



Republic of Croatia



**Ministry of the Economy, Labour and
Entrepreneurship**

***MEASURES TO ADDRESS THE IMPACT OF
GLOBAL CRISIS ON CEFTA TRADE***

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The first impact of the economic crisis passed Croatia

We directed our economic policy in the right way

Adequate and timely measures were taken

Resistance of financial sector



What are the impacts of economic crisis on Croatia's economy so far?

Slowdown of economic growth

- **GDP** growth amounted to 2.4% in 2008 in comparison to 2007
In 2008 GDP/capita amounted 10.681 EUR
Projections of decrease of GDP for 2009:
 - CNB: 4%
 - EI: 3.2%
 - WB: 2.7 – 3.5%
 - The Economist: 3.2%
 - IMF: 3.5%
- **Inflation** (retail prices):
 - Year 2008: 6.1%
 - 1stQ 2009: 3.8% (yoy)



What are the impacts of economic crisis on Croatia's economy so far?

Slowdown of economic growth (*cont.*)

- **Industrial production** growth amounted to only 1.6% in 2008

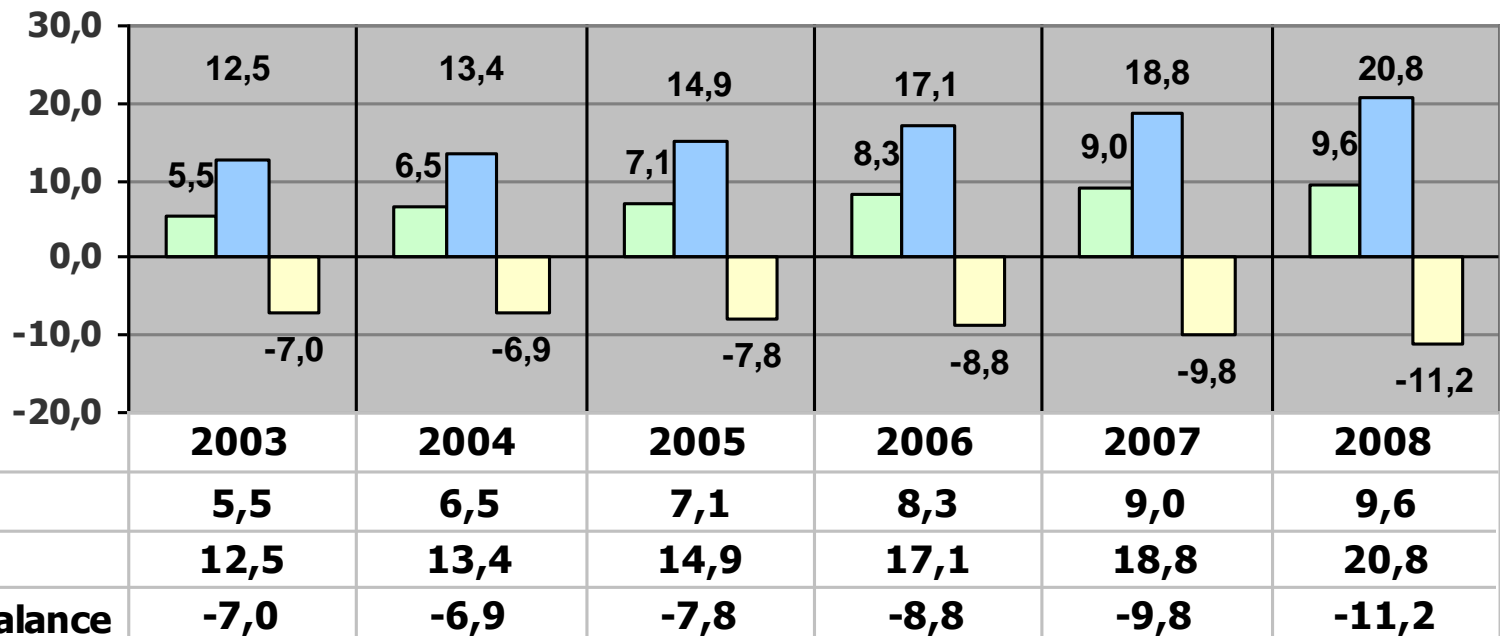
The total industrial production from January to April 2009 was by 9.9% lower than in the same period in 2008

