

FOCUS ON INTERNATIONAL TRADE**CROATIA****THE REPUBLIC OF CROATIA TODAY**

Location	The Republic of Croatia is situated in south-eastern Europe and has a long western coastline on the Adriatic Sea. It is bordered to the north-west by Slovenia, to the north-east by Hungary and to the east by Vojvodina area of Serbia (Serbia and Montenegro). Bosnia and Herzegovina abuts into Croatia, forming a southern border along the Sava river. The Croatian territory of Dubrovnik (formerly known as Ragusa), which is situated at the southern tip of the narrowing stretch of Croatia (beyond a short coastal strip of Bosnia and Herzegovina), has a short border with Montenegro.
Size	56,594 Sq. K.M. (21,851 Sq Miles), Land: 56,414 sq. km. and water: 128 sq. km.
Geographic coordinate	45 ⁰ 10" north of the Equator and 15 ⁰ 30" east of the Prime Meridian.
Geography note	Croatia controls most land routes from Western Europe to Aegean Sea and Turkish Straits; the vast majority of Adriatic Sea islands lie off the coast of Croatia—some 1,200 islands, islets ridges, and rocks.
Land boundaries	Total: 2,197 km. Border countries: Bosnia and Herzegovina 932 km, Hungary 329 km, Serbia 241 km, Montenegro 25 km, and Slovenia 670 km.
Coastline	5,835 km. (Mainland 1,777 km, islands 4,058 km.)
Maritime claims	Territorial sea: 12 nm, continental shelf: 200-m depth or to the depth of exploitation.
Population	4,188,853 estimated for 2022.
Population Density	80 per sq. km. estimated.
Population growth rate	-0.47% estimated for 2022.
Literacy rate	Total population: 99.3%, male: 99.7% and female: 98.9%.(2015).
Life expectancy at birth	Total population: 77.22 years, male: 74.1 years and female: 80.53 years estimated for 2022.
Birth rate	8.65 births/1,000 populations estimated for 2022.
Death rate	12.88 deaths/1,000 populations estimated for 2022.
Net migration rate	-0.5 migrant(s)/1,000 populations estimated for 2022.
Government	Presidential/ Parliamentary Democracy
Capital City	Zagreb
Other Large Cities	Split, Rijeka, Osijek, Zadar, Slavonski Brod, Pula, Karlovac, Sesvete, Varazdin, Sibenik, Sisak, Velika Gorica, Vinkovei, Dubrovnik, Vukovar, Bjelovar, Koprivanica, Pozega and Dakoyo.
Religion	There were Roman Catholic 87.8%, Orthodox 4.4%, other Christian 0.4%, Muslim 1.3%, other and unspecified 0.9%, none 5.2% in Croatia according to 2001 census.
Language	Croatian (96.1%).
Climate	The climate is continental in the hilly interior and Mediterranean on the coast. There is steady rainfall throughout the year, although summer is the wettest season. The average annual rainfall in Zagreb is 890 mm (35 ins).
International Relations	Croatia is a member of the UN, WTO, BIS, NATO Partnership for Peace, the Council of Europe, OSCE, the Central European Initiative, the Danube Commission, the Inter-American Development Bank and the IOM.
Internet domain	.hr
International dialing code	+385
Currency	The unit of currency is the Croatian kuna of 100 lipa (HRK).

NATIONAL ECONOMY

The Croatian economy has been subjected to severe stress, but is showing its resilience. The pandemic and two devastating earthquakes led to a 8.0 percent drop in activity in 2020, reflecting lower domestic and external demand—particularly, a drop of some 60 percent in tourism receipts (yoy). Ample support of fiscal and monetary policy, coupled with appropriate relaxation of supervisory requirements, helped to contain the effects of the pandemic. The financial position of the government was somewhat alleviated by the EU funds (loans, transfers) that have financed most of the fiscal support measures. The CNB intervened in the currency market and mitigated tensions in the domestic bond market through purchases of government securities (about 5.5 percent of GDP). It also lowered reserve requirements and conducted repo operations. Markets calmed, not least after a €2 billion SWAP arrangement with the ECB was announced in mid-April 2020. External indicators held up relatively well, the current account posted a small 0.4 percent deficit in 2020, despite the collapse in tourism receipts. However, gross public and external debt climbed by almost 16 and 6 percentage points, respectively, causing a reversal of earlier gains. Inflation has remained benign, despite a recent uptick.

