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Sector_Analyses

December 2024 _ No. 118 _ Year 13 ISSN 3043-7873

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Funded by the European Union NextGenerationEU

_Analysis of Selected Sectors of the Croatian Economy

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_Contents

As of 2024 (starting from no. 110), the Sector Analyses publication will be published in English as well.

Funded by the European Union
NextGenerationEU

This publication was made as part of the "Popularization of Science through the Sector Analyses Publication" activity at the Institute of Economics, Zagreb and co-funded within the **National Recovery and Resilience Plan 2021—2026 — NextGenerationEU**.

Introduction

The *Sector Analyses* publication reports on the conditions, trends, and business events in selected sectors of the Croatian economy: energy – renewable energy sources, chemical industry, retail trade, food and beverage industry, telecommunications, pharmaceutical industry, construction, and tourism. This edition of *Sector Analyses* brings a summary of the sectoral analyses published in 2024. In addition to an analysis of the main indicators for the selected sectors of the Croatian economy, there is a comparative analysis with the EU and a report from the Zagreb Stock Exchange. The publication also gives an overview of the financial indicators of the leading companies in the observed Croatian sectors and brings the latest expectations.

Energy: Renewable Energy Sources[1]

Eurostat data (2023) indicate that in 2022 the total share of energy from renewable sources (RS) in gross final energy consumption reached 23 percent at the EU level, which is about 1.1 percentage points more compared to the previous year. The achieved share of energy from renewable sources needs to be doubled by 2030, in order to achieve the ambitious target of a minimum of 42.5 percent of energy from renewable sources, which simultaneously reduces greenhouse gas emissions and the EU's dependence on imported energy sources. Achieving this target depends significantly on the successful implementation of the Energy Efficiency Directive, which was also revised in 2023. This Directive establishes the principle of "energy efficiency first" as a basic principle of the Union's energy policy.

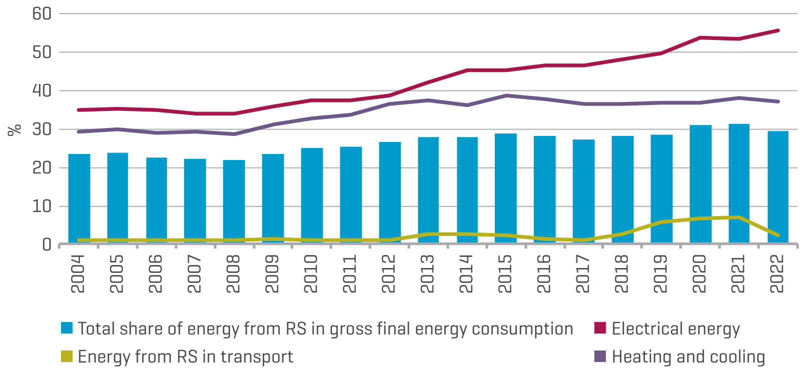
Energy efficiency helps to reduce the overall energy consumption, which significantly contributes to the reduction of greenhouse gas emissions by avoiding the unnecessary use of energy and, thus, the burning of fossil fuels. Together with other rules related to energy and climate, the Directive aims to reduce greenhouse gas emissions by at least 55 percent compared to 1990, or an additional reduction of 11 percent in total energy consumption by 2030. As a member state of the European Union, Croatia participates in the fulfillment of the common goal. In 2022, the total share of energy from renewable sources broke the streak of annual growth, going on since 2016 and recorded a share of 29.35 percent, which is lower than the share in 2020.

In 2022, the Republic of Croatia had 29.35 percent of energy from RS in gross final consumption, of which the share of electricity was 55.52 percent, and heating and cooling accounted for 37.21 percent. In 2022, there was a decrease in the share by -1.93 percentage points compared to 2021, which can be attributed to a significant decrease in the share of RS in transport (-4.59 percentage points) and a decrease in the share of

1 Kulišić, B. (2024). Energy: Renewable Energy Sources. *Sector Analyses*.

_Figure 1
Shares of energy from RS in gross final consumption in Croatia (2004–2022) and subsectoral shares

Source: Eurostat, SHARES summary results (24.1. 2024.).



RS in heating and cooling (-0.79 percentage points) which the increase of 2.05 percentage points in electricity production from RS could not compensate. The share of energy from RS in transport in gross final energy consumption was 2.40 percent in 2022.

According to the data for the year 2022, in the structure of electricity production from RS, the largest share of 65.35 percent was hydropower, which also includes the production of electricity from large hydropower plants. It is followed by wind energy with a 21.69 percent share and electricity from solid biomass with 6.90 percent as the third single most important source of electricity from RS. Biomass is viewed as a renewable

_Figure 2
Structure of electricity produced from renewable sources in Croatia, 2022 (in %)

Source: Eurostat, SHARES summary results (24.1. 2024.).

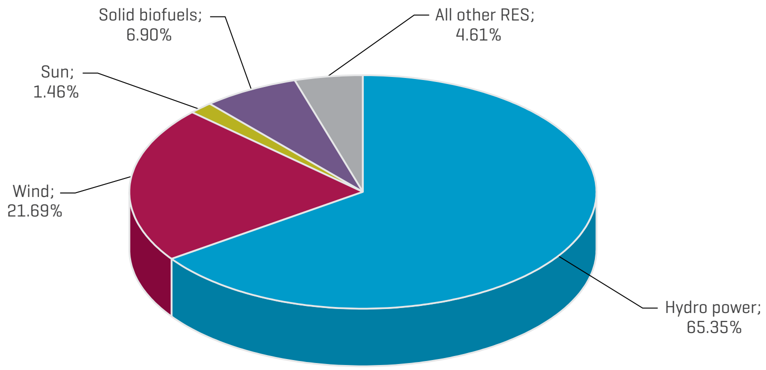
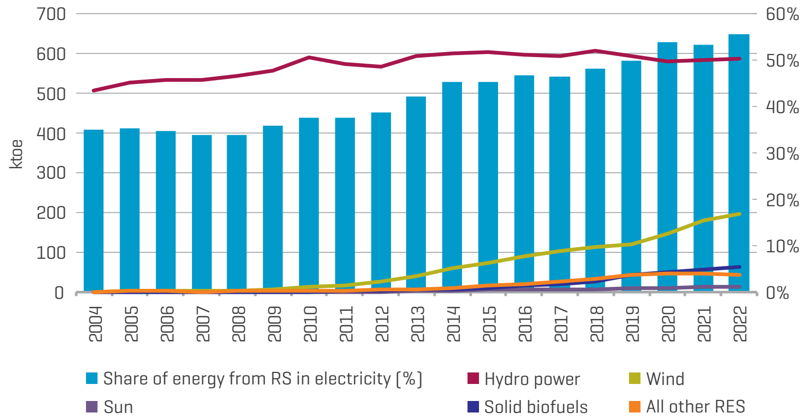


_Figure 3
Trends in electricity production from renewable sources in Croatia in the period from 2004 to 2022 and the corresponding shares

Source: Eurostat, SHARES summary results (24.1. 2024.).



fuel that can be solid (firewood, wood chips, pellets, briquettes...), gaseous (gases from anaerobic fermentation – biogas, biomethane, and gases from thermal processes) or liquid (biodiesel, bioethanol, and other liquid biofuels that are used in transport). Electric energy from biogas is presented collectively with other RS energy that participated with 4.61 percent. In relation to 2021, all sources of electricity from RS recorded an increase in 2022, with the exception of other RES power plants, which recorded a significant decrease of -9.2 percent. Water energy has a stable production, which breaks the continuity of decline since 2018 and the indicator that had shown a decrease in the productivity of hydropower plants due to climate change. New plants for the production of electricity from solar energy increased production by 1.46 percent compared to the previous year. Despite the decline in production from other renewable energy sources, especially biogas, the increase in all electricity generation technologies from renewable energy sources in 2022 saw an increase in production amounting to 2.4 percent compared to 2021.

According to data from Poslovna Hrvatska, in 2022, 12 business entities were active in the field of "Manufacture of refined petroleum products", while 1,053 were active in the field of "Electricity, gas, steam and air conditioning supply". Within the activity of the production of refined petroleum products in 2022, the largest trading company was INA d.d., which with total revenues of 4,653,332,200 euros achieved 99.1 percent of the total revenues of this activity. According to data from Poslovna Hrvatska, INA d.d. achieved a gross profit of 397,903,917 euros in 2022 (Table 1). Compared to 2021, total revenues increased by 56.9 percent, while profits almost doubled (96.9 percent growth). In 2022, the company increased investments in all activities compared to 2021, to the level of EUR 358.3 million, with the largest part of the investment directed to the Rijeka Oil Refinery upgrade project and the drilling campaign in the northern Adriatic.

_Table 1
Selected business indicators of the company INA d.d., 2021 and 2022

Note: p.p. indicates a percentage point.

Source: Poslovna Hrvatska.

	2021	2022	2022/2021
Total revenue (in millions of euros)	2,966.2	4,653.3	156.9
Profit before tax (in millions of euros)	202.1	397.9	196.9
Number of employees	3,214	3,005	93.5
Gross margin (in %)	6.8	8.6	1.7 p.p.
Return on asset (in %)	5.6	7.5	1.9 p.p.
Labor productivity (income in thousands of euros per employee)	922.9	1,548.5	167.8
Asset turnover ratio	1.0	1.4	144.7
Current ratio	1.5	1.4	93.6
Debt ratio	0.3	0.3	106.1

The number of employees was reduced from 3,214 employees in 2021 to 3,005 employees in 2022 (a decrease of 6.5 percent). Table 1 shows some of the selected financial indicators of the company INA d.d. for the year 2022 and 2021.

The main characteristics of the operations of the leading companies in the supply of electricity, gas, steam, and air conditioning in 2022 are an increase in income, a slight decrease in employment and loss-making operations. In 2022, the total revenues of the ten leading companies in this industry amounted to 11.5 billion euros and were 90.5 percent higher than in 2021. The number of employees at the level of the ten leading companies in this industry decreased by 0.6 percent, from 10,200 employees in 2021 to 10,142 employees in 2022. In 2022, ten leading trading companies made a cumulative negative business result (EUR 6.3 million loss), whereby both profit and gross margin decreased compared to the previous year. The company HEP ELEKTRA d.o.o. contributed the most to the negative business result. This company ended 2022 with a loss of 77.7 million euros, followed by Gradska plinara Zagreb – Opskrba d.o.o. with a loss of 12.8 million euros.

_Table 2
Ten leading companies in the "Supply of electricity, gas, steam, and air conditioning" – selected financial indicators, 2022

Source: Poslovna Hrvatska.

	Total revenue (in millions of euros)	Debt ratio	Current ratio	Gross margin (in %)
Prvo plinarsko društvo d.o.o.	4,368.1	0.9	1.1	1.2
MVM CEEnergy Croatia d.o.o.	1,721.0	1.0	1.0	0.3
HEP-Proizvodnja d.o.o.	1,510.6	0.8	2.0	0.1
MET Croatia Energy Trade d.o.o.	1,280.6	1.0	1.0	0.4
HEP ELEKTRA d.o.o.	717.3	1.2	0.8	-10.8
HEP-Operator distribucijskog sustava d.o.o.	567.6	0.6	0.8	1.4
GEN-I Hrvatska d.o.o.	500.5	0.8	1.2	0.2
HOPS d.d.	418.2	0.2	0.8	-0.3
Gradska plinara Zagreb – Opskrba d.o.o.	225.7	1.6	0.6	-5.7
E.ON Energija d.o.o.	193.8	0.6	0.9	5.6

Table 2 shows the key indicators of ten leading companies in the supply of electricity, gas, steam, and air conditioning. Compared to the previous year, increase in income in 2022 was achieved by all ten companies, among which the leading companies are MET Croatia Energy Trade d.o.o. with revenue growth of 286.1 percent and MVM CEEnergy Croatia d.o.o. with a growth of 260.7 percent. These are the Croatian branches of the

Hungarian energy companies MET Group and MVM Group. Both companies are tenants of the LNG terminal on Krk (there are also Prvo plinarsko društvo d.o.o., HEP d.d., INA d.d., and Slovenian Geoplin). Only one company, HEP-Proizvodnja d.o.o., records favorable values of the current ratio in 2022, while the remaining eight companies have had certain difficulties in maintaining liquidity.

