



# REPUBLIC OF CROATIA



## Outlook of the country

Main general, political and economic summary of the country

Embassy of the State of Israel to the Republic of Croatia

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# 1.ECONOMIC AND POLITICAL OVERVIEW

## 1.1. GENERAL INFORMATION

Capital: Zagreb

Population (mil): 4.1

Local Currency: Croatian kuna (HRK or kn)

Exchange Rate (LCU:US\$): 6.6

Head of State: President – Kolinda Grabar-Kitarović

Prime Minister – Andrej Plenković

Country telephone code: +385

Country internet suffix: .hr

## 1.2. STATISTICAL OVERVIEW

**Population of main cities:** Zagreb (688,163); Split (167,121); Rijeka (128,384), Osijek (84,104); Zadar (71,471)

**Ethnic Origins:** The population is comprised of about 90% of people of Croatian origin, with about 5% of Serbian origin and about 5% of other origins (including Bosnian, Hungarian, Slovene, Czech and Roma).

**Official language:** Croatian

**Other Languages Spoken:** The country has national minorities; Serb, Slovenian are spoken, as well as Italian, especially along the sea side, also German and Hungarian. Otherwise, especially in bigger cities and in tourist resorts along the coast a lot of people do understand at least the basics of English, Italian and German.

**Business languages:** English (particularly used in the region of the capital Zagreb), along the coast also Italian and German may be used.

**Religion:** Catholics 87.83%, Orthodox 4.4%, Muslims 1.3%, Protestants 0.3%, Others 6.17%

**Literacy Rate:** 98.1%

### 1.3. POLITICAL OUTLINE

#### Executive Power

President is the chief of the state, elected by popular vote for a five-year term. President can dissolve the Parliament and call for elections. President is also the commander-in-chief of the armed forces. The President appoints the Prime Minister and the Cabinet with the consent of Parliament. Prime Minister holds the executive powers.

#### Legislative Power

Legislative power is unicameral. The 151 members of parliament, called the Sabor, are elected by universal suffrage for a four-year term. The Constitution has been amended to transfer part of the powers of the President to Parliament.

#### Main Political Parties

Croatia has a multi-party system. The major political parties:

- Social Democratic Party (SDP): center-left, ex-communist party, returned to power after ten years of opposition, rules with HNS, IDS, HSU
- Croatian Democratic Union (HDZ): center-right, socialist, conservative, advocates political and economic liberalization, typically dominated the political scene since 1991
- Croatian People's Party (HNS): center, liberal, advocates economic reforms
- Bridge of Independent Lists (MOST): center, center right, fiscal conservatism, liberalism
- Croatian Peasant Party (HSS): agrarian, green liberalism
- Civic Liberal Alliance (GLAS): liberalism, social liberalism
- Human Blockade (ŽZ): populism, pro-Russia
- Independent Democratic Serb Party (SDSS): Serb minority politics, advocates for social democracy
- Istrian Democratic Assembly (IDS-DDI): Istrian Regionalism, liberalism
- Bandić Milan 365 - Labor and Solidarity Party ( BM 365): social-democracy, populism

Other parties include:

Bloc of Pensioners Together (BUZ)  
Croatian Christian Democratic Party (HDS)  
Croatian Democratic Congress of Slovenia and Baranja (DSSB)  
Croatian Laborists/Labor Party (HL)  
Croatian Party of Rights (HSP AS)  
Croatian Pensioner Party (HSU)  
Croatian Social Liberal Party (HSLs)  
Forward Croatia Progressive Alliance

Let's Change Croatia (PH)  
Movement for Successful Croatia (HRAST)  
People's Party - Reformists Party  
Smart Party (PAMETNO)

Current Political Leaders:

President: Kolinda Grabar-Kitarovic (since 19 February 2015) - HDZ  
Prime Minister: Andrej Plenković (since 19 October 2016) - HDZ

Next Election Dates:

Presidential: 2019  
Assembly: 23 December 2020

## **1.4. GOODS TRADE BETWEEN ISRAEL AND CROATIA\*:**

### **ISRAELI EXPORT TO CROATIA**

|            |  |
|------------|--|
| 2015.      | 13.982 mil euros   |
| 2016.      | 16.605 mil euros (18,76 % increase compared to the previous year)  |
| 2017.      | 14.264 mil euros (14,10 % decrease compared to the previous year)  |
| 2018.      | 24.765 mil euros (73,62 % increase compared to the previous year)  |
| 1.-7.2019. | 36.981 mil euros (49,33 % increase compared to the previous <b>full</b> year, not compared only to the first 7 months) |

### **ISRAELI IMPORT FROM CROATIA**

|            |  |
|------------|--|
| 2015.      | 54.727 mil euros   |
| 2016.      | 50.035 mil euros (9,37 % decrease compared to the previous year)   |
| 2017.      | 51.386 mil euros (2,70 % increase compared to the previous year)   |
| 2018.      | 28.542 mil euros (45,45 % decrease compared to the previous year)  |
| 1.-7.2019. | 32.448 mil euros (13,69 % increase compared to the previous <b>full</b> year, not compared only to the first 7 months) |

*\*Source: Croatian Bureau of Statistics, 8th of November 2019.*

## 1.5. ECONOMIC INDICATORS

After becoming the 28th member state of the EU on July 1, 2013, the Croatian economy was only able to return to growth in 2015: since 2008, the country had experienced six consecutive years of economic recession, with the GDP falling by 12% (EU data). The economy grew by 2.8% in 2018 mainly driven by household consumption, while exports to non-EU countries slowed down. Overall, real GDP growth is forecasted to continue moderating to 2.6% in 2019 and further to 2.4% in 2020 (IMF). In the upcoming years, private consumption is expected to remain the main driver of growth, supported by improving labour market conditions, modest inflation and low interest rates. Still, the crisis highlighted the limits of the Croatian model, which is dependent on household consumption and the European economic context, besides its limited economic diversification.

Croatia's public debt stood at around 74.2% of GDP in 2018, and should maintain a downward trend in the next few years (67.6% in 2020, IMF). In early 2018, Croatia had its first credit rating upgrade since 2004, when Fitch classified the country as BB+, with a stable outlook. In the same year, Croatia recorded a general government budget surplus of 2.7% (from 3.9% in 2017). Inflation has remained relatively low despite a rise in disposable income and an increase in energy prices, and should remain stable in the upcoming years (at around 1.5%). Croatia maintains a very balanced public deficit in general. However, it is estimated to rise to 0.4% in 2020.

The Government of Prime Minister Andrej Plenkovic - head of the conservative Croatian Democratic Union (HDZ) party - was elected in 2016. The country has continued to privatize the subsidized energy and transport sectors, which have affected the production of certain industries, such as shipbuilding.

Unemployment dropped to 12% in 2018 (from 12.4% in 2017), its lowest point since 2000. However, the rate remains high - with its 4.3 million inhabitants whose average revenue amounts to 59% of the EU average, as well as an influential diaspora - Croatia remains the second most developed economy of the Balkan region, after Slovenia.

| Main Indicators  | 2016   | 2017    | 2018   | 2019 (e) | 2020 (e) |
|--|--------|---------|--------|----------|----------|
| <b>GDP</b> ( <i>billions USD</i> )                     | 51.64  | 54.76   | 60.81  | 61.59    | 64.92    |
| <b>GDP</b> ( <i>Constant Prices, Annual % Change</i> ) | 3.5    | 3.1     | 2.6    | 2.6      | 2.4      |
| <b>GDP per Capita</b> ( <i>USD</i> )                   | 12,371 | 13,271e | 14,870 | 15,137   | 16,069   |

| Main Indicators   | 2016 | 2017 | 2018 | 2019 (e) | 2020 (e) |
|---|------|------|------|----------|----------|
| <b>General Government Gross Debt</b> ( <i>in % of GDP</i> ) | 82.3 | 77.8 | 74.8 | 70.8     | 67.6     |
| <b>Inflation Rate</b> (%)                                   | -1.1 | 1.1  | 1.5  | 1.5      | 1.5      |
| <b>Unemployment Rate</b> ( <i>% of the Labor Force</i> )    | 15.0 | 12.4 | 12.0 | 11.2     | 11.0     |

Source: IMF – World Economic Outlook Database, October 2018

Note: (e) Estimated Data

## 1.6. MAIN SECTORS OF INDUSTRY

### • AGRICULTURE

The agricultural sector represents only 3% of the country's GDP and employs 7.3% of the workforce (World Bank). Croatia has 1.3 million hectares of agricultural land and almost 2.2 million hectares of forests. The country is self-sufficient in the production of wheat, corn, sugar beet, fruits, wine and olive oil; however, imports of agricultural products have been on the rise in recent years. The size of the farms is generally small (in most cases less than 3 hectares).

