

Croatia:

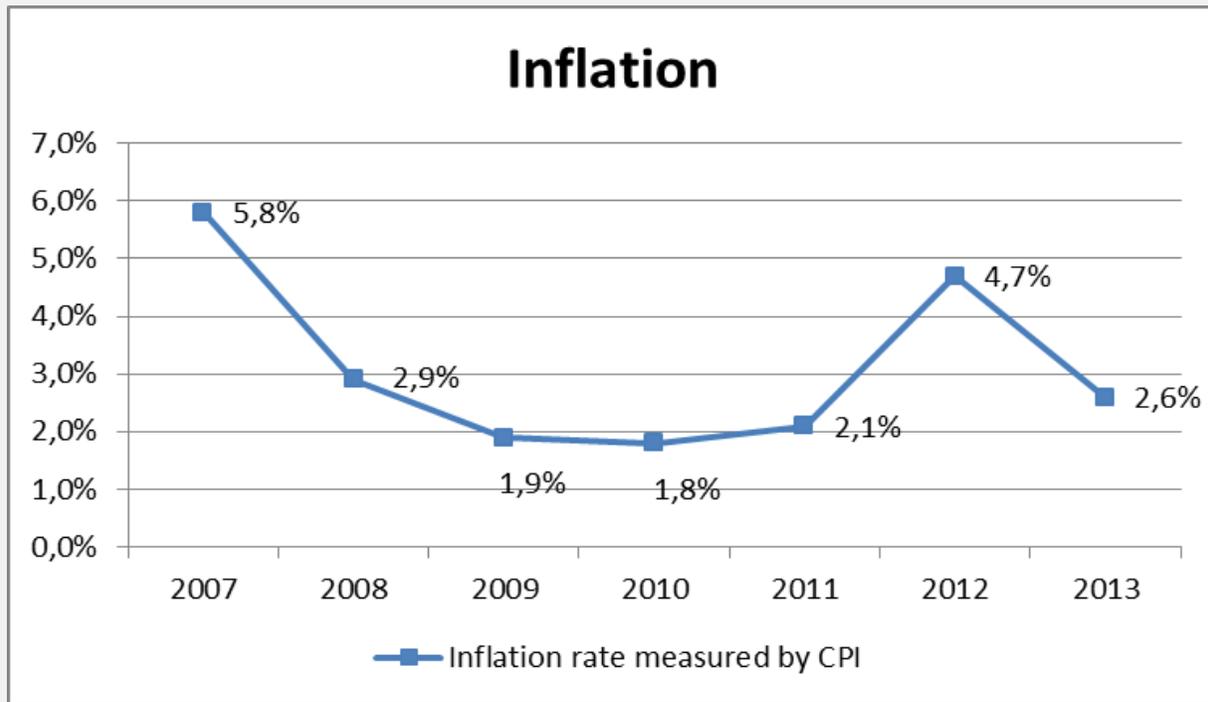
overview of the economy and  
the financing of road  
infrastructure

