

# TRADE IN VALUE ADDED: CROATIA

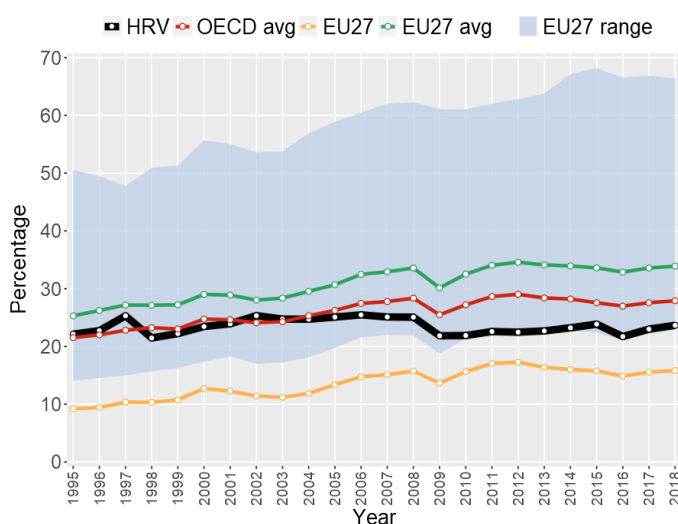
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Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Croatia, with a view to informing policy making for a range of areas including trade, innovation and investment.

## Key findings

- ▶ The foreign content of Croatia’s exports increased from 21.7% to 23.7% between 2016 and 2018, but remained lower than the 2006 maximum level of 25.5% (Figure 1). Foreign content of Croatia’s exports is relatively low compared to other European Union countries as a majority of exports consists of services which have relatively high domestic content.
- ▶ However, the export orientation of Croatian industries increased over the period of 2008 to 2018, with 33.3% of its domestic value added being driven by foreign final demand in 2018 compared to 25.3% in 2008 (Figure 2). The *Accommodation and food services* sector had the highest share (72.6%) of its value added meeting foreign final demand in 2018, reflecting the importance of tourism in the Croatian economy. The most foreign content in total exports also came from *Accommodation and food services* (2.9%) (Figure 3b)
- ▶ Austria, Germany, Italy and Slovenia are Croatia’s main trading partners (Figures 5). Shares of Croatian value added in final demand are higher than shares of direct gross exports for countries such as China and United States reflecting participation in regional value chains – Croatian value added reaching other countries via their European neighbours. Similarly, value added from China and the United States reaches Croatia via imports from European partners.
- ▶ Services accounted for 65.6% of Croatia’s gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. For manufactured goods, services value-added content accounted for 34.1% of the value of gross exports.

**Figure 1. Foreign value-added content of gross exports**  
As a percent of total gross exports, 1995 to 2018



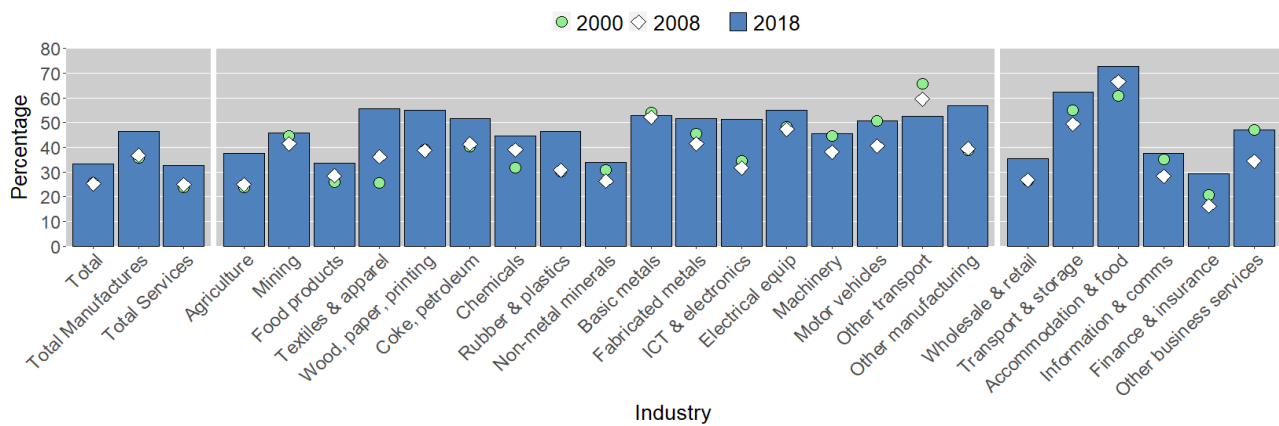
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Croatia’s exports is estimated to have decreased from 25.1% to 23.7% - below the European average of 33.9% and OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 1.4 percentage points lower.