### • INDUSTRY / SECONDARY SECTOR

The secondary sector contributes 21.6% of the GDP and employs 26.8% of the active population. Croatian industry is concentrated in competitive activities: textiles, wood, the steel industry, aluminum and the food industry. With more than one-third of the territory covered with forests, the wood industry is one of the fundamental sectors of the economy. The country has limited mineral resources.

### • SERVICE SECTOR

The service sector represents 58.5% of the country's GDP, employing 65.8% of the workforce. The tourism sector, in particular, is in full bloom: in 2017 it accounted for an estimated 10.9% of GDP (WTTC), while in the first nine months of 2018, around 18 million tourists visited Croatia, a record-breaking figure. The touristic boom should be strengthened in the coming years with the development of additional modern infrastructure to receive foreign visitors.



| Breakdown of Economic Activity By Sector                      | Agriculture | Industry | Services |
|---|-------------|----------|----------|
| <b>Employment By Sector</b> <i>(in % of Total Employment)</i> | 7.3         | 26.8     | 65.4     |
| <b>Value Added</b> <i>(in % of GDP)</i>                       | 3.0         | 21.6     | 58.5     |
| <b>Value Added</b> <i>(Annual % Change)</i>                   | -2.1        | 0.9      | 2.5      |

Source: World Bank, Latest Available Data. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

## 1.7. ECONOMIC SCORES\*

Global Competitiveness Index Ranking (Out of 141): 63

Corruption Perceptions Index Ranking: (Out of 180): 60

Ease of Doing Business Ranking (Out of 190): 58

Economic Freedom Ranking (Out of 180): 86

\*Sources: [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf),

<http://worldpopulationreview.com/countries/most-corrupt-countries/>,

[https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report\\_web-version.pdf](https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf),

[https://www.heritage.org/index/pdf/2019/book/index\\_2019.pdf](https://www.heritage.org/index/pdf/2019/book/index_2019.pdf)

## 1.8. CREDIT RATINGS

Fitch: BBB-

S&P: BBB-

Moody's: BA2

## 1.9. FOREIGN TRADE IN FIGURES

Croatia, which joined the WTO in 2000, depends heavily on foreign trade, which amounts to 100% of the GDP (World Bank, 2017). The country mainly exports petroleum oils, medicaments, human and animal blood, electrical energy; while imports are driven by petroleum oils and crude oil, motor cars, electrical energy and medicaments.

In 2017, the EU accounted for 64.8% of Croatian exports (mainly towards Italy, Germany and Slovenia), followed by Bosnia and Herzegovina (9.8%) and Serbia (5.3%). The leading import origins were the EU (78%), China (3.2%), Bosnia and Herzegovina (3.1%) and Serbia (2.7%).

In the same year, exports of goods reached USD 16 billion (up by 16.7% year-on-year), with imports totalling USD 24.7 billion (+14.3%). The country has a structural trade deficit; however, when computing also the trade in services, Croatia had a positive trade balance in 2017 (estimated at 2.2% of GDP by the World Bank).

| Foreign Trade Indicators                       | 2013   | 2014   | 2015   | 2016   | 2017   |
|--|--------|--------|--------|--------|--------|
| <b>Imports of Goods</b> ( <i>million USD</i> ) | 22,022 | 22,790 | 20,460 | 21,688 | 24,731 |
| <b>Exports of Goods</b> ( <i>million USD</i> ) | 12,659 | 13,858 | 12,903 | 13,736 | 16,005 |

| Foreign Trade Indicators                                      | 2013   | 2014   | 2015   | 2016   | 2017   |
|---|--------|--------|--------|--------|--------|
| <b>Imports of Services</b> <i>(million USD)</i>               | 4,030  | 3,995  | 3,796  | 3,906  | 4,552  |
| <b>Exports of Services</b> <i>(million USD)</i>               | 13,038 | 13,602 | 12,510 | 13,490 | 15,016 |
| <b>Imports of Goods and Services</b> <i>(Annual % Change)</i> | 3.1    | 3.1    | 9.2    | 6.2    | 8.1    |
| <b>Exports of Goods and Services</b> <i>(Annual % Change)</i> | 3.1    | 6.0    | 9.4    | 5.6    | 6.1    |
| <b>Imports of Goods and Services</b> <i>(in % of GDP)</i>     | 42.3   | 43.4   | 45.9   | 46.2   | 49.1   |
| <b>Exports of Goods and Services</b> <i>(in % of GDP)</i>     | 42.8   | 45.3   | 48.2   | 49.0   | 51.3   |
| <b>Trade Balance</b> <i>(million USD)</i>                     | -8,718 | -8,484 | -7,375 | -8,113 | -9,190 |
| <b>Trade Balance (Including Service)</b> <i>(million USD)</i> | 229    | 1,142  | 1,390  | 1,593  | 1,496  |

| Foreign Trade Indicators                  | 2013 | 2014 | 2015 | 2016 | 2017  |
|---|------|------|------|------|-------|
| <b>Foreign Trade</b> <i>(in % of GDP)</i> | 85.1 | 88.7 | 94.1 | 95.2 | 100.4 |

Source: WTO – World Trade Organisation ; World Bank, 2016

## 2. BUSINESS ENVIRONMENT

### 2.1. TAXATION - TAX RATES

#### CONSUMPTION TAXES

##### Nature of the Tax

Value Added Tax. In Croatian: Porez na dodanu vrijednost, PDV.

##### Tax Rate

25%

##### Reduced Tax Rate

0% Hospital services and health care services, financial services, insurance-related transactions, cultural services, educational services, postal services.

5% on bread, milk, technical and educational books, medicine (approved by the State Health Insurance Office), surgical material for implants, scientific magazines, local film production

13% on accommodation services, daily and periodic newspapers/magazines (if not for advertisement purposes), oils and fats for human consumption in accordance with special legislation, supply of water (with the exception of water marketed in bottles or any other packaging), white sugar produced from sugar cane or sugar beet.

##### Other Consumption Taxes

There are excise taxes on oil products, tobacco, alcoholic beverages, soft drinks, coffee, electricity, natural gas, coal and coke, personal cars (except for electric cars) and luxury products.

#### CORPORATE TAXES

##### Company Tax

18%

##### Tax Rate for Foreign Companies

Non-resident companies are subject to the same tax rates as local firms but only on their Croatia-source income. Companies qualifying for the Investment Promotion Act may be eligible for a 50% or 100% deduction in income tax rate.

##### Capital Gains Taxation

Capital gains are included in taxable income and taxed at the standard corporate income tax rate of 18% (or 12% for companies whose annual income is below HRK 3 million).

##### Main Allowable Deductions and Tax Credits

Amortization of tangible and intangible assets is tax deductible at rates ranging from 5% to 50%. Land, financial assets, cultural monuments and works of art are not affected by this depreciation. Goodwill cannot be amortized for tax purposes. Start-up expenses can be deducted in the year in which they were incurred. Interest charges are deductible up to the rate published by the Croatian National Bank (3.96% for 2019). As of January 2019, the deductibility of interest is limited to 30% of taxpayer's earnings before interest, tax, depreciation, and amortization (EBITDA), or to EUR 3 million euros, whichever is higher. Interest expenses that cannot be deducted in their year of occurrence may be carried forward to a period of three years.

