

Croatia: Market Profile

Major Economic Indicators

	2015	2016	2017**
Population (000)	4,204	4,170#	4,158
GDP (US\$ bn)	48.676	50.441#	50.084
Real growth (%)	1.6	2.9#	2.9
GDP per capita (US\$)	11,579	12,095#	12,046
Inflation - CPI index	-0.5%	-1.1%#	1.1%
Unemployment rate	17.1%	15.0%#	13.9%
Exports (US\$ bn)	12.941	13.736	N.A.
YoY growth (%)	-6.6	6.1	N.A.
Imports (US\$ bn)	20.597	21.688	N.A.
YoY growth (%)	-9.6	5.3	N.A.
Average exchange rate (Kuna per US\$)	6.862	6.804	6.826##

Note: # estimate, ## Jan-Jul 2017, ** forecast

Source: IMF, WTO, Croatian National Bank

- Located in Southeast Europe, Croatia is bordered by Italy, Slovenia, Hungary, Serbia, Bosnia and Herzegovina and Montenegro. With three major Pan-European corridors (X, V and VII) crossing through it, Croatia provides one of the shortest routes linking Western Europe with Asia, Eastern Europe and the Mediterranean. This advantageous geo-strategic position, coupled with lower operating costs compared to the majority of other EU members, has made Croatia increasingly attractive as an investment destination in Europe.
- Croatia acceded to the EU in 2013, signifying the latest enlargement of the EU. With its accession to the EU, Croatia has been granted an opportunity to use considerable amounts of money from the EU Structural Funds. Starting from 2014 around €1 billion per year has been made available.
- Tourism dominates the Croatian economy and accounts for up to 20% of the Croatian GDP. In the summer months, Croatia's population is usually doubled by tourists visiting from throughout Europe and the world. Other key economic sectors include information technology, automotive, food, pharmaceuticals, logistics, metals and textiles.
- Croatia's economy is heavily dependent on Zagreb, the capital and largest city of the country. It is estimated that Zagreb accounts for more than 50% of the country's output and nearly 40% of the exports. As the junction of trade covering Central Europe, the Mediterranean and the Balkans, most of the industrial and service activities are clustered in Zagreb, where more than one-third of the companies operating in Croatia are headquartered and about 40% of the working population lives.



- With respect to investment, Croatia encourages specialisation in a number of key industries including tourism, ICT, automotive, food, pharmaceutical, logistics, metal and textiles, while the country also looks to strengthen competitiveness in industries such as food processing, wood processing, creative and cultural, defence, construction, electrical and mechanical machinery and technology, chemical and maritime.
- To promote Croatia as a desirable investment destination, the Croatian government has put in place incentive measures for investment projects in manufacturing and processing, development and innovation, business support and high added value activities. Key measures other than profits tax reduction include incentives for eligible costs of new jobs or training linked to investment projects and non-repayable grants for the purchase of plant/machinery. More information can be found at the [Agency for Investments and Competitiveness \(AIK\)](#).
- The inflows of foreign direct investment (FDI) to Croatia amounted to US\$270 million in 2015. As of the end of 2015, China's total stock of FDI to Croatia totalled US\$12 million, up from US\$0.8 million in 2006. While investment from Hong Kong is far from significant, Hong Kong signed the [Air Services Income Agreement](#) with Croatia in June 2002, which became effective in August 2004.

Hong Kong's Trade with Croatia

(US\$ million)	2015		2016		Jan-Jun 2017	
	Value	Growth	Value	Growth	Value	Growth
Total Exports	33.612	-14.5	47.481	+41.3	23.327	+16.5
Domestic exports	0.103	+146.6	0.041	-59.6	0.007	-79.5
Re-exports	33.510	-14.7	47.440	+41.6	23.320	+16.6
Imports	6.916	-27.3	6.933	+0.2	16.158	+434.1
Total Trade	40.529	-17.0	54.414	+34.3	39.486	+71.3

Source: Hong Kong Trade Statistics, Census & Statistics Department

More Information

More information on the Belt and Road countries' economic and investment environment, tax and other subjects that are important in considering investment and doing business are available in [The Belt and Road Initiative: Country Business Guides](#).

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