



Croatia

Land of opportunities

**The Ministry of Tourism of the Republic of Croatia
commissioned this tourism report to Davide Carnevale**



Ministry of Tourism
REPUBLIC OF CROATIA

The aim of this report is to provide an overview on the opportunities that Croatia offers to foreign investors in the tourism sector.

Geography Facts

Region: Southern Europe
Borders: Bosnia Herzegovina, Serbia, Slovenia, Hungary, Montenegro, Adriatic Sea
Climate: Continental, Mediterranean
Surface area (sq km): 4190669
Capital city: Zagreb
Major cities: Split, Rijeka, Osijek, Zadar
Local time: GMT +1



History in brief

Croatia was united in 1848, after the First World War, Croatia became part of the Kingdom of Yugoslavia, which was transformed after 1945 into a Communist federation. After the in which Croatia was one of six republics until 1991. The international community on 15 January 1992 recognized it as an independent state. In 1992, Croatia became a member of the United Nations, in 2009, of NATO. Croatia is the last country that joined in the European Union, on 1 July 2013.

Political facts

Political system: Parliamentary Republic
UN membership date: 22 May 1992
EU member country since: 1 July 2013
President: Kolinda Grabar-Kitarović
Prime minister: Andrej Plenković
Government: conservative political party

Economic facts

(millions of US\$ unless otherwise specified)

Currency: Croatian Kuna HRK
Exchange rate Latest (19 January 2018):
 EUR 1 = HRK 7.4352
 USD 1 = HRK 6.0820
GDP per capita (EUR): 11000
GDP per capita in PPS (Index EU28 = 100): 60 (2016)
Real GDP growth, y-on-y, %: 2.9
Current account balance (% GDP, 2016): 3.9
Foreign direct investment, net inflows (BoP, current US\$): 1,864,321,648
Balance of payments - quarterly data:

2016	1,151.0
2016 1Q	1,585.1
2016 2Q	154.8
2016 3Q	3,319.0
2016 4Q	-695.9
2017 1Q	1,534.7
2017 2Q	136.2

HICP - inflation rate Annual average rate of change (%):

2016	0,60
2015	-0,3
2014	0,2
2013	2,3
2012	3,4
2011	2,2
2010	1,1

Social and population facts

(2016 unless otherwise specified)

Official language: Croatian
Minority Language: English, Serbian, Italian, Czech
Population on 1 January 2017: 4.154.123
Pop. Density: 75.5
Pop. as % of total EU: 0.8 %
Pop. by age group: share of persons aged 15-24 (%): 11.4
Pop. by age group: share of persons aged 80+ (%): 4.8
Total fertility rate (Number of children per woman): 1,40 (2015)
Life expectancy at birth: Men: 77.5 (2015)
Tertiary educational attainment (%): 29.3
People at risk of poverty or social exclusion (%): 27.9
Human Development Index: 0.821 (2015)

Labour market facts

(2016)

Total unemployment rate (%): 7.5
Employment rate – age group 20.64 (%): 61.4 (male 66.2; female 56.6)
Unemployment rate (%): 13.4
Activity rate %:

2016 4Q	65.7
2017 1Q	65.1
2017 2Q	66.6
2017 3Q	67,1



Why invest in Croatia?

Croatia has a unique geographical position, it is the only country in the globe which is central European, Danubian, Pannonian and Mediterranean together. Its location links Europe to the world. Croatia has become to be recognized internationally, in the European and world markets, the determinant factors that can built the pillars of its future success are the modern transport and energy infrastructure, untarnished soil, unpolluted sea and rich sources of fresh water.

Only two or three hours separate Croatia with any European destination with its highly developed road and rail network, and the network of sea, river and airports, as well as inland waterways and intermodal terminals. Possibility of fast and continuous travel are guaranteed by Croatia and by the leading European countries. Croatia is passed by many international transport strips, the broadband Internet covers the entire land, the country is 100% digitalized. At top of the ranking of European countries there is it regarding its highly developed gas distribution network. Because of these factors Croatia represents a perfect transport, communication and energy intermediary, among countries in the region and even between the Mediterranean and the rest of the world.