Bad debts are generally deductible. As of 1 January 2019, receivable write-offs that are made in line with the regulations on bankruptcy that apply to special interest entities are also deductible. Donations to charitable organizations are deductible up to 2% of the previous year's taxable income. This rate can be exceptionally higher if donations are made according to ministerial policies on the funding of special activities or programs.

Fines and taxes are not tax deductible.

Tax losses can be carried forward up to five years. The carryback of losses is not permitted.

#### Other Corporate Taxes

The purchase of real estate is subject to a property transfer tax of 3% (down from 4% as of 1 January 2019) of the market value of the property in question. The acquisition of property subject to VAT is exempt from property transfer tax. There is no regular property tax to pay. Social security contributions payable by the employer amount to 16.5% of salary. A contribution of 0.5% for industrial accident insurance and 1.7% for unemployment fund are abolished as of 2019.

Employers are not liable for payroll tax but they are required to withhold between 24% and 36% of their employees' gross income.

The annual membership fee to the Croatian Chamber of Commerce (mandatory) varies between HRK 42 and HRK 3,973 depending on the type of company.

## INDIVIDUAL TAXES

### TAX RATE

|                     |     |
|---------------------|-----|
| Personal income tax |     |
| HRK 0 - 360,000     | 24% |

|                  |     |
|------------------|-----|
| Over HRK 360,000 | 36% |
|------------------|-----|

#### Allowable Deductions and Tax Credits

All individuals are entitled to a flat monthly deduction from their income up to HRK 3 800. Monthly allowance for a family dependent is HRK 1 750 per dependent (HRK 2 500 for second child, HRK 3 500 for third child).

Other deductions include social security contributions on wages of new employees (in the first year of their employment), health insurance contributions and scientific research expenses (for self-employed individuals).

#### Special Expatriate Tax Regime

There is no special tax regime for expatriates.

## 2.2. INTELLECTUAL PROPERTY

### INTELLECTUAL PROPERTY

#### National Organisations

The body responsible for industrial property is the State Office for Intellectual Property. Croatia signed the Agreement of Paris concerning the protection of industrial property and the agreement, which establishes the World Intellectual property Organization (WIPO). They are a part of the Agreement of Madrid, on the international register of the trademarks.

#### International Membership

Membership to the TRIPS agreement - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

### NATIONAL REGULATION AND INTERNATIONAL AGREEMENTS

| Type of property and law                      | Validity                                 | International Agreements Signed |
|---|--|---------------------------------|
| Patent<br><br><a href="#">Patent Law 2007</a> | 20 years, may be renewable in some cases |                                 |

| Type of property and law                        | Validity   | International Agreements Signed  |
|---|--|--|
| Trademark<br><a href="#">Trademark law 2007</a> | 10 years (renewable for indefinite number of times)  | <a href="#">Protocol Relating to the Madrid Agreement</a> Concerning the International Registration of Marks |
| Design<br><a href="#">Design Law</a>            | 5 years (renewable, for a maximum of total 25 years) |  |
| Copyright<br><a href="#">Copyright law</a>      | 70 years after author's death                        | <a href="#">WIPO Copyright Treaty</a>  |

## 2.3. BUSINESS LAW

### LEGAL FRAMEWORK

#### Independence of Justice

The judicial system suffers from numerous problems, most notably inefficiency. Judicial personnel shortages have led to a huge backlog of cases, though it decreased in the last years. Excessive trial length and a lack of enforcement of judicial decisions, especially in cases related to the repossession of property owned by Serbs, plague the system. Despite some improvements, a lack of impartiality among the local courts remains a problem.

#### Equal Treatment of Nationals and Foreigners

Yes, the law prohibits discrimination based on gender, age, race, disability, language, or social status. However, some cases of discrimination against women, ethnic Serbs, and Roma are still reported.

#### The Language of Justice

Official language also in justice is Croatian. The exception are officially recognized ethnical minorities: Serbs, Bosnians, Italians, Hungarians, Albanians, Slovenes and Rumanians. They have right to use their language in the local courts where their minority rights are officially recognized.

#### Sources of the Law and Legal Similarities

The main source of the law is the constitution of 1990 (revised in 2001) which is based on civil law system. However, the Croatian legislation has been widely harmonizing with the EU legislation.

#### Checking National Laws Online



[Official Gazette of Croatia publishing all legislation \(in Croatian only\).](#)  
[A database on national laws](#)

## **2.4. INDUSTRIAL AND COMMERCIAL STANDARDS**

### **STANDARDS**

National Standards Organizations

[Croatian Standards Institute](#)  
[State Office for Metrology](#)

Integration in the International Standards Network

Croatian Accreditation Agency is a full-member of European Co-operation for Accreditation ([EA](#)) and associate member of International Laboratory Accreditation Cooperation ([ILAC](#)). The rules of accreditation are in line with European standards 45000 and international standards 17000 according to the rules and guidelines of [EA](#), [ILAC](#) and [IAF](#).

Croatian Standards Institute is a member of: International Organization for Standardization ([ISO](#)), International Electrotechnical Commission ([IEC](#)), European Committee for Standardization ([CEN](#)), European Committee for Electrotechnical Standardization ([CENELEC](#)), European Telecommunications Standards Institute ([ETSI](#)).

Classification of Standards

Accreditation is done according to the international (ISO) and European (EN) standards that are recognized as Croatian (HRN) ones.

Online Consultation of Standards

[Catalogue of Croatian Standards](#)

Certification Organizations

[Croatian Accreditation Agency](#)  
[State Office for Metrology](#)

## **2.5. BUSINESS PRACTICES**

### **BANK OPENING HOURS AND HOLIDAYS**

Bank opening Hours and Days

Banks open from Monday to Friday usually from 8.00 AM to 7.00 PM, on Saturday from 8.00 AM to 12.00 AM

Public administrations are opened Monday to Friday from 9.00 AM to 5.00 PM

Shops are opened Monday to Friday from 8.00 AM to 8.00 PM and on Saturday from 8.00 AM to 3.00 PM

***PUBLIC HOLIDAYS***

|                                       |                        |
|---------------------------------------|------------------------|
| New Year                              | 1st January            |
| Epiphany                              | 6th January            |
| Easter Monday                         | Movable feast          |
| International Labor Day               | 1st May                |
| Corpus Christi                        | Movable                |
| Anti-fascist Resistance Day           | 22nd June              |
| Statehood Day                         | 25th June              |
| Victory and Homeland Thanksgiving Day | 5th August             |
| Assumption Day                        | 15th August            |
| Independence Day                      | 8th October            |
| All Saints' Day                       | 1st November           |
| Christmas                             | 25th and 26th December |

## 3. BUYING AND SELLING

### 3.1. E-COMMERCE

#### Internet access

Croatia has a population of 4.17 million people, and it has an internet penetration rate of 74.2%. The share of monthly active smartphone users is estimated to be at 60.4% (Statista). Croatia ranks 22nd out of the 28 EU Member States in the Digital Economy and Society Index (DESI) 2018 published by the European Commission. Overall, it has made good progress over the last few years. Croatian citizens are above average internet users and enterprises are also keen to employ digital technologies. An estimated 20% of Croatian businesses are active in e-commerce (U.S. Gov). According to data by Statista, 100% of Croatian internet 16-24 year-old users connect daily, the rate is 97% for those between 25-34 years, and 93% for the 35-44 years-old group. People between 45-54 years and over 55s have a 85% and 77% daily penetration rate, respectively. The most popular web search engines in Croatia are Google (96.6%), Bing and Yahoo (1.7% and 1.3% respectively).

