

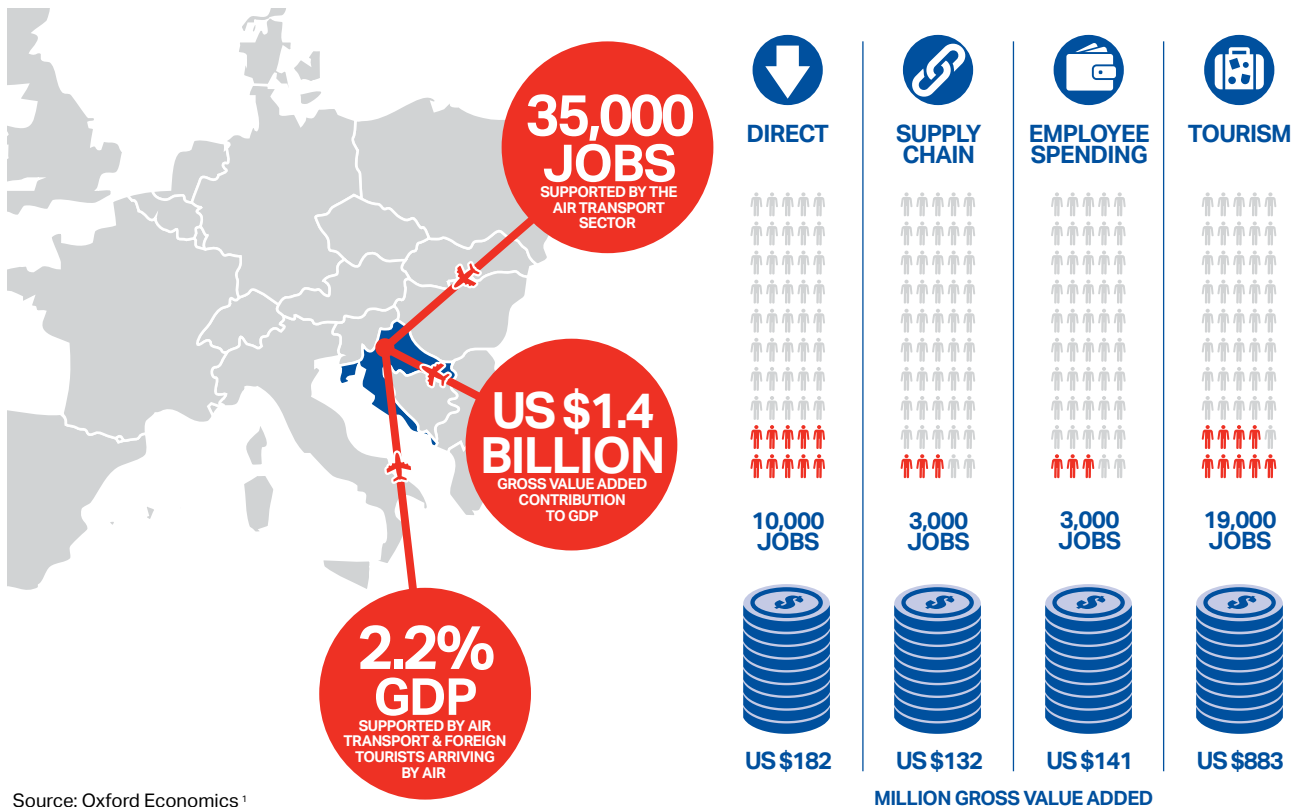


THE IMPORTANCE OF AIR TRANSPORT TO CROATIA



The air transport sector makes a major contribution to Croatia's economy

There are different ways of measuring air transport's impact on an economy. We look at three: the jobs and spending generated by airlines and their supply chain, the flows of trade, tourism and investment resulting from users of all airlines serving the country, and the city pair connections that make these flows possible. All provide a different but illuminating perspective on the importance of air transport.



Source: Oxford Economics¹

The air transport sector supports...

Airlines, airport operators, airport on-site enterprises (restaurants and retail), aircraft manufacturers, and air navigation service providers employ 10,000 people in Croatia. In addition, by buying goods and services from local suppliers the sector supported another 3,000 jobs. On top of this, the sector is estimated to support a further 3,000 jobs through the wages it pays its employees, some or

all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to Croatia, who spend their money in the local economy, are estimated to support an additional 19,000 jobs. In total 35,000 jobs are supported by air transport and tourists arriving by air.