Chemical Industry[2]

_The chemical sector, defined on the basis of the statistical classification of economic activities (NACE Rev. 2, i.e., the European Classification of Economic Activities 2007), in a broader sense includes the manufacture of chemicals and chemical products (division C20), the manufacture of rubber and plastic products (division C22), and the manufacture of basic pharmaceutical products and pharmaceutical preparations (division C21). The manufacture of chemicals and chemical products includes the manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms; manufacture of pesticides and other agrochemical products; manufacture of paints, varnishes and similar coatings, printing inks and mastics; manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations; manufacture of other chemical products and manufacture of man-made fibers. On the other hand, the manufacture of rubber and plastic products includes the manufacture of rubber tires and tubes; manufacture of other rubber products; manufacture of plastic products; manufacture of plastic plates, sheets, tubes, and profiles; manufacture of plastic packing goods; manufacture of builders' ware of plastic and other plastic products. Among the existing products of the chemical industry and the plastic and rubber industry in Croatia, the manufacture of technical gases, polymers, rubber, and plastic products, cleaning preparations, and paints and varnishes is at the forefront.

_Table 3
Main sector indicators, year-to-year rates of change in 2022 and 2023, in %

Source: The author's calculation according to data from the Croatian Bureau of Statistics.

	2022	2023
Manufacture of chemicals and chemical products – C20		
Production change	-21.4	-2.7
Employment	1.9	-1.8
Gross wages (nominal)	6.5	10.9
Manufacture of rubber and plastic products – C22		
Production change	3.7	-3.6
Employment	0.7	-3.0
Gross wages (nominal)	8.7	14.7

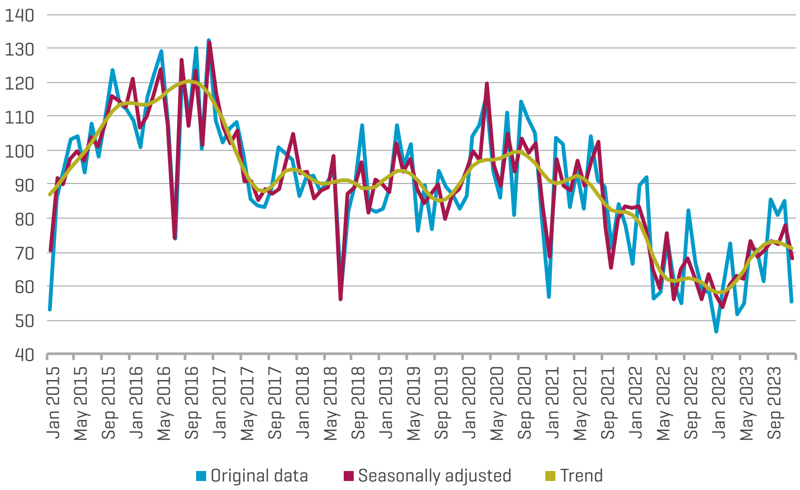
2 Rašić, I. (2024). Chemical Industry. *Sector Analyses.*

According to the latest available data from 2021, the share of the chemical sector in Croatia's gross domestic product (GDP) was 0.92 percent. At the same time, the manufacture of chemicals, chemical products, and man-made fibers accounted for 0.35 percent, while the manufacture of rubber and plastic products accounted for 0.57 percent of GDP that year. At the same time, the share of the manufacture of chemicals, chemical products, and man-made fibers in the total gross value added (GVA) of the manufacturing industry was 3 percent, while the share of manufacture of rubber and plastic products was 4.9 percent. For comparison, a year earlier, 4 percent of the GVA of the entire manufacturing industry was achieved in the manufacture of chemicals and chemical products, while 4.8 percent was achieved in the manufacture of rubber and plastic products.

In the total employment of the manufacturing industry in 2023, the chemical industry sector participated with a share of 7 percent. If viewed separately, the manufacture of chemicals and chemical products in the total employment of the manufacturing sector in 2022 participated with 2.5 percent, while the manufacture of plastic and rubber products participated with 4.5 percent.

_Figure 4
Manufacture of chemicals and chemical products, 2015 = 100, from January 2015 to December 2023

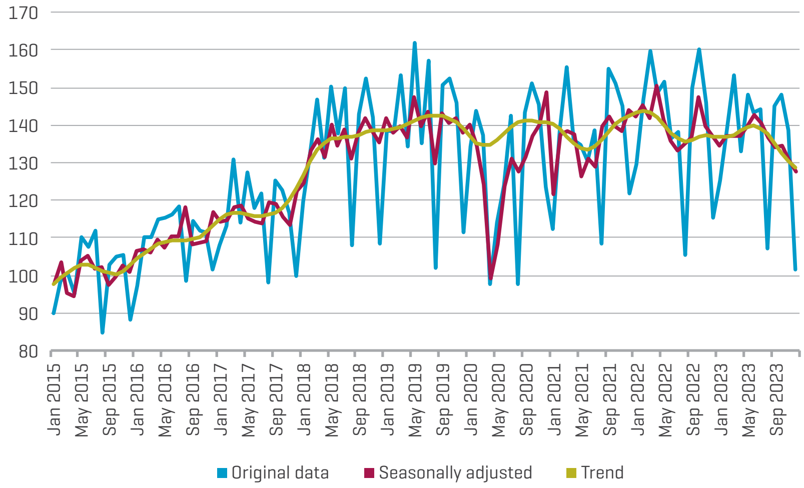
Source: The Institute of Economics, Zagreb, based on source data from the Croatian Bureau of Statistics.



The manufacture of chemicals and chemical products recorded a year-on-year decline for the third year in a row. Thus, in 2023, it recorded a decline of 2.7 percent, in 2022 of 21.4 percent (Table 3), and in 2021 of 12.9 percent. For comparison, this industry achieved a year-on-year growth of 11.3 and 2.3 percent in 2020 and 2019. Although seasonally adjusted data show that manufacture of chemicals and chemical products in the last quarter of 2023 increased by 3 percent compared to the previous one, it is still too early to talk about a possible recovery of this industry. The year-on-year decline in the manufacture of chemicals and chemical products had a negative impact on employment trends, but not on wages. Compared to 2022, in 2023, the average monthly nominal gross wages of employees in this industry nominally increased by 10.9 percent, while employment decreased by 1.8 percent, on average. When analyzing wage trends, one should also consider the fact that, according to data from the Croatian Bureau of Statistics, inflation of 8 percent was recorded at the level of the entire Croatian economy last year. The average gross wage paid in December 2023 in the manufacture of chemicals and chemical products was 1,467 euros, which was 9.4 percent below the average of the economy and 2 percent above the average of the entire manufacturing industry.

_Figure 5
Manufacture of rubber and plastic products, 2015 = 100, from January 2015 to December 2023

Source: The Institute of Economics, Zagreb, based on source data from the Croatian Bureau of Statistics.



After achieving year-on-year growth for two years in a row, i.e., by 4.7 percent in 2021 and 3.7 percent in 2022, the manufacture of plastic and rubber products recorded a year-on-year decline of 3.6 percent in 2023. If we look at the seasonally adjusted data, according to which this industry recorded a 4.4 percent decrease in production in the last quarter of 2023 compared to the previous quarter, it can be assumed that the prospects for the recovery of this industry during this year will be limited (Figure 5).

The decline in the manufacture of rubber and plastic products during the past year had a negative impact on the employment trend, while wages recorded an increase. Thus, compared to 2022, in 2023, the average monthly gross wages in this industry recorded a nominal growth of 14.7 percent, while employment decreased by 3 percent. Despite wage increases, wages in the manufacture of rubber and plastic products remain among the lowest in the manufacturing industry. The average nominal gross wage paid in December 2023 in the manufacture of rubber and plastic products was 1,266 euros, which was 21.9 percent below the average of the economy and 12 percent below the average of the entire manufacturing industry. Lower wages were paid in only six industries, that is, in the manufacture of wearing apparel, the manufacture of leather and related products, the manufacture of textiles, the manufacture of wood and products of wood and cork, the manufacture of furniture, and other

_Table 4

Ten leading companies in the manufacture of chemicals and chemical products – selected financial indicators, 2022

	Total revenue (in millions of euros)	Debt ratio	Current ratio	Gross margin (in %)
Petrokemija d.d.	261.9	0.51	10.6	0.80
Saponia d.d.	93.5	0.25	3.6	2.04
Adriatica Dunav d.o.o.	44.4	0.58	4.8	2.80
Hempel d.o.o.	42.7	0.50	5.7	1.57
Scott Bader d.o.o.	40.8	0.49	0.5	1.39
Messer Croatia Plin d.o.o.	36.6	0.11	6.7	5.92
Ireks Aroma d.o.o.	28.6	0.10	2.0	6.77
Meteor grupa – Labud d.o.o.	28.6	0.63	5.0	0.87
Chromos-Svjetlost d.o.o.	27.1	0.03	2.8	30.46
LUSH manufaktura d.o.o.	22.8	0.20	2.8	4.59

Source: The author's calculation according to data from Poslovna Hrvatska.

_Table 5

Ten leading companies in the manufacture of plastics and rubber – selected financial indicators, 2022

	Total revenue (in millions of euros)	Debt ratio	Current ratio	Gross margin (in %)
Bomark Pak d.o.o.	117.7	0.47	2.1	4.2
Muraplast d.o.o.	82.9	0.42	2.2	9.4
Gumiimpex-GRP d.d.	78.5	0.63	2.1	8.0
Deceuninck d.o.o.	40.0	0.88	1.1	0.4
Aquaestil plus d.o.o.	36.8	0.44	2.6	3.5
Alpla d.o.o.	32.4	0.64	1.5	0.4
Sipro d.o.o.	32.1	0.52	1.7	3.5
Vargon d.o.o.	30.7	0.32	2.7	8.5
Plastform d.o.o.	27.7	0.28	2.2	7.4
Marlex d.o.o.	25.8	0.42	3.4	9.3

Source: The author's calculation according to data from Poslovna Hrvatska.

manufacturing industries. In the total export of the manufacturing industry realized from January to December 2023, the chemical sector[3] participated with 10.2 percent, whereby the manufacture of chemicals and chemical products participated with 6.5 percent, and manufacture of plastic and rubber products with 3.7 percent. At the same time, in the total import of the manufacturing industry, the chemical sector participated with 12.5 percent (the manufacture of chemicals and chemical products with 8.3

3 The chemical sector includes the manufacture of chemicals and chemical products and the manufacture of rubber and plastic products.

percent and manufacture of plastic and rubber products with 4.2 percent). Compared to the previous year, the export of the chemical sector in 2023 increased by 0.9 percent, while the import decreased by 5.1 percent. At the same time, the manufacture of chemicals and chemical products recorded an increase in exports of 4.2 percent, and a decrease in imports of 6.7 percent. Simultaneously, in the manufacture of semi-finished and finished rubber and plastic products, exports are decreasing faster than imports. Thus, in the period from January to December 2023, the export of the manufacture of plastic and rubber products decreased by 4.2 percent and the import by 1.8 percent year-on-year. Due to the dependence on imported raw materials, both industries constantly record a foreign trade deficit. The foreign trade deficit of the manufacture of chemicals and chemical products in 2023 was 1.5 billion euros, and that of rubber and plastic products was 711.9 million euros.