#### E-commerce market

E-commerce in Croatia has been growing steadily in recent years, especially since the country joined the EU in 2013. Market research agencies estimate that the e-commerce market value in Croatia reached US\$ 446 million in 2017 (U.S. Gov). The average revenue per user is currently estimated at US\$ 166. According to recent research by the Croatian daily Poslovni Dnevnik, there were approximately 1.75 million e-shoppers in Croatia at the end of 2017 (out of a population of 4 million). 2017 saw a growth rate of 18% in terms of online shoppers, with roughly 250,000 Croatsians who started to buy online. Reportedly, 60% of internet users in Croatia purchase online, and between 6% and 10% of them make online purchases on a monthly basis (a 9% increase from the previous year). Only 6% of online users have never purchased online (U.S. Gov). An estimated 40% of Croatian online shoppers order from stores outside of Croatia, mostly from China and the EU. The main focus is on the media and electronics sectors, with a market value forecasted at USD 181 million in 2018. Online shoppers also buy clothing, shoes, fashion accessories and food. About 40% of Croatian online retailers serving the Croatian market exclusively, while another 40% are open to foreign markets (especially the EU). Amazon, eBay, and Extreme Digital are the most popular sites in Croatia, along with locally-developed platforms eKupi. Almost 90% of Croatian internet users actively look for information about the product or service before purchase, often using different channels. When it comes to online payment methods, 21% of buyers use credit cards, whereas PayPal and similar services are used by only 10% of buyers. Smartphone payment applications issued by banks -currently used by 13% of buyers – are growing. However, the majority of e-shoppers still prefer to use direct bank transfers (31%) or Cash on Delivery (25%). Most internet users (more than 74%) in Croatia use the internet for social media. The most popular social networking site is Facebook, with an estimated 1.9 million users (over 70% are aged

18-44). Instagram has 760,000 users, of which 54% are women. Viber is the most used messaging service in Croatia, ahead of WhatsApp and Messenger.

## **3.2. THE DISTRIBUTION NETWORK**

### **Evolution of the Sector**

With over 20% of the nation's population and its central location, the capital city of Zagreb is the primary distribution center for the country. The port cities of Split and Rijeka are also important distribution points, and the eastern city of Osijek is the largest and most important distribution point in that region of the country. Croatia's geographic location, access to seaports, and well-developed road (but not rail) transportation system give the country distinct advantages as a regional distribution point, particularly to countries located within the geographic area of the former Yugoslavia.

There are an estimated 7,500 retail outlets in Croatia (including kiosks, small shops, and open markets). The privatization of the distribution sector has been very successful and the sector is now almost completely privately owned, with many "green-field" investments made in the past decade. In recent years, newly developed shopping centers (such as Importanne, King Cross, Kaptol Centar, Avenue Mall, City Centar One, West Gate, Supernova and Arena Centar in Zagreb), modernized or newly-established domestic supermarket and retail chains (such as Konzum, Prehrana, Plodine, Tommy), and foreign chains (such as DM, Metro, Bauhaus, Baumax, Kaufland, Lidl, and Interspar) have become dominant players in the marketplace. When the most important domestic retail chain Konzum and its parent company Agrokor faced severe financial difficulties in early 2017, the Croatian government intervened to prevent bankruptcy and appointed a commissioner to help the creditors restructure the company (new name of Agrokor is Forte Nova). The company is currently undergoing restructuring that could affect its distribution channels and footprint in the region.

Croatia's distribution system is formalized by the Law on Trade which regulates the activities of wholesalers and retailers.

### **Market share**

There are an estimated 7,500 retail outlets in Croatia (including kiosks, small shops and open markets).

There is an increasing trend towards internationalization and concentration in the sector, including the development of shopping centers, department stores and the establishment of international hypermarket chains. The retail sector accounts for 10.9% of GDP.

### 3.3. CUSTOMS

#### International Conventions

Member of [World Trade Organisation](#)

Party to the [Kyoto Protocol](#)

Party to the [Basel Convention](#) on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal

Party to the [Montreal Protocol](#) on Substances That Deplete the Ozone Layer

Party to the [Wassenaar Arrangement](#) on Export Controls For Conventional Arms and Dual-Use Goods and Technologies

#### Main International Economic Cooperation

Slovenia is a member of the EU since July 1st, 2013 and as such is a member of the EU Customs Union. The Republic of Croatia has signed agreements on free trade with the countries of former Yugoslavia: Albania, Turkey, Moldova, and Macedonia.

#### Non Tariff Barriers

In order to integrate the WTO (entry: November, 2000), Croatia greatly liberalized its economy. For most goods, customs duties are nowadays the only protective measures. There are some exceptions, for instance, qualitative restriction measures as well as quotas authorised by the WTO rules (in case of a deficit in the balance of payments or in case of a strong threat to the local industry). These quotas (for farm products, above all) are assigned by open tendering. The import of certain goods needs a license, which is delivered by the Ministry of Economy. Finally, the import of second-hand motorcars being more than 7 years old is forbidden in Croatia.

In accordance with its European Union membership since July, 1st of 2013, Croatia applies the European Union trade policy such as antidumping or anti-subsidy measures.

#### Customs Duties and Taxes on Imports

Croatia is a member of the EU and fully accepts its foreign trade policy. Operations carried out within the EEA are free of duty. The Common Customs Tariff of the European Union applies to goods originating outside Europe. Generally, the duty is relatively low, especially for industrial products (4.2% on average). Tariffs for EU origin can be found on TARIC Consultation Website.

#### Customs Classification

Croatia applies the Harmonized Customs System in line with the EU regulations.

#### Import Procedures

A Croatian importer is responsible for providing the required import documentation, which consists of common trade, transport, and customs documents, as well as certificates required for quality control and licenses where appropriate. The single Administrative Document (SAD) that is used by EU and most other countries is the key customs document in Croatia as well.

As part of the "SAFE" standards set forth by the World Customs Organization (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Program eCustoms, has been in effect since 1 January 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

Croatia is member of WTO.

### 3.4. TRANSPORT

#### Main Useful Means of Transport

Approx. half of all transported goods in Croatia is done by roads. Since Croatia is a maritime country the second largest fraction of goods is transported by sea (almost 30% of all transported goods). The rest of approx. 20% of transported goods is more or less equally divided by railway and pipelines.

The transport share of GDP is 8.3% and in total employment around 7.3%.

#### Ports

[Port of Rijeka](#)

[Port of Ploče](#)

#### AIRPORTS (Civil)

|                             |     |                                   |
|-----------------------------|-----|-----------------------------------|
| <a href="#">Brač</a>        | BWK | <a href="#">Brač Airport</a>      |
| <a href="#">Dubrovnik</a>   | DBV | <a href="#">Dubrovnik Airport</a> |
| <a href="#">Mali Lošinj</a> | LSZ | <a href="#">Lošinj Airport</a>    |
| <a href="#">Osijek</a>      | OSI | <a href="#">Osijek Airport</a>    |

|                        |     |                                       |
|------------------------|-----|---------------------------------------|
| <a href="#">Pula</a>   | PUY | <a href="#">Pula Airport</a>          |
| <a href="#">Rijeka</a> | RJK | <a href="#">Rijeka Airport</a>        |
| <a href="#">Split</a>  | SPU | <a href="#">Split Airport</a>         |
| <a href="#">Zadar</a>  | ZAD | <a href="#">Zadar Airport</a>         |
| <a href="#">Zagreb</a> | ZAG | <a href="#">Franjo Tuđman Airport</a> |



Sea Transport Organisations

[Directorate for Maritime Traffic, Maritime Domain and Ports](#)

Air Transport Organisations

[Croatian civil aviation Agency](#)

[Directorate for Air Traffic at the Ministry of the Sea, Transport and Infrastructure](#)

Road Transport Organisations



[Directorate for Road Traffic at the Ministry of the Sea, Traffic and Infrastructure](#)

Rail Transport Organisations

[Directorate for Railway Traffic at the Ministry of the Sea, Transport and Infrastructure](#)

## **3.5. SUPPLIERS**

### **IDENTIFYING A SUPPLIER IN CROATIA**

Type of Production

The industrial sector contributes approximately 20% of GDP. Manufacturing employs nearly 25% of the workforce. In terms of the value added, leaders are manufacturing of food and beverages, electricity, gas and water supply; manufacturing of chemicals and chemical products; refined petroleum products and fabricated metal products. Traditionally, Croatia is also strong in shipbuilding, construction industry and tobacco products.