A robust bounce back is projected for 2021 and 2022, of 5.4 and 5.8 percent growth respectively driven by a rebound in the services sector (assuming $\frac{2}{3}$ and nearly full recovery of tourist arrivals in 2021, and 2022 respectively), and investment which will be bolstered by large EU investment grants over the medium-term. Over the medium term, growth is projected to ease closer to 3 percent. Inflation is projected to pick up and stay at 2 percent through 2023, in line with the ECB inflation target. There are large risks on both sides, including from virus mutations in the near-term which could result in significant economic scarring. Medium-term growth would be substantially lower if the pace of recovery in EU trading partners is lower than expected, if EU funds are not effectively absorbed and/or if promised complementary reforms remain challenging to deliver. On the upside, a more rapid and successful vaccination campaign would enable a quicker return to the health of the population and the economy. Over the medium-term, the positive effects of green investments and digitalization may be greater than projected.

Executive Board Assessment

In the course of Article IV consultation between IMF and Croatia, Executive Directors of the IMF welcomed the swift measures taken to combat the COVID-19 pandemic thus building the foundations for the projected recovery, underpinned by tourism and investment.

Directors welcomed the authorities' efforts to balance the pandemic recovery with fiscal prudence while remaining vigilant to support the nascent recovery as needed. They stressed that it will be important to avoid further tax cuts to conserve fiscal resources and to firmly place public debt levels on a downward trajectory over the medium term.

Directors called for an accelerated implementation of structural reforms and the need to increase the capacity to absorb EU structural funds, in particular in the area of public investment management. Such reforms are essential to make progress toward the goal of closing the income gap to the EU average and to achieve the desired decarbonization, digitalization, and diversification of the economy. In this context, they also welcomed the authorities' plans to implement a civil service remuneration system that rewards productivity, as well as the merging of healthcare services across sub-national governments.

Directors considered that monetary policy had been appropriately accommodative within the limits of the exchange rate anchor and ample global liquidity. They welcomed ERM II membership in July 2020, in the context of the authorities' strategic priority of euro adoption. Noting the benefits of euro adoption, Directors welcomed the authorities' strong commitment to observe the convergence criteria and to improve the AML/CFT framework and SOE governance.

Directors stressed the need to remain vigilant to financial and banking sector risks with the expiration of the regulatory easing introduced in line with the European Banking Authority guidelines to mitigate the impact of the pandemic. They welcomed the decision to facilitate write-offs of NPLs and efforts to strengthen the insolvency framework. Directors urged the authorities to

remain particularly vigilant over credit developments in the real estate market and stand ready to absorb excess liquidity and impose adequate macro prudential measures if needed.