The operations of the leading companies in the manufacture of chemicals and chemical products during 2022 were marked by a growth in total revenue, an increase in profits, and a decrease in employment. The total revenue of the ten leading companies in this sector in 2022 was higher by 4.5 percent compared to 2021, while the profit increased by 93.4 percent. Ten leading manufacturers of chemicals and chemical products in 2022 employed 75 fewer employees than a year earlier (a decline by 1.9 percent).

According to data from Poslovna Hrvatska for the year 2022, ten leading manufacturers of chemicals and chemical products accounted for 66.4 percent of the total revenue of this industry. According to the same source, in 2022, 409 business entities were active in the C20 "Manufacture of chemicals and chemical products" activity, while the total revenue of the activity amounted to 944.5 million euros.

According to data from Poslovna Hrvatska, in 2022, 804 business entities were active in the C22 "Manufacture of rubber and plastic products" activity. They generated total revenue of 1.1 billion euros, which accounted for 37.5 percent of the total revenue of this industry. An analysis of the financial indicators of ten leading companies in the manufacture of plastic and rubber products indicates the growth of the sector during 2022. The main characteristics of the operations of the observed group of manufacturers of plastic and rubber products are strong growth in revenue, profit, and employment. In 2022, the total revenue of ten leading companies in this sector amounted to EUR 504.7 million and was 27.1 percent higher compared to the previous year. Only one company from the manufacture of chemicals and chemical products, i.e., Saponia d.d., was listed on the Zagreb Stock Exchange, while not a single company from the manufacture of plastics and rubber was listed on the Zagreb Stock Exchange. Last year, shares of Saponia d.d. recorded a year-on-year decline in turnover by 14.8 percent.

According to the European Chemical Industry Council (CEFIC), the manufacture of the chemical sector in the European Union in 2023 recorded a year-on-year decline by 8 percent, and a year earlier by 6.3 percent. At the same time, exports of the chemical sector of the European Union decreased by 7 percent, and imports by 21 percent. A decline in production compared to 2022 was also recorded last year at the level of the entire manufacturing industry of the European Union, namely by 1.4 percent. The negative trends were largely contributed by the energy crisis marked by the increase in energy and raw material costs, and the lack of demand for products from the chemical sector. The competitiveness of the European chemical industry has been undermined by high energy costs and dependence on trade at a time of geopolitical disruption. Dynamically, the share of the European Union's chemical industry on the world market has decreased over the last decade. Despite the increase in total sales of the chemical sector of the European Union from 519 billion euros in 2012 to 760 billion euros in 2022, the share of the EU-27 in the total world sales of chemicals decreased from 17.1 percent to 14 percent. Factors such as population ageing, maturity of the market, high energy and labor costs, regulatory burden, and an increasingly competitive global market contributed to the decline in the market share of the European chemical industry. According to CEFIC forecasts, this share will decrease to 10.7 percent by 2030.

The global economic and business environment is still uncertain for European chemical companies, so growth expectations for 2024 remain limited. Higher interest rates continue to dampen demand in the construction sector, while the auto industry, which relies on products from the chemical sector, is not expected to accelerate beyond manufacturing levels achieved in 2023. CEFIC cautiously forecasts a growth of chemical manufacturing in the EU-27 by 1 percent for 2024.

The energy crisis and problems in the supply chain have raised awareness of the need to strengthen Europe's industrial resilience in order to achieve the ambitious transformation towards the goals of the EU Green Deal by 2050. In this context, the European chemical industry aims to become climate neutral by 2050, which means that it needs to change the method of manufacture and what it manufactures in less than 30 years, while remaining globally competitive in order to continue supplying important EU value chains, including clean technology.

Retail Trade[4]

Trade[5] is an important economic activity that has a significant impact on economic growth, employment, and generation of income. According to the data of the Croatian Bureau of Statistics, in 2023, the share of trade in the gross domestic product expressed in market prices was 20.2 percent, in the employment of legal entities 17.8 percent[6], and in the number of active legal entities 14.9 percent.

Trade is an activity in which changes are extremely dynamic and numerous factors influence its development. In 2023, after the crisis caused by the coronavirus and strong inflationary pressures caused by geopolitical tensions and the war in Ukraine, there are indicators that point to the recovery of the economy and retail trade. Nowadays, retail trade is at a crossroads and is under pressure to control rising costs while increasing competitiveness.

In 2023, the real turnover in retail trade has cumulatively increased by 3.7 percent year-on-year. Nominal price increase was 12.5 percent, and the price component was 8.8 percent. Real turnover was positive in all months throughout the year, and especially high growth rates were recorded in the last quarter. Seasonally adjusted and trend series also show increase in retail trade by 8.2 percent and 8.1 percent in December 2023 compared to the same month of the previous year (Figure 6). The largest nominal increase in turnover in the structure of nominal turnover in retail trade (G47) was achieved by retail sale of automotive fuel (42.3 percent), other specialized stores (16.4 percent), retail sale of textiles, clothing, footwear, and leather products (14.8 percent), retail sale via mail order or via internet (14.8 percent), retail sale of computer equipment, books and newspapers, games and toys, flowers and plants, watches and jewelry, and other retail

4 Anić, I.-D. (2024). Retail Trade. *Sector Analyses.*

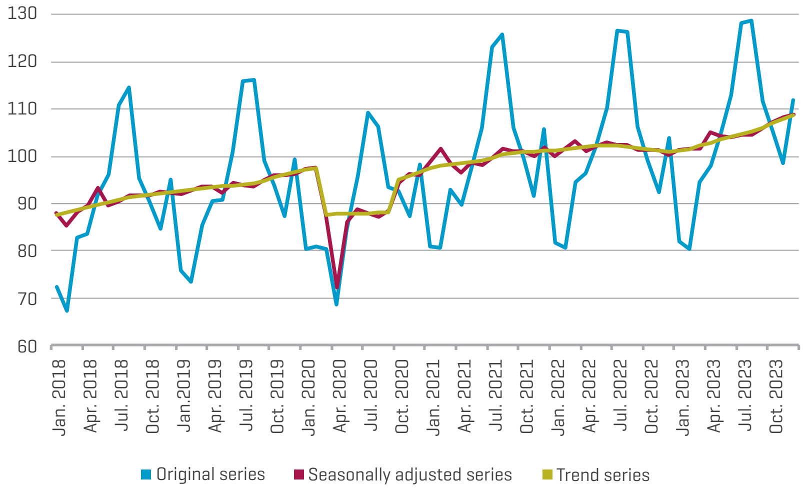
5 According to the European Classification of Economic Activities (NACE 2007; Official Gazette, 58/2007), trade is classified in section G as wholesale and retail trade; repair of motor vehicles and motorcycles. Trade G includes division 45 (wholesale and retail trade and repair of motor vehicles and motorcycles), division 46 (wholesale trade, except of motor vehicles and motorcycles), and division 47 (retail trade, except of motor vehicles and motorcycles).

6 December 2023.

_Figure 6

Real turnover in retail trade – seasonally adjusted and trend series, 2015 = 100

Source: Croatian Bureau of Statistics (2024a).



sale in non-specialized stores with food (13.9 percent). The category "Other retail sale not in stores" recorded a decline in nominal turnover by 6.4 percent (Croatian Bureau of Statistics, 2024a).

Retail trade represents an important employer in the economy, so it is important to monitor employment trends in this sector. For the last three years, employment in trade has been increasing. In 2023, employment in legal entities in trade (G) increased year-on-year by 2.6 percent (5,483 persons employed in absolute amount) and in retail trade (G47) by 1.4 percent (1,613 in absolute amount). This increase in employment indicates an increase in economic activity and an increase in consumer optimism, which has a positive effect on consumption. At the same time, there is a lack of labor force in stores, not only salespeople or cashiers, but also drivers, storekeepers, and other types of employees. Retailers solve the lack of employees by hiring pensioners, who, according to the Labor Act, are allowed to work part-time, as well as students and foreigners.

At the same time, employment in the crafts has been declining for the last three years. In 2023, it was reduced by 1.8 percent. This reduction can be explained by the closure of craft shops and increased competition from large retail chains, which are difficult for small craft shops to compete with.

Nominal wages in trade have been increasing for the last three years, and in 2023, average monthly gross wages per person employed in legal entities in retail trade (G47) increased by 14.3 percent, and net wages by 12.6 percent. In the same period, at the level of the economy in legal entities, gross wages per person employed increased by 14.8 percent (6.3 percent in real terms), and net wages by 13.0 percent (4.6 percent in real terms). Wage increase in times of inflation reflects the change in wages that have been adjusted for inflation and the cost of living in order to maintain the standard and expectations of employees. Also, in a competitive environment, retailers need to raise wages to attract labor force. Despite the increase, net wages in retail trade are still low. In 2023, net wages in retail trade were lower by 9.9 percent compared to trade and by 18.4 percent compared to the economy. Low wages reduce employee motivation, make it difficult to attract talent and experts to the sector, and have a negative impact on service and satisfaction.

After high inflation in 2022, inflationary pressures slowed down in 2023, although the inflation is still high (8.0 percent). In that year, there was still a sharp increase in the prices of food and non-alcoholic beverages (12.7 percent). In that category, there was a significant increase in the prices of vegetables (17.4 percent), sugar, jam, chocolate, and sweets (17.3 percent), bread and cereals (16.9 percent), fruit (13.7 percent), milk, cheese, eggs (11.5 percent), and meat (10.7 percent). The prices of clothing and footwear increased by 8.2 percent, alcoholic beverages and tobacco by 5.6 percent, while the price of automotive fuel for personal transport equipment decreased by 6 percent (Croatian Bureau of Statistics, 2024b).

According to FINA data, in 2022, companies in retail trade (G47) achieved an increase in sales revenue of 14.0 percent. Cost of goods sold increased by 12.1 percent, i.e., slightly less than sales revenue, so there was an increase in gross margin by 13.9 percent. The number of persons employed increased by 2.5 percent, but wages and staff costs increased as well (12.1 percent). Labor productivity increased because revenues grew faster than employment. Profit before tax also increased by 7.5 percent, as revenues increased more than expenses. In principle, the data show the recovery of retail trade after the pandemic year. It should be noted, however, that these are nominal amounts and that we had high inflation that year, especially when it comes to food and non-alcoholic beverages.

Table 6 shows the results of the leading ten retailers in 2022 individually. In that year, Konzum plus was the leading retailer in terms of sales revenue in Croatia, with sales revenue of HRK 11.9 billion. In that year, it had 628 retail outlets (eight more than the previous year) and it increased its sales revenue by 13.7 percent.

The second retailer in terms of sales revenue in 2022 was Lidl. Lidl has been operating in Croatia since 2006, and today it has 107 discount outlets and two logistics and distribution centers, and 3,305 persons employed, and has become the second largest retailer in terms of sales revenue.

