

Industry Construction

Overview

In the fourth quarter of 2008 Croatia's gross domestic product (GDP) stood at HRK 82.753 bln, down 12.94% year-on-year. The country's financial intermediation, real estate, renting and business activities sector contributed 19.8% to the GDP, while the domestic construction sector accounted for 6.92% of the GDP. The country's real GDP growth in the fourth quarter of 2008 was 0.2% compared to the same period a year earlier, the lowest real growth since the first quarter of 2000. The household spendings dropped by 3.2% and the government costs climbed by 2.7% on the year. In the period between October and December 2008 Croatia's export declined by 2.5% and import were down by 7.1% year-on-year.

In the fourth quarter of 2008 the value of construction works totalled HRK 5.724 bln, down from HRK 6.494 bln in the third quarter of 2008.

According to data from the Central Bureau of Statistics of Croatia, the number of the registered construction companies stood at 23,072 in end -March 2009. The active companies numbered 14,343. Privately-owned construction companies totalled 13,966, while the state-owned were 96. The construction cooperatives were 159 in the first quarter of 2009.

In 2007 GDP of the country amounted to HRK 275.078 bln, of which HRK 16.417 bln was generated by the construction sector.

According to data from the Central Bureau of Statistics of Croatia, the number of registered construction companies at end-2007 stood at 17,616, compared to a total 252,645 companies in Croatia. The active companies in the construction sector numbered 10,806, of which the privately-owned totalled 10,450, state-owned were 94 and the cooperatives were 135.

In 2007 the value of construction works totalled HRK 19.663 bln, of which HRK 8.113 bln for civil engineering projects and HRK 5.826 bln for building constructions.

GDP at Current Prices (HRK bln)	Q4 2008	Q3 2008	Q2 2008	Q1 2008	2008	2007	2006	2005	2004
Agriculture, hunting, forestry and fishing	4,826	4,866	5,135	4,184	19,011	16,400	15,578	14,725	15,090
Mining, Quarrying, Manufacturing, electricity, gas and water supply	13,544	16,280	15,164	14,765	59,753	55,271	50,683	47,293	45,543
Construction	5,724	6,494	6,435	6,006	24,659	20,907	19,044	16,736	14,940
Wholesale and retail trade	8,214	9,795	9,636	8,477	36,122	34,431	31,156	29,254	26,578
Hotels and restaurants	2,000	5,762	3,524	1,505	12,791	11,802	10,510	9,712	8,809
Transport, storage and communication	6,230	7,816	6,223	5,211	25,480	24,479	22,466	20,561	19,569
Financial intermediation, real estate, renting and business activities	18,164	16,156	17,006	16,418	67,743	61,795	54,881	48,630	42,355
Public administration and defence	12,888	12,787	12,077	12,118	49,870	45,351	41,738	39,273	36,499
Gross Value Added	71,590	79,958	75,199	68,683	295,430	270,436	246,056	226,184	209,382
Taxes on products less subsidies on products	11,164	13,505	11,676	10,385	46,729	43,787	40,285	38,183	36,168
GDP	82,753	93,462	86,875	79,068	342,159	314,223	286,341	264,367	245,550
GDP growth at Constant Prices					2,40%	5,50%	4,70%	4,20%	4,20%
Inflation					6,10%	2,90%	3,20%	3,30%	2,10%
Source: Central Bureau of Statistics of the Republic of Croatia									

Indicator	Croatia's position	Total number of countries, included in the survey
Doing business	106	181
Global Competitiveness	61	134
Business Sophistication	72	134
Economic Freedom	116	179

Sources: World Bank; World Economic Forum; Heritage Foundation.

Geography

Construction activity in Croatia is most intense in the capital Zagreb and along the Croatian coast, mainly in the Istria region in the north and in the Split, Dalmatia, Dubrovnik and Neretva regions in the south.

Major Developments

EU

Since 2007 the ISPA programme was been replaced by IPA (Instrument for Pre-Accession Assistance). In relation to this programme, the Croatian Ministry of Sea, Tourism, Transport and Development prepared a three-year (2007-2009) infrastructure development plan. The Transport Operational Programme (TOP) was built on the initiative funded by ISPA. The EU co-financing for the current TOP amounts to EUR 53,500,500 or 75% of the total value of the project.

The European Commission agreed in December 2005 to contribute EUR 51.3 mln to environment and transport infrastructure projects in Croatia under the Pre-Accession Instrument for Structural Policies - ISPA. The funds were to be allocated for two projects worth a total EUR 127.4 mln. The Karlovac Water and Waste Water Programme, which will receive EUR 22.5 mln in ISPA funds, will include the construction of a new waste water treatment plant in Karlovac, central Croatia, as well as the extension and modernisation of water and sewerage networks. The second project, to be funded with EUR 28.8 mln, involves the modernisation of a 38-km section of the main railway line from Zagreb to Belgrade, Serbia.

Both projects are scheduled for completion by 2010.

Croatia decentralised the management of pre-accession funds under an agreement signed between the Croatian State Secretary of the Office for Development Strategy, Martina Dalic, and the European Commission Director-General for Enlargement, Micheal Leigh, on February 15, 2006. The responsibility for the pre-accession assistance programmes PHARE, CARDS and ISPA was transferred from the European Commission onto the Croatian authorities. The European Commission will, however, continue to supervise the application procedures and the signing of contracts.

The first Public Procurement Manual of the Croatian Government was presented to the Croatian Chamber of Commerce in July 2006. The Manual was developed by the Croatian Public Procurement Office, the EU CARDS Project (Twinning Project) and USAID's Local Government Reform Programme. Croatia's negotiations for EU entry include a chapter on public procurement, and therefore changes in line with the EU directives need to be adopted. The Public Procurement Manual main objective is to ensure the transparent, efficient and cost-effective management of public funds.

Legislation

- Physical Planning and Construction Act of 2008;
- Ordinance on Simple Buildings and Works of 1976;
- Building and Construction Act of 2003;
- Croatian Chamber of Architects and Construction Engineers Act of 1998;
- Code of Professional Ethics of the Croatian Chamber of Architects and Construction Engineers of 1999

Other

In May 2009 the Croatian construction companies were invited to step up in the Ukraine for the construction of infrastructure facilities, which will be built for the 2012 European football championships.

In February 2009 Ingra d.d., a leading Croatian construction company and the authorities of Iraqi Kurdistan signed a protocol on cooperation in the construction of health facilities. The next step will be the acceptance of Ingra's bid with projects and the signing of contracts on the construction and equipment of hospitals. According to preliminary estimates, the value of construction works, which should start in spring 2009, is put at some USD 180 mln, and the value of all the works is USD 500 mln.

Ingra d.d. also signed a EUR 2.4 mln deal in Algeria over the design, delivery and assembling of a hydro-mechanical equipment for a local dam, as well as a EUR 5.4 mln deal over the expansion of Stora harbor and the restructuring of Marsa Ben M'Hidi harbor. Moreover, the company stated that it awaited the finalization of the tender for the construction of a EUR 70 mln military hospital in Algeria.

Croatia is carrying out a EUR 45 mln project to set up a joint information system of its real estate and land registers in a bid to improve the transparency and facilitate investments. The project is financed through a World Bank loan and grants from the European Union. It was started in 2003 and is to be completed in 2008.

