The Contribution made by Beer to the European Economy

Croatia - March 2020

Europe Economics

The Brewers of Europe

Croatia

1 | Country profile

Table 1: Country profile

	2018
Population	4,105,493
Currency	Kuna
GDP per capita in PPS (2012, EU28 = 100)	63

Source: Eurostat and National Statistical offices.

2 | Highlights Croatia

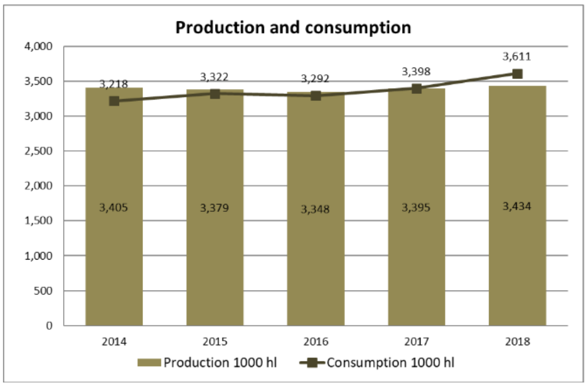
Table 2: Economic impact summary (and % change over the period)

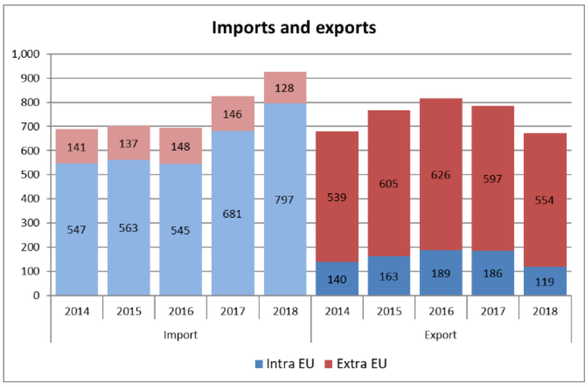
		2015	2016	2017	2018
Total number of jobs	[16.2%]	25,293	25,255	27,289	29,382
Value-added (mEuro)	[13.9%]	364	389	396	414
Government revenues (mEuro)	[17.7%]	312	315	339	367

Source: Calculations - different sources.

Domestic consumption of beer reached and surpassed domestic production between 2014 and 2018. This has contributed to an increased reliance on beer imports to satisfy consumer demand, much of which has been sourced from elsewhere in the EU. Exports of Croatian beer peaked in 2016 above 800,000 hectolitres, before falling to below 700,000 hectolitres in 2018.

Figure 1: Evolution of main indicators (2014-2018)





Source: National associations.

3 | A snapshot of the brewing sector

Total production has been relatively stable in the period 2015-2018 , at around 3 million hectolitres. A jump in the number of breweries reported in 2018 results from the inclusion of information from a beer association which groups smaller brewers. There are, nonetheless, positive signs that smaller brewers are contributors to total production.

Table 3: Basic characteristics of the beer sector (2015-2018)

	2015	2016	2017	2018
Total production (in hectolitres)	3,379,000	3,348,000	3,395,068	3,434,000
Brewing companies	6	6	6	97
Breweries (including microbreweries)	6	6	6	97
Microbreweries	N/A	N/A	N/A	N/A

Source: National Associations.

4 | Looking at the beer market

Total consumption increased from 332 million litres to 361 million, whilst the proportion of this consumed in the retail and hospitality sectors remained stable. Consumer spending on beer therefore increased, reflecting a rise in the consumption of beer per capita.

Table 4: Basic characteristics of the beer market (2015-2018)

	2015	2016	2017	2018
Total consumption in hectolitres	3,322,000	3,291,685	3,397,811	3,611,000
Total consumer spending (in million Euro)	795	824	894	990
Consumption of beer per capita (in litres)	77	75	79	84
Beer consumption hospitality	40%	40%	40%	40%
Beer consumption retail	60%	60%	60%	60%
Consumer price hospitality (€ / litre)*	3.61	3.81	4.01	4.17
Consumer price retail (€ / litre)*	1.58	1.63	1.71	1.79