## The role of foreign final demand in domestic production

Overall, in 2018, 33.3% of Croatia's domestic value added was driven by foreign final demand, up from 25.3% in 2008. By industry, the shares ranged from Accommodation and food services (72.6%) and Transport and storage (62.4%) at the higher end to Financial and insurance (29.2%) at the lower end.

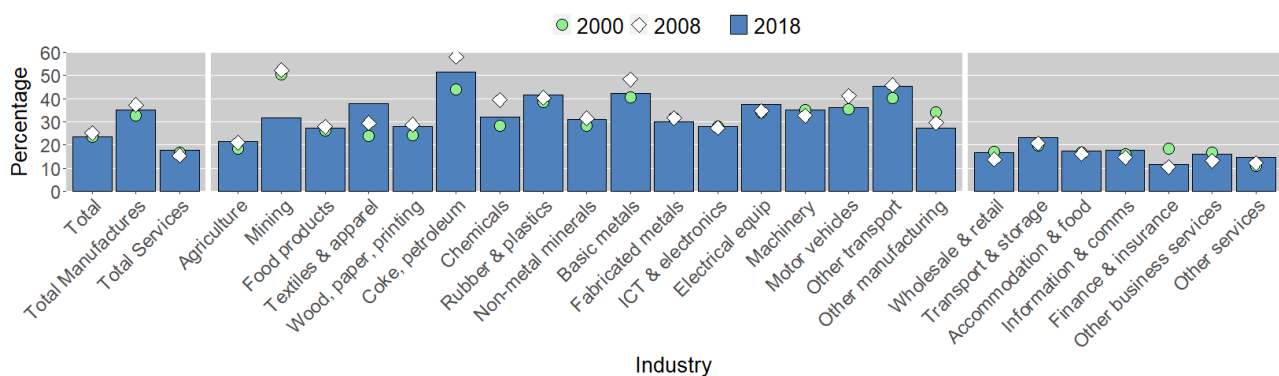
**Figure 2. Croatia - domestic value added in foreign final demand**  
As a percent of value added, by industry, 2000, 2008 and 2018



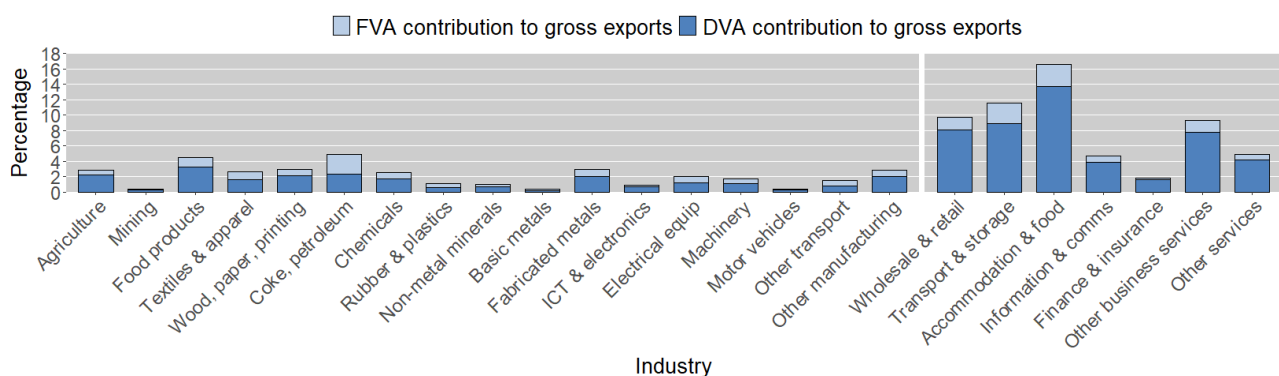
## The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were Coke and refined petroleum products (51.5%), Other transport equipment (45.5%) and Basic metals (42.4%). Accommodation and food services generated the greatest source of domestic value-added content of exports in 2018, accounting for 13.7% of gross exports (Figure 3b), followed by Transport and storage (8.9%) and Wholesale and retail trade (8.1%). The most foreign content in total exports came from Accommodation and food services (2.9%).