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A reliable business partner



The shortest route over land and sea are proposed by Croatia connecting Europe and other overseas destinations. Hence, it makes the sea route from Europe to the Middle and Far East advantageous offering up to several days shorter transit times than those of northern European ports.

One of the leading business sectors with growing international visibility and reputation.

- one of the most important tourist destinations on the Mediterranean
- great potential for further development construction of top-class
- accommodation facilities in progress

Investment opportunities:

- nautical tourism
- health tourism
- congress tourism

Tourism the development and profit in one of the fastest growing industries in the world.

1246	Island
70	Marinas
8	National parks
14	Intangible cultural heritage (included in Unesco's heritage list)
8	Cultural and heritaged (included in Unesco's heritage list)



Land connection to all European transport routes

- 26,958 km of roads
- 2,722 km of rail network



Tourism Numbers

Travel receipts
€ 7.96 billion

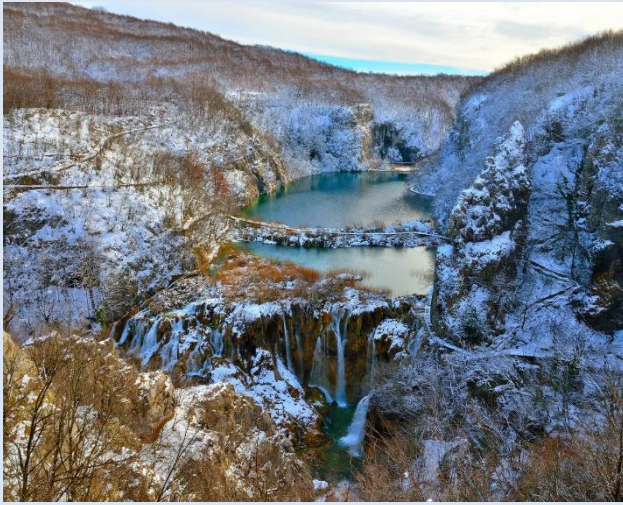
More than
93,000
Employees

65.9 million
Overnight stays (+7.4)

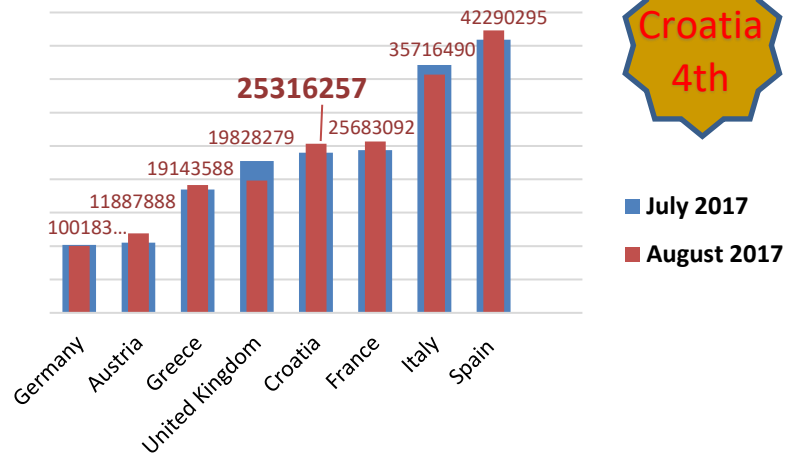
14.3 million
Tourists

More than
15,500
Registered companies

€802
Average gross



Nights spent at tourist accommodation establishments by non residents EU 28



World Bank – Doing Business 2017 Report:

Croatia is ranked at 43rd place out of 190 world countries. Recognized improvements:

- starting up business
- resolving insolvency
- protecting minority investors

WORLD RANKING (OUT OF 185 COUNTRIES):

