V4 countries



Railway infrastructure systems



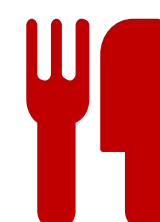
Energy technologies,  
systems and equipment



Transport & logistic



Tourism



Food industry



# How can we help?







# Croatian Chamber of Economy

168 year old tradition



**MORE THAN 130,000  
MEMBER COMPANIES**

**60 PROFESSIONAL  
ASSOCIATIONS**



**20 COUNTY CHAMBERS**

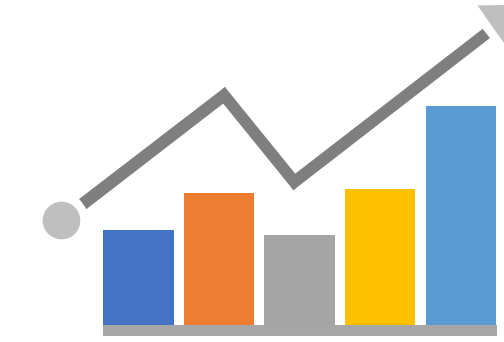
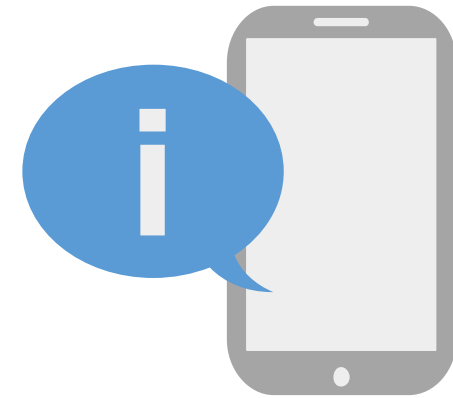
**REPRESENTATIVE  
OFFICES ABROAD**





