



Croatia

Overview

EIB INVESTMENT SURVEY

2021

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EIB Investment Survey Country Overview: Croatia

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment, which has been administered since 2016, is a unique, annual survey of some 13 500 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United Kingdom and the United States.

The survey collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that firms face, such as climate change and digital transformation. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States, the United Kingdom and the United States, as well as across four classes of firm size (micro to large) and four main economic sectors (manufacturing, construction, services and infrastructure). The survey is designed to build a panel of observations, supporting the analysis of time-series data. Observations can also be linked back to data on firm balance sheets and profit and loss statements. The EIBIS was developed by the EIB Economics Department. It is managed by the department with the support of Ipsos MORI.

About this publication

The series of reports provide an overview of data collected for the 27 EU Member States, the United Kingdom and the United States. The reports are intended to provide a snapshot of the data. For the purpose of these publications, data are weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

Download the findings of the EIB Investment Survey for each EU country or explore the data portal at www.eib.org/eibis.

About the Economics Department of the EIB

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

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Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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EIBIS 2021 – Croatia

KEY RESULTS

Investment Dynamics and Focus

EIBIS 2021 shows that while fewer Croatian firms invested in 2020, they are more optimistic in 2021 and on balance expect to increase investment. This represents a substantial positive shift from EIBIS 2020.

On average, firms in Croatia spent over half (54%) their investment on replacement. Out of the six investment areas considered, the highest share of investment in Croatia was in machinery and equipment (54%). Firms in Croatia invested 20% in intangible investment, much less than in the EU overall

Impact of COVID-19

COVID-19 has had a negative impact on firms' sales, with half of Croatian firms reporting a decline in sales due to the pandemic. Although in line with the EU average, this is double the proportion of firms reporting an increase (24%). COVID-19 also had an impact on investment, as 29% of Croatian firms have revised their investment downwards, while only 4% have revised it upwards. When asked about the short-term actions due to COVID-19, digitalisation stood out with 32% of Croatian firms reporting having taken action(s) or having invested to become more digital, although the share is much lower than the EU average (46%).

Investment Needs and Priorities

COVID-19 will undeniably have a long-term impact on needs and priorities. Almost half of Croatian firms (48%) say they expect COVID-19 to have a long-term impact on the increased use of digital technologies, similar to the EU average. The majority of Croatian firms do not perceive gaps in terms of investment. In spite of difficult circumstances, almost three-quarters of firms (73%) consider their investment over the last three years to have been about the right amount. However, the number of Croatian firms operating at or above full capacity has declined sharply since EIBIS 2020 (45% versus 69%) and was below the current EU average (49%). Looking ahead, expanding capacity for existing products/services is the most commonly cited investment priority for Croatian firms (41%), slightly above what was reported in EIBIS 2020 (37%) and the EU average of 32%.

Innovation Activities

Innovation activity declined, as 30% of Croatian firms developed or introduced new products, processes or services as part of their investment activities in 2020, down from 35% in EIBIS 2020 and below the EU average (36%). About 61% of Croatian firms have implemented at least one of the digital technologies they were asked about. This matches both EIBIS 2020 (62%) and the current EU average (61%). The most implemented technologies are internet of things, robotics, platforms and drones.

Drivers and Constraints

Croatian firms remain, on balance, pessimistic about the political and regulatory climate. Nevertheless, expectations for the overall economic climate have improved significantly (rising from -72% to +10%)

The availability of skilled staff (89%) and uncertainty about the future (82%) remain the biggest barriers to Croatian firms' investment. Both figures are above the EU average (79% and 73% respectively).

Investment Finance

Access to finance conditions are worsening, with 11% of Croatian firms reporting to be finance-constrained, a much higher share than the EU average (5%). Croatian firms also report higher levels of dissatisfaction with external finance compared to the EU average.

As a result of the COVID-19 crisis, 10% of Croatian firms have increased their debt levels. Public support was substantial, with 61% of Croatian firms having received some form of financial support in response to COVID-19, in line with EU average (56%). Primarily this support has come in the form of subsidies or financial support that does not need to be paid back (53%), well above the EU average (36%).

Climate Change and Energy Efficiency

A relevant share of Croatian firms feel the effect of climate change: 57% of Croatian firms report that climate change currently has an impact on their business. They are starting to internalize the risks associated with the transition to net zero, perceiving it as a risk rather than an opportunity for their business over the next five years (30% and 22% respectively).

In comparison to the EU average (43%), far fewer Croatian firms (22%) have already invested to tackle climate change. However, 43% have plans to invest in the next three years. Moreover, 39% of Croatian firms have invested in measures to improve energy efficiency. About 54% of Croatian firms report having set and monitored internal targets on carbon emissions, above the EU average (46%).

Firm management, gender balance and employment

Asked about several other management practices, a majority (67%) of Croatian firms say their company strove for gender balance in 2020. Over four fifths (84%) linked individual performance to pay, and a majority also reports having used a strategic monitoring system (69%). For all these initiatives, the Croatian figures are higher than the EU average. The workforce in Croatia has remained stable since the start of the COVID-19 pandemic with a negligible reported decrease of 0.3%, in line with the EU average.

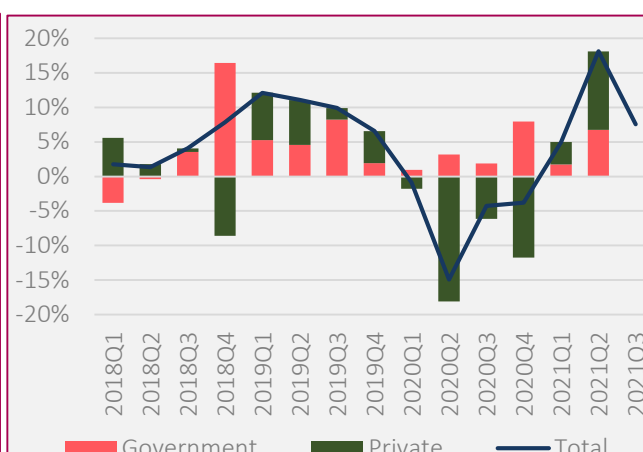
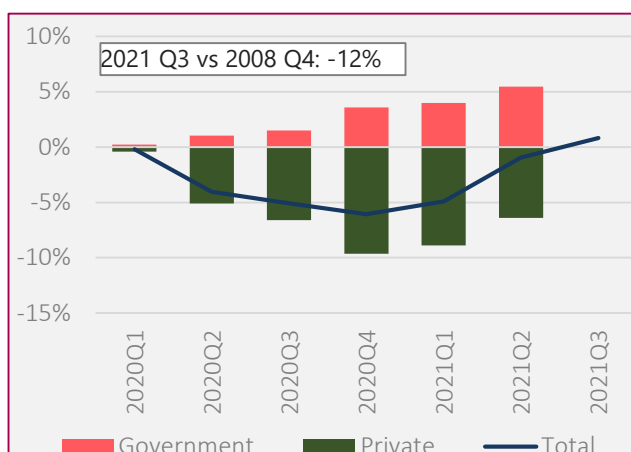
Investment Dynamics and Focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

With the COVID-19 crisis abruptly affecting the economy, investment started dropping from Q2 2020 onwards. The biggest drop was driven by private investments and the overall fall was mitigated by the increase in government

investment.

Investment started recovering from the beginning of 2021, with investment in the third quarter of 2021 being above pre-crisis levels again.

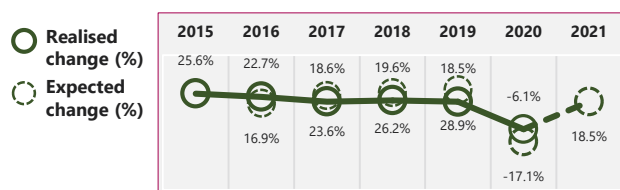


The graph on the left shows the evolution of total Gross Fixed Capital Formation (in real terms); by institutional sector. The data are transformed into four-quarter sums, deflated using the implicit deflator for total GFCF. The four-quarter sum of total GFCF in 2019 Q4 is normalized to 0. Source: Eurostat
The graph on the right shows the year-on-year growth of total gross fixed capital formation (in real terms); by institutional sector. The data are deflated using the implicit deflator for total GFCF. Source: Eurostat.

INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

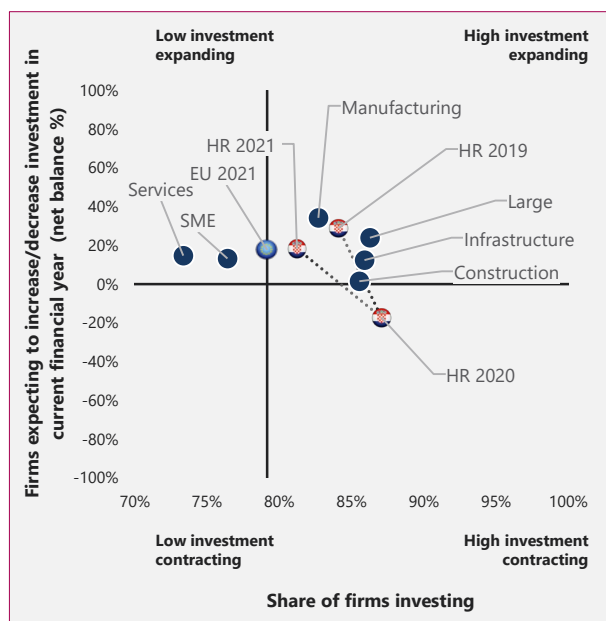
EIBIS 2021 shows that while fewer Croatian firms invested in 2020, they became more optimistic for 2021 as, on balance, they expect to increase investment. This represents a substantial positive shift from EIBIS 2020 in terms of outlook, with investment expectations matching those of EIBIS 2019.

Large firms, as well as infrastructure and construction firms invested most in 2020, while manufacturing firms have the highest investment expectations.



'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base: All firms



Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for EIBIS 2021.

Base: All firms (excluding don't know/refused responses)

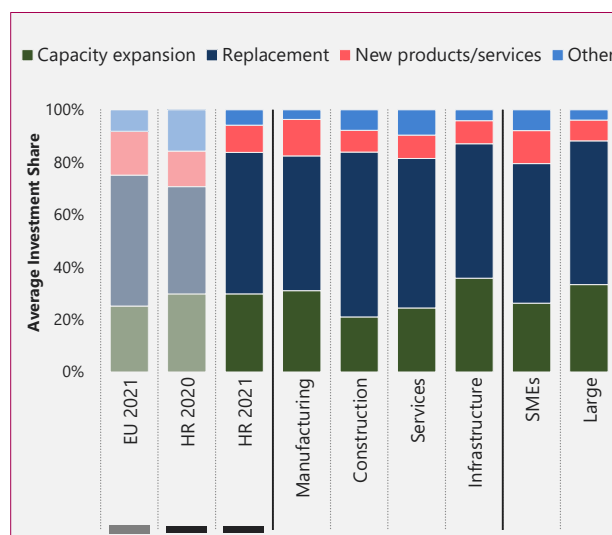
Investment Dynamics and Focus

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

On average, firms in Croatia spent over half (54%) of their investment in 2020 on replacement. This is 13 percentage points above EIBIS 2020 (41%) and in line with the current EU average (50%).

Investment in capacity expansion accounted for 30% of all investment, in line with the EU average (25%).

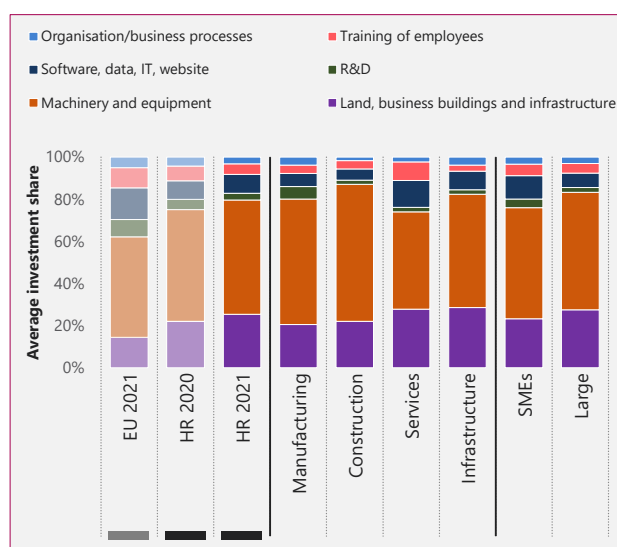
In addition, about 10% of Croatian firms invested in developing or introducing new products or services, below the EU average of 17%.



Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

INVESTMENT AREAS



Out of the six investment areas considered, the highest share of investment in 2020 by Croatian firms was in machinery and equipment (54%), followed by land, business buildings and infrastructure (25%) and investments in software, data, IT and website (9%). The investment pattern in EIBIS 2021 is broadly in line with the EIBIS 2020 findings.

As expected, construction (65%) and manufacturing (60%) firms are most likely to have invested in machinery and equipment. Moreover, only service firms (13%) and SMEs (11%) have allocated more than 10% of their investment to software, data, IT and website investment.

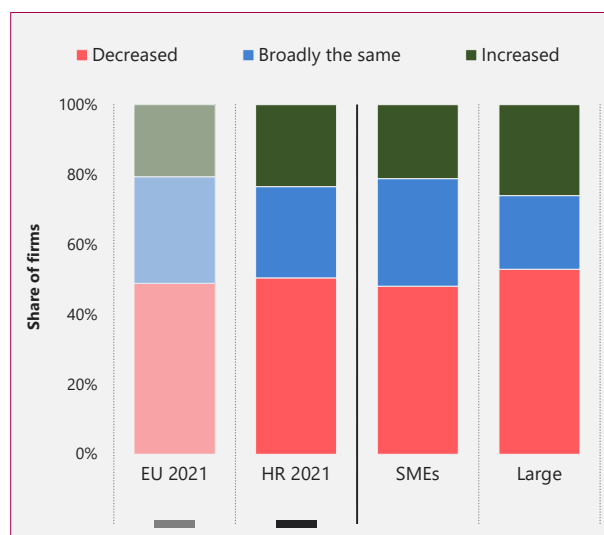
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Impact of COVID-19

IMPACT OF COVID-19 ON SALES

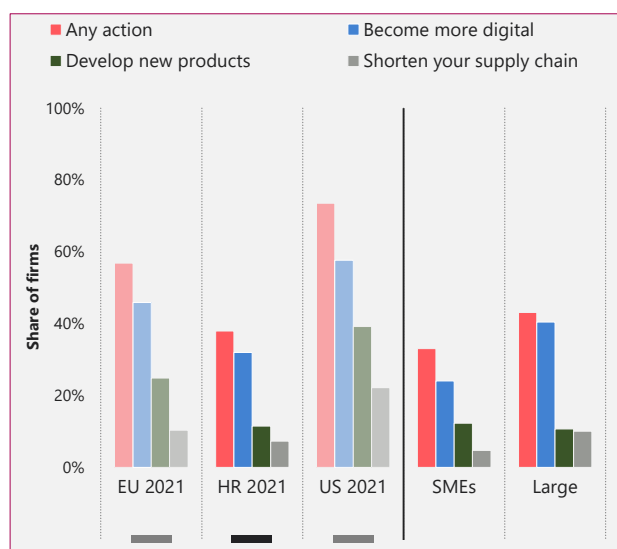
COVID-19 hit firms in various ways. When asked about the impact on sales, half of Croatian firms report their sales to have declined compared to the beginning of 2020, in line with the EU average of 49%. However, the pandemic created new opportunities for 24% of Croatian firms, not too dissimilar from the EU average (21%). The impact of COVID-19 on sales was similar for SMEs and large firms.



Q. What has been the impact so far of the COVID-19 pandemic on your company's sales or turnover compared to the beginning of 2020?

Base: All firms (excluding don't know/refused responses)

SHORT-TERM ACTIONS AS A RESULT OF COVID-19



In Croatia, 38% of the firms have taken at least one short-term action they were asked about as a result of COVID-19, which is much lower than the EU average (57%).

Croatian firms are most likely to have responded to COVID-19 by becoming more digital (32%), with the share being, again, lower than the EU average (46%). Similarly, 12% of Croatian firms developed new products, services or processes (against an EU average of 25%), and 7% shortened their supply chain (compared to EU average of 10%).

In Croatia, large firms are more likely than SMEs to have taken action, in particular by becoming more digital (40% versus 24%).

Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

Base: All firms (excluding don't know/refused responses)

Impact of COVID-19

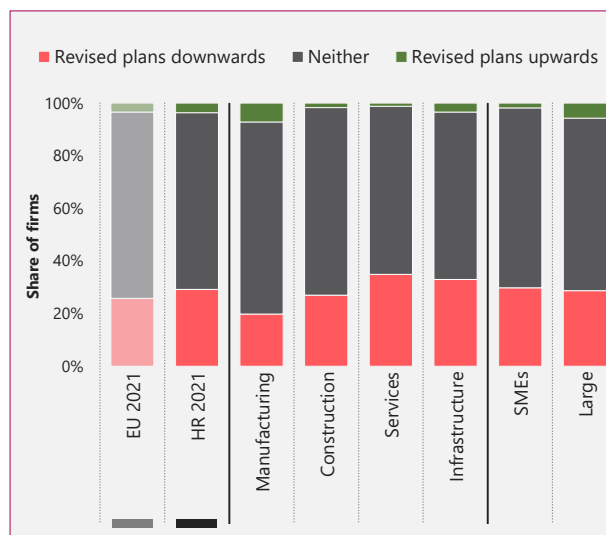
IMPACT OF COVID-19 ON INVESTMENT

When asked about whether they made any changes to their investment expectations during the pandemic, 67% of Croatian firms report not having changed plans, in line with the EU average (71%).

Nevertheless, 29% of the firms report a downward revision of their investment plans, with services and infrastructure firms being the most likely to have done so (35% and 33% respectively).

Only 4% of firms report an upward revision of their investment plans, the highest share being for firms in the manufacturing sector (7%) and the lowest being for firms in the services sector (1%).

The impact of COVID-19 on investment expectations is similar for large firms and SMEs.

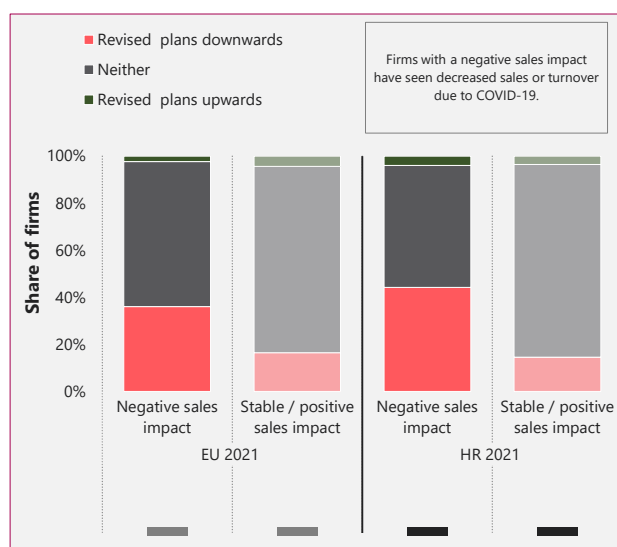


Q. Has your company taken any of the following actions as a result of the COVID-19 pandemic?

Q. You mentioned revising your investment plans due to the COVID-19 pandemic. Did you revise them upward or downward?

Base: All firms (excluding don't know/refused responses)

DIFFERENCES IN IMPACT OF COVID-19 ON INVESTMENT



Overall, firms whose sales or turnover had been negatively impacted by COVID-19 are more likely to have revised their investment plans downwards compared to firms whose sales or turnover had been buoyant.

Specifically, more than 40% of the firms reporting COVID-19 to have had a negative impact on sales have revised their investment plans downwards (44%), which is higher than the EU average (36%).

As mentioned above, those who report that sales have remained buoyant during the pandemic are far less likely than other Croatian firms to have revised investment plans downwards (15%). However, this is still much greater than the proportion of firms that has revised their investment plans upwards (3%).

Q. Do you expect the COVID-19 outbreak to have a long-term impact on any of the following?

Q. What has been the impact so far of the COVID-19 pandemic on your company's sales or turnover compared to the beginning of 2020? Has it...?

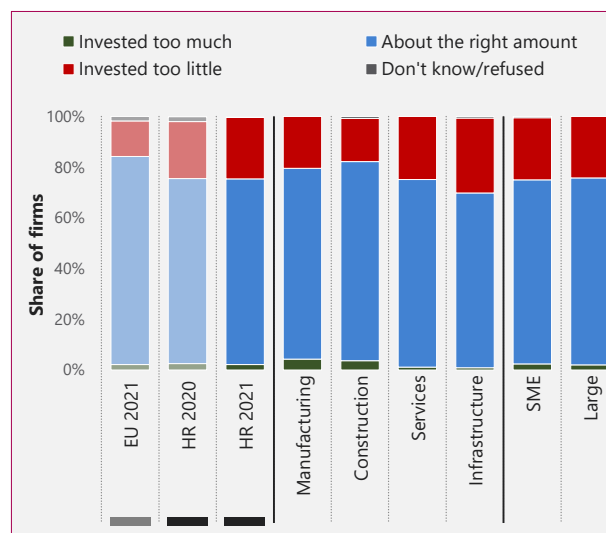
Base: All firms (excluding don't know/refused responses)

Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

The majority of Croatian firms do not perceive major investment gaps. In spite of the difficult circumstances, almost three-quarters of firms (73%) believe that their investment over the last three years was about right. Although the percentage of firms having invested about the right amount is high, it still falls below the EU average of 82%.

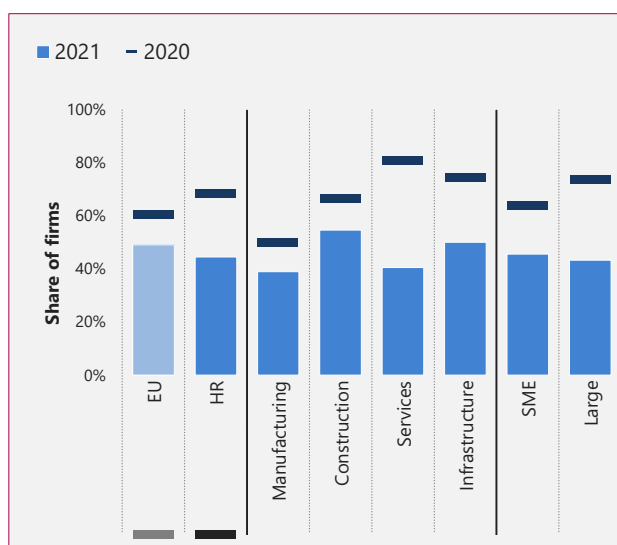
On reflection, a quarter (24%) of Croatian firms think they may have invested too little over the past three years, above the EU average (14%). Infrastructure (30%) and service firms (25%) in particular believe they may have invested too little.



Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn't exist three years ago' responses)

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY



Full capacity is the maximum capacity e.g. company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

Q. In the last financial year, was your company operating above or at maximum capacity attainable?

Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

The share of Croatian firms reporting operations at or above full capacity (45%) has declined sharply since EIBIS 2020 (69%) and is below the current EU average (49%).

The decline in firms working at or above full capacity is seen in all sectors, but the construction sector is the one being least affected, as 55% of firms in that sector kept operating at or above full capacity.

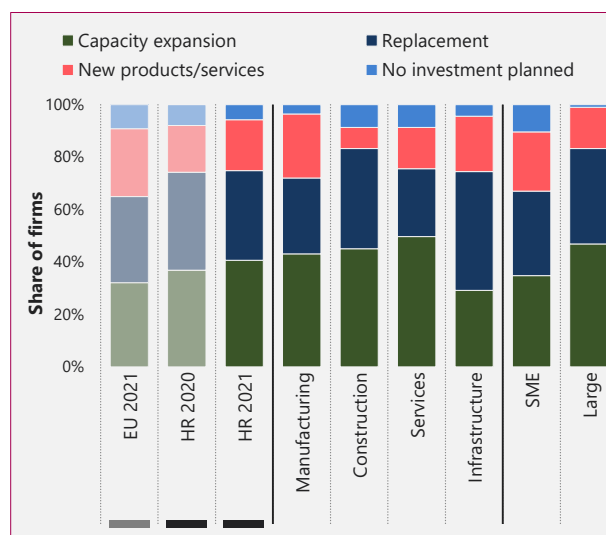
Investment Needs and Priorities

FUTURE INVESTMENT PRIORITIES (% of firms)

Expanding capacity for existing products/services is the most commonly cited investment priority for Croatian firms (41%), followed by replacement of existing buildings, machinery and equipment (34%) and developing or introducing new products, processes or services (19%).

The share of firms with no investment planned (6%) is slightly lower than in EIBIS 2020 (8%) and the EU average (9%). SMEs are more likely than large firms to have no investment planned in the next three years (10% versus 1%).