May 28st, 2013

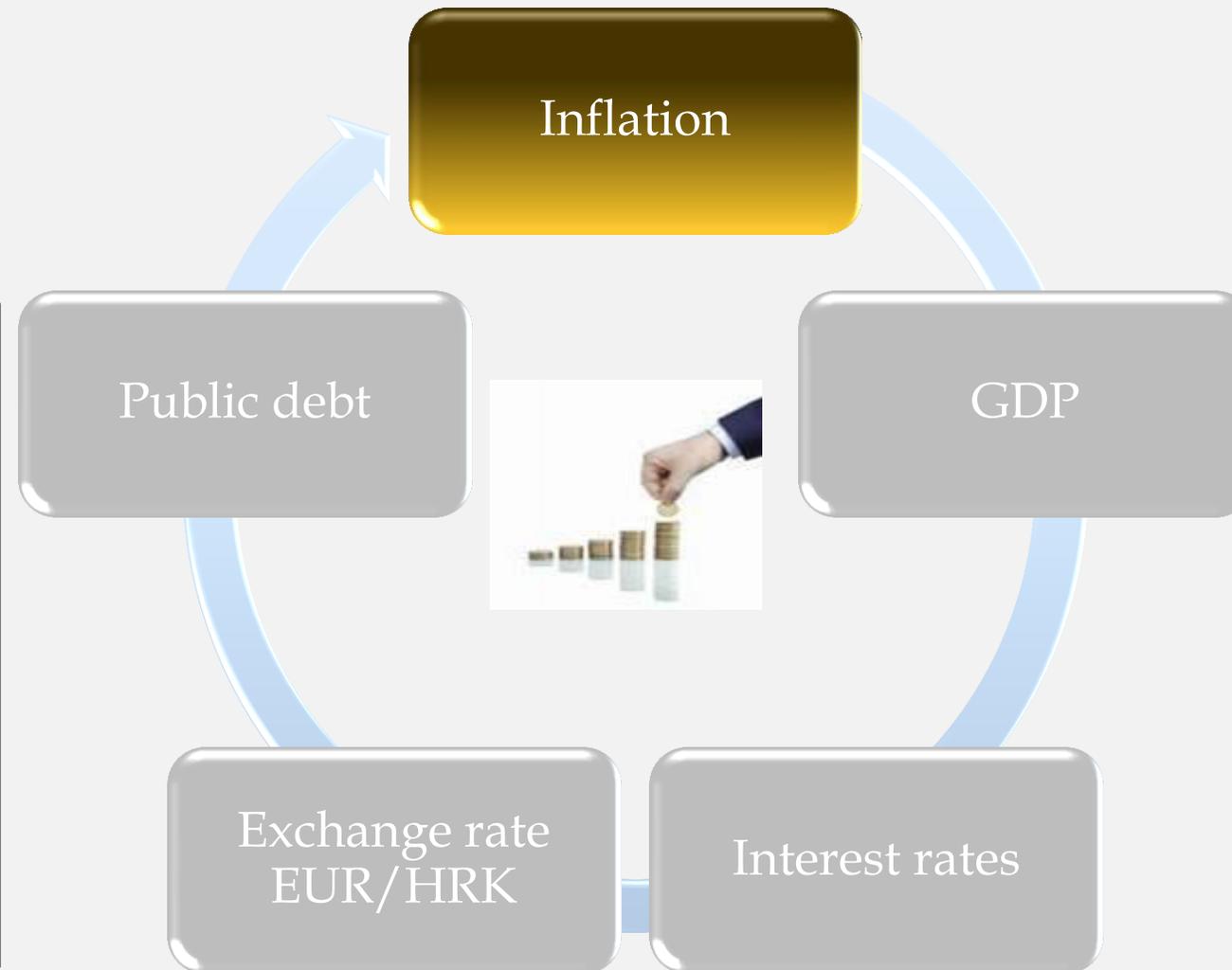


# Key macroeconomic figures

- ▶ declining trend except from period 2011-2012
- ▶ „import inflation” due to higher energy prices