Manufacturers Associations of the Main Industries

68 professional associations listed for Croatia.

Administration, defense, justice:

[ACCI](#) - Association of Croatian Court Interprets

[CBA](#) - Croatian Bar Association

[HJK](#) - Croatian Chamber of Notaries

[UHS](#) - Association of Croatian Judges

Aeronautics, aerospace:

[CAU](#) - Croatian Astronomical Union

Agriculture, livestock, fishing, forestry:

[CAA](#) - Croatian Association of Agronomists

[CFA](#) - Croatian Forestry Association

Arts, handcraft, culture, entertainment:

[CAA](#) - Croatian Automobile Association

[CAITA](#) - Croatian Association of Independent Travel Agents

[CCA](#) - Croatian Camping Association

[CLA](#) - Croatian Library Association

[CMPA](#) - Croatian Meeting Professionals Association

[CPA](#) - Croatian Photographers Association  
[DHR](#) - Croatian Society of Writers  
[HDDU](#) - Croatian Association of Dramatic Artists  
[HDPBU](#) - Croatian Association of Professional Ballet Artists  
[HFHS](#) - Croatian youth hostel Association  
[HFS](#) - Croatian Film Association  
[SGVH](#) - Croatian Mountain Guides Association  
[UHPA](#) - Association of Croatian Travel Agencies  
[UPUHH](#) - Association of Employers in Croatian Hospitality  
[UPWC](#) - Union of Professional Waiters of Croatia

Audiovisual, multimedia:

[CITA](#) - Croatian Information Technology Association  
[COSUG](#) - Croatian Open System Users Group

Banking, finance, insurance:

[ACPFMC](#) - Association of Croatian Pension Funds Management Companies  
[CAC](#) - Croatian Association of Coaching  
[CACU](#) - Croatian Association of Credit Union  
[CBS](#) - Croatian Biophysical Society  
[CCS](#) - Croatian Copyright Society  
[CEA](#) - Croatian Ethnological Association  
[CIB](#) - Croatian Insurance Bureau  
[CJA](#) - Croatian Journalists Association  
[CSA](#) - Croatian Sociological Association  
[CSCI](#) - Croatian Society of Conference Interpreters  
[CSS](#) - Croatian stenographic Society  
[HUB](#) - Croatian Banking Association  
[HUOJ](#) - Croatian Public Relations Association  
[RIF](#) - Croatian Association of Accountants and Financial Experts

Chemicals, pharmaceutical products:

[CACR](#) - Croatian Association for Cancer Research  
[CAMRE](#) - Croatian Association of Medical Radiology Engineers  
[CCA](#) - Croatian Cytological Association  
[CCA](#) - Croatian Cardiological Association  
[CNA](#) - Croatian Neuropsychology Association  
[CPSA](#) - Croatian Pharmaceutical Students' Association  
[CRPA](#) - Croatian Radiation Protection Association  
[HDFT](#) - Croatian Association of Pharmacy Technicians  
[HDKI](#) - Croatian Society of Chemical Engineers  
[HGOD](#) - Croatian Association of Gynecological Oncology

[HKLD](#) - Croatian Catholic Medical Association  
[HLJK](#) - Croatian Chamber of Pharmacy  
[HUDDD](#) - Croatian Pest Control Association  
[HVZ](#) - Croatian firefighting association  
[HZF](#) - Croatian Society of Physiotherapists

Communication, marketing, advertising:

[ACPFMC](#) - Association of Croatian Pension Funds Management Companies  
[CAC](#) - Croatian Association of Coaching  
[CACU](#) - Croatian Association of Credit Union  
[CBS](#) - Croatian Biophysical Society  
[CCS](#) - Croatian Copyright Society  
[CEA](#) - Croatian Ethnological Association  
[CIB](#) - Croatian Insurance Bureau  
[CJA](#) - Croatian Journalists Association  
[CSA](#) - Croatian Sociological Association  
[CSCI](#) - Croatian Society of Conference Interpreters  
[CSS](#) - Croatian stenographic Society  
[HUB](#) - Croatian Banking Association  
[HUOJ](#) - Croatian Public Relations Association  
[RIF](#) - Croatian Association of Accountants and Financial Experts

Construction, real estate, architecture and urbanism:

[HSGI](#) - Croatian Association of Structural Engineers

Corporate services and consulting:

[ACCI](#) - Association of Croatian Court Interprets  
[ACPFMC](#) - Association of Croatian Pension Funds Management Companies  
[CAC](#) - Croatian Association of Coaching  
[CACU](#) - Croatian Association of Credit Union  
[CBA](#) - Croatian Bar Association  
[CBS](#) - Croatian Biophysical Society  
[CCS](#) - Croatian Copyright Society  
[CEA](#) - Croatian Ethnological Association  
[CIB](#) - Croatian Insurance Bureau  
[CJA](#) - Croatian Journalists Association  
[CSA](#) - Croatian Sociological Association  
[CSCI](#) - Croatian Society of Conference Interpreters  
[CSS](#) - Croatian stenographic Society  
[HJK](#) - Croatian Chamber of Notaries  
[Hrvatska udruga poslodavaca \(HUP\)](#) - Croatian Employers' Association  
[HUB](#) - Croatian Banking Association

[HUOJ](#) - Croatian Public Relations Association

[RIF](#) - Croatian Association of Accountants and Financial Experts

[UHS](#) - Association of Croatian Judges

Edition, graphic art, printing and reproduction:

[APBC](#) - Association of Publishers and Booksellers of Croatia

Education, training:

[ACPFMC](#) - Association of Croatian Pension Funds Management Companies

[CAC](#) - Croatian Association of Coaching

[CACU](#) - Croatian Association of Credit Union

[CBS](#) - Croatian Biophysical Society

[CCS](#) - Croatian Copyright Society

[CEA](#) - Croatian Ethnological Association

[CIB](#) - Croatian Insurance Bureau

[CJA](#) - Croatian Journalists Association

[CSA](#) - Croatian Sociological Association

[CSCI](#) - Croatian Society of Conference Interpreters

[CSS](#) - Croatian stenographic Society

[HUB](#) - Croatian Banking Association

[HUOJ](#) - Croatian Public Relations Association

[RIF](#) - Croatian Association of Accountants and Financial Experts

[ZANA](#) - Croatian Publishers' Reprographic Right Association

Energy, fuels, renewable energies:

[GOMA](#) - Croatian Society of Fuel and Lubrifiants

[HED](#) - Croatian Energy Association

[HSSE](#) - Croatian Solar Energy Association

[HSUP](#) - Croatian Gas Association

Food industry, cereals, vegetables, drinks:

[Vinistra](#) - Association of Winegrowers and Winemakers of Istria

Furniture, household equipment and arts:

[HUSI](#) - Croatian Association of Sanitary Engineers

Health, medicine:

[CACR](#) - Croatian Association for Cancer Research

[CAMRE](#) - Croatian Association of Medical Radiology Engineers

[CCA](#) - Croatian Cytological Association

[CCA](#) - Croatian Cardiological Association

[CNA](#) - Croatian Neuropsychology Association  
[CPSA](#) - Croatian Pharmaceutical Students' Association  
[CRPA](#) - Croatian Radiation Protection Association  
[HDFT](#) - Croatian Association of Pharmacy Technicians  
[HGOD](#) - Croatian Association of Gynecological Oncology  
[HKLD](#) - Croatian Catholic Medical Association  
[HUDDD](#) - Croatian Pest Control Association  
[HVZ](#) - Croatian firefighting association  
[HZF](#) - Croatian Society of Physiotherapists