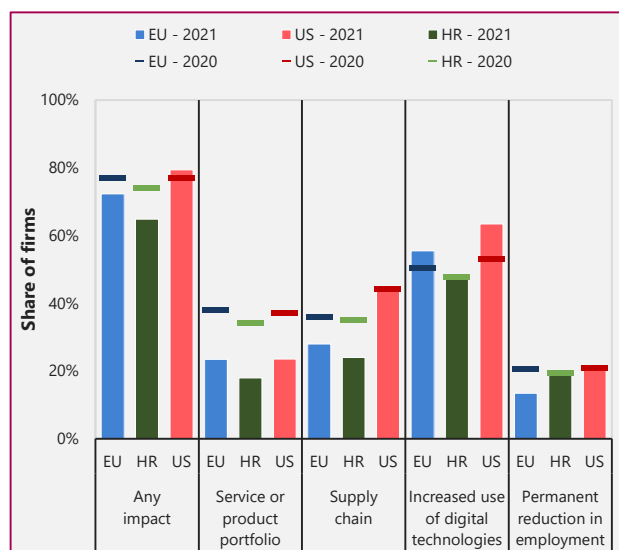
Infrastructure firms are more likely to prioritise replacement (45%) than firms in either the manufacturing (29%) or services sectors (26%). Conversely firms in the manufacturing sector (24%) are the most focused on developing or introducing new products, processes or services.



Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/refused responses)

COVID-19 LONG-TERM IMPACT



65% of the firms think that COVID-19 will have a long-term impact on some aspect of their business. This is lower than the EU average (72%) and what was reported in EIBIS 2020 (74%).

Almost half (48%) of Croatian firms believe that COVID-19 will result in an increased use of digital technologies in the long-term, similar to the EU average (55%). A smaller share of firms believe the pandemic will have an impact on firms' supply chains (24%) or on their service or product portfolio (18%). In fact, concerns over COVID-19's impact on the supply chain and product/service portfolio have eased considerably compared to EIBIS 2020.

The proportion of firms expecting a permanent reduction in employment (20%) is virtually unchanged from EIBIS 2020 and now higher than across the EU (13%) where such concerns are easing.

Q. Do you expect the COVID-19 outbreak to have a long-term impact on any of the following?

Base: All firms

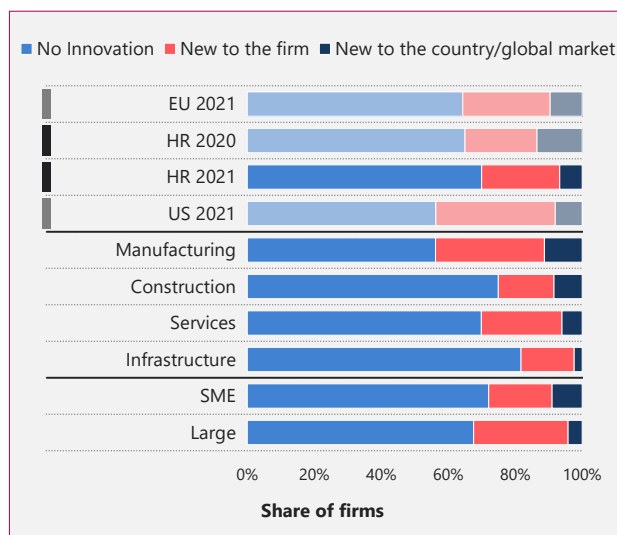
Innovation Activities

INNOVATION ACTIVITY

Nearly one third (30%) of Croatian firms developed or introduced new products, processes or services as part of their investment activities in 2020. This is lower than what was reported in EIBIS 2020 (35%) and the current EU average (36%).

As part of their investment activities, just under a quarter of firms (23%) developed or introduced products, processes or services that were new to the company in 2020. Only 7% of firms claim to have undertaken innovation that is new to the country or world, which is a sharp drop compared to EIBIS 2020 (13%).

Croatia's manufacturing firms (44%) are the most likely to have invested in some form of innovation in 2020. This compares to less than a fifth of infrastructure firms (18%).

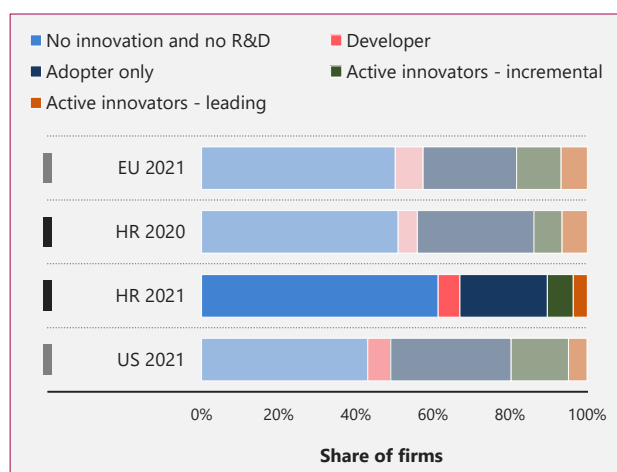


Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Base: All firms (excluding don't know/refused responses)

INNOVATION PROFILE



Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

Base: All firms (excluding don't know/refused responses)

When firms' innovation and research and development behaviour is profiled taking into consideration their research and development activity, 10% of Croatian enterprises can be classified as 'active innovators'. This is a decrease from 14% in EIBIS 2020 and lower than the EU average (18%). A further 6% of Croatian firms can be classified as 'developers'.

Overall, the propensity to innovate seems to be declining: the proportion of Croatian firms classified as 'no innovation and no R&D' stands at 61%, a 10 percentage point increase since EIBIS 2020, and higher than the EU average (50%).

The 'No innovation and no R&D' group comprises firms that did not introduce any new products, processes or services in the last financial year. The 'Adopter only' introduced new products, processes or services but without undertaking any of their own research and development effort. 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators these are new to the country/world.

Innovation Activities

IMPLEMENTATION OF ADVANCED DIGITAL TECHNOLOGIES

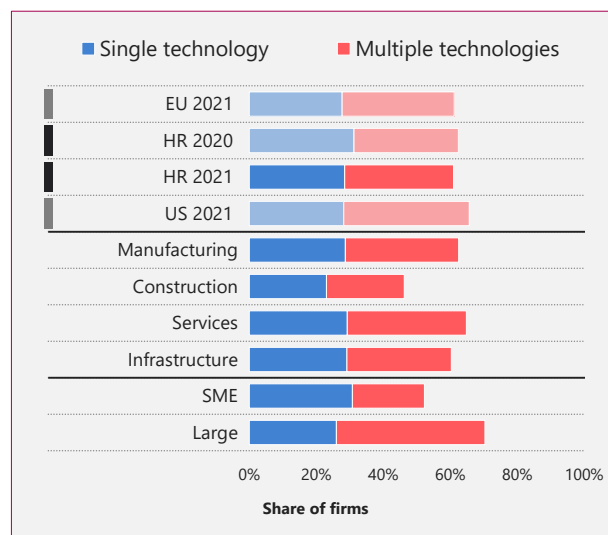
Overall, 61% of Croatian firms have implemented at least one of the advanced digital technologies they were asked about. This matches both EIBIS 2020 (62%) and the current EU average (61%). A similar proportion of Croatian firms have implemented single (28%) and multiple advanced digital technologies (33%).

Only a minority of Croatia's construction firms (46%) have implemented at least one advanced digital technology. By contrast, the highest share of digitalised firms are service firms (65%), 36% of which have implemented multiple advanced digital technologies.

Large firms (70%) are more likely than SMEs (52%) to have implemented at least one digital technology.

Firms in the construction sector report a relatively higher uptake of drones compared to the EU average. Slightly weaker results compared to EU average are related to the implementation big data and platforms.

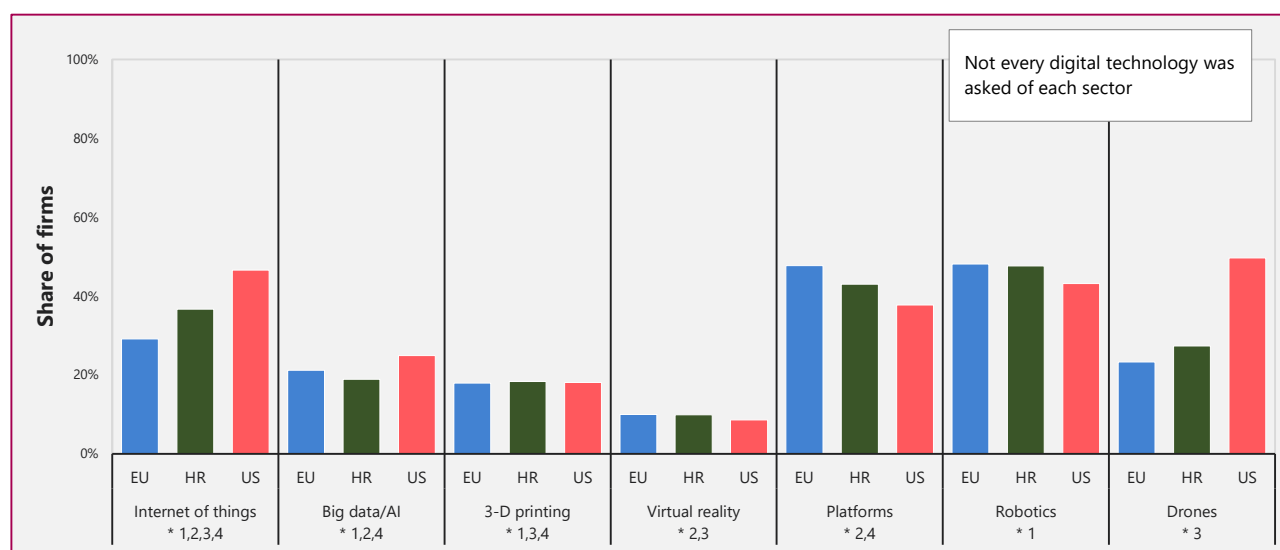
Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?