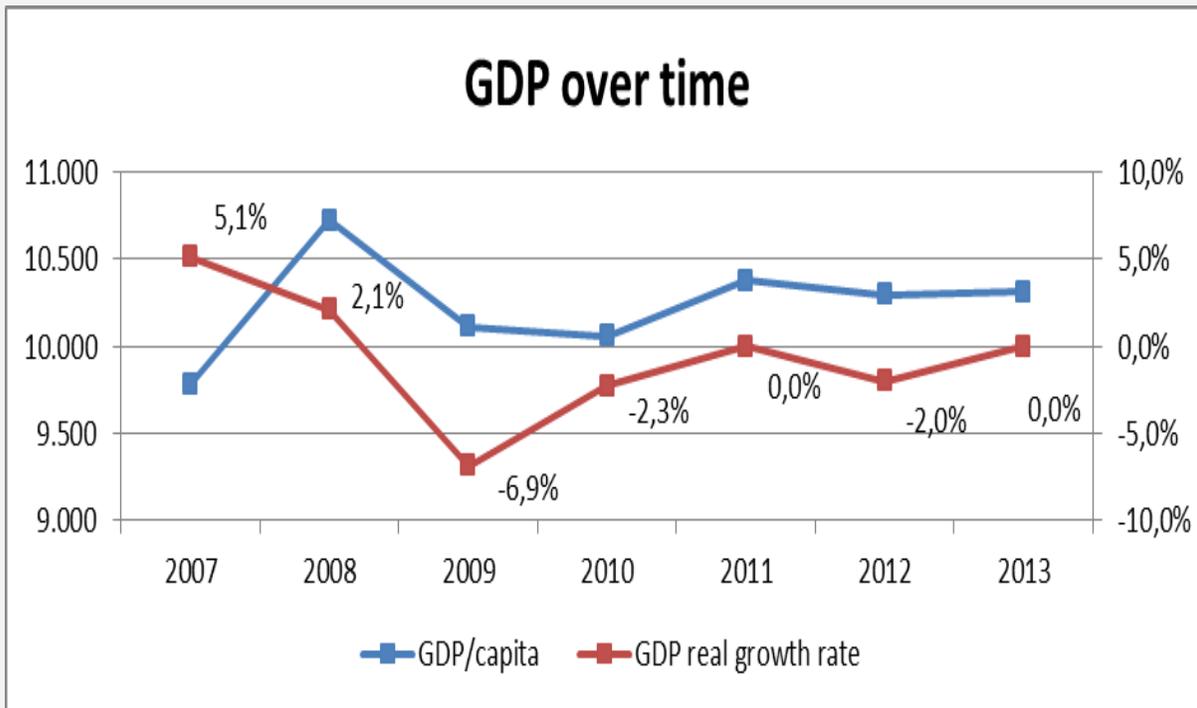


Source: Croatian National Bank



# Key macroeconomic figures

- ▶ because of the recession, from 2008 GDP/capita and GDP real growth rate have been declining
- ▶ the trend should turn out to be positive starting from 2014