According to Croatian Deputy Prime Minister Damir Polancec, the funds invested in the project amounted to HRK 94 mln and further HRK 92 mln were to be invested in 2006. All land registers were to be digitalised by the end of 2006, so that land certificates can be issued within one day and the registration of ownership rights will take no more than a week.

The number of outstanding land registry cases was reduced by more than 150,000 between 2003 and 2006.

Leading Companies

Top Ten Construction Companies in terms of total revenue in 2007	
Company	Total Revenue in HRK
Konstruktor-Inzenjering d.d. (Split)	2 242 097 736
Dalekovod d.d. (Zagreb)	1 826 916 598
Viadukt d.d. (Zagreb)	1 416 887 615
Hrvatske Autoceste d.o.o. (Zagreb)	1 278 262 767
Tehnika d.d. (Zagreb)	1 253 612 662
Hidroelektra Niskogradnja d.d. (Zagreb)	1 052 981 702
Osijek-Koteks d.d. (Osijek)	1 008 768 455
Strabag d.o.o. (Zagreb)	97 740 256
Zagorje - Tehnobeton d.d. (Varazdin)	811 542 834
Kamgrad d.o.o. (Zagreb)	57 881 889

Source: Lider press d.d.

Site Preparation

Niskogradnja Usluge d.o.o. (Ivanic-Grad)
Vodoprivreda Sisak d.d. (Sisak)
Cesta d.o.o. (Pula)
Limax d.o.o. (Nova Raca)
Vodovod-Osijek d.o.o. (Osijek)
ZM-Montag d.o.o. (Zagreb)

Construction of Buildings and Civil Engineering

Cesta-Varazdin d.d. (Varazdin)
 Dalekovod d.d. (Zagreb)
 Enikon d.d. (Zagreb)
 Hidroelekta Niskogradnja d.d. (Zagreb)
 Hrvatske Autoceste d.o.o. (Zagreb)
 Konstruktor-Inzenjering d.d. (Split)
 Osijek-Koteks d.d. (Osijek)
 Radnik d.d. (Kirzevci)
 Remont I Odrzavnje Pruga d.o.o. (Zagreb)
 Tehnika d.d. (Zagreb)
 Tempo d.d. (Zagreb)
 Viadukt d.d. (Zagreb)
 Vodoprivreda Zagreb d.o.o. (Zagreb)
 Zagorje-Tehnobeton d.d. (Varazdin)
 Zagrebacke Ceste d.o.o. (Zagreb)

Top Ten Building Installation Services Companies in terms of total revenue in 2007	
Company	Total Revenue in HRK
Vodovod-Osijek d.o.o. (Osijek)	230 415 803
Elektrometal d.d. (Bjelovar)	207 621 243
Tromont d.o.o. (Split)	127 774 789
Parting d.o.o. (Buzin)	119 777 568
Visokogradnja d.o.o. (Slavonski Brod)	110 103 556
Pet-Prom d.o.o. (Zagreb)	108 265 556
Ran d.o.o. (Sibenik)	102 074 428
Elkom d.o.o. (Ivanec)	100 646 822
Durkin d.o.o. (Cakovec)	97 802 099
Posit d.o.o. (Zagreb)	95 820 399

Source: Lider press d.d.

Building Completion

Funda d.o.o. (Zapresic)
 Hleb d.o.o. (Zagreb)
 Interijer Juric I Drugi d.o.o. (Zagreb)
 Limax d.o.o. (Nova Raca)
 Stan d.o.o. (Pozega)
 Ukras d.d. (Osijek)
 VIG d.d. (Zagreb)

State Construction Companies in Croatia			
Company	Equity Capital in HKR	State Share in %	Shares for Sale in %
Bagat-Elektrokomerc d.d. (Zadar)	571,740	95.29	95.29
Dinara d.d. (Knin)	292,000	100.00	61.99
Gortan d.d. (Zagreb)	99,742,500	93.40	81.75
Gradina d.d. (Zagreb)	654,810	57.77	57.77
Intal d.d. (Zagreb)	63,180	65.43	65.43
Izogradnja d.d. (Zagreb)	51,480	79.55	0.00
Izomont d.d. (Zagreb)	1,631,800	52.89	3.34
Tempo d.d. (Zagreb)	60,795,200	95.54	95.54

Source: Croatian Privatisation Fund

Employment

Number of Employees under Labour Contract

	Q1 2009	2008	2007	2006	2005
Real estate activities	4945	89531	82,271	72,048	67,100
Total employment	1223934	1222652	1,181,077	1,124,697	1,095,465
Share (in %)	0,40%	7,32%	6,97%	6,41%	6,13%

Source: Central Bureau of Statistics of the Republic of Croatia

Average Monthly Net Salary (HRK)

	Jan - Mar 2009	2007	2006	2005	2004	2003
Construction	4500	4,263	3,966	3,733	3,491	3,501
Average Wage for the Country	5301	4,841	4,603	4,376	4,143	3,940
Share (in %)	84,89%	88,06%	86,16%	85,31%	84,26%	88,86%

Source: Central Bureau of Statistics of the Republic of Croatia

Supply

1. Construction
 - Site preparation
 - Building construction and civil engineering
 - Building refurbishment
 - Building completion
 - Heavy construction
 - Special trade contractors

Value of Construction Works

	2008	2007	2006
Construction of buildings as % of total	45,50%	41,50%	39,30%
Civil engineering works as % of total	54,50%	58,50%	60,70%
Total in bln HRK	23,260	19,66	18,45

Source: Central Bureau of Statistics of the Republic of Croatia

Volume Indices of Construction Works (2005=100)

	2008	2007	2006
Construction of Buildings	189,6	186,9	139,4
Civil Engineering Works	106,6	119,2	99,0
Total	134,1	141,6	112,4

Source: Central Bureau of Statistics of the Republic of Croatia

Construction of Buildings

In March 2009 the number of building permits increased by 14.2% on the year to 1,103, of which 80.2% were for new constructions. The total number of building permits in the period January – March 2009 increased by 28.1% on the year to 2,833.

In the first quarter of 2009 the volume of construction works dropped by 0.3% on the year. In March 2009 the share of construction works on new construction made up 62% of the total.

The number of housing units completed in 2008 increased by 30% year-on-year to 7,875. Total useful area rose by 27.75% on the year to 540,543 sq m.

In November 2008 the number of building permits increased by 13.6% on the year to 1,147, of which 78.7% were for new constructions. The total number of building permits in the period Jan-Nov 2008 decreased by 6.0% on the year.

In the third quarter of 2008 the value of construction works rose by 31.8% on the year and in the period January-September 2008 it went up by 20.2% year-on-year.

In October 2008 the value of construction projects increased to HRK 2.85 bln from HRK 2.17 bln in October 2007.

The number of building permits issued in the first half of 2008 in Croatia totalled 5,057, down by 19.6% year-on-year. The value of construction projects for the same period decreased by 11% on the year and amounted to HRK 12.934 bln. Permits issued for new construction projects accounted for 72% of the overall permits, while permits for renovations made up the rest.

In the first quarter of 2008 issued building permits decreased to 2,211 from 3,177 a year earlier. The value of construction projects for January-March 2008 increased slightly to HRK 6.788 bln from HRK 6.760 bln for the same period of the previous year.

The number of housing units completed in the first quarter of 2008 increased by 58% year-on-year to 2,001. Total useful area rose by 37% on the year to 125,456 sq m.