Croatia: Selected Economic Indicators, 2016-26											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
						Proj.					
Output, unemployment, and prices	(Percent change, annual average, unless otherwise indicated)										
Real GDP growth	3.5	3.4	2.8	2.9	-8.0	5.4	5.8	4.0	3.3	3.2	3.1
Contributions:											
Domestic demand	3.2	4.2	4.6	2.7	-2.3	3.9	6.5	4.9	3.1	1.7	1.7
Net exports	0.3	-0.7	-1.9	0.2	-5.8	1.5	-0.7	-0.9	0.2	1.5	1.4
Unemployment	15.0	12.4	9.9	7.8	9.0	8.5	8.0	7.7	7.2	7.0	6.8
CPI inflation (avg.)	-1.1	1.1	1.5	0.8	0.1	1.8	1.9	2.0	2.0	2.0	2.0
Saving and investment (percent of GDP)											
Domestic investment	21.0	22.0	23.4	22.6	25.6	26.4	27.2	28.0	28.5	27.6	27.0
Domestic saving	23.2	25.5	25.3	25.7	25.3	25.8	25.9	26.8	27.7	27.2	26.8
Government	3.5	4.4	5.0	5.7	-1.1	1.4	2.6	3.5	4.3	4.9	5.1
Nongovernment	19.7	21.1	20.2	20.0	26.3	24.4	23.4	23.2	23.4	22.3	21.7
Government Sector (ESA 2010 definition)											
General government revenue	46.5	46.0	46.2	47.5	48.0	51.2	52.4	52.1	50.5	48.8	48.1
General government expenditure	47.4	45.2	46.0	47.2	55.4	55.3	55.3	54.1	51.7	49.4	48.5
General government balance	-1.0	0.8	0.2	0.4	-7.4	-4.1	-2.9	-1.9	-1.2	-0.5	-0.4
Structural balance 1/	-1.0	0.8	1.5	0.5	-5.7	-3.2	-2.6	-1.8	-1.1	-0.5	-0.4
General government debt 2/	80.8	77.5	74.2	72.8	88.7	87.6	84.4	81.6	78.9	76.1	73.3
Balance of payments (percent of GDP)											
Current account balance	2.2	3.5	1.8	3.0	-0.4	-0.6	-1.2	-1.2	-0.8	-0.4	-0.2
Capital and financial account	-2.3	1.5	0.8	-1.0	2.4	7.0	4.3	3.6	2.0	0.9	0.5
FDI, net	4.3	2.3	1.6	6.3	1.6	1.9	1.8	1.8	1.8	1.8	1.8
Debt and reserves											
Gross official reserves (billions of euros)	13.5	15.7	17.4	18.6	18.9	22.3	24.0	25.4	26.1	26.4	26.6
IMF metric (percent) 3/	88.5	102.0	112.4	103.4	125.6	138.9	143.2	147.2	146.9	145.7	144.4
In months of imports in goods and services (based on next year level)	7.5	7.8	7.9	7.9	9.3	9.7	8.8	8.6	8.3	8.0	7.6
Total external debt (percent of GDP)	95.8	88.4	81.9	74.2	81.3	79.4	75.0	71.0	67.9	65.3	63.1

Money and credit	(End of period, change in percent)										
Broad money (M4)	4.7	2.1	5.5	2.9	9.3	7.0	5.0	4.5	4.0	4.0	4.0
Claims on other domestic sectors 4/	-3.4	-0.8	1.8	2.6	3.3	--	--	--	--	--	--
Interest rates											
Average 12-month T-bill interest rate (in kuna)	1.0	0.4	0.1	0.1	0.1	--	--	--	--	--	--
Kuna credit rate (unindexed, outstanding amount)	6.5	6.0	5.7	5.2	4.8	--	--	--	--	--	--
Exchange rate											
Kuna per euro	7.6	7.5	7.4	7.4	7.5	--	--	--	--	--	--
Real effective exchange rate (percent, "-" = appreciation)	0.3	0.7	1.9	-1.4	--	--	--	--	--	--	--
Memorandum items:											
Nominal GDP (billions of euros)	46.6	49.3	52.0	54.3	49.3	52.4	56.2	59.8	63.0	66.0	69.1

Sources: Croatian authorities; and IMF staff estimates. Unemployment rate is from Croatian Bureau of Statistics and Haver Analytics.