Among the leading retailers in fifth place is Kaufland, which with 45 discount outlets increased sales revenue by 12.1 percent, fixed assets by 6.1 percent, and the number of persons employed by 3.4 percent. Among the top ten retailers in Croatia is Spar Hrvatska, which is part of the Spar Holding AG group from Austria, which was ranked 77th among the 250 largest retailers in the world. Spar has 132 retail outlets across 18 counties and in the City of Zagreb. It is in the second place in the City of Zagreb. Plodine is in fourth place in terms of sales revenue of HRK 5.3 billion. Among the leading retailers are Tommy, Studenac, Pevex, dm-drogerie markt, and Tisak plus. The retail trade sector in the EU is important in terms of generating jobs (16.5 million persons employed), entrepreneurship (3.3 million retailers), and revenue. The sector is important for product distribution and population supply. Nowadays it represents a competitive and saturated sector. This is demonstrated by the trend of real turnover in retail trade in the EU-27 (G47 except of motor vehicles and motorcycles, calendar-adjusted indices compared to the same period last year) which decreased in real terms by 2 percent in 2023 compared to the previous year. The turnover of food products decreased in real terms by 2.6 percent, and the turnover of non-food products (excluding fuel retail) by 0.9 percent.

_Table 6

Selected performance indicators of the ten leading retailers in 2022

	Sales revenue (in billions of HRK)	Gross margin (in % of sales revenue)	Profitability of sales (in %)	Debt ratio	Current ratio	Average period of payment of liabilities to suppliers (in days)
Konzum plus	11.9	27.8	1.3	0.858	0.446	48.1
Lidl Hrvatska	7.8	25.7	6.2	0.436	1.133	20.9
Spar Hrvatska	5.7	21.7	0.0	0.769	0.789	38.6
Plodine	5.3	21.1	6.5	0.657	0.891	61.4
Kaufland Hrvatska	4.7	27.9	3.0	0.331	1.272	23.1
Tommy	4.1	27.9	4.0	0.863	0.974	46.6
Studenac	3.1	29.5	-0.2	0.804	1.139	73.5
Pevex	2.8	32.6	12.7	0.293	4.996	12.3
dm-drogerie markt	2.3	36.6	3.3	0.770	1.263	31.2
Tisak plus	2.1	22.0	1.5	0.751	0.731	46.5

Notes: The table covers the division G47 without G47.3 activity (retail sale of automotive fuel in specialized stores). Profitability of sales = net profit after tax/business income * 100; debt ratio = total liabilities/total assets; current ratio = current assets/current liabilities. Average period of payment of liabilities to suppliers = 365/liabilities turnover ratio; liabilities turnover ratio = sales revenue/liabilities to suppliers.

Sources: FINA and author's calculation.

In order to compare retail trade in Croatia and the EU, we collected Eurostat data on EU companies, such as number of companies, number of persons employed, turnover, cost of goods sold, and productivity. Methodologically speaking, the last available year with a full set of data that can be analyzed for G47 activity (retail trade, except of motor vehicles and motorcycles) is the year 2021. According to the indicator of the number of persons employed per company, Croatia was in the group of countries with a relatively consolidated retail trade. Croatia had almost twice the number of persons employed per company (9) than the EU-27 average (5).

If the efficiency of Croatian retail trade is analyzed, Croatia is significantly behind the EU-27. Labor productivity (measured as gross value added in retail trade per person employed) is lower by 45.8 percent compared to the EU-27 average. Belgium, Sweden, and Luxembourg have the highest labor productivity, while Croatia belongs to the group of countries with the lowest labor productivity. According to the indicator of turnover per person employed in thousands of euros, Croatia is also behind the EU-27 average by 31.5 percent. This is due to low purchasing power and low consumption in Croatia compared to developed EU countries.

Food and Beverage Industry[7]

The share of the food and beverage industry in Croatia's GDP in 2021 was 2.3 percent (of which the share of the food industry was 1.9 percent, while the share of the beverage industry was 0.4 percent). At the same time, the share of the food and beverage industry in the GDP of the total manufacturing industry was 18.8 percent. Moreover, the manufacture of food products appropriates a share of 14.4 percent, while the beverage industry manufacture share amounts to 3.7 percent. In 2023, the share of food and beverages in total employment was 3.4 percent (of which the share of manufacture of food products was 3 percent, and the share of manufacture of beverages was 0.4 percent).

_Table 7
Trends of the main sector indicators, year-on-year change, 2023, in %

Source: The author's calculation according to data from the Croatian Bureau of Statistics.

Food industry	2023
Manufacturing activity	-2.9
Employment	3.0
Average gross wage	15.1
Beverage industry	**2023**
Manufacturing activity	3.2
Employment	4.7
Average gross wage	5.9

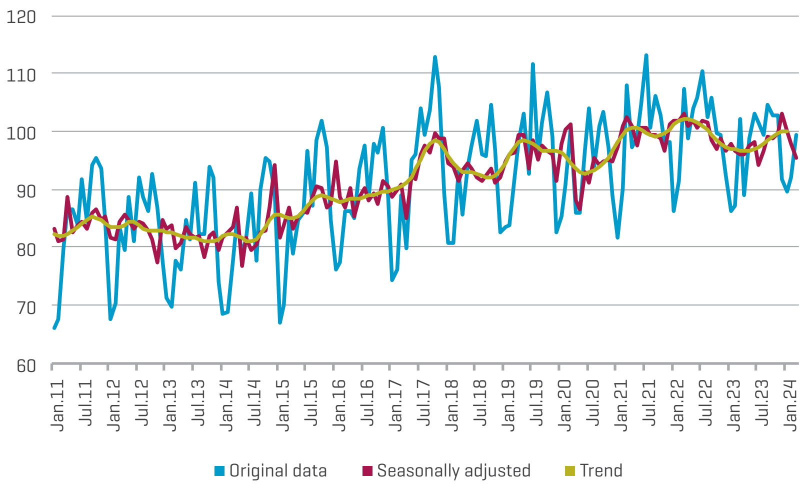
After the increase in the production activity of this industry by 0.3 percent in 2022, in 2023, it recorded a year-on-year decline of 2.9 percent.

Alongside the decline in the overall activity of the food industry, the number of employees has increased. Furthermore, this industry has recorded an increase in wages. In December 2023, the food industry employed 43,387 employees, which, compared to the same month in 2022, represents a 3.0 percent increase in employment.

7 Palić, P. (2024). Food and Beverage Industry. *Sector Analyses.*

_Figure 7
Food industry, 2021 = 100

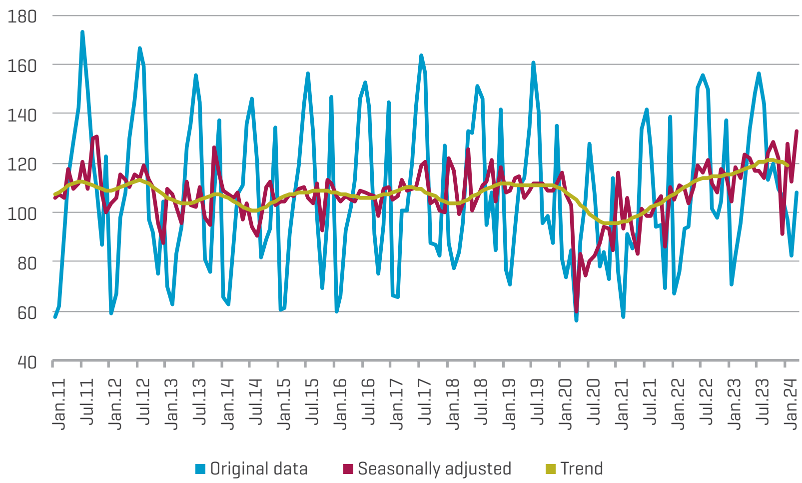
Source: The Institute of Economics, Zagreb, based on source data from the Croatian Bureau of Statistics.



In December 2023, monthly gross wages in the food industry have nominally increased by 15.1 percent year-on-year. At the same time, the average gross wage paid in December 2023 amounted to 1,336 euros.

_Figure 8
Beverage industry, 2021 = 100

Source: The Institute of Economics, Zagreb, based on source data from the Croatian Bureau of Statistics.



The production activity of the beverage industry at the level of 2023 recorded a year-on-year increase of 3.2 percent, while in 2022, it recorded an increase of 12.2 percent.

Parallel to the increase in activity during 2023, the beverage industry is marked by an increase in the number of persons employed. Thus, in December 2023, this industry employed 5,462 employees, which is 4.7 percent more than in the same month of 2022.

The average nominal gross wage paid in December 2023 in the beverage industry was 1,747 euros, which was 7.8 percent above the average of the economy and 21.5 percent above the average of the entire manufacturing industry.

If we analyze the trend of exports and imports of the food, beverage, and tobacco industry from 2010 to 2023, it can be noted that there is an increase in the volume of foreign trade, where the increase in imports was greater than the increase in exports. From 2010 to 2023, exports of the food, beverage, and tobacco industry increased by 238.2 percent, and imports by 277.6 percent. The faster increase in imports than the increase in exports led to a slight deterioration of the foreign trade balance and thus lower export-import coverage. The export-import coverage of products of the food, beverage, and tobacco industry was 57.1 percent in 2023, while in 2010 it was 63.8 percent.

By looking at the latest financial indicators for the ten leading companies in the food industry, it can be concluded that this sector showed an increase in activity during 2022. Increased activity is indicated by the trend in total revenue, which, in 2022, was higher by 18.6 percent compared to 2021. Moreover, along with the increase in revenue, employment increased by 7.7 percent, while labor productivity increased by 7.1 percent in 2022.

In 2022, a decrease in profit before tax was recorded for the ten largest companies in the manufacture of food products (HRK 736 million) compared to 2021 (HRK 786 million).

_Table 8
Ten leading companies in the food industry – selected financial indicators, 2022

Source: The author's calculation according to data from Poslovna Hrvatska.

	Total revenue (in millions of HRK)	Debt ratio	Current ratio	Gross margin (in %)
Vindija d.d.	3,463.5	0.7	0.7	0.6
Dukat d.d.	2,521.4	0.2	1.4	3.8
Podravka d.d.	2,494.9	0.2	1.7	9.1
Mesna industrija braća Pivac d.o.o.	2,190.0	0.5	0.8	4.0
PIK Vrbovec plus d.o.o.	2,158.5	0.7	1.8	2.7
PPK d.d.	1,863.7	0.3	3.7	3.1
Zvijezda plus d.o.o.	1,474.7	0.6	1.9	4.3
Ledo plus d.d.	1,246.3	0.1	2.6	6.4
Enna Fruit d.o.o.	1,079.2	0.7	1.3	1.5
Kraš d.d.	1,074.0	0.3	3.0	3.0

According to the financial indicators for the ten leading companies in the beverage industry, it can be concluded that the activity of this sector increased during 2022. After a decline in activity in 2018, 2019, and 2020, in 2021 and 2022, the ten leading beverage companies recorded a year-on-year increase in total revenue by 21.2 percent and 19.9 percent. Furthermore, the year-on-year increase in revenue with a simultaneous modest increase in employment (the number of persons employed increased by 0.6 percent) resulted in an increase in labor productivity. Moreover, in 2022, labor productivity increased by 19.2 percent compared to 2021.

_Table 9
Ten leading companies in the beverage industry – selected financial indicators, 2022

Source: The author's calculation according to data from Poslovna Hrvatska.