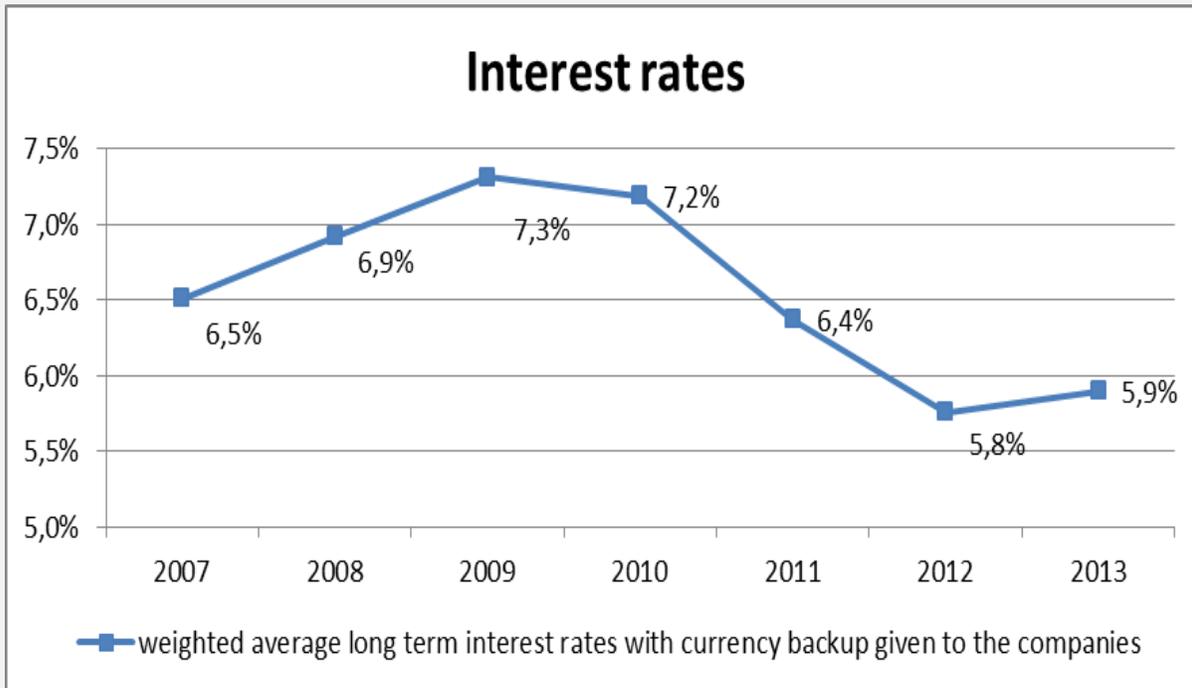


Source: Croatian National Bank



# Key macroeconomic figures

- ▶ in the peak of financial crisis due to great inconfidence among the financial counterparts, interest rates were the highest (7,3% on annual basis)
- ▶ from 2010 interest rates start to decline

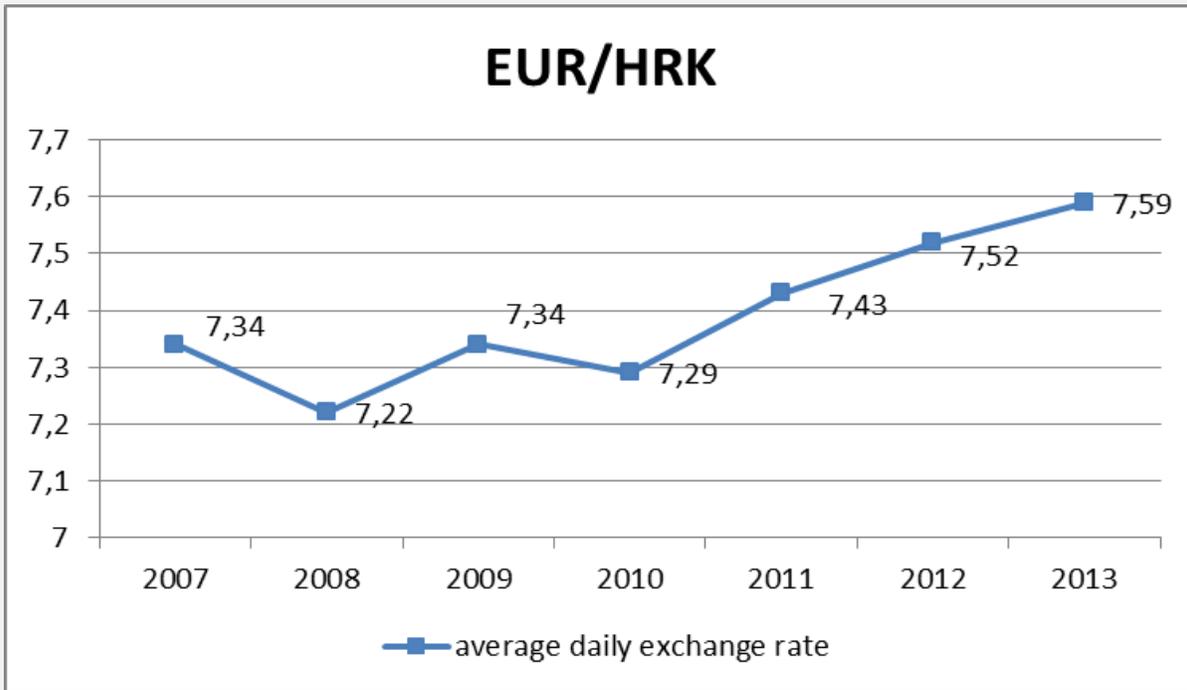


Source: Croatian National Bank



# Key macroeconomic figures

- ▶ within the period 2007-2013, Croatian kuna has depreciated over the Euro for 3,41%
- ▶ depreciation pressure is still present but it should weaken during the summer season