Individual services:

[ACPFMC](#) - Association of Croatian Pension Funds Management Companies  
[CAC](#) - Croatian Association of Coaching  
[CACU](#) - Croatian Association of Credit Union  
[CBS](#) - Croatian Biophysical Society  
[CCS](#) - Croatian Copyright Society  
[CEA](#) - Croatian Ethnological Association  
[CIB](#) - Croatian Insurance Bureau  
[CJA](#) - Croatian Journalists Association  
[CSA](#) - Croatian Sociological Association  
[CSCI](#) - Croatian Society of Conference Interpreters  
[CSS](#) - Croatian stenographic Society  
[HUB](#) - Croatian Banking Association  
[HUOJ](#) - Croatian Public Relations Association  
[RIF](#) - Croatian Association of Accountants and Financial Experts

Industry services:

[ACPFMC](#) - Association of Croatian Pension Funds Management Companies  
[CAC](#) - Croatian Association of Coaching  
[CACU](#) - Croatian Association of Credit Union  
[CBS](#) - Croatian Biophysical Society  
[CCS](#) - Croatian Copyright Society  
[CEA](#) - Croatian Ethnological Association  
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[CSA](#) - Croatian Sociological Association  
[CSCI](#) - Croatian Society of Conference Interpreters  
[CSS](#) - Croatian stenographic Society  
[HUB](#) - Croatian Banking Association  
[HUOJ](#) - Croatian Public Relations Association  
[RIF](#) - Croatian Association of Accountants and Financial Experts

IT, telecommunications:

[CITA](#) - Croatian Information Technology Association  
[COSUG](#) - Croatian Open System Users Group

Mechanics, machines, tools, precision:

[CAU](#) - Croatian Astronomical Union

Mechanics, machines, tools, precision:

[CITA](#) - Croatian Information Technology Association  
[COSUG](#) - Croatian Open System Users Group

Science, research, techniques:

[CITA](#) - Croatian Information Technology Association  
[COSUG](#) - Croatian Open System Users Group

Sports, leisure, games, toys:

[CAA](#) - Croatian Automobile Association  
[CAITA](#) - Croatian Association of Independent Travel Agents  
[CCA](#) - Croatian Camping Association  
[CLA](#) - Croatian Library Association  
[CMPA](#) - Croatian Meeting Professionals Association  
[CPA](#) - Croatian Photographers Association  
[DHR](#) - Croatian Society of Writers  
[HDDU](#) - Croatian Association of Dramatic Artists  
[HDPBU](#) - Croatian Association of Professional Ballet Artists  
[HFHS](#) - Croatian youth hostel Association  
[HFS](#) - Croatian Film Association  
[Hrvatski Softball Savez](#) - Croatian Association of Softball  
[SGVH](#) - Croatian Mountain Guides Association  
[UHPA](#) - Association of Croatian Travel Agencies  
[UPUHH](#) - Association of Employers in Croatian Hospitality  
[UPWC](#) - Union of Professional Waiters of Croatia

Textile, ready to wear, accessories, jewellery:

[HDKO](#) - Croatian Society of Leather and Footwear Manufacturer

Trade, distribution, import/export:

[CACID](#) - Croatian Association of Car Importers and Distributors

Transport, logistics, handling:

[CROSMA](#) - Croatian Ship Manning Association

[HUKA](#) - Croatian Association of Toll Motorways Concessionaires

Travel, tourism, hotel, restaurant:

[CAA](#) - Croatian Automobile Association

[CAITA](#) - Croatian Association of Independent Travel Agents

[CCA](#) - Croatian Camping Association

[CLA](#) - Croatian Library Association

[CMPA](#) - Croatian Meeting Professionals Association

[CPA](#) - Croatian Photographers Association

[DHR](#) - Croatian Society of Writers

[HDDU](#) - Croatian Association of Dramatic Artists

[HDPBU](#) - Croatian Association of Professional Ballet Artists

[HFHS](#) - Croatian youth hostel Association

[HFS](#) - Croatian Film Association

[SGVH](#) - Croatian Mountain Guides Association

[UHPA](#) - Association of Croatian Travel Agencies

[UPUHH](#) - Association of Employers in Croatian Hospitality

[UPWC](#) - Union of Professional Waiters of Croatia

Wood, paper, cardboard:

[CFA](#) - Croatian Forestry Association

Trade Agencies and Their Representations Abroad

[Croatian Chamber of Economy](#)

Enterprises Federation

[Croatian association of Employers \(in Croatian only\)](#)

## 4. STARTING A BUSINESS

### 4.1. LEGAL FORMS OF COMPANIES

Drustvo s ogranicenom odgovornoscu or D.O.O. (Private Limited company)

**Number of partners:** One or more person.

**Capital (max/min):** Minimum capital: HRK 20,000, totally released.

**Shareholders and liability:** Liability is limited to the amount contributed

Dionicko drustvo or D.D. (Public Corporation)

**Number of partners:** One or more person.

**Capital (max/min):** Minimum capital: HRK 200,000

**Shareholders and liability:** Liability is limited to the amount contributed

Javno trgovacko drustvo or J.T.D. (General partnership)

**Number of partners:** Minimum 2 partners.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Every partner has unlimited liability with all his/her assets.

Komanditno drustvo or K.D. (Limited partnership)

**Number of partners:** Minimum 2 persons: one general partner and one limited partner

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** At least one partner (general partner) has unlimited liability with all his/her assets and at least one (other) partner has limited liability proportional to the invested assets.

The Competent Organisation

[Court Register](#)

### 4.2. WORKING CONDITIONS

Legal Weekly Duration

40 hours

Retirement Age



#### Working Contracts

Legal clauses regulate employment contracts and to a lesser degree collective agreements and individual negotiations. The terms of employment contracts and the limits for dismissal are very rigid while the conditions for hiring are flexible

#### Labour Laws

[Consult Doing Business Website](#), to obtain a summary of the labor regulations that apply to local enterprises.

### 4.3. COST OF LABOUR

#### Minimum Wage

In 2016, the minimum wage was HRK 3,120 per month according to the ILO (latest available data).

In 2018, it is HRK 3,440 per month according to data from the Croatian government.

#### Average Wage

In 2011, the average gross monthly salary was HRK 7,772 according to ILO data (latest available data).

In 2017, it was 5,984 HRK according to the Croatian Bureau of Statistics.

#### Social Contributions

Social Security Contributions Paid By Employers: 17.2% on salaries  
Social Security Contributions Paid by Employees: 20% on the gross wage

## 5.INVESTING IN CROATIA

### 5.1. PROCEDURES RELATIVE TO FOREIGN INVESTMENT

#### Acquisition of Holdings

A foreign investor can hold 100% interest in the shares of a Croatian company, except in some cases specified by the government.

#### Obligation to Declare

Only for the acquisition of public joint stock companies.

#### Competent Organization for the Declaration

[Croatian Financial Services Supervisory Agency](#)



### 5.2. INVESTMENT OPPORTUNITIES

#### Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Croatia

[Globaltenders](#), Tenders & Projects from Croatia

[DgMarket](#), Tenders Worldwide

#### Other Useful Resources

[Foreign Investor Council Croatia](#)

[The online counter to register your business in Croatia](#)

### 5.3. WHAT TO CONSIDER IF YOU INVEST IN CROATIA

#### Strong Points

Croatia has a number of assets to attract foreign investors. These include:

- Its membership in the European Union
- A positive budget surplus since 2013

- Low inflation
- An advantageous geographical location along the Adriatic Sea, enabling a very vigorous tourism sector
- A multilingual and well-trained workforce
- Good quality infrastructure: Croatia continues to invest heavily in transport, telecommunications and energy infrastructure
- Restructuring of the country's tax system started in 2015 that has already begun to bear fruit

#### Weak Points

Croatia still faces a number of challenges to gain competitiveness and attract more FDI:

- Vulnerability of the national economy because of its dependence on the economic situation of the European Union.
- The administrative and judicial system is slow and needs improvement
- A high level of public debt despite tax reforms in the recent past
- Structural weaknesses, including an imbalance in current payments, significant private external debt and a trade deficit

#### Government Measures to Motivate or Restrict FDI

Croatia is open to foreign investment. The government has committed itself to increasing foreign investment and has taken measures to improve the investment climate in the country. To accomplish this it has implemented tax reductions and employment incentives for manufacturing, technology centers and support services. Amongst the main measures enacted by the government are:

- Equal treatment of nationals and foreigners
- Low company administrative fees
- Laws protecting intellectual property

All measures were enacted to create an attractive framework for investors and to make Croatia a trusted foreign investment recipient.

