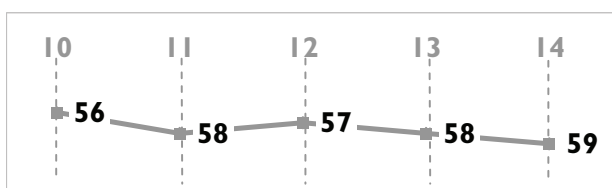


# CROATIA

## OVERALL PERFORMANCE



## CHALLENGES IN 2014

- Streamline inefficient public administration at all levels, and reduce barriers to foreign direct investment.
- Decrease business tax burden, especially in terms of parafiscal fees and hidden costs.
- Reform education sector, focusing on skills applicable to future market needs.
- Increase and reform public R&D investment, mandating much higher % of research to be commercially driven.
- Insist on coordination in introducing Triple Helix mode of collaboration between university, business and government.

Provided by :

National Competitiveness Council

## BASIC FACTS

	Zagreb	Rank
Capital	Zagreb	
Land area (km <sup>2</sup> '000)	56.6 (2013)	-
Exchange rate (per \$)	5.71 (2013)	-
Population (millions)	4.26 (2013)	53
GDP (\$ billions)	57.5 (2013)	53
GDP (PPP) per capita (\$)	20,808 (2013)	41
Real GDP growth (%)	-1.0 (2013)	54
Consumer Price Inflation (%)	2.2 (2013)	36
Unemployment rate (%)	17.2 (2013)	57
Labor force (millions)	1.68 (2013)	52
Current Account Balance (%)	1.3 (2013)	27
Direct Investment		
Stocks Inward (\$ billions)	31.6 (2012)	52
Flows Inward (% of GDP)	1.0 (2013)	45