Reported shares combine implemented the technology 'in parts of business' and 'entire business organised around it'

Base: All firms (excluding don't know/refused responses)

ADVANCED DIGITAL TECHNOLOGIES



* Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of infrastructure firms

Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Reported shares combine implemented the technology 'in parts of business' and 'entire business organised around it'

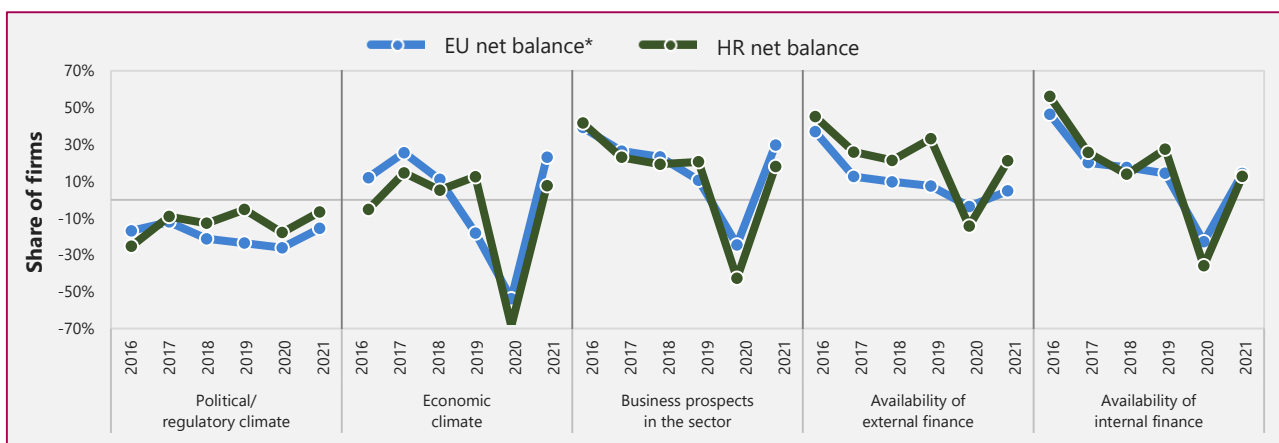
Base: All firms (excluding don't know/refused responses);
Sample size HR: Manufacturing (147); Construction (93); Services (103); Infrastructure (133)

Drivers And Constraints

SHORT-TERM FIRM OUTLOOK

Croatian firms remain on balance pessimistic about the political and regulatory climate. Nevertheless, expectations for the overall economic climate improved sharply (rising from -72% to +10%), as have perceptions of business prospects in the sector (rising from -44% to +21%).

Expectations for the availability of finance (both from internal and external sources) have turned positive compared to EIBIS 2020, with Croatian firms being as optimistic as those across the EU as a whole.

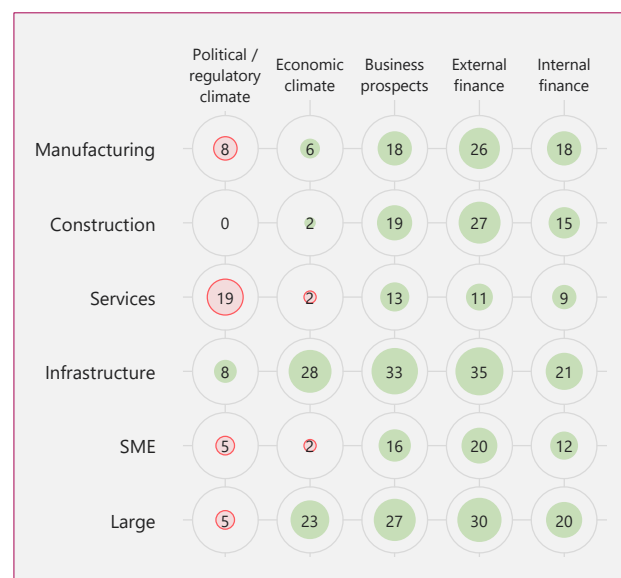


Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

SHORT-TERM FIRM OUTLOOK BY SECTOR AND SIZE (NET BALANCE %)



Please note: green figures are positive, red figures are negative

Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Base: All firms

With the exception of infrastructure firms, firms in all sectors and all sizes are pessimistic about the political/regulatory climate. In fact, infrastructure firms are the most optimistic about all five aspects of the business landscape.

In contrast to the political/regulatory climate, firms in all sectors and all sizes have a positive outlook on the availability of finance.

Large firms are more likely to be positive about the overall economic climate than SMEs.

Drivers And Constraints

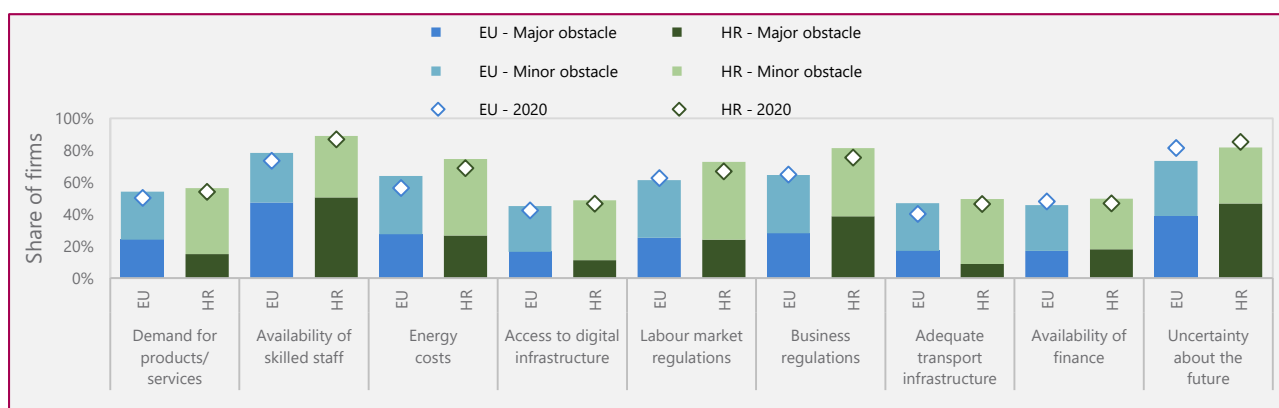
LONG-TERM BARRIERS TO INVESTMENT

Overall, Croatian firms' perception of obstacles to investment is in line with their perception in EIBIS 2020. The availability of skilled staff (89%) and uncertainty about the future (82%) remain the most frequently cited barriers to Croatian firms' investment. Both figures are above the EU average (79% and 73% respectively).

Business regulations continue to be perceived as a

widespread obstacle to investment (81%), which is higher than EIBIS 2020 (75%) and above the EU average (65%)

Labour market regulations are considered a barrier to investment by three-quarters (73%) of Croatian firms, also above the EU average (61%).



Q. Thinking about your investment activities in Croatia, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

LONG-TERM BARRIERS BY SECTOR AND SIZE



Q. Thinking about your investment activities in Croatia, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Reported shares combine 'minor' and 'major' obstacles into one category

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

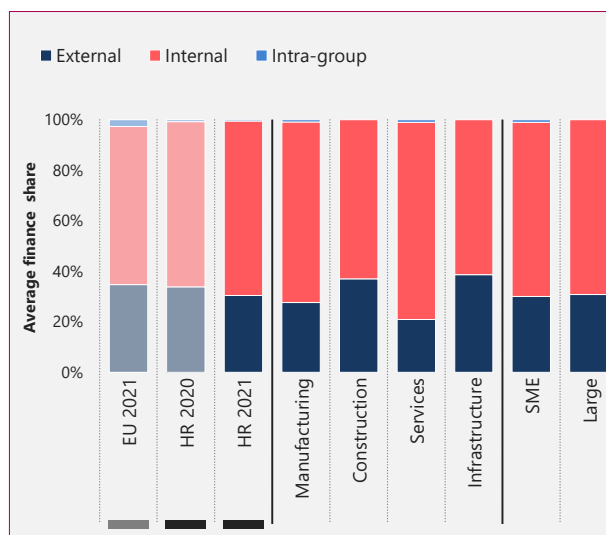
Investment Finance

SOURCE OF INVESTMENT FINANCE

Firms in Croatia continued to fund the majority of their investment through internal financing (69%) in 2020. This proportion is slightly higher than the EU average and what was reported in EIBIS 2020 (63% and 65% respectively).