## **6.SOURCES OF GENERAL ECONOMIC INFORMATION**

### Ministries

[Ministry of Economy, Labour and Entrepreneurship](#)

[Ministry of Finance](#)

### Statistical Office

[Croatian Bureau of Statistics](#)

### Central Bank

[Croatian National Bank](#)

### Stock Exchange

[Zagreb Stock Exchange](#)

## 7.AGREEMENTS BETWEEN ISRAEL AND CROATIA

**The State of Israel and the Republic of Croatia have signed several bilateral agreements**

Agreements between Israel and Croatia:

| Name of treaty/act  | Date of conclusion | Provisional application | Published in NN-MU | Date of entry into force | Publication of the date of entry into force | Termination |
|---|--------------------|-------------------------|--------------------|--------------------------|---|-------------|
| Memorandum of Understanding between the Ministry of the Interior of the Republic of Croatia and the International Institute for Counter-Terrorism (ICT) at the Interdisciplinary Center (IDC), Herzliya   | 10/09/2019         |                         |                    | 25/09/2019               |   | 25/09/2024  |
| Memorandum of Understanding between the Ministry of Science and Education of the Republic of Croatia, the Education and Teacher Training Agency of the Republic of Croatia and Yad Vashem - the World Holocaust Remembrance Center on cooperation in the field of Holocaust education | 29/07/2019         |                         |                    | 29/07/2019               |   |             |
| Agreement between the Government of the Republic of Croatia/Office of the National Security Council and the Government of the State of Israel/the Israeli Ministry of Defence on Protection of Classified Information   | 11/06/2019         |                         | 8/2019             | 11/06/2019               |   |             |
| Agreement between the Government of the Republic of Croatia and the Government of the State of  | 13/11/2017         |                         | 3/2018             | 14/08/2018               | 6/2018                                      |             |

|   |            |  |  |            |  |            |
|---|------------|--|--|------------|--|------------|
| Israel on Cooperation in the Field of Agriculture   |            |  |  |            |  |            |
| Memorandum of Understanding between the Ministry of Science and Education of the Republic of Croatia, the Education and Teacher Training Agency of the Republic of Croatia and Yad Vashem - the World Holocaust Remembrance Center on cooperation in the field of Holocaust education | 04/07/2017 |  |  | 04/07/2017 |  | 04/07/2019 |
| Joint Declaration of Intent between the Government of the Republic of Croatia and the Government of the State of Israel on the Cooperation in the Field of Prevention of Disasters and Emergency Response   | 24/01/2017 |  |  | 24/01/2017 |  |            |
| Program of Cultural and Educational Cooperation between the Government of the Republic of Croatia and the Government of the State of Israel for the years 2016-2019   | 30/05/2016 |  |  | 30/05/2016 |  | 31/12/2019 |
| Joint Statement in the Presence of Her Excellency Mrs. Kolinda Grabar-Kitarović, President of the Republic of Croatia on the Occasion of her First Visit to Yad Vashem 22 July 2015   | 22/07/2015 |  |  | 22/07/2015 |  |            |
| Memorandum of Understanding between the National Protection and Rescue Directorate of the Republic of Croatia and the Israel National Firefighting and Rescue Authority   | 10/11/2014 |  |  | 10/11/2014 |  |            |
| Memorandum of Understanding on Cooperation in the Field of Holocaust Education between the Ministry of Science, Education and   | 02/06/2013 |  |  | 02/06/2013 |  |            |

|   |            |  |        |            |         |            |
|---|------------|--|--------|------------|---------|------------|
| Sports of the Republic of Croatia, the Education and Teacher Training Agency of the Republic of Croatia and Yad Vashem - the Holocaust Martyrs' and Heroes' Remembrance Authority   |            |  |        |            |         |            |
| Additional Protocol between the Government of the Republic of Croatia and the Government of the State of Israel on Amendments to the Agreement between the Government of the Republic of Croatia and the Government of the State of Israel for the Reciprocal Promotion and Protection of Investments | 30/03/2011 |  | 9/2013 |            |         |            |
| Program of Cultural and Educational Cooperation between the Government of the Republic of Croatia and the Government of the State of Israel for the years 2010-2012   | 26/07/2010 |  |        | 26/12/2010 |         | 31/12/2012 |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on Mutual Assistance in Customs Matters   | 17/05/2010 |  | 9/2010 | 27/07/2011 | 10/2011 |            |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on Amendments of the Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on Trade and Economic Cooperation                                    | 17/05/2010 |  | 8/2011 | 01/07/2013 | 5/2013  |            |
| Agreement between the Government of the Republic of Croatia and the Government of the State of  | 16/09/2009 |  | 1/2010 | 01/04/2010 | 3/2010  |            |

|  |            |  |         |            |         |  |
|--|------------|--|---------|------------|---------|--|
| Israel on Cooperation in the Fight Against Crime   |            |  |         |            |         |  |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on the gainful occupation for family members of members of diplomatic missions and consular posts  | 07/11/2007 |  | 3/2008  | 01/08/2008 | 5/2008  |  |
| Agreement between the Republic of Croatia and the State of Israel for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital   | 26/09/2006 |  | 11/2006 | 01/02/2007 | 1/2007  |  |
| Memorandum of Understanding between Anti Money - Laundering Department (AMKD) of the Republic of Croatia -Croatian FIU and Israel Money Laundering Prohibition Authority (IMPA) of the State of Israel - Israeli FIU on Cooperation and Mutual Assistance Concerning the Exchange of Information Related to Money Laundering | 05/11/2002 |  |         | 05/11/2002 |         |  |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on cooperation in the fields of culture, education and science   | 30/10/2001 |  | 11/2002 | 24/09/2002 | 13/2002 |  |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on the abolition of visa requirement for holders of service and regular national passports   | 16/01/2001 |  | 04/2001 | 03/10/2001 | 11/01   |  |



|  |            |  |         |            |         |  |
|--|------------|--|---------|------------|---------|--|
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel for the reciprocal promotion and protection of investments | 01/08/2000 |  | 14/2000 | 13/07/2003 | 15/2003 |  |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on trade and economic cooperation                          | 01/08/2000 |  | 15/2000 | 01/07/2004 | 6/2004  |  |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel on Cooperation in Field of Tourism                         | 11/05/1998 |  | 12/98   | 02/05/1999 | 07/99   |  |
| Agreement between the Government of the Republic of Croatia and the Government of the State of Israel concerning the abolition of visas for diplomatic passports | 11/05/1998 |  | 09/98   | 09/08/1998 |         |  |
| Air services agreement between the Government of the Republic of Croatia and the Government of the State of Israel   | 11/05/1998 |  | 15/2000 | 19/04/2004 | 4/2004  |  |
| Agreement of mutual cooperation between Croatian Chamber of Economy and Federation of the Israeli Chambers of Commerce   | 30/04/1998 |  |         | 30/04/1998 |         |  |
| Joint statement upon the establishment of diplomatic relations between the Republic of Croatia and the State of Israel   | 04/09/1997 |  |         | 04/09/1997 |         |  |

## 8.CROATIAN ECONOMY IN 2019

An economic growth, a successful tourist season, and, on the other hand, shipyards facing bankruptcy and a labour shortage in the few industrial sectors have been the main features of 2019 in Croatia's economy which has also seen Fortenova succeeding Agrokor and the country being a step closer to the introduction of the euro.