	Total revenue (in millions of HRK)	Debt ratio	Current ratio	Gross margin (in %)
Coca-Cola HBC Hrvatska d.o.o.	1,354.8	0.4	1.2	8.2
Jamnica plus d.o.o.	1,299.6	0.7	1.5	9.3
Zagrebačka pivovara d.o.o.	1,270.3	0.7	0.8	18.3
Heineken Hrvatska d.o.o.	937.9	0.4	1.3	10.6
Badel 1862 d.d.	471.7	0.3	2.9	14.1
Carlsberg Croatia d.o.o.	466.2	0.5	1.0	4.6
Slavonija slad d.o.o.	252.6	0.8	2.0	5.0
Maraska d.d.	134.2	0.8	1.1	1.0
Agrolaguna d.d.	133.5	0.7	1.2	-6.6
Kis pića d.o.o.	87.2	0.7	1.3	1.1

Of the ten leading food manufacturers, Podravka d.d. was listed on the Zagreb Stock Exchange. Moreover, Podravka d.d. (with a weight in the index of 18.96 percent) was included in the composition of the CROBEX 10 index, which represents ten shares with the highest free float market capitalization and turnover. It is interesting to note that in 2023, the most traded share on the Zagreb Stock Exchange was again the share of Podravka d.d., and it was declared "the share of the year", as voted by the public.

The food and beverage industry is one of the biggest drivers of the economy in the European Union and represents a very important sector. Although sales in the entire manufacturing industry in the EU-27 recorded a 3.0 percent decline in the third quarter of 2023 on a year-on-year basis, sales in the food products and beverage industry recorded an increase by 2.2 percent in the same period. The highest annual sales increase in the third quarter of 2023 was recorded by Latvia (6.7 percent), Belgium (4.7 percent), and France (4.3 percent). Countries that, on the other hand, recorded a percentage decline in sales are Hungary (10.1 percent), Denmark (5.8 percent), and the Netherlands (3.4 percent).

In the third quarter of 2023, the food and beverage industry production decreased by 0.2 percent compared to the second quarter of 2023. Furthermore, on a year-on-year level, in the third quarter of 2023, a decline in the food and beverage industry production of 1.7 percent was recorded, while the total industry production fell by 3.8 percent on a year-on-year level.

Employment in the manufacturing industry at the EU-27 level in the third quarter of 2023 recorded a year-on-year increase of 0.6 percent. An increase in employment of 1.9 percent was recorded in the food industry, while an increase of 3.2 percent was recorded in the beverage industry.

Exports of the food and beverage industry at the EU-27 level recorded year-on-year declines by 4.0 and 6.0 percent, respectively, in the fourth quarter of 2023. At the same time, imports of the food industry decreased by 14.0 percent, while imports of the beverage industry decreased by 17.0 percent.

Taking into account that the food and beverage industry has multiple effects on the GDP, employment, and exports, and also affects the development of other economic sectors, especially tourism, it is of strategic importance for the economy of the Republic of Croatia. Given that these are challenging times for all sectors, it is necessary to find a foothold in the further growth and strengthening of the food and beverage industry. At the same time, the emphasis should be on exports through strengthening of the image of Croatia in the context of food and beverages, greater investments in the development of new products and innovations, and improving the investment climate.

_ Telecommunications[8]

_Data from the Croatian Regulatory Authority for Network Industries (HAKOM) for the fourth quarter of 2023 show that the use of telephone services in the fixed network continues to decline. The total number of connections in the fixed network in the mentioned period was lower by 2.5 percent than in the same period in 2022. In addition, the total outbound traffic of operators in the fixed network in the last quarter of 2023 decreased year-on-year by as much as 12.7 percent. According to data from the same source, at the end of last year there were 1,115,144 users of publicly available telephone services in the fixed network, which is lower by 2.21 percent compared to the end of 2022. The largest decrease in the number of users was recorded in the category of users of stand-alone telephone service in a fixed network, as much as 12.16 percent on a year-on-year basis. At the same time, their number is lower compared to the number of users of different service packages. On the other hand, the number of users of telephone services in the fixed network in 4D packages was the only one to record an increase in the fourth quarter of 2023, i.e., by 3.64 percent compared to the same period in 2022.

_Table 10
Fixed and mobile communication network in the fourth quarter of 2023

Source: HAKOM.

	Fixed network	Mobile network
Number of users	1,115,144	4,562,734
Outbound traffic (in min.)	257,158,542	2,727,060,629
Total revenue (in euros)	31,489,501	152,235,051
Consumer price index (December 2023/December 2022)	100.0	103.0

The total outbound traffic of telephone service operators in the fixed network in the last three months of 2023 was lower by 12.7 percent than in the same period of 2022. In the mentioned period, a total of 257,158,542 minutes were spoken in the fixed network. As is to be expected given the decrease in the number of users as well as lower traffic, the total revenue from telephone services in the fixed network in the fourth quarter of 2023

8 Božić, Lj. (2024a). Telecommunications. *Sector Analyses.*

was lower by 1.61 percent year-on-year and amounted to 31,489,501 euros. Unlike the fixed network, positive trends were achieved in the mobile network at the end of last year. The number of users at the end of last year was 1.84 percent higher than in the same period in 2022. Private users made up 81.8 percent of all users of telephone services in the mobile network and their number increased by 1.31 percent year-on-year. It should be noted that the number of private users with a subscription at the end of 2023 increased by 6.97 percent compared to the same period in 2022. At the same time, the number of private users without a subscription decreased by 5.95 percent year-on-year. As for business users of telephone services in the mobile network, their number increased by 4.29 percent in the last quarter of last year compared to the same period in 2022. The density of users of telephone services in the mobile network in the specified period was 117.84 percent, which is 1.84 percent more than in the fourth quarter of 2022.

At the end of 2023, Hrvatski Telekom still had the largest market share in the provision of telephone services in the mobile network. In the mentioned period, 44.1 percent of users used the services of Hrvatski Telekom in the mobile network, which is only 0.7 percentage points lower than at the same time in 2022. Hrvatski Telekom is followed by A1 Hrvatska with a share of 35.5 percent of users. Telemach's market share in the fourth quarter of 2023 was 20.4 percent, i.e., 0.6 percentage points higher than in the same period of 2022.

The total outbound traffic of telephone service operators in the mobile network at the end of last year increased by 3.3 percent compared to the same period in 2022. The duration of foreigners' roaming calls in national networks increased significantly. In the fourth quarter of last year, the duration of these calls was as much as 36.19 percent longer than in the same period in 2022. In that period, the duration of roaming calls of the companies' own users was reduced by 7.89 percent in international networks. At the end of last year, a 13.35 percent year-on-year decrease in the number of sent SMS messages was recorded as well.

The increase in the number of users as well as of outbound traffic in the mobile network also led to an increase in revenue from telephone service in the mobile network in the fourth quarter of 2023. In the mentioned period, the operators of telephone services in the mobile network achieved a total of 152,235,051 euros in revenue, which is an increase of 8.96 percent year-on-year. This increase is a consequence of the increase in retail revenue, which represents as much as 89.07 percent of the total revenue from telephone services in the mobile network. The increase in retail revenue in the fourth quarter of 2023 on a year-over-year basis was 15.46 percent.

The end of last year was also marked by an increase in the number of broadband connections. At the end of 2023, there were 6,556,802 broadband connections in total, which is an increase of 6.12 percent in relation to the same period a year earlier. At the end of last year, there were a total of 1,113,945 broadband connections via fixed networks. This is an increase of 2.98 percent compared to the same period in 2022. The greater part, i.e., 83.03 percent of the total number of connections, refers to connections via mobile networks. Their number increased by 6.79 percent in the fourth quarter of last year.

It should be noted that the share of private users accessing the internet via 3G and 4G networks is still the largest, but also that their number has decreased year-on-year, while the number of private users accessing the internet via the 5G network is significantly higher. According to HAKOM data, in the fourth quarter of 2023 there were 3,307,436 private users who access the internet via 3G and 4G networks, which is a decrease of 7.01 percent on a year-on-year basis. At the same time, there were only 817,762 private users of broadband internet access via the 5G network, but it is an increase of 143.19 percent compared to the same period in 2022.

According to data from the Croatian Bureau of Statistics, the average number of persons employed in the telecommunications sector in 2023 was 9,394, which represents 0.65 percent of the average number of persons employed in 2023 at the level of the Republic of Croatia. On a monthly basis, the highest number of persons employed in this sector was recorded in November 2023, when it amounted to 9,543. After a decline in the following months, in March of this year, the number of persons employed in the telecommunications sector already surpassed the maximum from 2023. In March 2024, 9,624 employees worked in the telecommunications industry, which is 5 percent more than in the same month of 2023 and 2.4 percent more than the average number of persons employed in telecommunications in 2023.

The average monthly gross wage of persons employed in the telecommunications sector in 2023 was 2,021 euros. Compared to the average of 2022, the gross wage of persons employed in the telecommunications sector increased by 5.76 percent last year. Gross wages of persons employed in the telecommunications sector in the first two months of this year recorded a year-on-year increase. The average gross wage paid in the telecommunications sector in January this year increased by 3.88 percent year-on-year. The average gross wage of persons employed in the telecommunications sector in February this year was 1,945 euros, which is 4.63 percent more than in February 2023.

Data on the price trends of telecommunications services in the last year indicate a significant increase. The average annual rate of change in telephone service prices in 2023 compared to 2022 was 2.4 percent. According to data from the Croatian Bureau of Statistics, in 2023, mobile telephony prices increased by 3.4 percent. The prices of packages of telecommunications services were 1.7 higher last year than in 2022. In the analyzed period, only the price of internet access decreased, by as much as 7.3 percent. In 2023, the prices of fixed telephony services remained at the price level of 2022.

Last year, the total revenue at the level of the ten leading companies amounted to EUR 1,673.23 million. The largest part of this revenue, as in previous years, was achieved by Hrvatski Telekom d.d. In 2022, the total revenue of this company alone was 829.58 million euros, which is almost half of the total revenue of ten leading companies in the telecommunications sector. In addition, in 2022, the total revenue of this company increased by 2.58 percent year-on-year (Table 11).

From the data on the year-on-year change in revenue presented in Table 11 it is evident that the total revenue of all ten leading companies increased in 2022. By far, the largest increase in the analyzed year was achieved by the company Roaming Networks d.o.o.

_Table 11

Performance indicators of leading companies in the telecommunications sector in 2022

	Total revenue (in millions of euros)	Index 2022/2021	Debt ratio	Current ratio	Gross margin (in %)	Labor productivity (in millions of euros)
HT d.d.	829.58	102.58	0.11	3.87	13.06	0.25
A1 Hrvatska d.o.o.	476.31	103.38	0.64	0.44	10.04	0.30
Telemach Hrvatska d.o.o.	224.34	116.57	0.82	0.56	6.22	0.43
Iskon Internet d.d.	53.61	100.99	0.76	0.40	-9.22	0.38
Odašiljači i veze d.o.o.	34.17	107.07	0.08	4.31	12.91	0.11
HEP-telekomunikacije d.o.o.	19.49	100.88	0.11	0.60	0.14	0.48
Roaming Networks d.o.o.	11.46	388.72	1.22	0.79	5.72	0.11
Printec Croatia d.o.o.	9.58	121.43	0.41	1.76	7.70	0.12
Roaming Networks Beograd	7.38	117.71	2.07	0.48	0.04	3.69
Terrakom d.o.o.	7.31	101.55	0.38	1.81	11.99	0.22

Note: Debt ratio = total liabilities/total assets; current ratio = current assets/current liabilities; gross margin = gross profit/total revenue * 100; labor productivity = total revenue/number of persons employed.

Source: The author's calculation according to data from Poslovna Hrvatska.