Relative importance of Travel & Tourism's total contribution to GDP

57
ABSOLUTE
Size in 2016

29
RELATIVE SIZE
Contribution to GDP in 2016

31
GROWTH
2017 forecast

109
LONG-TERM GROWTH
Forecast 2017-2027

TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO GDP



BREAKDOWN OF TRAVEL & TOURISM'S TOTAL CONTRIBUTION TO GDP AND EMPLOYMENT 2016



EUROPE 2020

The Croatia needs tourism for investments and a stronger economic growth, for employment and new job creation and for the overall contribution to the society. With the join in the European Union, the EU Structural Funds granted a significant amount of money that Croatia can use. It has the availability of EUR 1 billion per year since 2014 until 2020. These funds are established to promote medium and small entrepreneurship. Companies established in Croatia by foreign investors are able to compete for the EU funds under equal conditions as national ones. The Ministry of Tourism has started since 2013 to develop its vision of Croatian tourism by 2020. In fact, by 2020 Croatia wants to be globally recognized tourist destination, competitive and attractive to investments. It creates jobs and manages in a sustainable way the development on its entire territory, nurtures the culture of quality, and offers its guests hospitality, safety and authentic attractions and experiences all year round.

The objectives of the tourism development till 2020 are:

- **Investments:** 7 billion Euros worth new investments
- **Upgrading accommodation structure and quality:** increase in hostel's share (from 13% to 18%) and
- **Upgrading the accommodation** in household facilities and camp sites
- **New employment:** creation of 20-22 thousand direct and 10 thousand indirect jobs
- **Increase in the tourist consumption:** total expenditure amounting to 14.3 billion Euros (out of which 12.5 billion Euros by foreign residents).



Development of the products of tourism on offer

- **Development of the products of tourism:** focus on and incentives to the development of diversified products with the aim of cutting down seasonally
- **Accelerating privatization and bringing the state-owned property to use:** brownfield and greenfield
- **Upgrading the accommodation:** new capacity mainly in 4-5* hotels and resorts and small hotels, increasing the quality of family accommodation, enhancing the quality of camp sites.
- **Upgrading other elements of the tourism offer:** Thematic parks, visitors' centers, beaches, footpaths and walkways, retail outlets, entertainment

Tourism products development

- **Re. The sun and sea** – re-positioning by strengthening all the value chain links and extending the season
- **Nautical tourism** – 15,000 new berths, new regulation, focus on ecology
- **Health tourism** – market specialization, networking, upgrading the quality of accommodation
- **Cultural tourism** – keeping up with adding tourism appeal to cultural events, interpretation centres, events
- **MICE tourism** – infrastructure (congress centres), management, air connections
- **Golf tourism**– infrastructure (courses) at the most prominent destinations, golf resorts
- **Cycle tourism**
- **Wine and gastro-tourism**
- **Rural and mountain tourism**
- **Adventure and sports tourism**

Inspiring Investment Environment

The law established by the Republic of Croatia guarantees the same rights Croatian and foreign investors and ensures free transfer of return on equity from the country upon completion of investment. Croatia has made agreements with over 50 countries to avoid double taxation and continuously wants to enhance the investment climate. Croatia offers several incentives for business activities to investors, such as tax incentives, incentives for employment and education, and additional incentives for investment in areas of special state concern.

There are other incentives provided by Croatia to its investors for example to found and advance technology centres, strategic business support and high value-added services, and as last but not the least tourist activities.

- Minimum investment is 150,000 euros and opening of 5 new workplaces and for micro entrepreneurs 50,000 euros and opening of 3 new workplaces.
- Special and additional incentives are offered for investments of minimum 13,000,000 euros and opening of 10 highly skilled new workplaces as well as for investments over 50,000,000 euros.



Depending on the amount of investment and the number of newly created workplaces, investors are granted the following incentives:

- **Tax incentives:** Partial or full exemption from profit tax in the period of up to 10 years, depending on the amount of investment
- **Employment incentives:** Up to 9,000 euros per employee, depending on unemployment rates in the investment area
- **Grants:** Coverage of up to 70% of employee's training costs, depending on the type of training and the size of the business 18% and 12% regular profit tax rate → 10 - 0% profit tax rate for investors

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