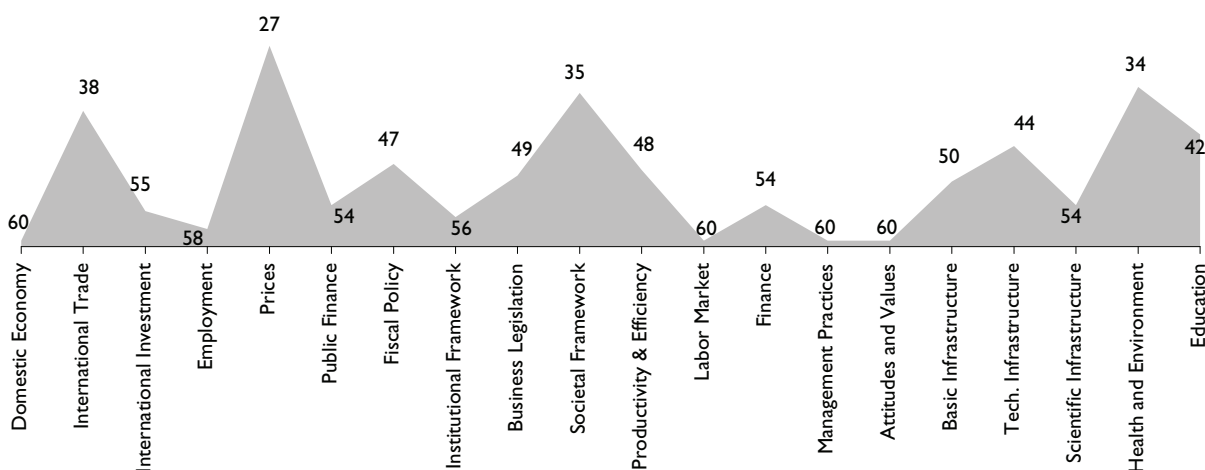
## COMPETITIVENESS LANDSCAPE

### ECONOMIC PERFORMANCE

### GOVERNMENT EFFICIENCY

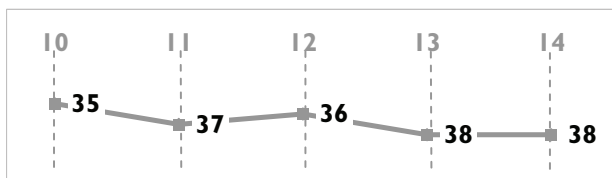
### BUSINESS EFFICIENCY

### INFRASTRUCTURE

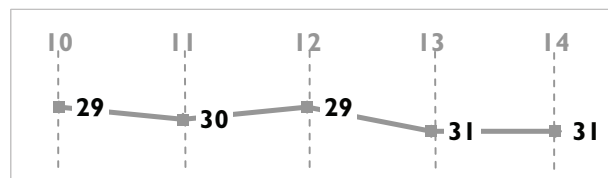


## PEER GROUP RANKINGS

### EUROPE - MIDDLE EAST - AFRICA



### POPULATIONS < 20 MILLION



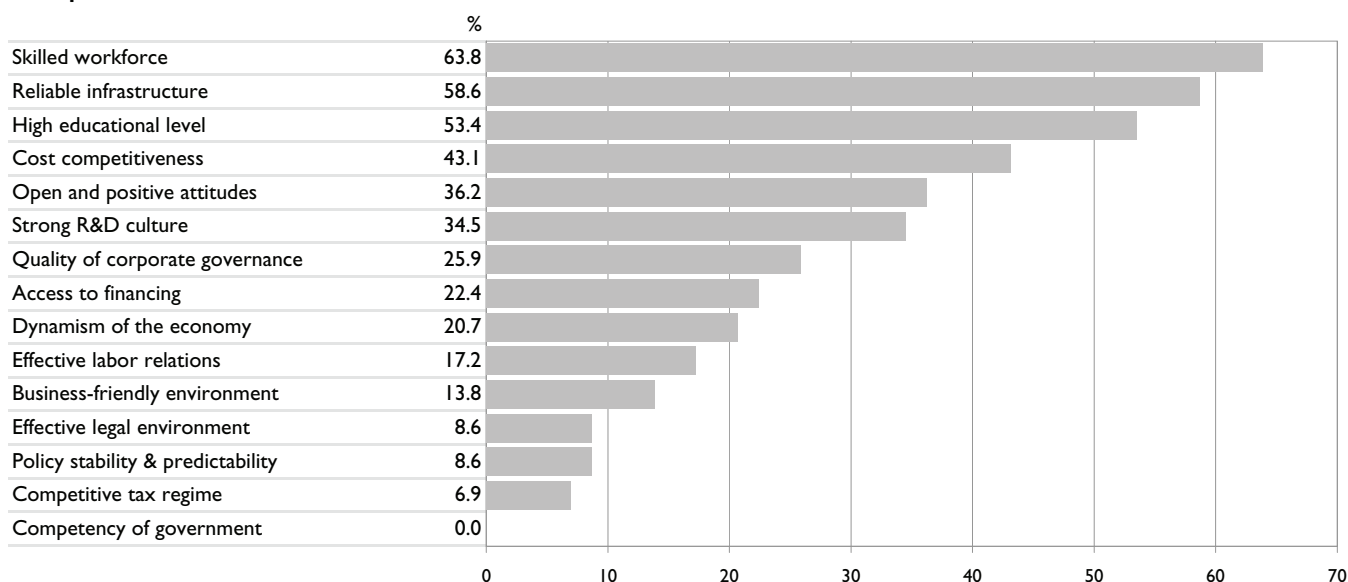
## COMPETITIVENESS EVOLUTION

The criteria below highlight the 15 biggest Improvements and the 15 biggest Declines in the overall performance of the economy. They are determined by the largest percentage changes in the value of each criterion from one year to the next.