On average, external finance made up almost a third of firms' investment finance. There is little variation by firm size, while there is some variation by sector: service sector firms (21%) made much less use of external finance than firms in infrastructure (39%).

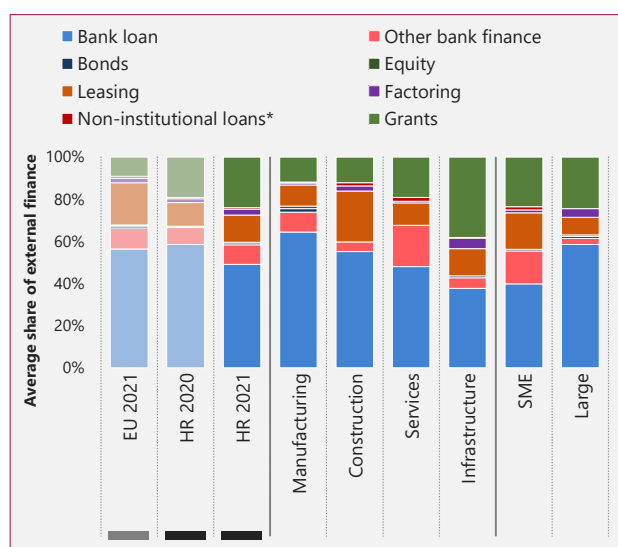
In Croatia only around 1% of manufacturing and service firms accessed intra-group finance for their investment, mainly concentrated among SMEs.



Q. What proportion of your investment was financed by each of the following?

Base: All firms who invested in the last financial year (excluding don't know/refused responses)

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES



In Croatia, bank loans continued to make up the largest share of external finance (49%). This is lower than what was reported in EIBIS 2020 (58%) and the current EU average (56%).

Grants accounted for the second largest share of external finance (24%), with the proportion almost three times higher than the EU average (9%).

Grants made up a relatively large proportion of the external finance accessed by infrastructure firms (38%), representing the same proportion of external finance as bank loans (38%).

Bank loans were a more significant source of external finance for firms in manufacturing, accounting for 64% of funds in 2020.

Q. Approximately what proportion of your external finance does each of the following represent?

*Loans from family, friends or business partners

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

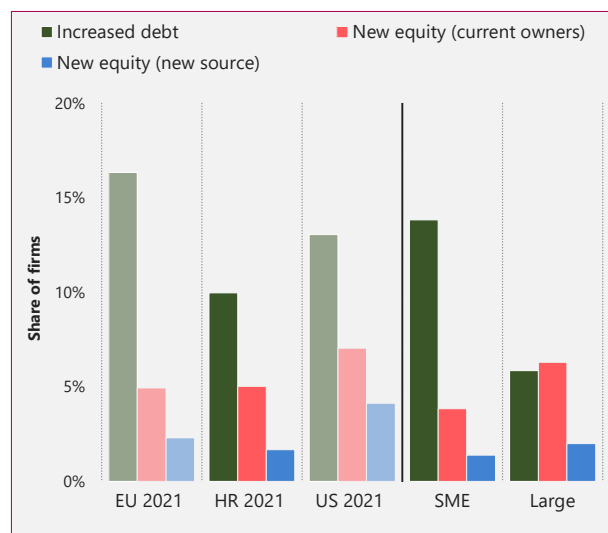
Investment Finance

ACTIONS TAKEN AS A RESULT OF COVID-19

In response to the COVID-19 crisis, one in ten Croatian firms have increased their debt position, which is below the EU average of 16%.

In addition, 5% of firms have raised new equity through their current owners while 2% have raised fresh equity via a new source, similar to the EU average.

SMEs (14%) were more than twice as likely as large firms (6%) to have increased their debt. Instead, for large firm, issuing new equity from the current owners (6%) was the most frequent action taken alongside increasing debt.



Q. Has your company taken any of the following actions as a result of the COVID-19 pandemic?

Base: All firms (excluding don't know/refused responses)

SHARE OF FIRMS RECEIVING FINANCIAL SUPPORT IN RESPONSE TO COVID-19



Public support was important for Croatian firms, as 61% of them report that they have received some form of financial support in response to COVID-19, in line with the EU average (56%).

Primarily this support has come in the form of subsidies or other financial support that does not need to be paid back, as reported by 53% of Croatian firms, well above the EU average (36%). SMEs are more likely to report that they have received subsidies that did not need to be paid back (59%) than large firms (47%).

Another popular instrument of support is deferral of payments, as 29% of Croatian firms report having benefitted from it, a share which is almost double the EU average (16%).

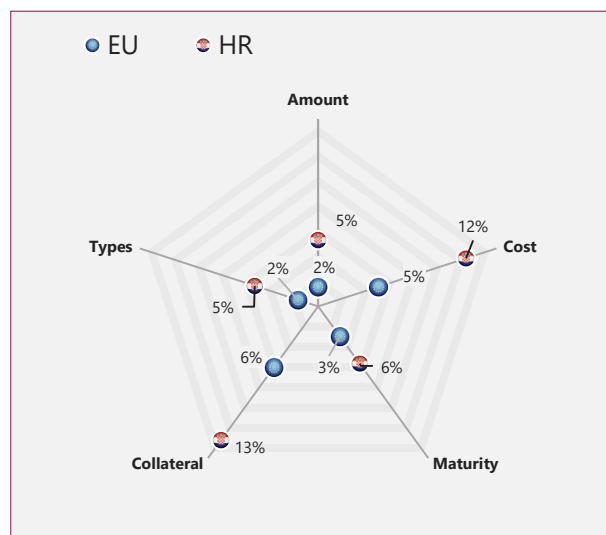
Q. Since the start of the pandemic, have you received any financial support in response to COVID-19? This can include finance from a bank or other finance provider, or government-backed finance

Base: All firms (excluding don't know/refused responses)

Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

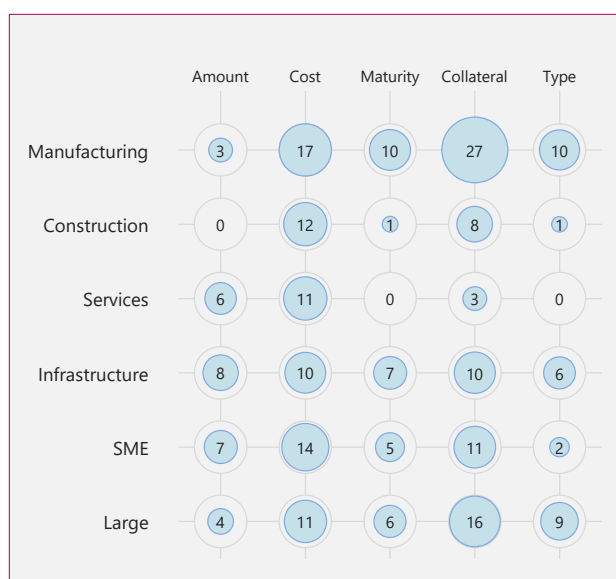
Overall, levels of dissatisfaction with external finance in Croatia are significantly higher than the EU average. Specifically, the highest levels of dissatisfaction are associated with collateral requirements (13%) and the cost of finance (12%). Between 5% and 6% of Croatian firms report dissatisfaction with the amount received, the type of external finance and the time of repayment.



Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

DISSATISFACTION BY SECTOR AND SIZE (%)



Dissatisfaction levels are generally low across all sectors and size of business, but consistently higher than the EU average. The cost of finance is the major source of dissatisfaction: at least 10% of the firms in every sector and size category report being dissatisfied with it.

Firms in the manufacturing sector are particularly dissatisfied with the collateral requirements (27%) and the cost (17%). Instead, firms in the construction and services sector report the lowest level of dissatisfaction with external finance.

Large firms that accessed external finance are more dissatisfied with the collateral requirements than SMEs (16% versus 11%). SMEs are slightly more disappointed with the cost of external finance (14% versus 11%).

Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

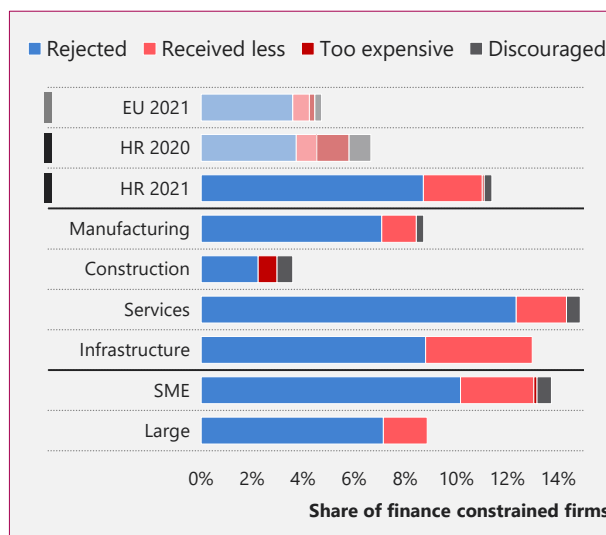
Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

Overall, 11% of Croatian firms can be considered external finance-constrained. This is above what was reported in EIBIS 2020 (7%) and the EU average (5%).

SMEs (14%) are more likely than large Croatian firms (9%) to report some form of external finance constraint. Primarily this is due to SMEs' request being rejected.

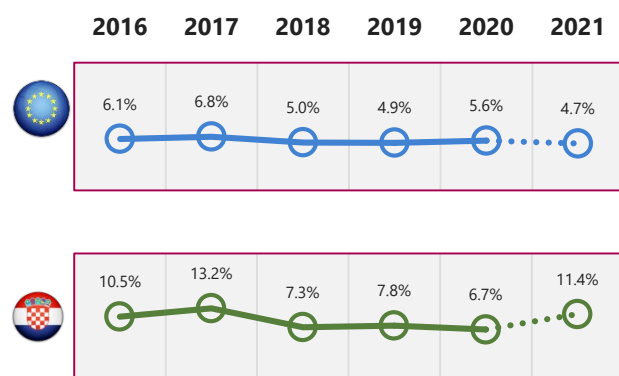
Firms belonging to service sector (15%) are more likely than those in construction sector (4%) to be finance constrained.



Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

Base: All firms (excluding don't know/refused responses)

FINANCING CONSTRAINTS OVER TIME



Firms in Croatia are more likely to be finance constrained than those across the EU as a whole.

The share of finance constrained firms in Croatia has increased since EIBIS 2020 and for the first time since EIBIS 2017 it concerns more than one in ten firms.

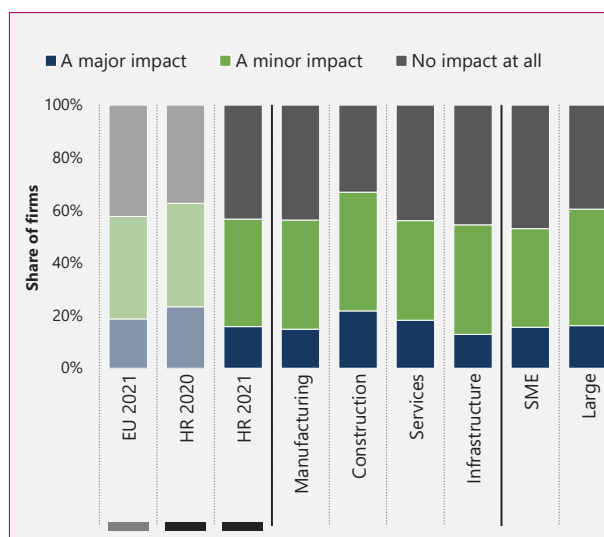
Base: All firms (excluding don't know/refused responses)

Climate Change and Energy Efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

A sizeable share of Croatian firms (57%) believe that climate change currently has an impact on their business, although they are more likely to think it has a minor (16%) rather than a major impact (41%). This is in line with the EU average.

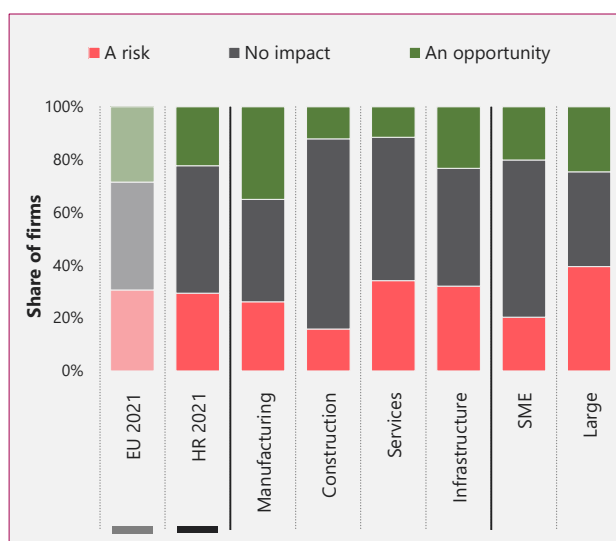
Construction (67%) firms are the most likely to report that climate change has an impact on their business. Otherwise opinions are consistent by sector and size of firm.



Q. Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?

Base: All firms (excluding don't know / refused responses)

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS



Croatian firms are starting to internalise the risks associated with the transition to net zero. Firms in Croatia (30%) are as concerned as EU firms (31%) about the risks represented by a transition to stricter climate standards and regulations. Over a fifth of Croatian firms (22%) regard this as an opportunity, which is slightly lower than the EU average (28%). Almost half (48%) of firms do not expect the transition to impact their activities.

Large firms (39%) are more likely than Croatian SMEs (20%) to see the transition to net zero as a risk to their company.

Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

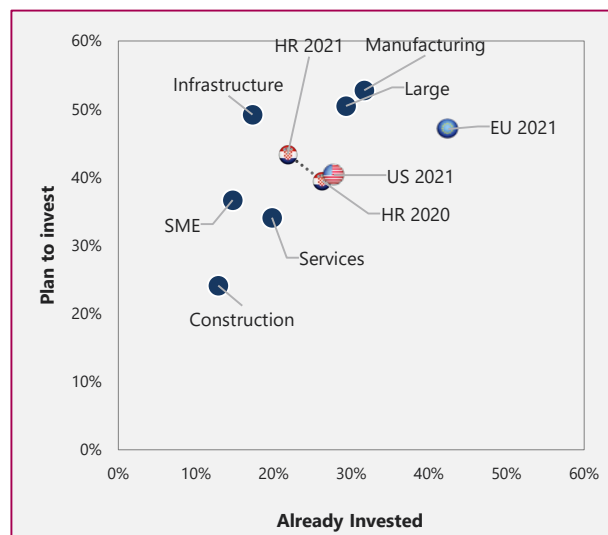
Base: All firms (excluding don't know / refused responses)

Climate Change and Energy Efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

In comparison to the EU average (43%), far fewer Croatian firms (22%) have already directed their investment towards activities that deal with climate change. However, the 'plan to invest' figures are much closer (47% and 43% respectively)

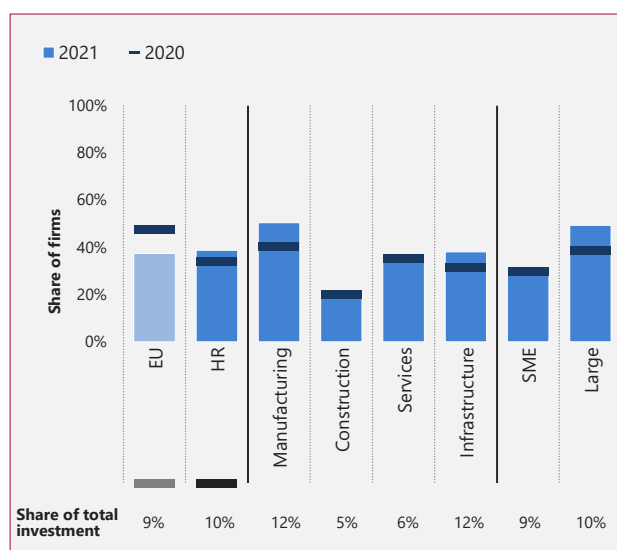
Large firms are far more likely than Croatian SMEs to have already invested (29% versus 15%) or to have plans to invest (50% versus 37%) in activities that deal with climate change. The 'appetite' for such investment is greater within manufacturing firms than those in other sectors.



Q. Now thinking about investments to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, which of the following applies?

Base: All firms (excluding don't know/refused responses)

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY AND SHARE OF TOTAL INVESTMENT



In contrast to the scarce investment in climate change, 39% of Croatian firms have invested in measures to improve energy efficiency in 2020. This has increased slightly from 34% in EIBIS 2020 and matches the EU average (37%).