In 2007 the total number of issued building permits declined by 5.0% compared to 2006. The number of completed homes in 2007 also decreased, going down 18% on the year.

Employment in the sector kept an upward trend and at end-June 2008 the construction sector employed 8.2% of the country's work force. In January 2008 and for the whole 2007 the employment in the construction sector rose to 8.13%, compared to 7.81% in 2006.

Building Permits for Home Construction

	Jan-Feb 2009	2008	2007	2006	2005
Number	2509	24585	24,877	25,517	23,484
Useful floor area (sq m)	221123	1994128	2,088,495	2,150,055	1,982,425

Source: Central Bureau of Statistics of the Republic of Croatia

Building Permits

	Jan-Mar 2009		2008		2007		2006		2005	
	Number	Value (HRK bln)	Number	Value (HRK bln)	Number	Value (HRK bln)	Number	Value (HRK bln)	Number	Value (HRK bln)
Buildings	2323	4295	9812	10889	11,378	22.831	12,135	19.272	12,253	15.999
Civil engineering works	510	2625	2469	1392	1,423	10.670	1,440	7.410	1,565	8.558
Total	2833	6920	12281	12281	12,801	33.501	13,575	26.682	13,818	24.557

Source: Central Bureau of Statistics of the Republic of Croatia

Completed Homes

	2008	2007	2006	2005
Number	7875	6,054	7,151	4,566
Useful floor area (sq m)	540543	423,126	468,578	297,235

Source: Central Bureau of Statistics of the Republic of Croatia

Transport & Infrastructure

In December 2008 the 40-kilometres Sestanovac-Zagvozd-Ravca section of the Zagreb-Split-Dubrovnik motorway was opened and in October 2008 was opened the 146.5 km long A6 Rijeka-Zagreb motorway.

In October 2008 are opened the Gorican-Letenye section and the Mura Bridge, connecting Croatia and Hungary. The Mura Bridge is 216 metres long and its construction costed EUR 8.0 mln. The construction of the 1.4 kilometres long Gorican-Letenye section was worth HRK 50 mln.

The construction works on the Danube-Sava canal started in 2008.

At end-June 2008 the Rijeka-Zagreb motorway was extended by a new 20.85 km sector, consisting of the Vrata-Delnice section (8.92 km), Delnice-Kupjak section (7.93 km), and a part of the Kupjak - Vrbovsko section (4.00 km).

In 2007 motorway network in Croatia totalled 1,163 km, operated by four companies: Hrvatske Autoceste d.o.o., Autocesta Rijeka-Zagreb d.d., Bina-Istra d.d. and Autocesta Zagreb-Macelj d.o.o.

As of November 2007 the length of Croatian motorway network was 1,163 km. Hrvatske Autoceste d.o.o. increased its share to 780 km of toll motorways, compared to 735 km in 2006. Autocesta Rijeka-Zagreb d.d. operated 178 km, up 32 km compared to end-2006. Bina-Istra d.d. ran the A8 (Matulji-Kanfanar) and A9 (SLO Border-Kanfanar-Pula) motorways with a total length of 145 km, unchanged from 2006. Autocesta Zagreb-Macelj d.o.o. operated the Zagreb-Macelj motorway whose length increased to 60 km.

The road network totalled 29,016 km, of which 1,065 km were motorways and semi-motorways; 6,812 km were the national roads; 10,604 km - county roads and 10,535 km were local roads.

At the end of 2006 Croatia had a network of 1,068.5 km of toll motorways, operated by the same four companies.

The Croatian railway network totalled 2,720 km in November 2007, of which 254.3 km was double track, 2,466 km was single track and 977.64 km was electrified.

The total length of inland waterways within Croatia's borders was 804.1 km.

Highways Under Construction as of Jan 1, 2009

Highway	Section	Legth (km)
A1 Highway (Zagreb-Split-Dubrovnik)	Ravca-Ploce	21
	Mala Kapela and Sveti Rok tunnels	11,46
A2 Zagreb-Macelj	border with Slovenia	0,8
A3 Highway (Bregana-Zagreb-Lipovac)	Auxiliary units	
A5 Highway (Beli Manastir-Osijek-border BiH)	Osijek-Djakovo	33
A1 Bosiljevo - Zagreb		4,56
A7 Highway (Rupa - Rijeka - Krizisce)	Orehovica junction - Diracije junction	8,86
A9 Highway (Umag - Pula)	Kanfana - Vodnjan jug	20,7
	Vodnjan jug - Pula	6,9
A10 Highway (Mali Prolog-Ploce)	Ploce - port Ploce	7,5
A11 Highway (Zagreb-Sisak)	Jakusevac-Velika Gorica jug	7,5
	Velika Gorica jug - Lekenik	8
Highway and tunnel Sv. Ilija		10
Total		140,28

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Highways Under Construction as of Jan 1, 2008		
Highway	Section	Legth (km)
A1 Highway (Zagreb-Split-Dubrovnik)	Split-Ploce	102,00
	Sestanovac - Zagvozd	13,40
	Zagvozd - Ravca	26,90
	Mala Kapela tunnel	5,78
	Sveti Rok tunnel	5,68
A3 Highway (Bregana-Zagreb-Lipovac)	Ivanja Reka-Velika Kopanica	208,40
A4 Highway (Zagreb-Gorican)	Gorican- border Hungary	1,50
A5 Highway (Beli Manastir-Osijek-border BiH)	Osijek-Djakovo	33,00
A6 Highway (Zagreb-Rijeka)	Ostrovica-Vrata	12,50
	Vrata-Delnice	8,90
	Delnice-Kupjak	7,90
	Kupjak-Vrbovsko	7,60
A10 Highway (Mali Prolog-Ploce)	Ploce 1 Interchange-Ploce Harbour	9,00
A11 Highway (Zagreb-Sisak)	Jakusevac-Velika Gorica South	7,50
	Velika Gorica South-Busevac	8,00
Total		458,06

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Constructed Highways in 2008

Highway	Section	Length (km)
A1 Highway (Zagreb-Split-Ploce)	Sestanovac-Zagvozd-Ravca	40
A4 Highway (Zagreb-Gorican)	Gorican - border with Hungary	1,5
A6 Highway (Rijeka-Bosiljevo)	Ostrovica-Vrata	12,44
	Vrata-Delnice	8,93
	Delnice-Kupjak	7,92
	Kupjak-Vrbovsko	7,59
Total		78,38

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Constructed Highways in 2007

Highway	Section	Length (km)
A1 Highway (Zagreb-Split-Ploce)	Dugopolje-Bisko-Sestanovac	37,00
A2 Highway (Zagreb-Macelj)	Krapina-Macelj	17,20
A5 Highway (Beli Manastir-Osijek-border BiH)	Sredanci-Dakovo	23,00
A6 Highway (Zagreb-Rijeka)	Vrbovsko-Bosiljevo	8,44
	Ostrovica-Kikovica	7,25
A11 Highway (Zagreb-Sisak)	Jakusevec-Velika Gorica South	2,50
Total		95,39

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Demand

Construction of Buildings

In 2009 demand for homes continues to outstrip supply. Zagreb is still Croatia's largest and fastest growing residential market and prices rose some 15% a year over the past few years. In 2008 the average asking price was about EUR 2,040 per sq m or 0.6% higher than a year earlier. There is a lack of higher-quality premises although as the market becomes more sophisticated, developers can be expected to increase the supply of quality developments. Supply and demand for high-grade residential units are expected to continue to grow in the next period, as the developing market creates favourable conditions for them. As a result, residential rents are likely to stay near their current levels.