In the past period, telecom operators invested in the development of the 5G network and made it available to Croatian citizens. According to HAKOM's data on the number of users, this network is currently used much less compared to 4G or 3G. Over time, there will be a significant acceptance of the 5G network and its spread among users in Croatia. In this context, it is necessary to refer to internet usage in Croatia. Apart from the fact that, generally, the percentage of individuals who use the internet at least once a week in Croatia is relatively small compared to other countries and the EU average, the lagging behind is also present in other indicators of internet use.

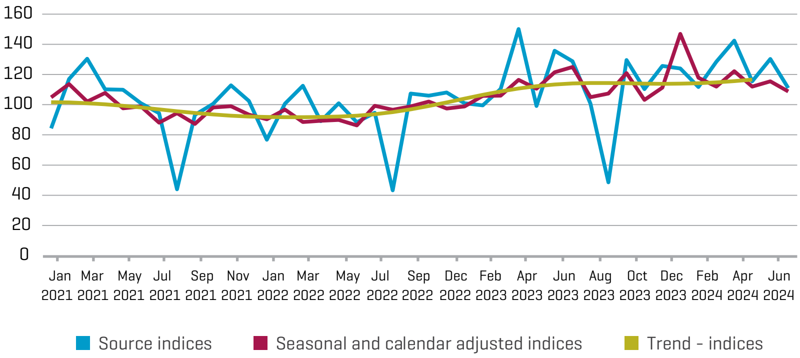
Data from the DESI index for 2023 show that 68.72 percent of Croatian citizens who use the internet use the electronic services of state bodies. The average of the 27 EU countries for the same indicator in 2023 is 74.2 percent. In 2023, only 8.93 percent of internet users in Croatia performed activities related to financial services on the internet, while the average was 16.39 percent at the EU level. Furthermore, according to data from Eurostat for 2023 on internet use, Croatia is falling behind the EU average when it comes to using the internet to make phone and video calls, attending online courses and education, and participating in public consultations. According to data from the same source, Croatian citizens use the internet above the average of 27 EU countries to create content on social networks, search for information about products and services, and read news. As long as citizens in Croatia use mobile internet access to a lesser extent and use only "basic" services, i.e., do not need faster data transfer enabled by the 5G network, its proliferation among users may be quite slow.

Pharmaceutical Industry[9]

The manufacture of basic pharmaceutical products and pharmaceutical preparations in the first six months of 2024 increased by 0.4 percent compared to the same period in 2023. According to the data of the Croatian Bureau of Statistics, the manufacture of pharmaceutical products and preparations recorded a year-on-year increase in the first four months of this year. However, in May and June 2024, there was a decline compared to the same months last year. In May this year, the manufacture of pharmaceutical products and preparations was lower by 4.7 percent compared to May 2023. In June 2024, it recorded a year-on-year decline by as much as 13.1 percent.

_Figure 9
Manufacture of basic pharmaceutical products and pharmaceutical preparations (2021 = 100)

Source: Croatian Bureau of Statistics.



In June 2024, manufacturers' stocks of finished pharmaceutical products decreased by 5.9 percent compared to the same month in 2023. Compared to May of this year, in June, stocks of finished products in the pharmaceutical industry decreased by 5.7 percent. In June of this year, stocks of finished pharmaceutical products and preparations increased by 7.9 percent compared to the average of 2023.

In June of this year, 2.6 percent of all persons employed in the industry and 0.4 percent of all persons employed in the Republic of Croatia were employed in the manufacture of pharmaceutical products and pharmaceutical

9 Božić, Lj. (2024b). Pharmaceutical Industry. *Sector Analyses*.

preparations. In 2023, the average number of persons employed in the manufacture of basic pharmaceutical products and pharmaceutical preparations was 5,958. Compared to the average number of persons employed in 2022, it increased by 6.1 percent. Labor productivity in the pharmaceutical industry at the end of June this year was lower by 1.5 percent than in the same period last year.

In 2023, the average monthly gross wage of persons employed in the manufacture of basic pharmaceutical products and pharmaceutical preparations was 2,370 euros. In 2023, the average monthly gross wage in this industry increased by 7.3 percent year-on-year. In May of this year, the average monthly gross wage of persons employed in the manufacture of pharmaceutical products and preparations was 2,442 euros. Compared to April this year, it decreased by 1.3 percent. The average monthly gross wage for June 2024 in this industry increased by 12.1 percent year-on-year. In 2023, the trend of increasing imports of pharmaceutical products and preparations continued in Croatia. Last year, pharmaceutical products and preparations worth 1.8 billion euros were imported from abroad, which is an increase by 2.8 percent compared to 2022. At the same time, 1.1 billion euros worth of pharmaceutical products were exported. In 2023, the export of basic pharmaceutical products and preparations increased by 7.5 percent year-on-year. In 2023, the export-import coverage ratio of pharmaceutical products was 62.1 percent.

Compared to last year, the trend of increasing producer prices in the manufacture of basic pharmaceutical products and preparations continued this year. On the total market, producer prices of pharmaceutical products and preparations increased by 2 percent in July this year compared to July 2023. The increase in producer prices of pharmaceutical industry products on both the domestic and non-domestic markets in June of this year amounted to 2 percent year-on-year. Regarding the change compared to the previous month of this year, producer prices of pharmaceutical products increased by only 0.1 percent in July this year.

According to the data of the Croatian Institute of Public Health, in the field of family (general) medicine in Croatia in 2023, a total of 57,097,415 prescriptions for medicines were issued. Last year, the number of issued prescriptions recorded year-on-year increase again. Compared to 2022, 8.4 percent more prescription drugs were dispensed last year. Anxiolytics are still leading among prescription drugs in family (general) medicine. In total, 7.8 percent of all prescription drugs apply to them. They are followed by ACE inhibitors with 6.3 percent and antacids, medicine for the treatment of ulcer disease, and medicine with an effect on peristalsis with a 6.0 percent share in the total number of prescription drugs in family (general) medicine.

_Table 12
Business indicators of ten leading pharmaceutical manufacturers in Croatia in 2023

	Total revenue (in millions of euros)	Index 2023/2022	Debt ratio	Current ratio	Gross margin	Labor productivity (in euros)
Pliva Hrvatska d.o.o.	730.11	110.99	0.57	2.35	13.62	254,395.92
JGL d.d.	133.68	116.17	0.44	2.05	9.69	198,930.94
Belupo d.d.	116.63	112.43	0.08	5.43	21.30	121,749.37
Hospira Zagreb d.o.o.	104.53	96.26	0.22	1.29	23.01	247,138.43
Genera d.d.	41.42	119.73	0.29	3.65	9.95	125,518.92
PharmaS d.o.o.	35.75	116.73	0.64	1.90	7.32	316,372.31
Krka-Farma d.o.o.	29.60	104.80	0.13	2.82	5.09	152,586.37
Fidifarm d.o.o.	16.26	111.70	0.42	5.54	16.64	378,143.16
Yasenka d.o.o.	8.05	123.70	0.34	1.09	7.15	151,882.55
Fagron Hrvatska d.o.o.	7.60	99.17	0.21	3.14	7.93	237,523.03

Note: Debt ratio = total liabilities/total assets; current ratio = current assets/current liabilities; gross margin = gross profit/total revenue * 100; labor productivity = total revenue/number of persons employed.

Source: The author's calculation according to data from Poslovna Hrvatska.

The ten leading companies in the pharmaceutical industry in Croatia according to total revenue achieved in 2023 are as follows: Pliva Hrvatska d.o.o., JGL d.d., Belupo d.d., Hospira Zagreb d.o.o., Genera d.d., PharmaS d.o.o., Krka-Farma d.o.o., Fidifarm d.o.o., Yasenka d.o.o., and Fagron Hrvatska d.o.o. The first nine companies are registered for the manufacture of pharmaceutical preparations, while the tenth on the list, Fagron Hrvatska, manufactures pharmaceutical products.

Together, the ten leading companies in the pharmaceutical industry in 2023 achieved a total revenue of EUR 1,223.66 million, which increased by 10.5 percent year-on-year. In 2023, almost 60 percent of the total revenue of the ten leading companies in the sector was generated by Pliva Hrvatska. This company is again in first place with 730.11 million euros in total revenue, which is 10.99 percent more than in 2022. The second company on the list of the leading ones in this sector is JGL. Its total revenue amounted to 133.68 million euros, which is 16.17 percent more than in 2022.

In 2023, ten leading companies had a total of 5,688 persons employed, which is 7.36 percent more than the number of persons employed in 2022. Out of the total number, 2,870 of persons employed, i.e., half of them, were employed in Pliva. This company employed 10.13 percent more employees last year compared to 2022.

According to Eurostat data, the manufacture of pharmaceutical products and pharmaceutical preparations at the level of the European Union was on the rise last year. In 2023, the production volume of pharmaceutical products and preparations at the level of 27 countries of the European Union was higher by 29.1 percent compared to the production volume of this industry in 2021. The increase in the production volume of pharmaceutical products and preparations in the EU was 5.7 percent year-on-year.

In 2023, the number of persons employed in the pharmaceutical industry in the European Union increased by 3.7 percent year-on-year. Compared to 2021, 9 percent more employees worked in this sector last year. In the same period, the number of working hours increased by 9.4 percent compared to 2021, or by 5 percent compared to 2022. Last year, there was also a trend of increasing gross wages of persons employed in the pharmaceutical industry at the EU level. The average monthly gross wages of persons employed in this industry grew by 18 percent compared to 2021. The increase in gross wages amounted to 9 percent year-on-year.

Despite the changes that marked the pharmaceutical industry in the last year, pharmaceutical companies performed well. Positive trends in business have been recorded at the global and European level. The leading pharmaceutical companies in Croatia are no exception. Last year, the Croatian pharmaceutical industry was marked by an increase in exports and imports, employment and wages, as well as prices.

Construction and Real Estate[10]

The construction sector cumulatively records the continuation of positive trends. It can be attributed primarily to the implementation of large-scale infrastructure projects, while the real estate market is experiencing a slowdown in activity. According to the latest available data from the Croatian Bureau of Statistics, in the first half of 2024, the construction sector participated in the structure of the total economy with a share of about 5.8 percent (Table 13). In addition to the effect on aggregate production, the contribution of construction to total employment was noted. The number of persons employed in this industry in August 2024 was 149,657, which is 8.7 percent of the total number of persons employed in the Republic of Croatia. At the same time, of the total number of persons employed in the construction sector, 82.2 percent were employed in legal entities, and 17.8 percent in trades.

_Table 13
Main sector indicators

Note: The percentage changes are compared to the same period of the previous year.

Source: Croatian Bureau of Statistics.