**Figure 3a. Croatia - foreign value-added content of gross exports**  
As a percent of gross exports, by industry, 2000, 2008 and 2018

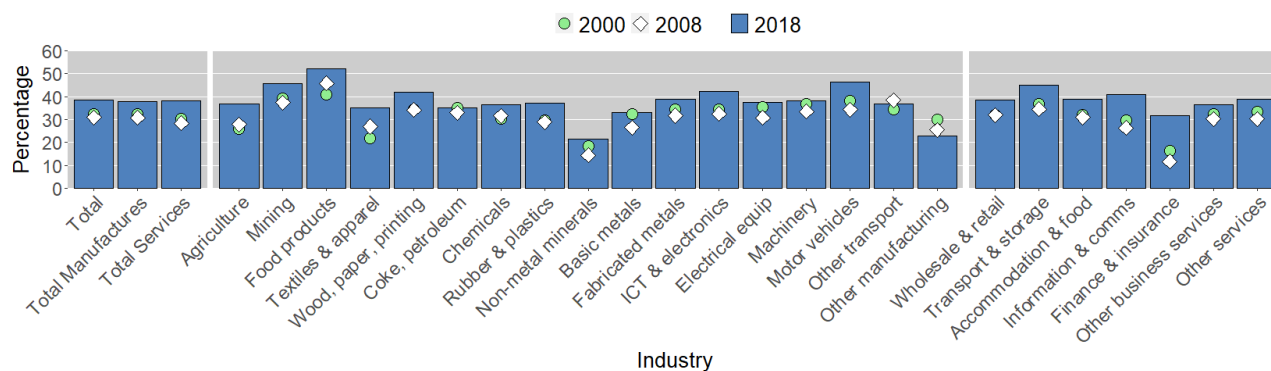


**Figure 3b. Croatia - industry share of domestic and foreign value-added content of gross exports**  
As a percent of total gross exports, 2018



Of the total value of Croatia's imports of intermediate goods and services in 2018, 38.4% was subsequently embodied in exports, below the OECD average of 47.9%, and above the share in 2008 (30.9%). The originating industries with the highest shares of intermediate imports used in Croatia's exports were *Food and beverages* (52%), *Motor vehicles* (46.5%) and *Mining and quarrying* (45.8%).

**Figure 4. Croatia - imported intermediate inputs used for exports, by industry-origin of imports**  
As a percent of intermediate imports, 2000, 2008 and 2018

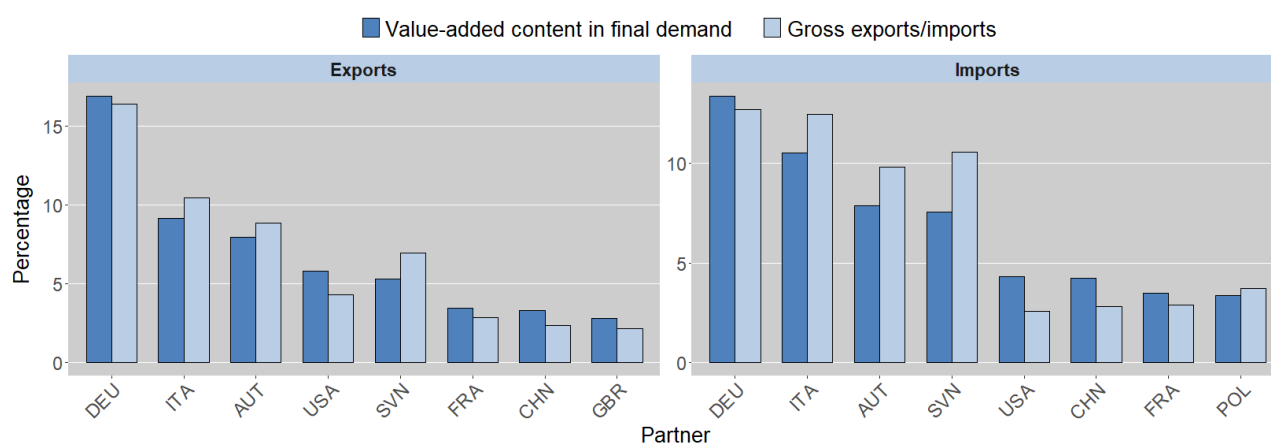


### Croatia: international flows of goods and services, main players

In gross terms, Germany (16.4%), Italy (10.5%) and Austria (8.9%) were the three most important Croatian export market destinations in 2018. The top three final destinations for Croatia's value added were Germany (16.9%), Italy (9.2%) and Austria (8%).