Lower cost housing was hit by the economic crisis, which will affect in the construction industry. Over the past few years the number of constructed flats increased and supply exceeding demand in 2007, when 25,000 flats were constructed. The expectations for 2009 are the supply of flats to halve in 2009. Although input costs are rising, selling prices are not expected to fall.

The average price for a flat in Zagreb was EUR 2,006 per sq m in December, down by 0.7% compared to November 2008 and by 1.4% on the year. The average price for a sq m of a house in the region of Zagreb in December 2008 was EUR 1,317, up by 1.6% from November and by 8.5% from December 2007.

On the national level, real estate prices went up by 2.2% year-on-year in 2008.

In the first half of 2008 the average price per sq m of new dwellings was HRK 13,427, which was by 5.2% higher compared to the second half of 2007. A total of 1,035 new dwellings were sold in the first half of 2008, half of them in Zagreb.

In 2007 the demand for modern residential property of high quality still exceeded the supply. Besides, the number of sold dwellings in 2007 decreased by 8.2% on the year to 3,100, which further deteriorated the situation on the local market. More than 50% of the sold dwellings were in Zagreb. The average price of a new dwelling in Croatia increased by 25.9% year-on-year to HRK 11,252 in 2007. In Zagreb the average price of new dwellings reached HRK 12,308, up by 34% year-on-year. The main reasons for the strong demand for new residential property were the rise of wages and the better mortgage conditions. The expectations are prices of high quality property of good location to grow at a slower pace over the following years and the value of old dwellings to go down.

Transport & Infrastructure

Toll Revenues (HRK, VAT excl.)

Company	2008	2007	2006	2005
Hrvatske Autoceste d.o.o.	1238422017	1,230,509,256	1,113,192,788	974,835,682
Autocesta Rijeka-Zagreb d.d.	477406351	423,273,303	380,405,106	340,086,598
Bina-Istra d.d.	129674801	134,125,037	120,675,524	106,842,582
Autocesta Zagreb-Macelj d.o.o.	155397526	151,282,568	87,754,303	68,887,470
Total	2000900695	1,939,190,164	1,702,027,721	1,490,652,332

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

	Q1 2009	2008	2007	2006	2005
Passenger transport (mln people)	34,5	148,22	140.133	124.015	118.240
Railway transport	17,88	70,96	61.978	46.212	39.842
Road transport	14,88	62,06	63.144	63.576	64.859
Water transport	1,410	12,86	12.723	12.079	11.440
Air transport	0,33	2,33	2.288	2.148	2.099
Freight transport (mln tonnes)	31,88	165,47	125.045	119.708	113.026
Railway transport	2,53	14,85	15.733	15.395	14.333
Road transport	19,01	110,81	66.814	63.840	58.886
Seawater and coastal transport	7,6	30,77	32.420	31.423	29.975
Inland waterway transport	0,06	0,27	0.384	0.400	0.430
Air transport	0,91	5,14	0.006	0.006	0.006
Pipeline Transport	2,68	8,77	9.688	8.644	9.396

Source: Central Bureau of Statistics of the Republic of Croatia

Investments

Foreign direct investment (FDI) in Croatia dropped by 18.5% on the year to EUR 2.18 bln in the first nine months of 2008. Half of the FDI or more than EUR 1.081 bln were allocated for Croatia's financial intermediation sector. The real estate sector followed with EUR 191.5 mln in FDI.

Austria was the largest single foreign investor in Croatia with EUR 1.0 bln invested in the first nine months of 2008.

In the first quarter of 2008 foreign direct investment (FDI) in Croatia decreased significantly by 98% year-on-year to EUR 688 mln. As in the previous periods, Austria was the biggest investor with EUR 491.8 mln followed by Germany with EUR 80.6 mln. More than 73% of the FDI for the first three months of 2008 came from EU-15 countries.

In 2007 FDI of the country amounted to EUR 3.597 bln, up by more than 31% compared to 2006.

Construction of Buildings

In March 2009 a consortium of three Croatian construction firms - Konstruktor, Institut IGH and Tehnika, won a tender worth EUR 2.77 bln to build a stretch of motorway in neighbouring Montenegro. The project includes building of 169 kilometre long motorway connecting northern and southern Montenegro. The project should be completed by October 2016, and it is Croatia's biggest export deal since it became independent in 1991.

In April 2009 Croatian building materials producer Nexa Grupa listed commercial paper worth HRK 400 mln on the Zagreb Stock Exchange (ZSE). Commercial papers are an unsecured, short-term debt instrument issued by a corporation, typically for meeting short-term liabilities.

In May 2009 Croatian construction consortium consisting of Viadukt, Hidroelektra Niskogradnja, Osijek Koteks, Konstruktor Inzinjering and Skladgradnja group signed a new contract worth HRK 949 mln with Croatian motorways. The contract was intended for the construction of bridge over Drava river on the part of Beli Manastir - Osijek motorway.

Croatian building company Porr Hrvatska d.o.o. and Israeli real estate developer Atia Group will invest EUR 60 mln in the construction of an 8.0 ha residential complex in Sambor, near the Croatia capital Zagreb in the autumn of 2009.

Hungarian construction company TriGranit Kft. started the construction of the Arena Centre shopping mall in Zagreb in September 2008. The company plans to invest EUR 220 mln in the new shopping mall with more than 60,000 sq metres of sales space. The new mall is expected to open in 2010.

In September 2008 Croatian construction company Industrogradnja d.d. signed a contract for the construction of two mixed-use residential and office buildings worth EUR 10 mln in Zagreb. The construction works are planned to start at the end of 2008.

In July 2008 Croatian real estate developer CCS Ulaganja planned an investment of EUR 180 mln for the construction of a complex of luxury residential and office buildings in Zagreb. The Sava Park complex will be located on the bank of the Sava river and will consist of luxury high-rise buildings, a health centre, a multimedia library, a kindergarten, shops and bank offices. The construction works are scheduled to start in 2009 and to be completed within two years.

In April 2008 Luxembourg-based real estate developer Orco Property Group announced its plans to invest about EUR 100 mln in the construction of a tourist complex and a marina on the Croatian Adriatic island of Obonjan under a 50-year concession deal. The construction works of Obonjan Riviera complex, to be completed in two phases, are scheduled to begin in early 2010 and to finish in 2013. The complex will be developed on 65,000 sq m and will consist of hotels, apartments and villas, as well as sport, beach, relaxation facilities and 100 berths in the harbour.

In March 2008, Warsaw-based real estate developer Globe Trade Centre (GTC) planned to build a EUR 40 mln shopping centre in Osijek, eastern Croatia. The centre will offer 28,000 sq m of retail area and is expected to be opened by the end of 2009.

In October 2007, Dutch-based Real Estate Group N.V finalized a deal for a 45,000 sq m plot in Laniste, a suburb of Zagreb, Croatia. The company planned to build a 90,000 sq m residential complex of 1,300 apartments worth EUR 98 mln. The selling price of the project is estimated at EUR 130 mln.