IMPROVEMENTS		WCY 2013	WCY 2014	DECLINES		WCY 2013	WCY 2014
1.2.02	Current account balance (%)	0.08	1.30	1.3.01	Direct investment flows abroad (\$bn)	-0.10	-0.18
2.3.07	Exchange rate stability	0.068	0.028	2.1.02	Government budget surplus/deficit (%)	-3.30	-6.01
1.1.15	Real GDP growth per capita	-1.68	-0.74	1.3.02	Direct investment flows abroad (%)	-0.18	-0.31
1.1.14	Real GDP growth	-2.0	-1.0	4.3.15	Patent applications per capita	8.55	3.02
4.2.01	Investment in telecommunications (%)	0.48	0.69	1.3.06	Direct investment flows inward (%)	2.21	1.01
2.3.12	Bureaucracy (Survey)	0.71	0.96	1.3.05	Direct investment flows inward (\$bn)	1.25	0.58
1.5.01	Consumer price inflation	3.4	2.2	2.4.08	Government subsidies (%)	1.48	2.05
2.5.03	Ageing of society (Survey)	1.56	2.07	2.3.01	Real short-term interest rate	3.45	4.70
4.2.22	High-tech exports (%)	7.56	9.91	2.3.09	Adaptability of government policy (Survey)	2.00	1.38
3.5.05	Need for economic and social reforms (Surv	2.90	3.72	4.5.13	Science in schools (Survey)	3.76	2.86
2.4.10	State ownership of enterprises (Survey)	3.28	4.18	1.4.08	Youth unemployment	41.25	50.42
2.3.06	Foreign currency reserves (\$bn)	14.80	17.77	2.1.09	Public finances (Survey)	2.51	2.00
2.4.17	Labor regulations (Survey)	2.43	2.86	2.3.11	Transparency (Survey)	4.04	3.28
2.4.02	Customs' authorities (Survey)	3.80	4.42	2.1.11	Pension funding (Survey)	2.71	2.21
3.2.07	Labor relations (Survey)	3.92	4.49	3.2.22	Foreign high-skilled people (Survey)	2.12	1.76

## KEY ATTRACTIVENESS INDICATORS

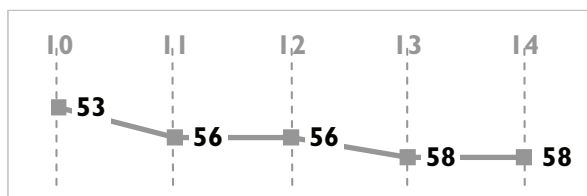
From a list of 15 indicators, respondents of the Executive Opinion Survey were asked to select 5 that they perceived as the key attractiveness factors of their economy. The chart shows the percentage of responses per indicator from the highest number of responses to the lowest.



# CROATIA



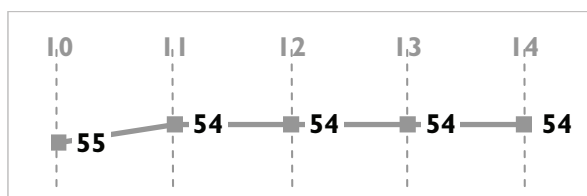
## ECONOMIC PERFORMANCE



Sub-Factor Rankings :	2013	2014
Domestic Economy	59	60
International Trade	44	38
International Investment	54	55
Employment	57	58
Prices	22	27



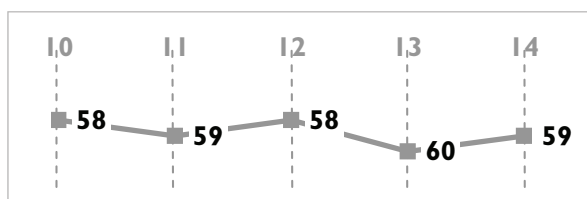
## GOVERNMENT EFFICIENCY



Sub-Factor Rankings :	2013	2014
Public Finance	42	54
Fiscal Policy	46	47
Institutional Framework	56	56
Business Legislation	50	49
Societal Framework	39	35



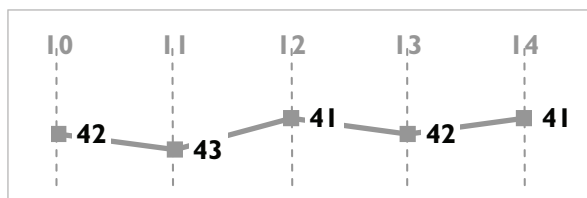
## BUSINESS EFFICIENCY



Sub-Factor Rankings :	2013	2014
Productivity & Efficiency	49	48
Labor Market	59	60
Finance	53	54
Management Practices	60	60
Attitudes and Values	60	60