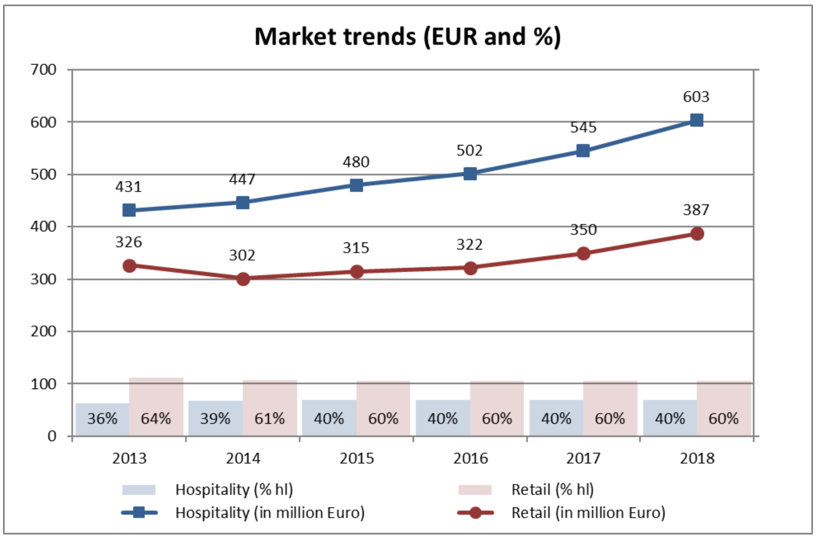
Note: * Prices are averages inclusive of taxes and duties.

Source: National Associations.

5 Trends and developments

Both the hospitality and retail sectors in Croatia can lay claim to contribution to the overall growth in the Croatian beer market. The hospitality sector, with its rising prices and significant share (albeit lower than retail) of overall consumption, reached a value of over €600 million in 2018.

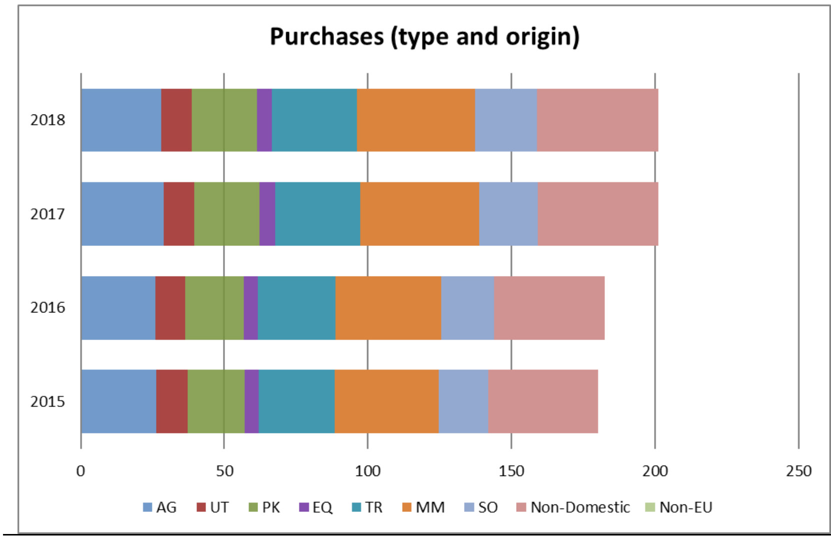
Figure 2: Recent consumption trends (2013-2018)



Source: National Associations.

Croatian brewers support a wide range of businesses in other sectors of the domestic economy. More than €180 million is purchased annually of agricultural produce, utilities, equipment, transportation and storage, and media and marketing services. Brewers also purchase inputs from other European countries, the value of which has been increasing constantly over the period.

