

## Location Spotlight – Croatia

August 2021: Complimentary Abstract / Table of Contents



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# This report provides perspectives on key aspects of the global sourcing market in Croatia

Location Spotlight – Croatia

## Croatia | at a glance



Emerging Central and Eastern Europe (CEE) location primarily leveraged for IT services delivery; offers significant cost arbitrage over other leading CEE locations

**KEY FACTOIDS**

- 30,000-35,000 annual tertiary graduates
- Annual operating cost per FTE: 55-65% savings over tier-2 UK (Croydon), 20-30% savings over tier-1 Poland (Warsaw)

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> <li>With a global services market size of ~9,000 FTEs, Croatia is leveraged by both Global Business Service (GBS) organizations and service providers</li> <li>Zagreb is the key delivery location in Croatia; however, there has been an uptick in the recent past in leverage of other cities such as Osijek</li> <li>Proximity to European countries such as Austria, Germany, and Italy aids the country's tourism potential, a major contributor to the country's GDP</li> </ul>	<ul style="list-style-type: none"> <li>Availability of multilingual talent to support global delivery in multiple languages including English, German, and Italian</li> <li>Robust infrastructure and good transport connectivity with other source geographies</li> <li>Multiple government incentives such as reduced Corporate Income Tax (CIT) rates, education and training incentives, employment subsidies, and incentives for innovation and development activities</li> </ul>	<ul style="list-style-type: none"> <li>Relatively lower maturity of the global services market is likely to pose a challenge in terms of availability of experienced resources</li> <li>Some concerns around risk of natural disasters (especially earthquake and seismic activity)</li> <li>Macroeconomic concerns such as aging population, high emigration, increasing public debt, and high reliance on tourism sector</li> </ul>

**KEY PLAYERS:**

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## Croatia | risk profile (page 1 of 2)

### Stable geopolitical environment and availability of well-developed infrastructure; some concerns around macroeconomic stability

Parameter	Everest Group rating	Comments
Geopolitical	<span style="color: green;">■</span> Highly favorable	<ul style="list-style-type: none"> <li>Croatia ranks 63<sup>rd</sup> among 180 countries in the Corruption Perception Index 2020 making it a moderately corrupt country; however, progress has been made in tackling corruption and minimizing bureaucratic red tape to improve the business operating environment</li> <li>Ranked 59 out of 167 countries in the Democracy Index 2020 compiled by the Economist Intelligence Unit (EIU)</li> <li>Evidence of some geopolitical tensions with neighboring countries such as Bosnia and Herzegovina; however, limited impact on IT-BP sector</li> </ul>
Macroeconomic	<span style="color: yellow;">■</span> Favorable, some concerns	<ul style="list-style-type: none"> <li>Standard &amp; Poor's credit rating for Croatia stands at BBB- with a stable outlook</li> <li>Multiple macroeconomic challenges such as aging population, high working age population emigration, high unemployment, and increasing public debt; however, the country is expected to recover in the next few years through strong household consumption, VAT revenue, and exports of services (majorly tourism)</li> <li>Croatian economy is highly dependent on tourism (around 20% of the country's GDP), which has strongly suffered from the COVID-19 pandemic</li> </ul>
Infrastructure	<span style="color: green;">■</span> Highly favorable	<ul style="list-style-type: none"> <li>Croatia offers developed network of roads, railroads, and airports as tourism is Croatia's main source of revenue</li> <li>– Additionally, the country offers good utility infrastructure, internet connectivity, and telephone services</li> <li>Croatia is ranked 32<sup>nd</sup> out of 141 countries in the Global Competitiveness Index (compiled by World Economic Forum) for its infrastructure quality</li> <li>Ranked 43<sup>rd</sup> out of 134 countries in the Network Readiness Index 2020 signifies a robust telecom and network infrastructure presence in the country</li> </ul>

Source: Everest Group (2021); inputs from recruitment firms, market players, and investment agencies

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# Research calendar

## Locations Insider™

■ Published
 ■ Planned
 ■ Current release

### Flagship Locations Insider reports

	Release date
Location Spotlight – Lithuania	March 2021
Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World   Risk Watch	March 2021
Location Spotlight – Cali, Colombia	March 2021
Location Spotlight – Hungary	June 2021
Location Spotlight – Thailand	July 2021
<b>Location Spotlight – Croatia</b>	<b>August 2021</b>
Location Spotlight – Ghana	Q3 2021
Location Spotlight – Latvia	Q3 2021
Location Spotlight – Querétaro, Mexico	Q3 2021
Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World   Key Trends Shaping the Landscape	Q3 2021
Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World   Locations PEAK Matrix®	Q3 2021

### Thematic Locations Insider reports

	Release date
Leading European Locations for Global Delivery of Engineering Services	October 2020
Data & Analytics Handbook – Delivery Location Strategy to Steer Through Digital Disruption	November 2020
Cybersecurity Talent Handbook – Guide to Cybersecurity Skills Across the Globe	June 2021
LATAM : Emerging Nearshore Destination	Q3 2021

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