	2021	2022	2023	2024	
Share in GDP (status, in %)	5.0	4.8	4.9	5.8	January–June
Share in total employment (status, in %)	8.1	8.2	8.6	8.7	August
Volume of construction works (percentage change)	9.3	4.0	5.2	17.1	January–July
Number of persons employed (percentage change)	2.1	4.4	8.4	9.0	August
Completed apartments (percentage change)	4.7	26.9	4.3	-	–
Building permits issued (percentage change)	12.2	5.8	3.6	4.9	January–July
Price of sold apartments (percentage change)	7.8	20.2	2.7	7.1	January–June

By observing the year-on-year rates of change of the main sector indicators in 2023, an increase in activity in construction can be observed for all observed indicators (Table 13). Out of the analyzed indicators, the increase

10 Buturac, G. (2024). Construction and Real Estate. *Sector Analyses.*

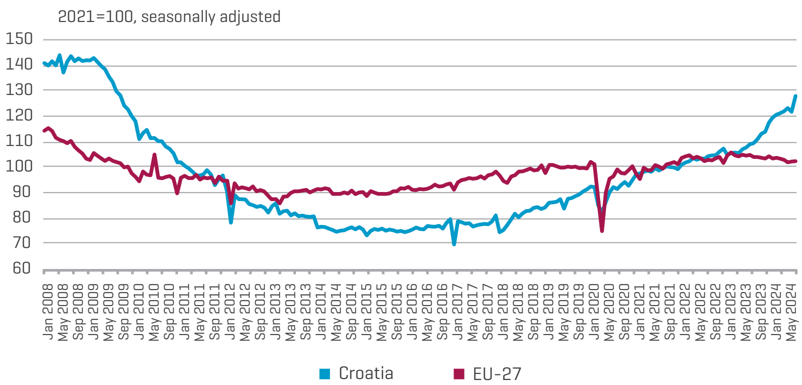
in the volume of construction works in 2023 by 5.2 percent year-on-year should be highlighted. The analyzed indicators confirm the slowdown of activity on the real estate market. In 2022, the number of completed new apartments increased by 26.9 percent, and by 4.3 percent in 2023. At the same time, in 2022, the average price of sold apartments increased by 20.2 percent, and by 2.7 percent in 2023.

In 2023, the number of persons employed increased faster compared to other sector indicators (volume of construction works, completed apartments), which indicates a cumulative decline in the productivity of the sector. There is also a slowdown in the issuance of building permits. In 2022, their number increased by 5.8 percent year-on-year, and by 3.6 percent in 2023.

In 2023, after a significant slowdown in construction, the latest trends at the level of the entire European Union (EU-27) indicate a decrease in the activity of this sector (Figure 10). Thus, the volume of construction works in the EU-27 in the first seven months of 2024 decreased by 1.6 percent compared to the same period last year.

_Figure 10
Volume of construction works in the Republic of Croatia and EU-27, January 2008 – July 2024

Sources: Croatian Bureau of Statistics and Eurostat.



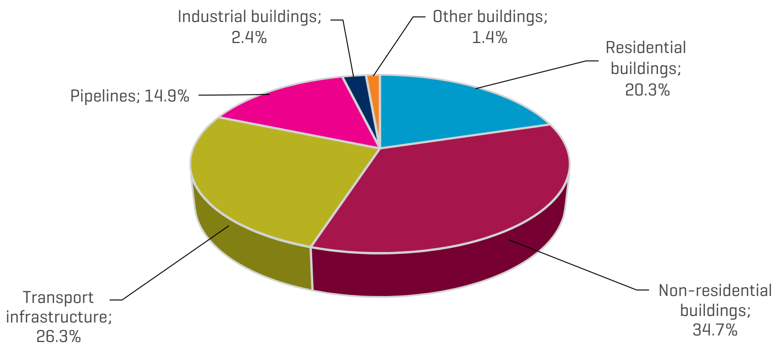
The analysis of the value of completed works by business entities with 20 or more persons employed according to the types of buildings shows that the trends in the construction sector are mostly conditioned by the construction of transport infrastructure and pipelines, the construction of non-residential buildings, and the construction of residential buildings (Figure 11). In the first six months of this year, the total value of the works carried out with own workers amounted to 3.2 billion euros. Of this amount, 41.2 percent of the works were realized in the construction of transport infrastructure and pipelines, 34.7 percent in the construction of non-residential buildings, and 20.3 percent in the construction of residential buildings.

Wages in construction are still below the economy average. In the period from January to July 2024, the average net wage in the construction sector was 19.9 percent lower than the average net wage in Croatia.

The average net wage paid in construction in the first seven months of 2024 was 1,040 euros. Compared to the same period in 2023, it nominally increased by 12.6 percent.

_Figure 11
Structure of completed construction works by type of construction in the Republic of Croatia in the period from January to June 2024

Source: Croatian Bureau of Statistics.



The increase of prices at the level of the overall economy as well as the increase in construction activity contributed to the increase in the prices of building materials. At the same time, in the period January–August 2024, the average price of building materials was higher by 5.3 percent compared to the same period in 2023. Moreover, the producer prices of the overall industry decreased by 2.7 percent on average.

The results of the analysis indicate a significant outflow of the construction workforce from the Republic of Croatia, which was especially pronounced in the recession years. A significant outflow of qualified labor may become a limiting factor in the increase in construction activity in the coming period. Data for the period from January 2018 to August 2024 already indicate problems related to the lack of labor force. More precisely, the results suggest that during that period the number of persons employed in construction increased significantly. However, at the same time, the increase in the number of persons employed exceeds the decline in the number of unemployed many times over, which indicates a significant import of labor from other countries. An additional problem in attracting qualified employees of the construction profession to Croatia can be the inadequate income of the persons employed. More precisely, the average monthly net wages paid in the construction industry lag significantly behind the economy average, with indications that this gap has been gradually deepening since 2007. In that year, the average net wage in the construction sector was 13.5 percent lower than the economy average, and in the first seven months of 2024 it was 19.9 percent lower.

In most EU member states, construction plays a significant role in overall economic activity. It is clear that, on average, this sector has a much greater importance for the economies of the "new" EU-27 member states than for the "old" member states.[11] This can partly be explained by the achieved level of development, whereby in most of the old member states, other economic sectors have a much greater importance for the overall economy compared to construction. The share of construction in the GDP in the new EU-27 member states is on average 5.5 percent, while in the old member states it is 4.7 percent. Among the new members, Romania, Lithuania, Slovakia, Slovenia, Poland, and Estonia have an above-average share. Croatia is below the average of the new EU-27 member states, with a share of 4.9 percent.

Real estate market

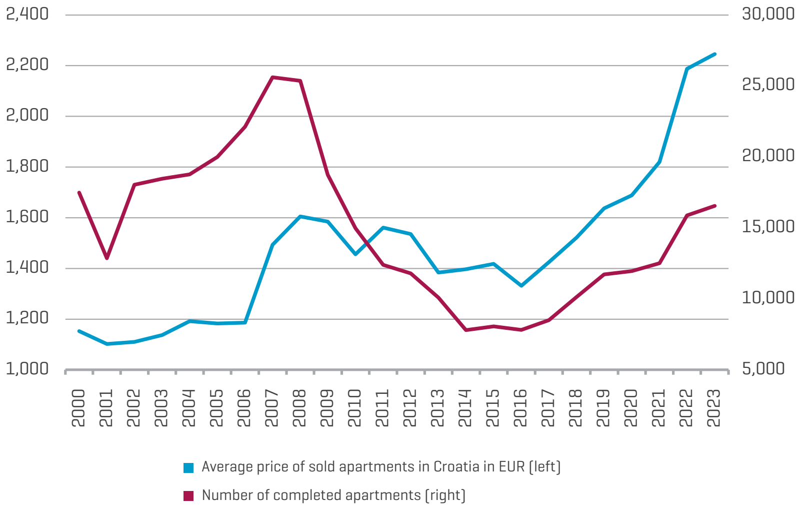
The real estate market in Croatia is experiencing a slowdown in activity. At the same time, in 2023, there was a slowdown in the increase of the number of new apartments built, and a slowdown in the increase of their average prices. A significant contribution to such trends was made by the City of Zagreb, where the number of newly built apartments significantly decreased. The limitation of the supply of apartments contributed to the increase in their prices in the City of Zagreb. Thus, in 2023, the number of newly built apartments in the City of Zagreb decreased by 19.1 percent year-on-year, while the average price increased by 4.1 percent. In 2023, a total of 16,552 apartments were built in Croatia, which is an increase by 4.3 percent year-on-year (Figure 12). For comparison, in 2022, the increase in the number of newly built apartments was 26.9 percent.

By analyzing the number of completed new buildings by type of building, it can be stated that in 2023 there was a significant decrease in the number of newly constructed non-residential buildings. At the same time, the number of residential buildings increased. In 2023, the construction of non-residential buildings decreased by 12.5 percent year-on-year, while the construction of residential buildings increased by 6.5 percent. At the same time, the construction of non-residential buildings showed a decline in the construction of hotels and similar buildings by 13.8 percent. Furthermore, there was a decrease in the construction of office buildings (by 15.4 percent), the construction of buildings for wholesale and retail trade (by 11.2 percent), the construction of transport and communication buildings (by 7.8 percent), the construction of industrial buildings and warehouses (by 4.0 percent), and the construction of educational and healthcare buildings (by 5.6 percent).

11 The new EU member states are transitional countries of the fifth wave of EU enlargement that joined the European Union in 2004 and 2007. These are: Bulgaria, Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia, and Slovenia. Croatia has been a member state since 2013.

_Figure 12
Average price of sold apartments per square meter and number of completed apartments in Croatia, 2000–2023

Source: Croatian Bureau of Statistics.



The analysis of the construction of residential buildings shows that the construction of residential buildings with one apartment increased the most, i.e., by 7.7 percent. The construction of buildings with three or more apartments increased by 4.5 percent, while the construction of buildings with two apartments increased by 4.4 percent.

In 2023, there was a slowdown in the increase of prices of new apartments. Thus, in 2023, the average price of a newly built apartment was 2.7 percent higher compared to the price in 2022.

The latest trends from the first half of 2024 confirm a more noticeable increase in the prices of newly built apartments. Thus, in the first six months, the average price of a newly built apartment at the level of the Republic of Croatia increased by 7.1 percent compared to the same period last year. A significant contribution to price increase was made by the City of Zagreb, where the average price of a newly built apartment increased by 7.9 percent.

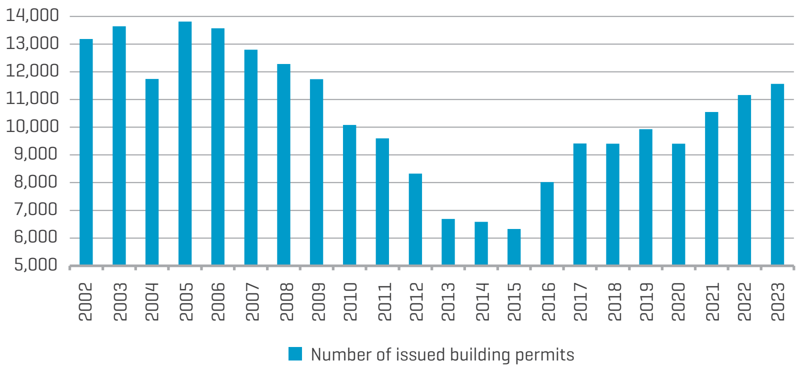
The average price increase of apartments in the Republic of Croatia and in the City of Zagreb is only partially due to the increase in the price of construction materials. The reasons are primarily due to the supply and demand for apartments. On the one hand, the supply is largely limited due to the lack of qualified labor and the outflow of a part of the construction workforce towards the more developed countries of the European Union. At the same time, a decline in the productivity of the sector can be noted. Furthermore, the effect of the relatively slow reconstruction of damaged buildings and housing units due to the earthquake should not be overlooked.

On the other hand, the demand pressure is conditioned by a number of factors. One part certainly lies in the continuation of the trend of uneven economic and regional development in Croatia, with a significant concentration of the economic structure, and consequently the workforce, in the City of Zagreb and its surroundings. Secondly, there is also the effect of still very low interest rates on savings, which has made the purchase of real estate a desirable investment for some investors. Finally, we should not leave out the effects of inflationary pressures and price increases, which additionally contributed to the demand for real estate in order to preserve as much as possible the value of savings resulting from earned income in previous periods.

The results of the analysis of the number of apartments built by county in 2023 indicate a relatively high concentration of construction on the coast and in the City of Zagreb compared to the rest of Croatia. Thus, of the total number of newly built apartments, 58.4 percent were built on the coast, 17.8 percent in the City of Zagreb, while 23.8 percent were built in the rest of Croatia.