...and spending

The air transport industry, including airlines and its supply chain, are estimated to support

US \$456 million of GDP in Croatia. Spending by foreign tourists supports a further US \$883 million of the country's GDP, totaling US \$1.4 billion. In total, 2.2 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

For forecasts of the industry's GDP and jobs contribution over the next 20 years see page 4

Air transport facilitates flows of goods, investment and people



Note: Data relate to all modes of transport. Foreign direct investment (FDI) figure represents inward stock.
Source: UNCTAD and World Bank²

The most important benefits from air transport go to passengers and shippers and the spillover impacts on their businesses. The value to passengers, shippers

and the economy can be seen from the spending of foreign tourists and the value of exports (though note these figures include all modes of transport). A key

economic flow, stimulated by good air transport connections, is foreign direct investment, creating productive assets that will generate a long-term flow of GDP.

Top five international tourist arrivals (all modes of transport) by country of residence³

1. Germany
2. Austria
3. Slovenia
4. Italy
5. Poland

Top five busiest direct flights arrivals

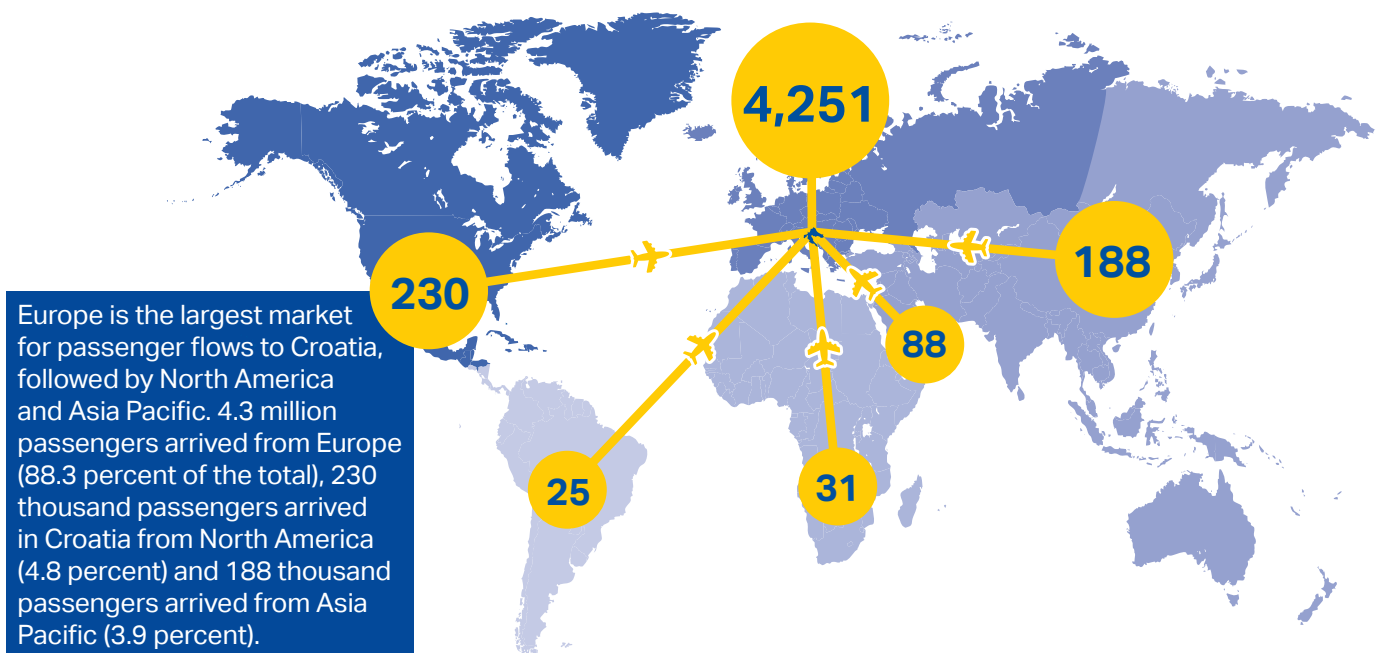
1. Germany
2. United Kingdom
3. France
4. Austria
5. Switzerland

Top five busiest air cargo routes

1. France
2. United Arab Emirates
3. Qatar
4. Turkey
5. Canada

Source: UNWTO and IATA²

Annual passenger flows by region (origin-destination, '000s)