1/ Based on a simplified approach to the cyclically-adjusted balance, in percent of potential GDP, excluding capital transfers to public enterprises and one-off investment retrenchment in 2015. The 2020 overall budget balance (-7.4 percent of GDP) minus the cyclical component (-1.7 percent of GDP) results in a cyclically adjusted budget balance of -5.7 percent of GDP. Includes the one-offs related to the COVID-19 package of -3.8 percent of GDP. For 2021, the overall budget balance (-4.1 percent of GDP) minus the cyclical component (-0.9 percent of GDP) results in a cyclically adjusted budget balance of -3.2 percent of GDP. Includes the one-offs related to the COVID-19 package of -2.5 percent of GDP.

2/ Gross debt as defined by the EU under the Maastricht Treaty.

3/ IMF, 2015, "Assessing Reserve Adequacy-Specific Proposals" IMF Policy Paper, Washington: International Monetary Fund.

4/ Comprises claims on households and non-financial corporations.

"NATIONAL ECONOMY" is based on IMF Executive Board Concludes 2021 Article IV Consultation with Croatia September 10, 2021.

FOREIGN TRADE

Croatia's total exports in 2017 were of the order of US\$ 15,732 million. It increased to US\$ 21,828 million in 2021. Exports during the period from 2017 to 2021, in terms of percentage, grew highest (28.47%) in 2021 and fell maximum (-9.39%) in 2018 in comparison with 2020 and 2017 respectively. The annual average compound rate of growth worked out at 8.53%.

Imports, on the other hand, were of the order of US\$ 33,735 million in 2021 while in 2017 it was US\$ 24,513 million. Imports during the period from 2017 to 2021, in terms of percentage, grew highest (29.27%) in 2021 and fell maximum (-6.81%) in 2020 as compared to 2020 and 2019 respectively. The annual average compound growth rate worked out at 8.31%.

Volume of trade registered an annual average (compound) rate of growth of 8.42% from US\$ 40,245 million in 2017 to US\$ 55,563 million in 2021.

Croatia faced a deficit balance of trade payment during the said period.

Croatia's export and import, volume and balance of trade between 2017 and 2021 along with their growth rates are given in **Table-I**.

Ships are the Croatia's major export (13.6% of total export), while other commodities fall close behind, including refined petroleum products (8.1%), polymers (2.9%), men's outwear (3.4%), and women's outwear (2.6%). Croatia's diverse export market also includes various chemicals, foodstuff, and raw materials.

Croatia has free trade agreements with EU, EFTA countries (Norway, Iceland, Liechtenstein, and Switzerland), CEFTA countries (Slovenia, Poland, Czech Republic, Slovakia, Hungary, Romania, and Bulgaria), and with Albania, Bosnia and Herzegovina, Serbia and Montenegro, Lithuania, Macedonia, Turkey, and Moldova. There are international airports at Zagreb (Pleso), Split and Dubrovnik. The national carrier is Croatia Airlines. The main port is Rijeka, which handled 8.9m. tonnes of freight in 2000. There were 168 ocean-going vessels in 1995, totalling 3.29m. DWT. 132 of the vessels (94.09% of tonnage) were registered under foreign flags.

BILATERAL TRADE WITH INDIA

Indo-Croatia bilateral trade in 2017-18 was of the order of Rs.1293.52 crores. It increased to Rs. 4142.22 crores in 2021-22. The annual compound growth rate of volume of trade during the period from 2017-18 to 2021-22 was 33.77. India enjoyed a surplus balance of trade in the said period. The average annual compound growth rates of exports and imports worked out at 35.83% and 20.95% respectively.

India's exports to, and imports from Croatia of Merchandise Goods between 2017-18 and 2021-22 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Croatia, during 2017-22 to 2021-22, along with their growth rates are depicted in **Table III & IV** respectively.

SOME IMPORTANT LINKS

Embassy of the Republic of Croatia

A-15, West End
New Delhi-110021

Telephone: +91-11- 5166 3101,2,3

Fax: +91-11-2687-6873, 5166 3100

Embassy of India, Zagreb

Kulmerska 23A,
10000 Zagreb,
Croatia.