On September 28, 2007 The European Bank for Reconstruction and Development (EBRD) disclosed a project for Jadranka Hotels d.o.o., including the refurbishment of the group's existing hotel portfolio and improving the existing hotels to the international 3 - 4 star ranking. EBRD is going to finance the project with EUR 24.4 mln of the total cost which was estimated at EUR 75.3 mln.

Croatian privately-owned real estate developer Degrad will invest some EUR 100 mln in a residential complex in the capital Zagreb. Degrad took a loan to finance the investment. The complex, named Iver, will spread on 13 hectares in the eastern part of Zagreb and will comprise 1,000 apartments, a school, a kindergarten, a sports hall, a swimming pool and a shopping centre. Its construction started at the beginning of 2007 and will take two years to be completed.

Transport & Infrastructure

In the beginning of 2009 Croatian civil engineering company Institut Gradjevinarstva Hrvatske will start the construction of a 28-kilometre motorway stretch between Dubrovnik and Doli, which is estimated at HRK 100 mln. The stretch will be part of a future motorway between Dubrovnik and Split.

In December 2008 the International Bank for Reconstruction and Development granted a EUR 84 mln loan to the Port of Rijeka Authority for the modernisation of the largest international seaport in Croatia. The loan will be allocated for the expansion the existing container terminal and for the construction of a new one.

In December 2008 Croatian motorway management, construction and maintenance company Hrvatske Autoceste signed a EUR 70 mln loan agreement with Zagrebacka Banka for the construction and maintenance of motorways.

By December 2008 a total of HRK 1.66 bln were invested in the 40 km Sestanovac-Zagvozd-Ravca section of the Zagreb-Split-Dubrovnik motorway.

In November 2008 the construction of a new Zagreb airport is announced, which will be funded not by the state, but by international companies.

In the end of 2008 Croatia announced its plans to invest more than EUR 3.5 bln in the construction of 350 kilometres of motorways.

The construction of Peljesac bridge in southern Croatia, railway modernisation and the expansion of the gas supply network is planned to continue in 2009. A highway will be built to Osijek and to Beli Manastir, eastern Croatia, as well as motorways to Ploce in southern Croatia and between Zagreb and Sisak.

In October 2008 Croatian road construction company Viadukt signed a EUR 88 mln contract for road upgrades in Libya. The project will start in December 2008 and is planned to finish by 2010.

Croatia and the European Union signed an agreement in September 2008, jointly to invest more than EUR 60 mln in the modernisation of the 33.5 kilometre Vinkovci -Tovarnik railway stretch in eastern Croatia. Italian company Salcef Construzioni Edili e Ferroviarie SPA is awarded for the construction works, while Italian companies Bombardier Transportation Italy and SITE SPA will install a system for transport management.

In September 2008 Croatia and Bosnia and Herzegovina signed a joint venture agreement for the construction of a 760-metre bridge on the Sava River from Svilaj in Croatia to Odzak in Bosnia-Herzegovina. The construction is planned to be completed by the end of 2012.

In September 2008 Croatian civil engineering company Institut Gradjevinarstva Hrvatske and state-owned motorway construction and maintenance company Hrvatske Autoceste started the construction of a section of Zagreb ring road. A total of EUR 600 mln will be invested in the construction of the 60 kilometres long ring road, which will be completed by 2013.

According to the Transport Development Strategy of Croatia, the country's motorway network will be 1,365 km long by 2013.

In 2008 the Croatian Government plans to spend a total of HRK 2.75 bln on transport and infrastructure projects and the construction roads in line with the Programme for Construction and Maintenance of Public Roads for 2005-2008. The construction costs alone are estimated at some HRK 1.16 bln.

In August 2008 Croatian state-owned motorway company Hrvatske Autoceste awarded local power transmission equipment maker Dalekovod d.d a HRK 370 mln deal for the equipment of the second tubes of the Sveti Rok and Mala Kapela tunnels, expected to become operational in 2009.

For the period from June 2006 to June 2008 the Croatian Government invested some EUR 95.5 mln in the construction of three sections of the Zagreb-Rijeka motorway Vrata-Delnice, Delnice-Kupjak and a part of Kupjak-Vrbovsko section with a total length of 20.85 km.

In 2007 a total HRK 5.207 bln was allocated for the construction of new motorway sections and another HRK 716.88 mln was spent on the upgrade of existing sections.

The Construction Plan of Hrvatske Autoceste d.o.o. for 2007 covered all activities on the construction of motorways such as land acquisition, utility relocation, design development, construction and supervision. The activities and investment were planned for all routes with the largest share of 59.5% for the Beli Manastir – Osijek – BiH border section and Split – Ploce section.

The total value of works planned for 2007 on all motorway routes was HRK 2.065 bln, of which HRK 1.795 bln for construction, HRK 53.8 mln for land acquisition, HRK 86.1 mln for design work, HRK 63.2 mln for supervising services and HRK 66.1 mln for utility relocation. The amount of HRK 179 mln was expected to be spent on the maintenance of motorways.

Government Investments in the Transport Sector in mln EUR

	Planned			Expected	Invested					
	2011	2009	2008	2007	2006	2005	2004	2003	2002	2001
Roads	-	-	903,67	943,18	1,089.92	1,197.03	1,132.9	1,216.36	786,59	405,58
Railways	-	459,6	335,61	262,92	161,78	94,84	131,27	107,86	36,87	23,22
Inland waterways	263,67	142,08	73,1	55,34	21,34	9,74	12,02	16,17	14,48	5,1
Sea ports	80,94	113,3	89,57	68,41	34,55	18,76	14,98	11,85	11,01	11,75
Airports	-	48,4	32,77	51,33	23,69	17,58	16,67	18,48	10,98	7,69

Source: Ministry of Sea, Tourism, Transport and Development of Croatia

Construction Plan of Hrvatske Autoceste Ltd for 2007 in mln HRK		
1	Istrian "Y" Motorway	15,63
2	Zagreb – Gorican	62,12
3	Zagreb - Macelj	44,27
4	Zagreb - Bregana	10,67
5	Bosiljevo - Split	59,10
5,1	Bosiljevo - Sveti Rok Interchange	16,83
5,2	Sveti Rok Interchange - Dugopolje	42,27
6	Split – Ploce	602,42
7	Rupa - Rijeka – Zuta Lokva	40,51
8	Zagreb - Lipovac	220,49
9	Beli Manastir - Osijek - B&H border	625,31
10	Zagreb - Sisak	251,24
11	Zagreb Bypass	104,79
12	Other projects	28,01
	Total	2,064.56

Source: Hrvatske autoceste d.o.o

Infrastructure Development Plan – 2009

Highway	Section	Length (km)
A1 Highway (Zagreb – Split – Dubrovnik)	Ravca-Ploce-Vrgorac	10
	Mala Kapela and Sv. Rok tunnels	11,46
A2 Highway (Zagreb-Macelj)	on the border with Slovenia	0,8
A5 Highway (Beli Manastir-Osijek-border BiH)	Djakovo - Osijek	33
A7 Highway (Rupa - Rijeka - Krizisce)	Orehovica junction - Diracje junction	8,86
A10 Mali Prolog - Ploce	Ploce 1 - port Ploce	1
A11 Highway (Zagreb-Sisak)	Velika Gorica - Busevec	8
Total		73,12