### Croatia's rating rises to investment grade

In March, Standard&Poor's raised Croatia's rating to BBB-/A+, including it in the investment category after more than six years thanks to an improved budget situation and economic recovery. A month later Moody's upheld Croatia's Ba2 speculative credit rating and upgraded the outlook from stable to positive as a result of improved fiscal metrics and reforms the agency believes will have a positive impact on the economic growth outlook. On 8 June, Fitch Ratings raised Croatia's credit score to investment-grade level, by one notch to BBB-, with a positive outlook, from BB+.

### GDP continues rising

As far as the country's GDP is concerned, the first estimates, released in early February, showed that the economy grew in the last quarter of 2018 by 2.3% year on year, and the GDP throughout 2018 increased by 2.6%. The initial estimates of GDP in Q1 2019 showed the economic growth of 3.9% on the year, which was the biggest rise since Q4 2016 when the economy expanded at the rate of 4%. Q2 2019 saw a rise in GDP by 2.4% compared to Q2 2018, and the economy in Q3 2019 increased by 2.9%. All that positively impacted Croatia's economic outlooks. Therefore, this August the ministry of finance auctioned off EUR 32 million in treasury bills, at a negative interest rate of -0.05% and the Finance Minister Zdravko Maric welcomed the fact that the treasury bills were issued at a negative interest rate for the first time for the country.

### Doing Business: Croatia moves upward by seven places

The good performance of the economic policies pursued by the government were recognised by the World Bank which assesses in its Doing Business report for 2020 that Croatia has moved up seven places on the ranking, and is currently 51st among 190 economies in terms of the ease of doing business. In the previous report, Croatia came in as 58th.

### Preparations underway for euro adoption

During 2019, the government led by Prime Minister Andrej Plenkovic and the Croatian National Bank (HNB) under the helm of Governor Boris Vujcic have taken several steps towards the introduction of the euro.

On 27 May, Croatia sent to the European Central Bank (ECB) a letter of requests for close cooperation with Frankfurt-based ECB in supervising credit institutions. EU Member States whose currency is not the euro can participate in the Single Supervisory Mechanism (SSM) by requesting the establishment of close cooperation between the ECB and their national competent authority (NCA). Once close cooperation has been established, these Member States can join both the SSM and the Single

Resolution Mechanism. In July a letter of intent to join the Exchange Rate Mechanism (ERM II) was sent from Zagreb to Denmark and the institutions of the European Union. ERM II is a sort of waiting room in which each candidate country has to spend at least two years before joining the euro area. The tasks to this aim cover the implementation of 19 measures in six areas, and some of the most important segments are reinforcing the capacity of the national statistical office (DZS), continuing the fight against money laundering and terrorism funding, upgrading the country's business climate and improving conditions for doing business by further trimming parafiscal tariffs, Finance Minister Maric said in late May.

A 12-month deadline for delivering on the commitments specified in the letter started running upon the delivery of the letter. Entering the ERM II is a step forward in the introduction of the euro and Croatia is likely to stay in the exchange mechanism for two years during which the country's ability to meet the Maastricht criteria will be tested.

#### Peljesac Bridge, tourist season

Some of the most important events marking 2019 on the economic front was the beginning of the construction of Peljesac Bridge by the China Road and Bridge Corporation in the late July and also the start of the construction of access roads in the region by Austrian Strabag and Greek J&P Avax.

The tourist season saw record high number of arrivals, 20.5 million of guests, and 108 million overnight stays. Renewed from the tourist trade in 2019 rose 8% compared to 2018. However, the tourist and hospitality industry is facing a serious problem, a shortage of workers. Therefore, the government decided that during 2020 it would be possible to issue 78,470 work permits for foreigners. The new employment quota stands at 64,604 permits. Broken down by sectors, construction can hire 33,000 foreigners, tourism and hospitality service can count on 18,370 permits, the transport sector 2,904, metal industry 2,300, food industry 1,410, agriculture and forestry 1,380 and so on.

#### Shipyards, Fortenova, Kras...

In parallel to the good performance on the macroeconomic front, the national economy was also faced with the crisis going on in the shipyards in Pula and Rijeka: Uljanik and 3.Maj respectively. The efforts to address this crisis are being taken. On the other hand, the problems surrounding the privately owned retail and food group Agrokor seemed to be efficiently dealt with. The Agrokor Group changed its name to Fortenova, and started operating under that name as of 1 April. Out of 159 companies operating within the Agrokor Group, 47 unsustainable companies have been transformed into mirror companies that are members of the new group. The mirror companies will have the word "plus" added to their names, so that, for example, Konzum will become Konzum plus, Ledo will be called Ledo plus and Jamnica will be renamed Jamnica plus. The stakes in the remaining 30 viable companies doing business in Croatia were transferred to the Fortenova Group, and after the completion of the transfer they exited the emergency administration procedure. The implementation of the settlement agreement between Agrokor's creditors started on 1 April when the management of the conglomerate, previously run by the court-appointed emergency administration, was transferred to the new company called Fortenova Group.

In mid-December the Fortenova Group stated the Slovenian AVK regulator had temporarily seized the shares of Mercator, which is part of this Zagreb-based group, criticising the Slovenian authorities for disproportionate and unfounded penalty. "The seizure is based on an unprecedented disproportionate, non-finl penalty in the amount of EUR 53.9 million, imposed by AVK on Agrokor d.d. in September 2019 in relation to a concentration case that Agrokor is appealing in the Slovenian court", Fortenova says on its website. In September AVK imposed this penalty on Arokor over its failure to report concentration of Arokor AG and Ardey Global Ltd. Fortenova says that the non-final penalty "is clearly disproportionate since the company in question, Costella, generates globally only slightly more than EUR 1 million in revenue yearly." "The seizure of Mercator shares is in itself also largely disproportionate, since the shares in question have an appraised value of in excess of EUR 140 million, and the appealable penalty – that is being contested – is in the amount of EUR 53.9 million", says the group.

#### Change in ownership of Kras

In late November, the Braca Pivac meat industry (Pivac Brothers Meat Industry) and the Kras-ESOP (Employee Stock Ownership Plan) concluded a sales agreement on the transfer of ESOP shares in the largest Croatian manufacturer of confectionery products to the Braca Pivac. Under the agreement MI Braca Pivac company purchased 276,441 ordinary shares, that is 18.44% interest, from Kras small shareholders, at the price of HRK 861.20 per share or 238.1 million kuna for the whole transaction. The price corresponds to the weighted average price of the Kras share on the Zagreb Stock Exchange (ZSE) in the last three months. The deal was achieved after the Kras ESOP held a general assembly on 23 November when it instructed the management on the negotiations with potential buyers.

Apart from the agreement on the shares transaction, also an agreement on social partnership between the Braca Pivac company, Kras workers and the trade union of workers in agricultural and food producing industries (PPDIV) was concluded defining the obligation of MI Braca Pivac for further investments in Kras, protection of the rights of the Kras employees and the maintenance of the existing production plants at the same locations. MI Braca Pivac management board chair Ivica Pivac was quoted as saying that the group sees Kras as one of the up-and-coming producing companies in Croatia and that the new owner would like to advance the production of this sweets manufacturer. He said that he was glad that workers recognised the Pivac group as a steady partner for Kras. This acquisition makes the Pivac group one of the biggest food producing companies in southeast Europe and some 5,000 employees are on its payroll. In the run-up to the acquisition, Pivac's main rival was Kappa Star, owned by the Serbian businessman Nebojsa Saranovic.

This publication is a compilation of data and information collected from various online sources and databases, such as Croatian Bureau of Statistics, World Bank, International Monetary Fund, Croatian National Bank, HINA (The Croatian News Agency), etc.



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