_Figure 13
Building permits issued in the Republic of Croatia, 2002–2023

Source: Croatian Bureau of Statistics.



A more detailed insight into the expected trends in the real estate market is provided by the analysis of issued building permits. After a period of dynamic growth of the real estate market, judging by the number of building permits issued, a continuation of the slowdown in construction activities can be expected in the coming period (Figure 13). In 2021, the number of building permits issued increased year-on-year by 12.2 percent, by 5.8 percent in 2022, and by 3.6 percent in 2023.

_Table 14
Selected indicators of ten leading companies in the construction of residential and non-residential buildings in the Republic of Croatia in 2023

Source: The author's calculation according to data from Poslovna Hrvatska.

	Total revenue (in millions of euros)	Debt ratio	Current ratio	Gross margin (in %)
Kamgrad	264.6	0.42	1.81	10.42
Strabag	217.0	0.29	2.39	7.48
Radnik	165.7	0.23	2.97	7.58
GIP Pionir	114.7	0.15	7.92	4.73
Ing-grad	98.2	0.25	3.76	14.36
Projektgradnja plus	61.3	0.51	2.45	5.25
Tehnika	38.0	1.37	0.42	3.38
AB gradnja	33.1	0.38	2.44	18.03
Lavčević	31.3	0.44	1.78	0.35
Mešić Com	30.3	0.52	1.89	14.89

The announcement of the introduction of the real estate tax could lead to a reduction in the pressure on the demand side for newly built apartments, which could be reflected in the mitigating of the increase in real estate prices or even their decline. In contrast, a decline in demand for newly built residential real estate could result in a reduction in new housing construction and continued supply restrictions. This will certainly support the increase of housing prices. The decline in demand and decrease in activity could have negative consequences on the continuation of the process of outflow of construction workforce and qualified labor from Croatia to the more developed countries of the European Union. Decreased activity on the real estate market can cause negative multiplier effects on other economic sectors such as manufacture in mining and quarrying (gravel and sand), manufacturing industry (cement, brick, glass, timber, sanitary ware, furniture), business services – design, etc. This could ultimately have a negative impact on the overall economic trends in the country and on the reduction of the purchasing power of domestic residents, making desirable real estate even more unaffordable.

The direction and dynamics of the real estate market in the coming period will largely be determined by economic conditions in Croatia and the European Union. The European Commission's estimates of GDP trends for Croatia in 2025 indicate a slight slowdown in economic growth. This could further contribute to a reduction in the number of transactions and a slowdown in real estate market activity.

_Tourism[12]

_According to the latest available data from the Croatian Bureau of Statistics, in the first nine months of this year, Croatia recorded 18.3 million tourist arrivals, resulting in 88.4 million overnight stays. Compared to the same period in 2023, the number of tourist arrivals increased by 3.2 percent and the number of overnight stays increased by 0.9 percent. Of the total number of tourist overnight stays from January to September this year, foreign guests accounted for 91.4 percent, and domestic guests for 8.6 percent. An analysis of the dynamics of the number of arrivals and the number of tourist overnight stays in the first nine months of this year confirms that arrivals and overnight stays intensify during the summer months. They reach their peak in August. Of the total number of overnight stays achieved in the first nine months of this year, 73.4 percent were cumulatively achieved during the summer months.

Given the fact that, as a result of the circumstances caused by the COVID-19 pandemic, a significant decrease in both the number of arrivals and the number of tourist overnight stays was recorded in 2020 compared to 2019, the analysis below will show a comparison of the annual change in tourist flows by month in 2024 compared to the same months in 2019. If we analyze the trend in overnight stays of domestic tourists, it is evident that during the peak tourist season (July–August) this year, a significant increase of 21 percent in overnight stays of domestic tourists was recorded compared to the same months of 2019. At the same time, other months also bring an increase in the number of overnight stays of domestic tourists. Unlike domestic tourists, foreign tourists have still not achieved the level of overnight stays recorded in the summer months in pre-pandemic 2019. Except for the month of April, a characteristic of foreign tourist overnight stays is the increase in the number of overnight stays in months outside the main summer season. Compared to the same periods in 2019, the increase in overnight stays of foreign tourists in January this year was 15.9 percent, in February 16.5 percent, in March 44.9 percent, in May 41.8 percent, and in September it was 6.6 percent.

12 Buturac, G. and Rašić, I. (2024). Tourism. *Sector Analyses.*

Although foreign guests were still staying longer than in the pre-pandemic period, a trend of a gradual decrease in the stay of foreign guests in Croatian tourist destinations has been observed. Measured according to the indicator of overnight stays per tourist arrival, it can be stated that in the first nine months of 2024, foreign tourists stayed an average of 5.1 nights. At the same time, in 2023, they stayed an average of 5.2 nights, and in 2022, they stayed 5.5 nights. During the first nine months of 2019, foreign tourists stayed an average of 4.9 nights in Croatian tourist destinations.

An analysis of overnight stays by type of accommodation shows that in the period from January to September this year, of the total number of overnight stays, the most were achieved in resorts and similar facilities for short-stay accommodation – 46.4 percent. At the same time, hotel accommodation accounted for 28.9 percent, while camping grounds, recreational vehicle parks, and trailer parks accounted for 24.7 percent of the total number of overnight stays in commercial accommodation. Compared to the same period last year, there has been a significant increase in the share of overnight stays in hotels (from 25.1 percent to 28.9 percent).

By analyzing the structure of the source markets of foreign guests by country of origin, a pronounced degree of concentration can be observed, with tourists from Germany being the dominant ones. With the relative proximity of the market, this is expected, given that it is the leading economic structure in the European Union. Of the total number of overnight stays by foreign guests in the first nine months of this year, 24.8 percent were from Germany. This is followed by overnight stays of tourists from Slovenia (9.3 percent), Austria (8.8 percent), Poland (8.3 percent), the Czech Republic (5.7 percent), Italy, and Hungary (4.4 percent each).

An increase in the number of overnight stays in the first nine months of this year, compared to the same period last year, was recorded by tourists from Slovenia (2.9 percent), Poland (6.6 percent), Hungary (8.8 percent), United Kingdom (7.3 percent), Slovakia (1.2 percent), Bosnia and Herzegovina (15.2 percent), France (5.2 percent), USA (8.3 percent), Ukraine (15.9 percent), Sweden (10.5 percent), and Serbia (21.1 percent). In contrast, a decrease in the number of overnight stays was recorded by tourists from Germany (6.3 percent), Austria (1.7 percent), the Czech Republic (7.8 percent), Italy (6.8 percent), the Netherlands (3 percent), and Switzerland (1.7 percent).

According to CNB data, foreign exchange revenue from tourism in the first two quarters of 2024 recorded an increase of 7.5 percent year-on-year. Compared to the same period in 2019, foreign exchange revenue

_Table 15
Selected indicators of the ten largest companies by revenue in 2023

	Total revenue (in millions of euros)	Gross profit (in millions of euros)	Debt ratio	Current ratio	Gross margin (in %)	Productivity (in thousands of euros)
Valamar Riviera d.d.	299.5	32.9	0.35	0.97	11.0	85,985.8
Maistra d.d.	230.2	36.9	0.31	0.88	16.0	95,908.9
Plava laguna d.d.	214.6	52.7	0.32	1.39	24.6	102,098.2
Arena Hospitality Group d.d.	93.6	7.5	0.33	1.26	8.0	107,933.6
Imperial Riviera d.d.	91.7	3.8	0.33	1.43	4.1	94,929.3
Sunce hoteli d.d.	74.2	5.6	0.27	2.01	7.5	83,261.5
HUP-ZAGREB d.d.	68.1	3.1	0.47	0.60	4.5	78,416.6
Jadranski luksuzni hoteli d.d.	64.2	15.3	0.43	2.32	23.8	106,109.9
Jadranka turizam d.o.o.	59.7	4.4	0.36	0.69	7.4	79,115.4
Liburnia Riviera Hoteli d.d.	58.9	0.6	0.42	0.60	1.0	94,461.7

Note: Gross margin = gross profit/total revenue*100; current ratio = current assets/current liabilities; debt ratio = total liabilities/total assets; productivity = total revenue/number of persons employed.

Source: Poslovna Hrvatska.

from tourism increased by 47.1 percent during the first six months of this year. Given the year-on-year growth in foreign tourist arrivals and overnight stays during the third quarter of this year, it is expected that total international tourism revenue generated in 2024 will exceed the levels of revenue generated last year.

The importance of tourism for the Croatian economy is indicated by the fact that, in 2019, the tourism sector's share of Croatia's GDP was 11.8 percent. For comparison, in 2011, the tourism sector accounted for 10.4 percent of GDP, and in 2014 it accounted for 11.4 percent. An analysis of the performance results of companies in the activity 55.10 "Hotels and similar accommodation" for 2023 shows that 1,572 business entities were active in that year, generating total revenue of 3.1 billion euros. Considering the size of business entities in the activity 55.10 "Hotels and similar accommodation", there were 1,205 micro, 277 small, 73 medium-sized, and 17 large companies. An analysis of the financial indicators of the ten leading companies in the "Hotels and similar accommodation" sector indicates positive developments in the sector during 2023, reflected in increased revenue, employment, and profitable operations. In 2023, the total revenue of the ten leading companies in this sector amounted to 1.3 billion euros, an increase of 4.8 percent compared to the previous year. Of the ten leading companies in hotel-related activities, six are listed on the Zagreb Stock Exchange, i.e., Arena Hospitality Group d.d., Imperial Riviera d.d., Liburnia Riviera Hoteli d.d., Maistra d.d., Plava laguna d.d., and Valamar Riviera d.d.

According to Eurostat data, in the first eight months of this year, 2.2 billion overnight stays were recorded in tourist accommodation in the EU-27, which is an increase of 65.8 million overnight stays compared to the same period in 2019 (3.1 percent) and 39.3 million overnight stays compared to the same period in 2023 (1.8 percent). In 2024, almost all EU member states for which data are available recorded an increase in the number of overnight stays compared to the first eight months in 2023. The exceptions are France and Belgium, with a year-on-year decline in the number of tourist overnight stays of 0.8 and 0.3 percent, respectively. With a year-on-year growth in the number of tourist overnight stays of 1.6 percent compared to the first eight months of 2023, Croatia ranked 19th among the EU-27 countries. Compared to competing markets in the Mediterranean, in the first eight months of 2024, Croatia achieved the lowest year-on-year growth in tourist overnight stays after Italy (0.04 percent), i.e., 1.6 percent. The strongest year-on-year growth in the number of tourist overnight stays was recorded in Albania (22.6 percent), Malta (14.2 percent), and Turkey (6.8 percent). This is followed by Cyprus (5 percent), Portugal (3.7 percent), Greece (3.4 percent), Spain (3.2 percent), and Montenegro (2.2 percent).

World tourism continues to face the challenges of a fragile economic situation, exacerbated by the continued aggression of the Russian Federation against Ukraine and the war in the Middle East between Israel and Hamas.

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Publisher
The Institute of Economics, Zagreb
Trg J. F. Kennedyja 7, 10000 Zagreb
Phone: +385 1 2362 200
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Note
The *Sector Analyses* publication is an author's text and may not necessarily represent the viewpoint of The Institute of Economics, Zagreb.

Next analysis, *Energy: Renewable Energy Sources*, will be released in February 2025.

Co-funded by the European Union – NextGenerationEU. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Commission.

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