

## 2 An Analysis of Tourism Sector Determinants in Croatia

PROFESSIONAL PAPER

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### Abstract

This paper analyzes the developments in Croatian tourism sector during the last decade. Croatian tourism indicators are compared to the indicators of other Mediterranean countries with strong tourism activity and a dominance of the “sun and sea” tourism product. The results of the analysis suggest that tourism in Croatia exhibits favorable results in terms of strong growth in tourism revenues, decreasing unit labor cost, increasing labor productivity, gross value added, and employment in hotels and restaurants. The problems of Croatian tourism are reflected in insufficient investments in hotels and restaurants, which constrains the faster growth of accommodation capacities and overnight stays, both of which are still below the pre-war levels. Furthermore, pronounced seasonality and the related low occupancy of accommodation capacities, net losses of hotels and restaurants and higher prices of products and services related to tourism demand compared to competition and emitive markets, also present a problem for the Croatian tourism sector.

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