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Infrastructure Development Plan – 2008		
Highway	Section	Length (km)
A5 Highway (Beli Manastir-Osijek-border BiH)	Osijek-Beli Manastir	25,00
A8 Kanfanar – Rogovici	Kanfanar – Rogovici	18,00
A9 semi-Highway (Istrian Y- Kastel – Pula)	Umag – Pula	77,00
A2 Highway (Zagreb-Macelj)	Macelj-border Slovenia	0,80
A1 Highway (Zagreb – Split – Dubrovnik)	Ravca – Ploce 1	27,00
A11 Highway (Zagreb-Sisak)	Velika Gorica South-Lekenik	12,00
A7 Highway Rupa – Zuta Lokva	Rijeka by-pass, Orehovica interchange and Diracje interchange	8,90
Total		168,70

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Infrastructure Investments (HRK mln)				
Company	2009f		2008	
	Construction of New Sections	Enlargement and Upgrade of Existing Sections	Construction of New Sections	Enlargement and Upgrade of Existing Sections
Hrvatske Autoceste d.o.o.			3748	432,18
Autocesta Rijeka-Zagreb d.d.	1291	179,1	1421	27,56
Bina-Istra d.d.	841,5	25,95	138,15	23,53
Autocesta Zagreb-Macelj d.o.o.		22,5		15
Total	2133	227,55	5307	498,27

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Infrastructure Investments (EUR mln)						
Company	2007		2006		2005	
	Construction of New Sections	Enlargement and Upgrade of Existing Sections	Construction of New Sections	Enlargement and Upgrade of Existing Sections	Construction of New Sections	Enlargement and Upgrade of Existing Sections
Hrvatske Autoceste d.o.o.	452,03	67,45	312,34	81,79	360,62	121,11
Autocesta Rijeka-Zagreb d.d.	213,08	16,51	86,8	5,92	11,8	5,47
Bina-Istra d.d.	9,56	3,01	38,86	2,17	36,03	1,92
Autocesta Zagreb-Macelj d.o.o.	19,6	8,61	118,28	0,87	142,73	-
Total	694,27	95,58	556,28	90,75	551,18	128,5

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Concessionary companies, operated in 2008

	Construction of public roads in 2008 (km)	Maintenance of public roads in 2008 (km)	Total (km)
Hrvatske Autoceste d.o.o.	87,8	816	903,8
Autocesta Rijeka-Zagreb d.d.		181,69	181,69
Autocesta Zagreb-Macelj d.o.o.		60	60
Bina-Istra d.d.		141,01	141,01
Total	87,8	1198,7	1286,5

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Croatian Highways (km)

Operator	2008	2007	2006	2005
Hrvatske Autoceste d.o.o.	816,7	780	735	702,3
Autocesta Rijeka-Zagreb d.d.	181	178,5	146,5	146,5
Bina-Istra d.d.	141	145	145	130,1
Autocesta Zagreb-Macelj d.o.o.	60	60	42	41,6
Total:	1199	1164	1069	1021

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Roard Length in Croatia

Km	Year
1199	2008
1164	2007
1069	2006
1021	2005
929	2004
731	2003
581	2002
564	2001
559	2000

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Highways, planned to start in 2009

Highway	Section	Length (km)
A1 Zagreb - Split - Dubrovnik	Doli - Dubrovnik junction	30
A5 Beli Manastir - Osijek - border BiH	Osijek - Beli Manastir	25
Rijeka - Zagreb	Donja Zdencina - Novigrad - Lisnica	11,3
A9 Umag - Pula	Buje - Kanfanar	43,2
A11 Zagreb - Sisak	Velika Gorica jug - Lekenik	12
	Lekenik - Sisak junction	10
A12 Podravski Ipsilon	Gradec - Reka	40
	Vrbovec 2 - Bjelovar	27
Total:		198,5

Source: Croatian Association of Toll Highways Concessionaires (HUKA)

Associated industries & factors

According to data of the World Travel and Tourism Council (WTTC) the contribution of the travel and tourism sector to the Croatian GDP is expected to rise to 28.1% by 2019 from the forecast 23.6% for 2009.

GDP in real terms for the sector is expected to decline to -7.7% in 2009 and by an average 6.1% annually over the next 10 years.

In 2009 WTTC ranked the Croatian travel and tourism sector 44th in absolute size among 181 countries worldwide, 27th by relative contribution to the national economy and 24th by expected demand for tourist services in real terms. Croatia's world market share in 2009 stood at 0.16%. The country's market share in central and eastern Europe is 3.0%.

WTTC forecast that the tourism sector in Croatia will generate USD 17.819 bln in 2009 and the tourism revenue will gradually grow to USD 38.339 bln annually by 2019.

The sector employs 313,000 people, accounting for 26.3% of the total employment in the country. The number of employees in the sector will increase to 390,000 people in 2019 or 28.3% of the total country's employment.

GDP in real terms for the sector was expected to rise to 6.4% in 2008 and by an average 7.1% annually over the next 10 years.

In 2008 WTTC ranked the Croatian travel and tourism sector 49th in absolute size among 176 countries worldwide, 24th by relative contribution to the national economy and 9th by expected demand for tourist services in real terms. Croatia's world market share in 2007 stood at 0.16%. The country's market share in central and eastern Europe was 5.96%.

The European Union's tourism sector was expected to contribute 3.6% to GDP in 2007 compared to 3.9% in 2006, according to the WTTC. Croatia's travel and tourism sector ranked 51st in absolute size worldwide and 33th by relative contribution to the national economy in 2006, according to a WTTC survey. WTTC forecast that the tourism sector in Croatia would generate USD 13.716 bln in 2007 and the tourism revenue would gradually grow to USD 34.159 bln annually by 2017. The demand for tourist services was estimated to grow by 7.8% in 2007 and by 7.9% annually in real terms in the next ten years. Croatia's tourism sector was expected to contribute 19% to GDP, which was seen at USD 8.979 bln for 2007. The sector employed 249,000 people, accounting for 21.6% of the total employment in the country. According to the WTTC, Croatia's world market share in 2007 stood at 0.2% and was forecast to grow continually.

In the first quarter of 2009 the total number of the tourist dropped by 14% and the total overnights number declined by 16.65% compared to the same period in 2008. Foreign tourists arrivals and overnights accounted for 47.7% and 49.8%, respectively, of the total number of tourist arrivals and overnights. Most tourists came from Germany, Italy, Slovenia and Austria. Germans made up 11% of all foreign tourists in Croatia in January-March 2009 and 14.6% of the overall foreign overnights for the period. In the first three months of 2009 arrivals and overnights of German tourists decreased by 34% and 37% year-on-year, respectively. Italians made up 15% of all foreign tourists in Croatia in January-March 2009 and 9.68% of the overall foreign overnights for the period. In the first three months of 2009 arrivals and overnights of Italian tourists decreased by 19% and 14.5% year-on-year, respectively.

In 2007 Croatian government officials expected tourist arrivals to reach 11 million annually by 2010. The number of tourist overnights rose by 9.0% year-on-year to 5,910,604 for the first five months of 2007. Most tourists came from Germany, Slovenia, Italy, Austria and France.

The Croatian Government provides subsidies for the construction of small family hotels aiming to boost tourism in hinterland areas. Some 500 such hotels are expected to be opened by the end of 2009.