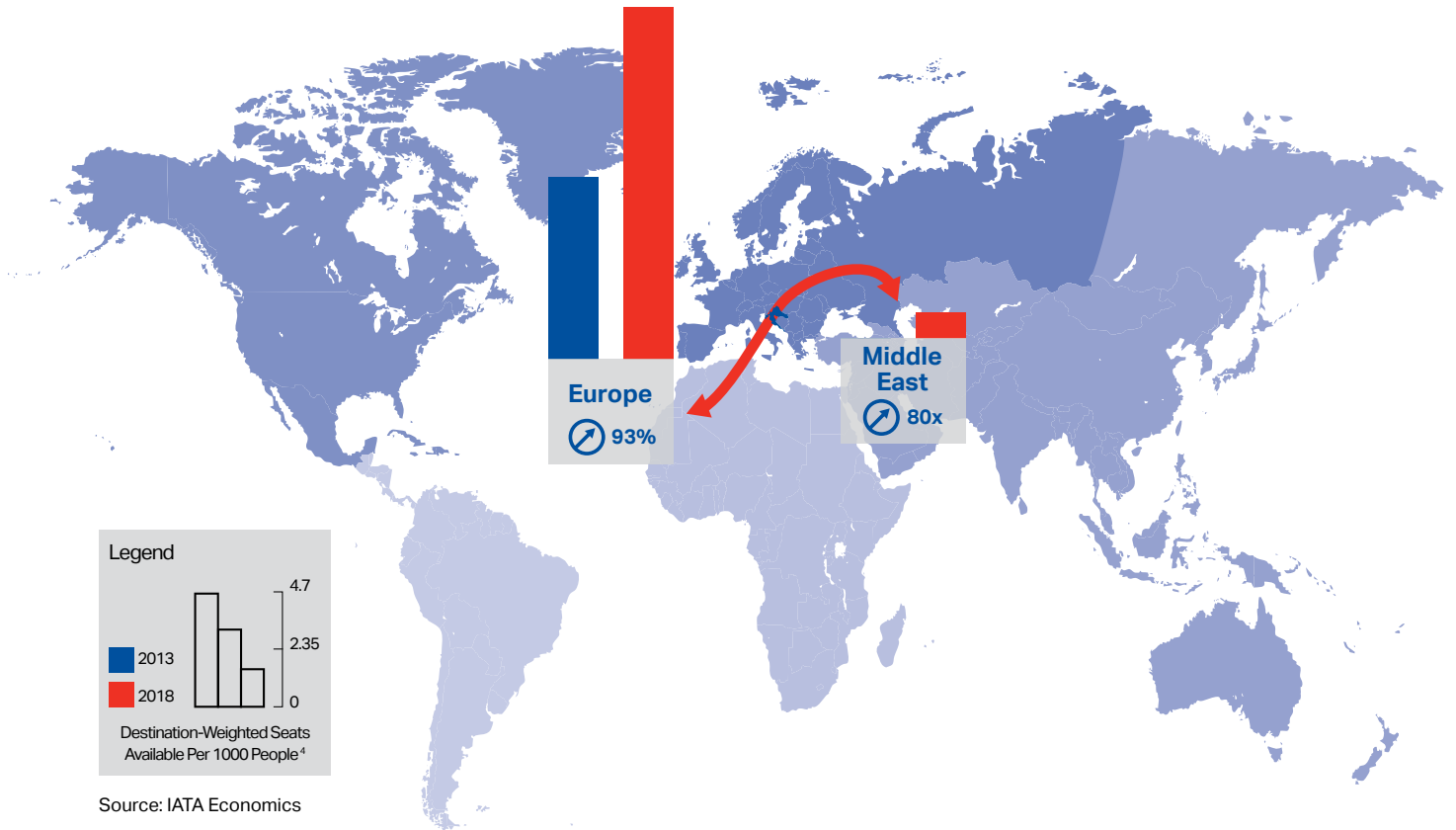


Source: IATA Direct Data Solutions

Air transport connects Croatia to cities around the world

Air transport generates benefits to consumers and the wider economy by providing speedy connections between cities. These virtual bridges in the air enable the economic flows of goods, investments, people and ideas that are the fundamental drivers of economic growth.

Map of Croatia's air connectivity, by its largest markets (segment basis)⁴



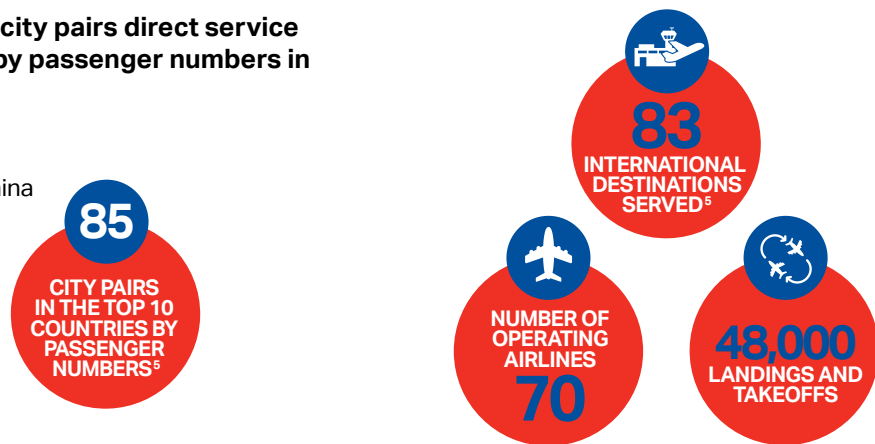
Source: IATA Economics

IATA's measure of how well a country is connected to economically important cities around the world is shown above. The map shows Croatia's connectivity by key regions of the world and its