## INFRASTRUCTURE



Sub-Factor Rankings :	2013	2014
Basic Infrastructure	49	50
Technological Infrastructure	45	44
Scientific Infrastructure	51	54
Health and Environment	36	34
Education	43	42

## CROATIA

**STRENGTHS****Economic Performance**

1.2.25 Tourism receipts (%)	1
1.2.13 Exports of commercial services (%)	7
1.5.02 Cost-of-living index	10
1.2.18 Export concentration by product	17
1.3.08 Direct investment stocks inward (%)	17
1.5.06 Gasoline prices	22

**Government Efficiency**

2.4.01 Tariff barriers	12
2.3.07 Exchange rate stability	16
2.2.08 Corporate tax rate on profit	16
2.2.01 Collected total tax revenues (%)	21
2.5.06 Gini index	21
2.4.15 Start-up days	24
2.2.11 Employer's social security contribution rate	30
2.4.20 Redundancy costs	30
2.4.05 Foreign investors (S)	31
2.4.16 Start-up procedures	32

**Business Efficiency**

3.2.04 Remuneration of management (\$)	8
3.2.06 Working hours	14
3.2.16 Female labor force (%)	23
3.2.01 Compensation levels (\$)	25
3.2.03 Remuneration in services professions (\$)	26

**Infrastructure**

4.5.05 Pupil-teacher ratio (secondary education)	3
4.2.01 Investment in telecommunications (%)	5
4.4.11 Health problems (S)	14
4.2.11 Fixed broadband tariffs	15
4.5.04 Pupil-teacher ratio (primary education)	21
4.5.03 Total public expenditure on education per pupil	24
4.5.06 Secondary school enrollment (%)	25
4.1.10 Dependency ratio	25
4.2.05 Mobile telephone costs	26
4.5.01 Total public expenditure on education (%)	26

**WEAKNESSES****Economic Performance**

1.1.19 Resilience of the economy (S)	60
1.1.13 Diversification of the economy (S)	59
1.2.08 Exports of goods (\$bn)	58
1.4.02 Employment (%)	58
1.4.06 Unemployment rate	57
1.3.02 Direct investment flows abroad (%)	57
1.4.08 Youth unemployment	55
1.1.14 Real GDP growth	54
1.3.03 Direct investment stocks abroad (\$bn)	53
1.3.05 Direct investment flows inward (\$bn)	53

**Government Efficiency**

2.3.09 Adaptability of government policy (S)	59
2.5.03 Ageing of society (S)	59
2.3.01 Real short-term interest rate	58
2.2.13 Real corporate taxes (S)	58
2.3.02 Cost of capital (S)	57
2.4.13 Ease of doing business (S)	57
2.3.08 Legal and regulatory framework (S)	57
2.2.10 Employee's social security contribution rate	56
2.3.03 Interest rate spread	56
2.3.12 Bureaucracy (S)	56

**Business Efficiency**

3.4.01 Adaptability of companies (S)	60
3.5.04 Flexibility and adaptability (S)	60
3.4.03 Credibility of managers (S)	60
3.5.03 National culture (S)	60
3.2.23 International experience (S)	60
3.4.08 Social responsibility (S)	60
3.4.07 Entrepreneurship (S)	60
3.4.06 Customer satisfaction (S)	59
3.4.04 Corporate boards (S)	59
3.2.24 Competent senior managers (S)	59

**Infrastructure**

4.3.23 Innovative capacity (S)	60
4.4.23 Sustainable development (S)	59
4.2.18 Development and application of technology (S)	59
4.5.14 University education (S)	59
4.3.22 Knowledge transfer (S)	59
4.2.17 Public and private sector ventures (S)	58
4.5.15 Management education (S)	56
4.1.06 Management of cities (S)	56
4.4.19 Green technology solutions (S)	56
4.5.13 Science in schools (S)	54