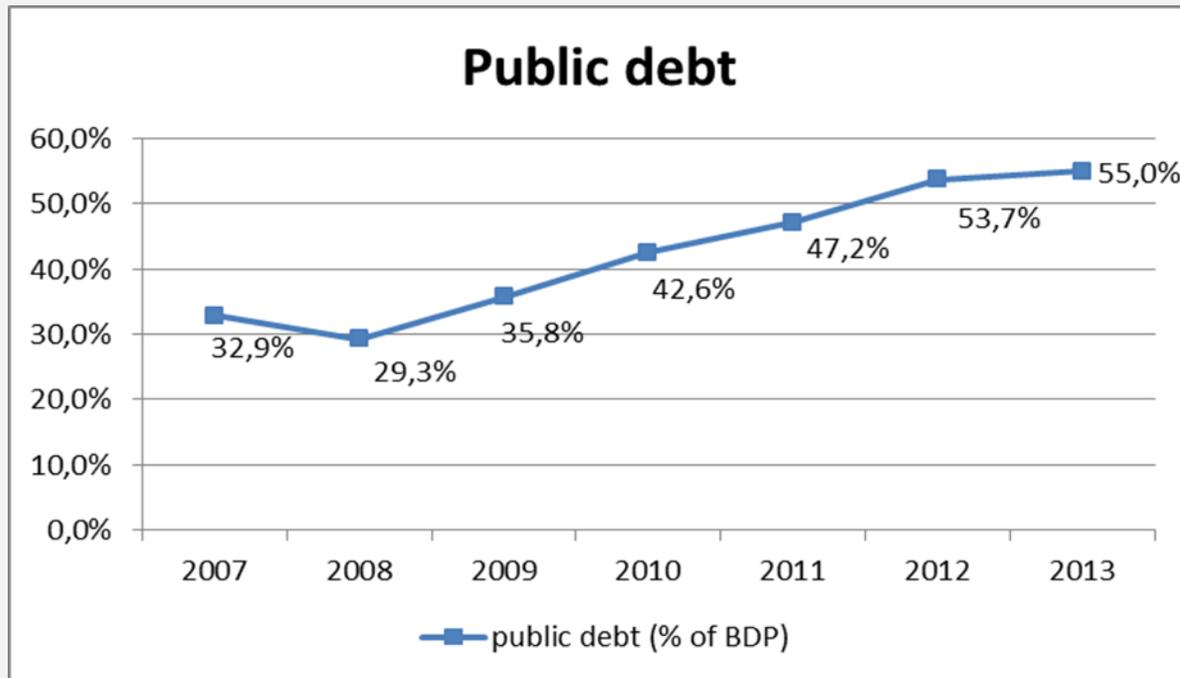


Source: Croatian National Bank

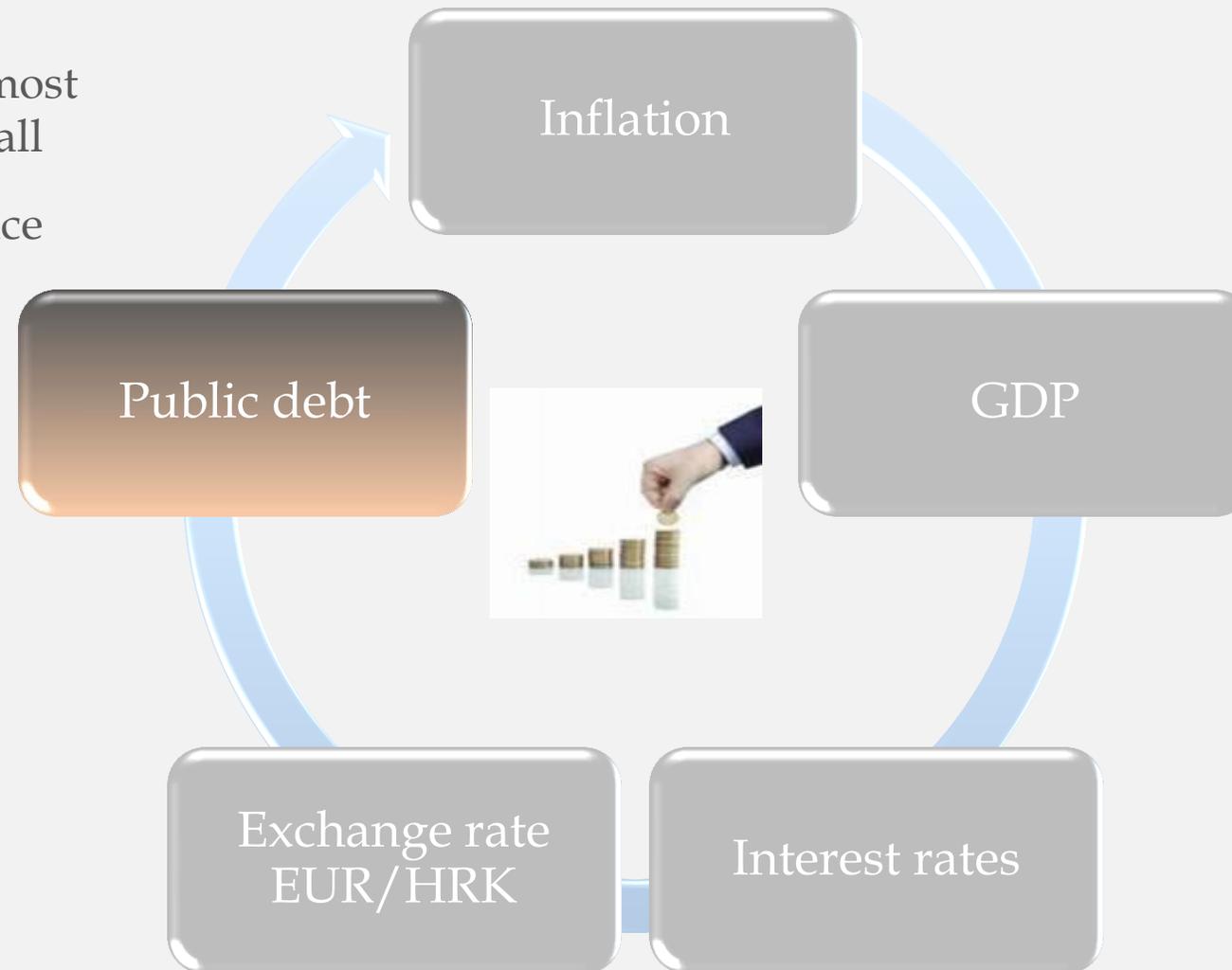


# Key macroeconomic figures

- ▶ public debt measured as % of GDP has grown for almost 70% in a period 2007-2013 primarily due to sharp GDP fall
- ▶ however, fiscal consolidation that currently takes place should slow down public debt's growth



Source: Croatian National Bank



# Will croatia be the next country to be rescued ?

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1. Croatian tourism : a very strong asset
2. EU budgeted an amount of 10 bn € for croatia
2. Croatian economy is very small
3. A very strong banking sector
4. A lot of reforms done in order to reduce public deficit

GDP growth expected to resume in 2014

# Specificities of the road network in croatia

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1. Very small traffic on motorways
2. Very sharp legal framework in the past
3. Secondary network very developed
4. Road network open for trucks and free of charges

Most of the traffic is concentrated on secondary network, that makes it dangerous

# Financing the road infrastructure in Croatia

1. Mostly financed by Public companies
2. Financing ensured through loan with sovereign guarantees
3. For private concessions subsidies are granted to operator
4. Various taxes dedicated to road construction

Development of the infrastructure has been stopped due to the public deficit and the increase of the margins on public debt (from 50 bps in 2008 to 450 bps)

# Contemplated solutions to resume the investment

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1. Cohesion funds available for croatia on the period 2014-2020 :  
10 Bn of euros
2. Adapt the legal framework (law on concession)
3. Privatization of the public network
4. Implement restrictions for trucks on the secondary network

The strategie is to make the user pay the service