Telephone: 00-385-1-4873239 / 40 / 41, 4873250 (HOC)

Fax: 00-385-1-4817907

E-Mail: embassy.india@zg.htnet.hr (General);

amb.zagreb@mea.gov.in (Ambassador),

hoc.zagreb@mea.gov.in (SS & HOC)

Web: www.indianembassy.hr

Names and addresses of the organizations engaged in foreign trade in Croatia are:-

Ministry of Economy
Ulica Grada Vukovara 78/IV
10000 ZAGREB
Tel: (003851) 6106114
Fax: (003851) 6109120
Email: info@mingo.hr
URL: <http://www.mingo.hr>

Croatian Chamber of Economy
Rooseveltovej trg 2
P.O. Box 630
10000 ZAGREB
Tel: (003851) 4561555
Fax: (003851) 4828380
Email: hgk@hgk.hr
URL: <http://www.hgk.hr>

Ministry of Foreign Affairs
Trg Nikole Subica Zrinskog 7-8
10000 ZAGREB
Tel: (003851) 4569964
Fax: (003851) 4551795
Email: mvp@mvp.hr
URL: <http://www.mvp.hr>

**Croatian Information
Documentation**
Referral Agency (HIDRA)
Trg Marsala Tita 3
P. O. Box 327
10000 ZAGREB
Tel: (003851) 4855827
Fax: (003851) 4855655
Email: ured@hidra.hr
URL: <http://www.hidra.hr>

Source: The Statesman Year Book, the Europa World Year Book,
Monthly Bulletin on Statistics UN Publication, IMF,
the World Fact Book, World Development Indicator, MEA,
and D.G.C.I & S etc.

"NOTICE"

Rights of permission for reproduction in part or entirely of these official papers published in the Indian Trade Journal is reserved by the Directorate General of Commercial Intelligence & Statistics, Kolkata – 700 107.

TABLE I
CROATIA 'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE
BETWEE 2017 TO 2021.

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2017	15732.00		24513.00		40,245		-8781
2018	17210.00	9.39	28113.00	14.69	45,323	12.62	-10903
2019	17063.00	-0.85	28004.00	-0.39	45,067	-0.56	-10941
2020	16991.00	-0.42	26096.00	-6.81	43,087	-4.39	-9105
2021	21828.00	28.47	33735.00	29.27	55,563	28.96	-11907

Annual Compound Growth Rate **8.53** **8.31** **8.40**

NOTE : Figures relate to calendar year, January to December.

SOURCE : *UN COMTRADE PUBLICATION*

TABLE - II

INDIA'S EXPORT TO AND IMPORT FROM CROATIA OF MERCHANDISE GOODS DURING 2017-2018 TO 2021-2022

(Value in CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017-18	1087.04		206.48		1293.52		880.56
2018-19	1074.35	-1.17	268.47	30.02	1342.82	3.81	805.88
2019-20	1048.59	-2.40	403.46	50.28	1452.05	8.13	645.13
2020-21	1056.48	0.75	315.49	-21.80	1371.97	-5.51	740.99
2021-22	3700.28	250.25	441.94	40.08	4142.22	201.92	3258.34

**Annual
Compound
Growth
Rate**

35.83

20.95

33.77

NOTE : Figures relate to Financial Year April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics,
Ministry of Commerce & Industry, Kolkata 700 107.