Figure 3: Importance up the chain



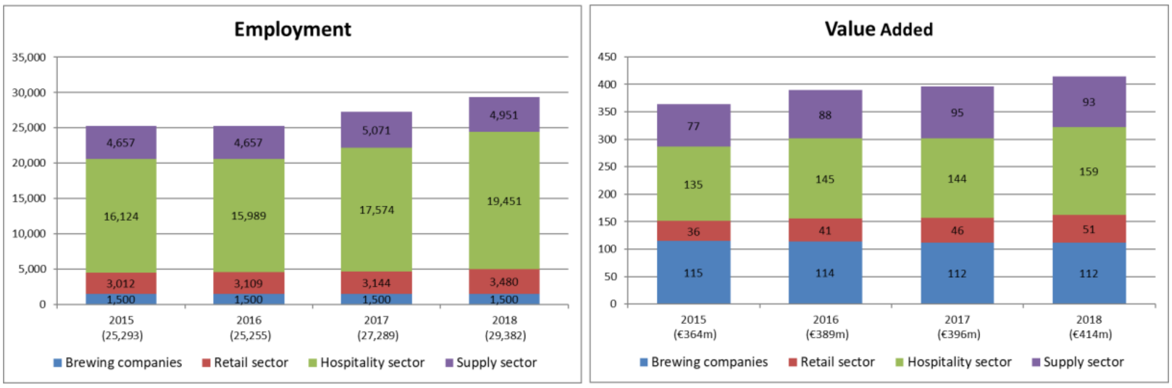
Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.
Source: Calculations based on data from Eurostat, and the Individual Brewers Questionnaire.

6 | The impacts beyond the sector: related jobs and value added

In terms of employment, the hospitality sector is the leading provider of jobs in the Croatian beer market. The total number of jobs reached 29,250 in 2018.

Value added rose healthily over the period, from €364 million to over €410 million, and shows no sign of slowing down.

Figure 4: Change in employment and value added (2015-2018).



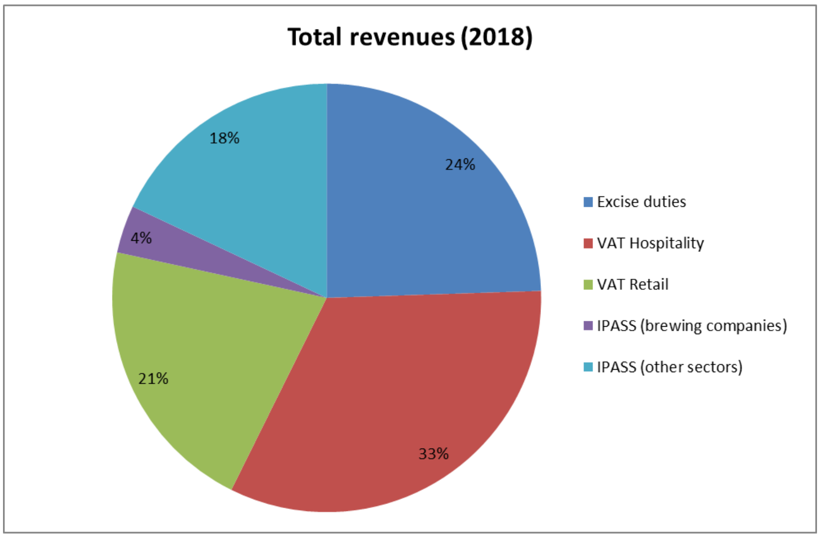
Note: The figures in the employment chart are to be considered as estimates.
Source: Calculations based on data from Eurostat, National Associations, and the Individual Brewers Questionnaire.

The employment in the supply sector can be broken down using the estimates from the responses to the survey to brewers. These imply a job breakdown of: 1,729 jobs in agriculture, 436 jobs in packaging, 732 jobs in transport, 1,328 jobs in media and marketing (the remaining corresponding to utilities, equipment, other).

7 | Government revenues related to beer

VAT receipts in the hospitality and retail sectors account for over half the total tax revenue collected from the whole production chain of beer (in 2018). This is not surprising with a Croatian VAT rate of 25%.

Figure 5: Government revenues generated by beer in 2018



Source: Calculations based on data from Eurostat, and the National Associations.

Over the whole period, the tax contribution of all sectors increased steadily (brewing companies reduced only slightly their contribution in comparison to the first year). Consequently, total revenues rose from €312 million in 2015 to €367 in 2018. With further growth in the beer market overall, and the hospitality sector in particular, tax receipts from the beer industry will be an increasingly important source of government revenue.

Table 5: Government revenues, mEuro (2015-2018)

	2015	2016	2017	2018
Excise duties	84	83	85	90
VAT Hospitality	96	100	109	121
VAT Retail	63	64	70	77
IPASS (brewing companies)	14	13	13	13
IPASS (other sectors)	55	54	61	66
Total government revenues	**312**	**315**	**339**	**367**

Source: Calculations - different sources.

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