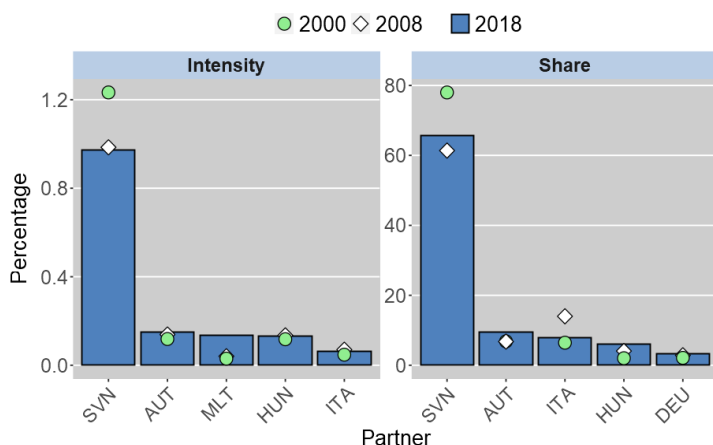
For imports in gross terms, Croatia's top three partners in 2018 were Germany (12.7%), Italy (12.5%) and Slovenia (10.6%), while in value-added terms, the top three were Germany (13.4%), Italy (10.5%) and Austria (7.9%).

**Figure 5 Croatia - exports and imports: main partners**  
As a percent of total gross and value-added exports and imports, 2018



**Figure 6. Croatia's domestic value-added content of manufactured imports, top 5 partners**

As a share of total Croatia's value added embodied in Croatia's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Croatia's domestic value added embodied in Croatia's manufactured imports (Figure 6, right) came from Slovenia (65.6%), Austria (9.5%) and Italy (8%).

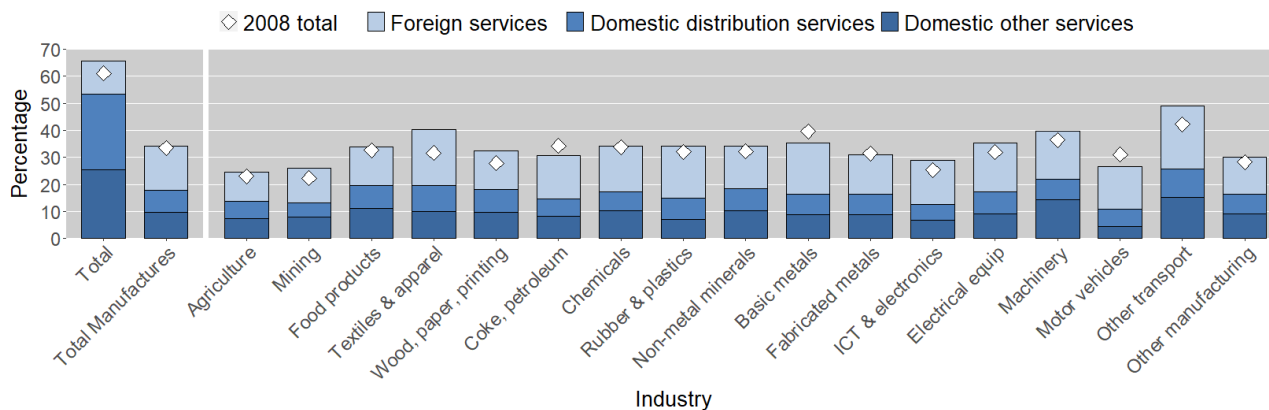
The trading partners with the highest shares of Croatia's value added in their exports of manufactures to Croatia (Figure 6, left) in 2018 were Slovenia (1%), Austria (0.2%) and Malta (0.1%).

## The importance of services in international trade

Services are a major contributor to Croatia's economy, accounting for 65.6% of Croatia's gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. Foreign services contributed 12.3% to the value of total gross exports. For manufactures, services value-added content was 34.1% of gross exports, with the highest shares in Other transport equipment (49%), Textiles and apparel (40.3%) and Machinery and equipment, nec (39.7%).

**Figure 7. Croatia - services content of gross exports**

As a percent of gross exports by industry, 2018



## Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: [www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf](http://www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf)
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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