This pattern is different to the EU, where there has been a decline in the share of firms investing in energy efficiency measures. The increase in Croatia has been 'driven' by large firms where almost half (49%) now invest in measures to improve energy efficiency.

Overall, the average share of investment in Croatia devoted to measures that improve energy efficiency is 10%, similar to the EU average of 9%.

Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms (for share of firms investing)

Base: All firms who have invested in the last financial year (excluding don't know/refused responses) (average share of investment)

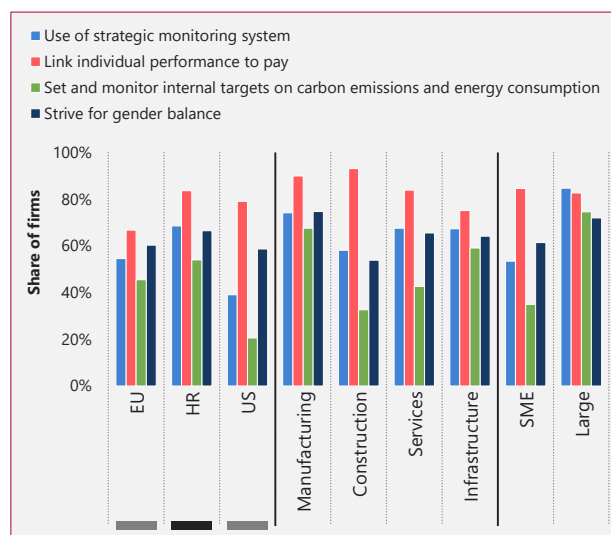
Firm management, climate targets, gender balance and employment

FIRM MANAGEMENT, CLIMATE TARGETS AND GENDER BALANCE

A clear majority (67%) of Croatian firms say their company strove for gender balance in 2020, which is above the EU average (60%).

Croatian firms thrived also in other managerial practices: 84% of firms linked individual performance to pay, a majority also report having used a strategic monitoring system (69%) and having set and monitored internal targets on carbon emissions (54%). For all these initiatives the Croatian figures are higher than the EU averages.

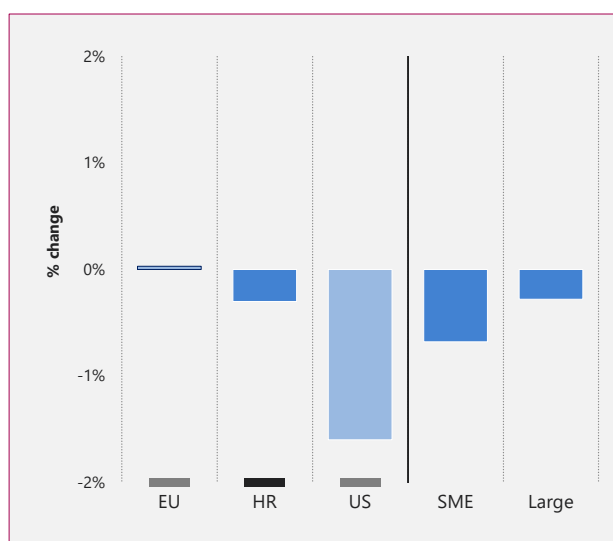
With the exception of linking individual performance to pay, large firms are more likely than SMEs to have undertaken these activities. The largest difference relates to carbon emissions and energy consumption targets (75% versus 35%).



Q. In 2020, did your company...?

Base: All firms (excluding don't know/refused responses)

CHANGE IN EMPLOYMENT DURING COVID-19



The workforce in Croatia has remained stable since the start of the COVID-19 pandemic with a negligible decrease of 0.3% reported, in line with the EU average.

The workforce within Croatian SMEs has dropped by an average of 0.7% and among large firms by 0.3%.

Q. How many people does your company employ either full or part time at all its locations, including yourself?

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2020, before the COVID-19 pandemic?

Base: All firms (excluding don't know/refused responses)

EIBIS 2021 – Country Technical Details

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Croatia, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	US	HR	Manufacturing	Construction	Services	Infrastructure	SME	Large	EU vs HR	Constr vs Manuf.	SME vs Large
	(11920)	(802)	(481)	(148)	(93)	(103)	(133)	(405)	(76)	(11920 vs 481)	(93 vs 148)	(405 vs 76)
10% or 90%	1.1%	3.5%	3.2%	5.3%	6.7%	6.7%	5.9%	2.6%	6.0%	3.4%	8.6%	6.6%
30% or 70%	1.7%	5.3%	4.9%	8.2%	10.3%	10.3%	9.1%	4.0%	9.2%	5.2%	13.1%	10.0%
50%	1.8%	5.8%	5.4%	8.9%	11.2%	11.2%	9.9%	4.4%	10.1%	5.7%	14.3%	11.0%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Manufacturing sector	Based on the NACE classification of economic activities, firms in group C (Manufacturing).
Construction sector	Based on the NACE classification of economic activities, firms in group F (Construction).
Services sector	Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food Services activities).
Infrastructure sector	Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
SME	Firms with between 5 and 249 employees.
Large firms	Firms with at least 250 employees.

Note: the EIBIS 2021 country overview refers interchangeably to 'the past/last financial year' or to '2020'. Both refer to results collected in EIBIS 2021, where the question is referring to the past financial year, with the majority of the financial year in 2020 in case the financial year is not overlapping with the calendar year 2020.

EIBIS 2021 – Country Technical Details

The country overview presents selected findings based on telephone interviews with 481 firms in Croatia (carried out between March and July 2021).

BASE SIZES (*Charts with more than one base; due to limited space, only the lowest base is shown)

Base definition and page reference	EU 2021/2020	US 2021	HR 2021/2020	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 2, p. 6, p. 7, p. 10, p. 11	11920/11971	802	481/488	148	93	103	133	405	76
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	11910/11949	802	481/488	148	93	103	133	405	76
All firms (excluding don't know/refused responses), p. 2	11620/11634	768	476/481	147	91	103	131	400	76
All firms (excluding don't know/refused responses), p. 4 (top)	11860/NA	800	478/NA	146	93	103	132	403	75
All firms (excluding don't know/refused responses), p. 4 (bottom)	11891/NA	802	480/NA	148	92	103	133	404	76
All firms (excluding don't know/refused responses), p. 5 (top)	11814/11971	768	479/488	147	93	103	132	403	76
All firms (excluding don't know/refused responses), p. 5 (bottom)	11760/0	766	477/0	146	93	103	131	402	75
All firms (excluding don't know/refused responses), p. 7 (top)	11765/11727	793	474/476	146	91	102	131	399	75
All firms (excluding don't know/refused responses), p. 8 (top)	11648/11720	779	448/461	142	87	97	119	377	71
All firms (excluding don't know/refused responses), p. 8 (bottom)	8780/9039	618	394/347	130	75	84	103	328	66
All firms (excluding don't know/refused responses), p. 9	11891/11938	802	480/484	147	93	103	133	405	75
All firms (excluding don't know/refused responses), p. 13 (top)	11882/NA	777	480/NA	148	93	103	132	404	76
All firms (excluding don't know/refused responses), p. 13 (bottom)	11857/NA	775	480/NA	148	93	102	133	404	76
All firms (excluding don't know/refused responses), p. 15	11518/11477	743	467/449	147	89	99	128	393	74
All firms (excluding don't know/refused responses), p. 16 (top)	11849/11898	798	478/483	148	92	102	132	402	76
All firms (excluding don't know/refused responses), p. 16 (bottom)	11384/NA	783	457/NA	146	84	100	123	385	72
All firms (excluding don't know/refused responses), p. 17	11659/11739	775	472/461	146	93	103	126	397	75
All firms (excluding don't know/refused responses), p. 18 (top)*	11616/NA	774	461/NA	138	88	100	126	390	71
All firms (excluding don't know/refused responses), p. 18 (bottom)	11664/11402	794	475/456	148	90	101	132	400	75
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 3 (top)	9670/10138	674	429/394	136	82	91	117	358	71
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 3 (bottom)	9523/9874	667	437/424	138	83	94	119	365	72
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 12	8675/9255	621	396/386	114	80	87	112	336	60
All firms who have invested in the last financial year (excluding don't know/refused responses)*, p. 17	11920/11971	802	481/488	148	93	103	133	405	76
All firms who used external finance in the last financial year (excluding don't know/ refused responses), p. 12	4003/4354	284	194/206	59	40	35	59	161	33
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 14*	3964/4310	281	194/206	61	40	34	56	161	33



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Croatia

Overview

EIB INVESTMENT SURVEY