evolution. Croatia's connections to the Middle East have grown the fastest, admittedly from a significantly low base, over the last five years.

Number of international city pairs direct service in the top ten countries by passenger numbers in the world⁵

- 0 United States
- 0 People's Republic of China
- 0 Japan
- 26 United Kingdom
- 0 India
- 0 Indonesia
- 6 Spain
- 41 Germany
- 0 Brazil
- 12 France



Source: IATA Economics

Source: IATA, Aviation Benefits Beyond Borders 2018 report

Ease of travel, visa openness, and trade facilitation are vitally important

If air transport's unique contribution is the bridges it creates between cities, then the flows of goods, people, investment and ideas that stimulate economic development must flow unimpeded to maximise their contribution to consumers and the wider economy. Here we measure how freely goods and people flow across borders.

Passenger facilitation and visa openness

Croatia's passenger facilitation (3.1/10) scores below the European average (4/10). On the World Economic Forum's Travel & Tourism Competitiveness Index, the country ranks 85th out of 140 countries for visa openness. In all these scores, higher is better.



Measures of air cargo trade facilitation

Croatia's facilitation of air cargo through its regulations ranks 53rd out of 124 countries in terms of the Air Trade Facilitation Index (ATFI) and 83rd out of 135 countries in terms of the eFreight Friendliness Index (EFFI) globally⁸.



Forecast scenarios for passenger traffic, jobs and GDP footprint⁹

Air transport in Croatia is forecast to grow by 66% in the next 20 years under the "current trends" scenario. This would result in an additional 3.4 million passenger departures by 2038. If met, this increased demand would support approximately US \$2.2 billion of GDP and around 37,340 jobs.

| | | PASSENGERS | US \$ GDP | JOBS |
|------|----------------|------------|-----------|--------|
| 2038 | 2018 | 5.1 m | \$1.3 bn | 34,985 |
| | Current Trends | 8.5 m | \$2.2 bn | 37,338 |
| | Upside | 10.5 m | \$2.8 bn | 46,659 |
| | Downside | 7.1 m | \$1.9 bn | 31,276 |

¹ Source: Oxford Economics (all currency is in the United States dollars at 2018 prices).
² FDI (Foreign Direct Investment) and exports data relates to 2018, foreign tourist expenditure data relates to 2017.
³ Arrivals of non-resident tourists at national borders or in all types of accommodation establishments, by country of residence.
⁴ The air connectivity scores reported are total destination weighted seats per 1000 people. IATA developed the Air Connectivity Indicator calculated based on the total route capacity (in terms of seats available) weighted by the destination airport's relative capacity (calculated as the ratio of seats available at that airport relative to the capacity at the airport with most available seats) divided by the population size of the country with a 0.15% of connectivity threshold in 2013.
⁵ A threshold of at least one flight per week is applied.
⁶ Passenger facilitation, one of the Air Transport Regulatory Competitiveness Indicators developed by IATA in 2019, looks at the ease of people moving around the globe and how the governments facilitate this process. It assesses the performance of economies on implementation of open skies agreements, advance passenger information and automatic border control systems and visa requirements.
⁷ Entry visa requirements for a tourism visit from worldwide source markets (10 = no visa required for visitors from all source markets, 0 = traditional visa required for visitors from every source market). Source: WEF, Travel & Tourism Competitiveness Report 2019.
⁸ The IATA Air Trade Facilitation index (ATFI) measures the extent to which a country facilitates air cargo through its customs and borders processes and regulations. The IATA E-freight Friendliness Index (EFFI) assesses the actual penetration of electronic transactions and documents in air cargo shipments (IATA 2019).
⁹ Passengers are counted as departures, including connections. The passenger forecasts are based on the IATA 20-year passenger forecast (April 2019). Data on GDP and jobs 2018 are from Oxford Economics. GDP and jobs forecasts are from IATA Economics.
 * All data relate to 2018 or most recent unless stated otherwise.