# Our services

INFORMATION



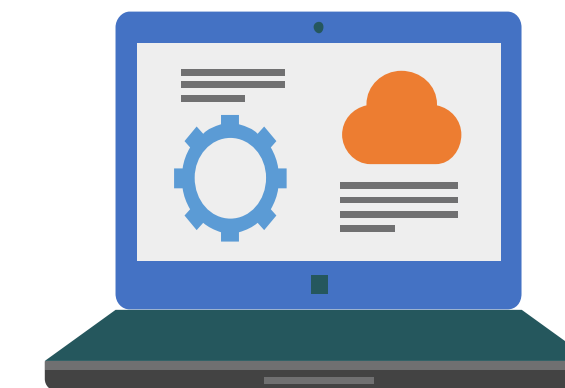
INTERNATIONALISATION

LEGISLATION

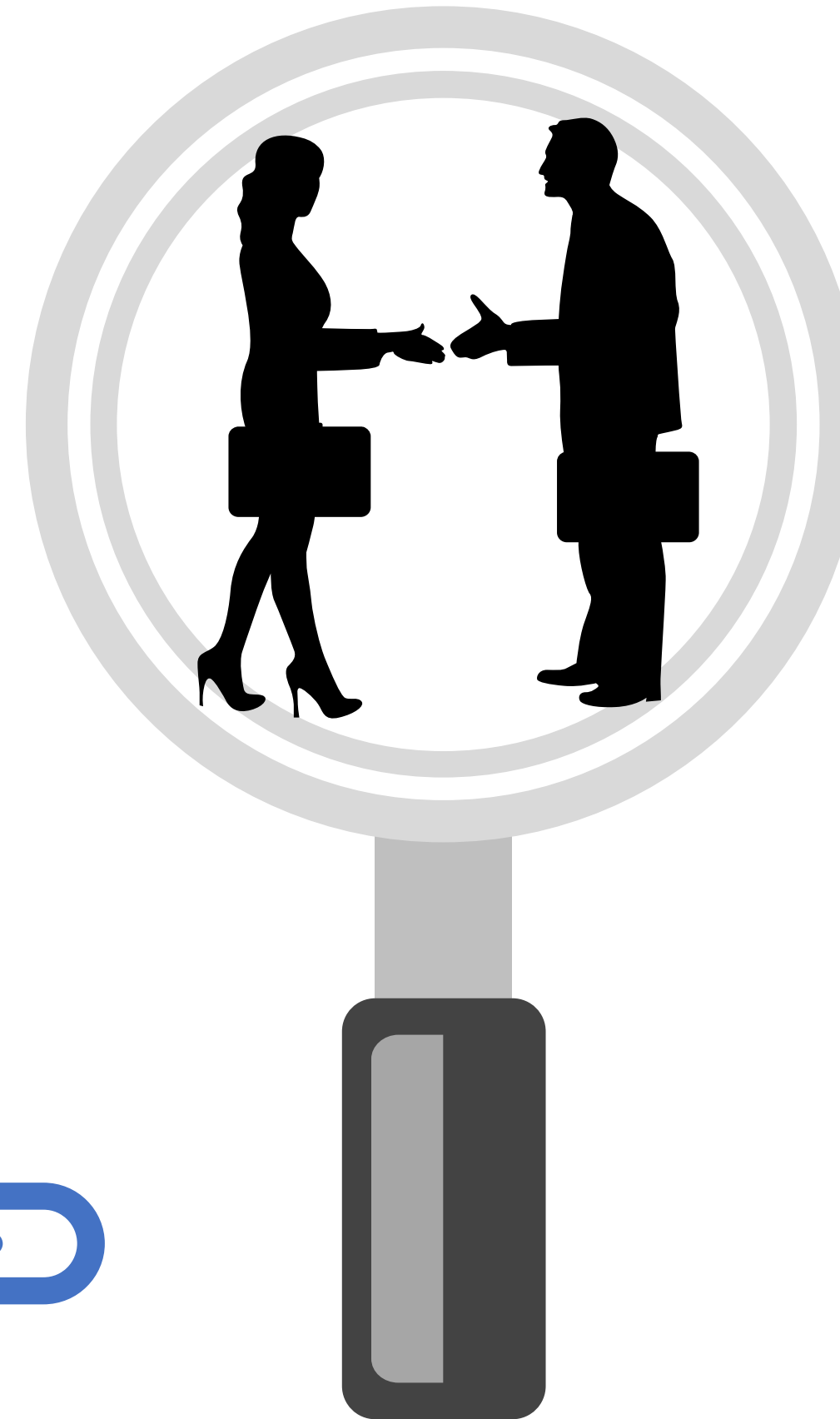


EDUCATION

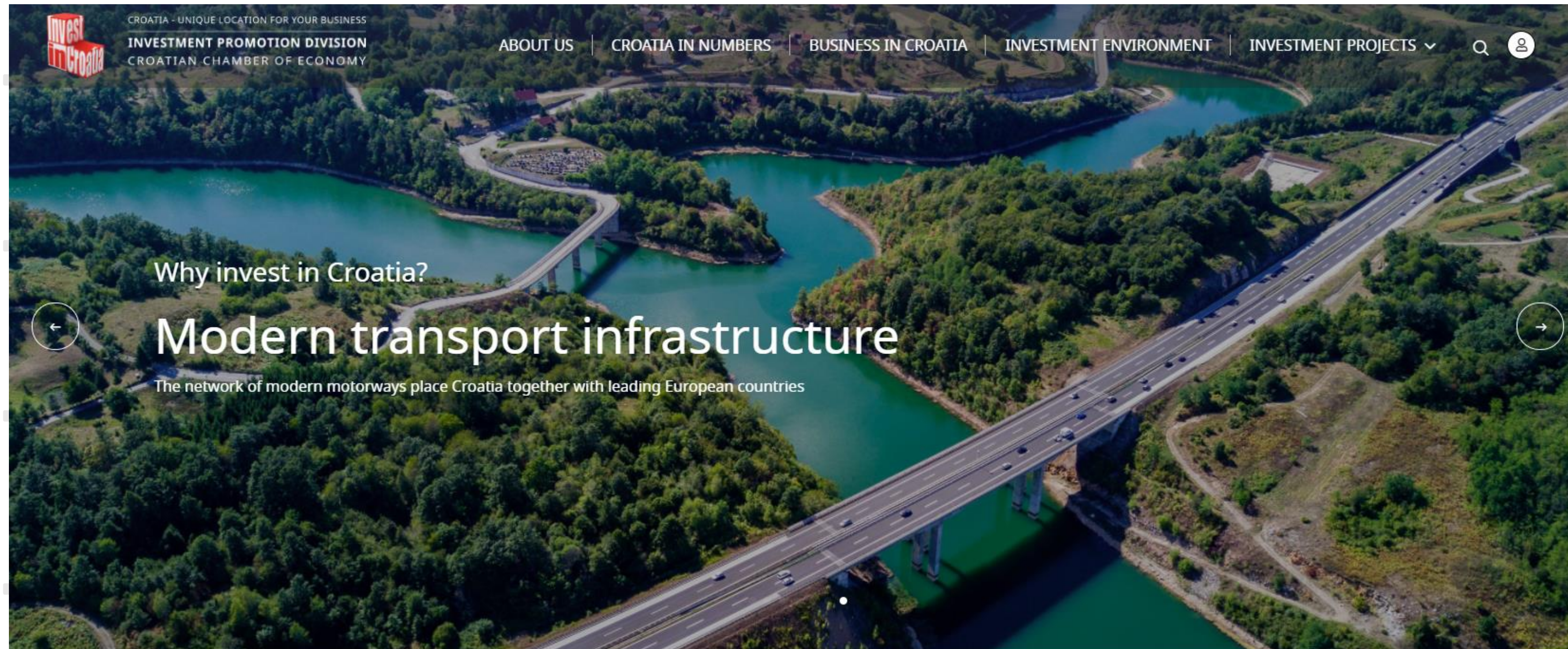
ASSISTANCE & SUPPORT



PROMOTION







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

Why invest in Croatia?







# Contact us



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