Basic Indicators of the Tourism Sector

	Q1 2009	2008	2007	2006	2005
Number of tourists	478000	11261000	11,162,406	10384921	9995000
Number of overnights	1194000	57103000	56,005,492	53006946	51421000

Source: Central Bureau of Statistics of the Republic of Croatia

Tourist Arrivals and Overnights

	Arrivals		Overnights		Arrivals			Overnights		
	Q1 2009	Q1 2008	Q1 2009	Q1 2008	2008	2007	2006	2008	2007	2006
Domestic tourists	250338	272805	599178	673856	1845702	1,855,715	1,726,045	6477972	6,430,862	5,985,002
Foreign tourists	228491	285688	595326	759296	9415105	9,306,691	8,658,876	50625522	49,574,630	47,021,944
Total	478829	558493	1194504	1433152	11260807	11,162,406	10,384,921	57103494	56,005,492	53,006,946

Source: Central Bureau of Statistics of the Republic of Croatia

Foreign Tourist Arrivals and Overnights in Croatia

	Arrivals		Overnights	
	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Germany	25150	38137	86893	138031
Slovenia	23420	28914	57637	67448
Italy	34313	48931	75318	104069
Austria	27910	34960	77588	106168
Czech Republic	2963	3331	9314	10651
France	6878	6870	16220	15352
Serbia	9107	10373	21762	24397
United Kingdom	5975	7370	18230	22239
Hungary	4921	5652	12544	14480
Bosnia and Herzegovina	17109	19018	52700	59417
Japan	14103	11865	16889	14989
Netherlands	2467	3146	6810	7447
USA	6623	9912	15004	25165
Other	228491	285688	595326	759296
Total	228491	285688	595326	759296

Source: Central Bureau of Statistics of the Republic of Croatia

Most of the class A office stock is located in Zagreb, other larger town centres such Pula, Rijeka, Split, Dubrovnik and Osijek have class A and B class offices.

Most of the new office stock in Zagreb is class A and meets international standards, and more than 95% of class A offices, about 260,000 sq m, and 45% of class B have built since 2005. Currently there are only a few offices under construction in Zagreb, covering a total of 80,000 sq m. In 2008 the rental price for prime class A offices ranged between EUR 15 and EUR 16 per sq m per month and the sale prices of a few buildings points to EUR 2,000-2,500 per sq m for class A and EUR 1,400-1,800 per sq m for class B. The information available from the banks, developers and investors points to a yield in the range of 6.0-8.0%. Zagreb is Croatia's strongest and fastest developing retail market, although other towns also had increased retail and investment activity in recent years. Current shopping centre stock in the capital stands at about 230,000 sq m in nine existing shopping centres. Ten new centres are in the pipeline, which will bring an additional 600,000 sq m to Zagreb's retail scene, 75% of the space is expected to be completed by 2010. Current shopping centre rents in Zagreb range from EUR 15 to EUR 80 per sq m per month, with the average range being EUR 30-50 and in prime locations rents range from EUR 80-120. Rental levels in other Croatian towns are 15-20% lower than in the capital, but are expected to increase with the development of the retail market.

The demand for real estate and especially for holiday properties in Croatia significantly increased after the country started negotiations for accession into the EU in October 2005.

Property in the Dubrovnik area cost EUR 300,000 on average in mid-2006. Turnover in the real estate market, excluding newly built properties in 2005, amounted to EUR 1.015 bln, which accounted for 3.3% of GDP.

The Croatia's government reduced the funds from the national budget to infrastructural projects. The government slashed EUR 268 mln, earmarked previously to Hrvatske Ceste for road construction, and a EUR 255 mln passenger terminal will not be built at Zagreb airport and the construction of the Peljesac Bridge was abandoned. A slowdown in large construction projects, will cause a drop in demand for construction materials, and the leading cement producers Nexx Group and Dalmacijacement will feel difficulties. In 2009 the cement consumption fell by 40% on the year compared to a 20% drop in 2008.

The share of the non-metallic mineral products industry of the total industrial output in Croatia remained unchanged year-on-year at 8.0% in 2006. About 80% of the sectors' output was used in the construction, chemicals and fabricated metal products industries. Around 700 companies with approximately 17,000 employees were active in the mining and quarrying industry and the manufacture of other products based on non-metallic minerals.

Between 2001 and 2005 Croatia imported mainly phosphates, feldspar, kaolin, special silica sand, architectural stone of volcanic origin, sea and rock salt, float glass, glass wool, fire-resistant materials, asbestos, and ceramic products (tiles, bathroom and toilet fittings, porcelain), bricks and roofing tiles, prefabricated concrete products, bitumen and glass products.

Croatia produced 30.07 million tonnes of non-metals and building materials in 2004. Experts forecast road repairs, reconstruction and expansion of large cities, as well as foreign investments would drive the industry upwards.

Price indexes of building material (2005=0)

Year	Index
2006	102,90
2007	108,60
2008	119,90
May 2009	118,20

Source: Central Bureau of Statistics of the Republic of Croatia

Production of Non-metallic mineral products								
	2007	2006	2005	2004	2003	2002	2001	2000
Flat glass (sq m)	992,000	943,000	994,000	976,000	495,000	390,000	305,000	302,000
Container glass (tonnes)	223,355	216,451	215,000	197,781	171,030	148,612	140,570	127,758
Household ceramics (tonnes)	2,101	2,233	2,316	2,507	2,688	2,614	2,584	2,552
Ceramic tiles and flags (tonnes)	103,884	78,551	70,674	63,221	62,774	60,723	53,946	42,332
Bricks (mln cu m)	2.050	2.006	1.980	2.034	2.015	1.885	1.863	1.775
Tiles (mln pieces)	96.233	92.088	96.343	85.617	80.322	86.455	83.509	78.185
Cement (tonnes)	3,627,000	3,622,036	3,580,000	3,811,116	3,654,076	3,377,849	3,246,120	2,852,490
Hydraulic lime (tonnes)	275,071	267,618	237,381	249,238	250,748	268,518	252,613	220,115
Building blocks, bricks, panels (tonnes)	91,083	81,551	56,925	53,371	59,973	57,477	59,094	58,484
Stone and Marble Slabs (sq m)	1,521,022	1,271,436	1,053,165	1,219,843	1,093,573	1,127,948	1,044,944	1,063,901
Bitumen (tonnes)	-	17,109	8,300	8,000	7,886	2,586	6,306	15,403

The Croatian Parliament amended the Law on Ownership and other Real Property Rights in June 2006. According to the amendments, foreigners will need only approval from the Justice Ministry in order to buy real estate in the country.

Prior to the amendments, foreign citizens and enterprises who wanted to acquire real estate in the Republic of Croatia, other than by inheritance, had to seek consent from the Ministry of Foreign Affairs.

Foreign investors and legal entities are free to acquire real estate in Croatia provided that the principle of reciprocity is met, that is only if Croats are allowed to buy property in their countries.

Croatia must fully liberalise its real estate market by 2009, as a move towards membership in the EU.

As of March 1, 2008, the portfolio of the the Croatian Privatisation Fund included a total of 1,112 companies, of which 101 were construction companies.

The Croatian Government announced in February 2006 it would seek changes in legislation that will enable the state to have priority when privately-owned property located on the country's Adriatic islands is being offered for sale. The move is in line with the government's efforts to protect the property which it considers as national wealth. The government will not sell state-owned real estate, but will grant concessions on it, according to Croatian Prime Minister Ivo Sanader.