TABLE -III
INDIA'S MAJOR MERCHANDISE EXPORT TO CROATIA

2017-2018 TO 2021-2022 AND THEIR GROWTH RATES

**(Value in
Rs.CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Alumunium & Products of Alumunium	0.38	0.47	0.74	0.32	2176.65	23.68	57.45	-56.76	680103.13
	Share in total export	0.03	0.04	0.07	0.03	58.82				
2	Iron Ore					235.29				
	Share in total export					6.36				
3	Residl. Chemicals And Allied Products	308.39	230.32	255.27	242.15	182.79	-25.32	10.83	-5.14	-24.51
	Share in total export	28.37	21.44	24.34	22.92	4.94				
4	Bulk Drugs, Drugs Intermediates	100.16	154.45	168.68	151.88	108.15	54.20	9.21	-9.96	-28.79
	Share in total export	9.21	14.38	16.09	14.38	2.92				
5	Ceramics And Allied Products	5.04	13.42	23.86	48.78	84.04	166.27	77.79	104.44	72.28
	Share in total export	0.46	1.25	2.28	4.62	2.27				
6	Drug Formulations, Biologicals	87.29	35.09	34.85	46.81	74.72	-59.80	-0.68	34.32	59.62
	Share in total export	8.03	3.27	3.32	4.43	2.02				
7	Coffee	30.17	47.47	47.99	45.30	65.12	57.34	1.10	-5.61	43.75
	Share in total export	2.78	4.42	4.58	4.29	1.76				
8	Granit. Natural Stones & Products	41.76	57.34	45.17	41.64	58.19	37.31	-21.22	-7.81	39.75
	Share in total export	3.84	5.34	4.31	3.94	1.57				
9	Electronic Components	34.31	24.43	32.42	38.34	53.12	-28.80	32.71	18.26	38.55
	Share in total export	3.16	2.27	3.09	3.63	1.44				
10	Tobacco Manufactures				0.20	44.34				22070.00
	Share in total export				0.02	1.20				
	Total export to CROATIA	1087.04	1074.35	1048.59	1056.48	3700.28	-1.17	-2.40	0.75	250.25

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV
INDIA'S MAJOR MERCHANDISE IMPORT FROM CROATIA
2017-2018 TO 2021-2022 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Indl. Machinery For Dairy Etc.	45.59	18.25	208.12	99.18	118.85	-59.97	1040.38	-52.34	19.83
	Share in total imports	22.08	6.80	51.58	31.44	26.89				
2	Ship, Boat & Floating Structures	76.25	110.53		21.21	107.51	44.96	-100.00		406.88
	Share in total imports	36.93	41.17		6.72	24.33				
3	Elec. Machinery And Equipments	10.18	5.68	34.04	53.77	65.47	-44.20	499.30	57.96	21.76
	Share in total imports.	4.93	2.12	8.44	17.04	14.81				
4	Plywood And Allied Products	6.30	6.18	8.49	6.34	11.80	-1.90	37.38	-25.32	86.12
	Share in total import	3.05	2.30	2.10	2.01	2.67				
5	Machine Tools	0.83	3.85	4.72	0.35	10.23	363.86	22.60	-92.58	2822.86
	Share in total import	0.40	1.43	1.17	0.11	2.31				
6	Inorganic Chemicals	0.78	48.69	46.00	13.90	7.59	6142.31	-5.52	-69.78	-45.40
	Share in total import	0.38	18.14	11.40	4.41	1.72				
7	Residual Chemicals and Allid. Prods.	10.46	7.60	13.41	52.88	6.96	-27.34	76.45	294.33	-86.84
	Share in total import	5.07	2.83	3.32	16.76	1.57				
8	Ayuse And Herbal Products	4.80	5.90	4.56	4.88	6.22	22.92	-22.71	7.02	27.46
	Share in total import	2.32	2.20	1.13	1.55	1.41				
9	Cemnt. Clinkr. & Asbestos Cmnt.	6.39	5.10	5.20	3.50	6.05	-20.19	1.96	-32.69	72.86
	Share in total import	3.09	1.90	1.29	1.11	1.37				
10	Misc. processed Items		0.52	0.85		5.87		63.46	-100.00	
	Share in total import		0.19	0.21		1.33				
	Total import from CROATIA	206.48	268.47	403.46	315.49	441.94	30.02	50.28	-21.80	40.08

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.