

# THE PRICE COMPETITIVENESS OF CROATIAN TOURISM IS AT RISK



The price competitiveness of Croatian tourism is currently under threat. Rising prices cannot be justified by energy costs, among the lowest in the eurozone, or VAT rates. Government representatives have warned that this situation is not sustainable in the long term and could negatively impact economic growth.

Despite the past tourist season-breaking records, analyses indicate that Croatia is falling behind its Mediterranean competitors. Experts note that, as of 2024, **Croatia is 10 percent more expensive than both Spain and Greece.** Just two years ago, Croatia was 10 percent cheaper than these countries. Since the pandemic, prices in Croatia have increased by 50 percent compared to other Mediterranean destinations. This rise has affected the spending behavior of foreign tourists; during the high season, per capita spending declined by 0.7 percent compared to 2023.

Additionally, Croatia's tourism sector has a VAT of 13 percent. Increasing service prices also contribute to overall inflation, which is currently higher in Croatia than the average for the eurozone.

Several ministers, representatives from tourism associations and companies, and the Governor of the HNB (Croatian National Bank) have discussed the issue of rising service prices in Croatia. The HNB highlighted that these rising prices have been the primary driver of inflation over the past three years, particularly in the catering and hotel industries.

Jelena Tabak, President of the Croatian Chamber of Economy (HGK) Association of Hotel and Restaurant Operators, expressed hope that **there will be more careful pricing strategies in the upcoming season.** Dalibor Kratochvil, President of the Croatian Chamber of Crafts (HOK), noted that restaurateurs face increasing pressure due to inflation. He called for measures to cut costs and administrative relief, including reducing the VAT on beverages to 13 percent. Although this reduction would not result in lower prices, it could help prevent further increases.

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