- **Labour market:** in March 2009, the unemployment rate amounted to 14.5%, which is the one of the biggest monthly unemployment rises in the last 9 years



Foreign trade in 2008

Foreign trade 2003-2008 in EUR billion



Croatia - Commodity Exchange

1Q 2008 – 1Q 2009

Group	Export			Import			Total		
	1 Q	1 Q	%	1 Q	1 Q	%	1 Q	1 Q	%
	2008	2009		2008	2009		2008	2009	
EU	2 038,8	1 548,7	63,1	4 599,0	2 996,8	62,3	6 637,8	4 545,5	62,6
EFTA	36,5	44,1	1,8	119,7	124,9	2,6	156,2	169	2,3
CEFTA	719,2	459,3	18,7	343,8	225,1	4,7	1 063,0	684,4	9,4
Other	465,9	400,8	16,4	2 325,6	1 464,8	30,4	2 690,5	1 865,6	25,7
Total	3 260,4	2 452,9	100	7 287,1	4 811,6	100	10 547,5	7 264,5	100

In 000 USD, Sources: Central Bureau for Statistics



10 Anti – recession measures

1. Fostering macroeconomic stability

- Activating all possible savings in the Budget
- Channeling available resources to finance the anti – recession measures
- Finance part of financing requirements on foreign financial markets

2. Disburdening of the economy from non-tax revenues

- Reduction of particular non-tax revenues



3. Securing liquidity of public enterprises

- Shortening the time for execution of payments within the period of 60 days
- Generating savings at all levels of public enterprises business activities
- Zero net growth of employment in 2009
- Linking of the management wages to business results

4. Aligning of state aid with the EU state aid system

- Increase "*de minimis*" state aid from EUR 200.000 to EUR 500.000
- Reallocation of existing state aid programs
- Additional increase in the guarantee potential of HAMAG (to secure state aid to SMEs)



5. Strengthening of the financial position of HBOR

- Securing additional EUR 400 million for HBOR programs
- Additional funds will be secured for aid to exporters with existing foreign demand for their products, strengthening of SMEs, tourism and agriculture

6. Fostering tourism to secure successful 2009 tourist season

- Action plan adopted in April 2009
- Reallocation of funds for the promotion and the increase of competitiveness



7. Fostering foreign direct investments

- More efficient coordination to create more favorable conditions for FDI's
- Accelerating all activities for already prepared projects
- The express line of issuing of all licenses for FDI's above EUR 30 million within 45 days

8. Assistance to the real estate market

- The aim is to foster liquidity and construction industry implying the synergy of government policies and policies of commercial banks
- Subsidizing interest on loans for citizens buying their first real estate



9. Strengthening of the control over imports

- Further alignment of technical legislation to protect domestic consumers
- Trade - protection but not protectionism
- Removal of technical barriers to trade
- Conclusion of mutual recognition/ACAA agreements

10. Maintaining the living standard of socially vulnerable groups

- Securing the adequate level of funds for maintaining the living standard of the socially vulnerable groups



What we see as the main challenges in the forthcoming period?



Main challenges

- **More pronounced spillover of negative developments on the real sector**
 - Deceleration of domestic consumption, investments and imports
 - Deceleration of exports
 - Financing and refinancing

- **Business sector financing on domestic market**
 - Room for financing – limited liquidity
 - Financing conditions – rise of interest rates

- **Labour market flexibility**
 - Adaptation to new conditions through different mechanisms

- **Issues of exchange rate stability**
 - Presence of depreciation pressures
 - Factors that alleviate weakening of national currencies: the level of international reserves, financial system resistance, inflow of foreign currency owing to tourist season



How to cope with those challenges?

We negotiated and adopted CEFTA 2006 Agreement.

If we are looking for a right time to use its benefits,

THE TIME IS NOW!



**Increase intra CEFTA
trade**

Increase FDI

Respect WTO rules and disciplines

Eliminate NTBs

Do not misuse SPS





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Thank you for your attention!



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