The draft amendments to the Law of Islands affects 746 small temporarily populated and unpopulated islands. The government will not ban the owners from selling their real estate property on the islands, but proposes that the owners have to offer it first to the state at market prices.

The central government will have to respond to the offers within 30 days, and if it is not interested in buying, the owners should offer the property to the counties, towns or municipalities, in which the islands are located. If all these potential buyers also show no interest in the offers, the owners will be able to sell their property to all others.

The market value of the real estate on these islands is estimated at HRK 5.5 bln. The government is planning to buy property worth HRK 500 mln.

As of June 9, 2009	Number of Companies	Total EquityCapital (HRK bln)	State equity (HRK bln)
Construction	84	1,78	0,2
Real estate, renting and business activities	73	3,06	1,3
Total companies in the portfolio	1112	177,6	21,8

Source: Croatian Privatisation Fund

Forecasts

The International Monetary Fund (IMF) projected Croatia's economic growth at 2.4% and -3.5% for 2008 and 2009, respectively. The country's average CPI inflation is expected to climb to 6.1% in 2008 compared to 2.9% in 2007 and drop to 2.5% in 2009.

According to IHS Global Insight Croatia's 2008 GDP growth will slow down to under 2.5%. Expecting the global economic crisis to deepen in 2009 IHS Global Insight projects a 0.5% GDP growth for 2009, while the Croatian National Bank expects an 1.5% GDP growth.

Inward FDI flows by sectors 2004 - 2008

Financial intermediation	44%
Real estate	8%
Refined pretroleum	8%
Wholesale trade	6%
Retail trade	5%
Oil & gas extraction	5%
Hotels & restaurants	3%
Other	21%

Source: Croatian National Bank

	2004	2005	2006	2007	2008**	2009*	2010*	2011*	2012*	2013*	2014*
FDI as % of GDP	2,00	3,60	6,50	8,10	5,90	4,00	4,30	5,40	6,00	6,20	6,50
FDI, net in bln EUR				3,483	2,811	1,793	1,934				

* preliminary data

** projected data

Source: Croatian National Bank

Croatia's economic growth is expected to stand at 4.0% in 2008 and to slow down to 3.8% in 2009 according to the Zagreb Institute of Economics. The average inflation rate is forecast to be 6.3% in 2008 and to fall to 3.8% in 2009.

Croatia is expected to attract more than EUR 2.7 bln FDI in 2008, down from EUR 3.6 bln in 2007.

According to some experts the EU accession of Croatia, anticipated in 2010, will lead to an increasing demand for office spaces by foreign companies and to the construction of modern energy efficient buildings.

Experts in the sector forecast that the increase of the low-cost flights to coastline airports in Croatia will be followed by growing demand for holiday property in the country in the next years. British investors are expected to increase their presence on the local real estate market.

The International Monetary Fund (IMF) projected Croatia's economic growth at 8.9% and 7.6% for 2008 and 2009, respectively. The country's GDP at current prices is expected to stand at HRK 299.888 bln in 2008.

Industry References

Newspapers, Trade Journals & On-line Information Sources

Suvremena trgovina – monthly magazine

www.centarnekretnina.net

Gradjevinar – monthly magazine

www.gradimo.hr

Trade associations

Croatian Chamber of Economy

2 Rooseveltov Sq.,
10000 Zagreb, Croatia
Tel: +385 1 456 15 55
Fax: +385 1 482 83 80
E-mail: hgk@hgk.hr
URL: www.hgk.hr

Croatian Agency for Small Business

7 Gjuro Deželića Str.,
10000 Zagreb, Croatia
Tel: +385 1 488 10 00
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URL: www.hamag.hr

Trade and Investment Promotion Agency

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10000 Zagreb, Croatia
Tel: +385 1 610 98 60
Tel: +385 1 610 98 61
Fax: +385 1 610 98 68
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URL: www.apiu.hr

Croatian Association of Toll Highways Concessionaires (HUKA)

106/IV Savska
10000 Zagreb, Croatia
Tel: +385 1 613 83 15
Fax: +385 1 613 83 01
E-mail: info-huka@huka.hr
URL: www.huka.hr

State and Local Government Bodies

Ministry of Finance

5 Katanciceva Str.,
10000 Zagreb, Croatia
Tel: +385 1 459 11 98
Fax: +385 1 459 13 12
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Ministry of Environmental Protection, Physical Planning and Construction

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Fax: +385 1 377 25 55
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Tel: +385 1 467 71 00
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Fax: +385 1 467 70 91
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URL: www.miz.hr

Croatian Agency for Supervision of Financial Services (HANFA)
1a Bogoviceva Str.,
10000 Zagreb, Croatia
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Fax: +385 01 481 14 06
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URL: www.hanfa.hr
URL: www.crosec.hr

Croatian Standards Institute
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Fax: +385 1 610 93 21
E-mail: normizacija@dznm.hr
URL: www.dznm.hr/hzn

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Tel: +385 1 617 15 46
Fax: +385 1 612 81 80
Fax: +385 1 612 80 89
E-mail: info@fina.hr
URL: www.fina.hr

Fairs & exhibitions

84th Zagreb International Autumn Fair
Sept 16, 2008 – Sept 21, 2008
Organiser:
Zagreb Fair
15 Avenija Dubrovnik Str.
10 020 Zagreb, Croatia
Tel: +385 1 650 31 11
Fax: +385 1 655 06 19
E-mail: zagvel@zv.hr
URL: www.zv.hr

Ministry of Foreign Affairs and European Integration
2 Petreticev Sq.,
10000 Zagreb, Croatia
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Fax +385 1 459 94 44
Email: info@mei.hr
URL: www.mei.hr

Agency for the Protection of Market Competition
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Fax: +385 1 617 64 50
E-mail: agencija.ztn@crocompet.hr
URL: www.crocompet.hr

Croatian Employment Institute
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10000 Zagreb, Croatia
tel: +385 1 612 60 00
E-mail: hzz@hzz.hr
URL: www.hzz.hr

Environment Agency
78/III Grada Vukovara Str.,
10000 Zagreb, Croatia
Tel: +385 1 610 63 91
fax: +385 1 610 63 16
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URL:
<http://www.azo.hr>

Ministry of Sea, Tourism, Transport and Development
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10000 Zagreb, Croatia
Tel: 385 1 616 91 11
Fax: 385 1 378 45 21
E-mail: glasnogovornica@ws.mmtpr.hr
URL: www.mmtpr.hr

Ambienta - 35th International Furniture, Interior Decoration and Supporting Industry Fair
Oct 14, 2008 – Oct 19, 2008
Organiser:
Zagreb Fair
15 Avenija Dubrovnik Str.
10 020 Zagreb, Croatia
Tel: +385 1 650 31 11
Fax: +385 1 655 06 19
E-mail: zagvel@zv.hr
URL: www.zv.hr

Tegra – 31th International Fair of Construction, Equipping and Air-Conditioning

Apr 21, 2009 – Apr 25, 2009

Organiser:

Zagreb Fair

15 Avenija Dubrovnik Str.

10 020 Zagreb, Croatia

Tel: +385 1 650 31 11

Fax: +385 1 655 06 19

E-mail: zagvel@zv.hr

URL: www.zv.hr

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