

COUNTRY PROFILE:
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REPUBLIC OF CROATIA
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Recent Political Highlights

- ❑ Chief of state since February 2000 has been President Stjepan Mesic. The president is elected by popular vote for a five-year term and is eligible for a second term.
- ❑ The next election is due in January 2010.
- ❑ The EIU expects the consensus on EU-related reforms between the main political parties to be preserved. Government is under pressure to hasten reforms in the areas of anti-corruption policy, the judiciary and the administration. External factors and a dispute with Slovenia present risks to Croatia's EU membership prospects. Slovenia is blocking Croatia's EU negotiations as they want a settlement to a long-standing border dispute over a tiny bay named Piran.

Recent Economic Highlights

- ❑ Croatia has a population of 4.5m people with an expected population growth rate of 0% in 2009.
- ❑ Croatia was once the wealthiest of the Yugoslav republics. It has seen strong growth since 2000 that was boosted by tourism and credit-driven spending. While long-term prospects for the country remain strong, Croatia is facing significant pressure from the global economic crisis. The country's high foreign debt, poor export performance, strained state budget and over-reliance on tourism income will increase risk to economic stability over the medium term.
- ❑ GDP declined 5.8% in the first quarter of 2009 from a year earlier and the World Bank forecasts GDP growth to average a decline between 2.7% and 3.5% in 2009. Experts forecast the economy to stagnate at 0% in 2010. The economy is forecast to grow at an annual average rate of 1.5% in 2009-13 from 4% in 2004-08. After falling in 2009-10, the contribution of investment to GDP growth will climb from 2011-13, reflecting growth in construction and infrastructure spending. Consumer spending is expected to recover to healthy rates of growth in 2012-13.
- ❑ The unemployment rate is expected to rise from 6% in 2008 to 10% in 2010.
- ❑ Croatia's industrial output posted its biggest monthly rise in April 2009 since the global crisis took effect, but business remained depressed about the prospects of the indebted and unreformed economy. The four-month output was down 9.9% on the same period last year, while exports in the first quarter shrunk 13% to €1.9bn. Deputy Prime Minister Polancec voiced optimism after producers of aluminium, steel and other construction material and machinery were buoyant over the first signs of recovery.
- ❑ The EU states have rejected a Commission recommendation to set an end-2009 target date for completing Croatia's accession talks. The refusal to accept the proposed target underlines the many challenges still facing the country. In November 2008, Croatia received a progress report from the EU where some important shortcomings were outlined. They centred on the need for more judicial reform, to increase transparency and independence and to wage a more determined battle against corruption and organised crime. The EU also pressed Croatia to restructure its shipbuilding industry, which is a burden on Government finances and is a recipient of aid in ways that may run counter to EU rules.

Latest Trade Developments

- ❑ Main export commodities: transport equipment, machinery, textiles, chemicals, food and fuels.
- ❑ Main import commodities: machinery, transport and electrical equipment, chemicals, fuels and lubricant and food.
- ❑ Main agricultural products: wheat, corn, sugar beets, sunflower seed, barley, alfalfa, clover, olives, citrus, grapes, soybeans, potatoes, livestock and dairy products.
- ❑ Main industries: chemicals and plastics, machine tools, fabricated metal, electronics, pig iron and rolled steel products, aluminium, paper, wood products, construction materials, textiles, shipbuilding and tourism.
- ❑ Major trading partners: Italy, Bosnia and Herzegovina, Germany, Slovenia, Russia, China and Austria.
- ❑ SA's exports to the Croatia totaled R47m in 2007, R83m in 2008 and R26.6m in the year to March 2009.
- ❑ SA's imports from Croatia totaled R267m in 2007, R321m in 2008 and R216m in the year to March 2009.