

FOREIGN TRADE CHAMBER  
OF BOSNIA AND HERZEGOVINA  
S A R A J E V O

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*KEY ECONOMIC INDICATORS OF ECONOMY OF  
BOSNIA AND HERZEGOVINA  
AND ACTIVITIES OF CONSTRUCTION  
AND INDUSTRY OF CONSTRUCTION MATERIALS  
OF BOSNIA AND HERZEGOVINA*

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## INTRODUCTION

Before the beginning of the war in B&H, Bosnia and Herzegovina was one of the more developed developing countries in the world. With that, the construction industry of B&H was, among others, a significant factor in the country's economy and development. In the total national product of B&H, subject to different periods, the participation of the construction industry varied between 6% and 10% of the national product. By the number of employed workers, construction was a labor-intensive branch which employed about 100,000 workers or about 10% of the total employment in the B&H economy, with around 2,000 firms, organized into independent or more complex organizational forms. In the export of services, the B&H construction industry was a considerable factor of not only of B&H export activities but also those of the former Yugoslavia. B&H yearly realized \$150-200 million US and employed around 10,000 workers for these activities, which was a significant foreign exchange inflow for the country and an improvement of living standards for those employed in construction.

In the period before the war in Bosnia and Herzegovina, significant and respectable construction capacity were created. A series of very significant firms were created which had been enabled for the construction of even the most complex buildings, with references and a reputation that were respectable not only in Bosnia and Herzegovina or the former Yugoslavia but all over the world. Those were Energoinvest, Unioninvest, GIK Hidrogradnja, Tehnograd, GP Vranica, GP Krajina, GP Bosna, and other significant firms.

Disintegration processes and the forming of a large number of new, smaller construction firms started in 1990s as a result of changes which had happened on the area of the former Yugoslavia. According to official data, in a short period of time the number of construction firms significantly increased and shortly before the war in Bosnia there were a little more than 2,000 firms registered.

The disintegration process, the fragmentation of larger firms and the creation of a large number of new, smaller firms with a significant decreases of existing workers, has continued after the war. A great number of new firms appeared, but also with the closing of many firms, so that in both entities of B&H today there are about 2,500 registered construction firms. These are mostly firms with less than 20 employees.

For the sake of illustration, in the period preceding the war the firms Energoinvest, Unioninvest, GIK Hidrogradnja, Tehnograd, GP Krajina, GP Vranica and GP Bosna alone employed the total number of workers that have jobs in the construction industry of the Federation of B&H today. Likewise, former giants among companies, which had up to 3,500 workers, are less than half this size today. So that, currently, out of the former giants there is only one firm with 1,500 workers, one with under 700 and a few of them with under 500 workers.

As a result of this situation in B&H construction, the B&H construction material industry has had similar development trends. The total output of the construction material industry accounts for about 1% of the national product of the country's economy, with 3-4% share in total industrial production in B&H, and it employs a little over 11,000 workers. Especially in the period before the war in B&H, the construction material industry experience a considerable growth and began modernizing production, both by type and by assortment.

Unfortunately, the war in B&H put a stop to these trends. Most production facilities of both construction and the construction material industry were destroyed in the war. When the war ended, this industry was left with destroyed, fragmented and significantly decreased working and technical capacities.

However, even 17 years after the end of the war, the state of these industries and the economy as a whole is far from that before the war and the employed capacities of these industries today variates around 30% of the pre-war capacity. The reasons are a lack of investments in the country, unfinished or inadequate privatization, a lack of foreign investments and the like. We must look to the future development of this industry with optimism because there are still realistic conditions for it. What's important is that, even with the dispersion of working and technical capacities, the professional foundation, with its rich tradition, experience and references, still remains intact.

# 1. KEY ECONOMIC INDICATORS IN B&H

## 1.1. GROSS DOMESTIC PRODUCT IN 2005

According to revised data published by the Statistics Agency of Bosnia and Herzegovina<sup>1</sup>, GDP has reached 15.750 billion KM in 2005. Nominal growth of GDP was 7.4%, while the real GDP grew 5.7%<sup>2</sup>. An analysis of the structure of gross value added does not indicate any significant deviations from previous trends. Services have remained the main source of overall GDP growth in B&H. The total amount of gross value added created in the service industry was almost two times larger than that created by production. Particularly, wholesale and retail, real estate leasing and business activities accounted for 1.8 billion and 1.5 billion respectively. A significant gross value added was also created in the public administration and defense sectors, as well as transportation, warehousing and communications (see chart 1).

Among the production industries, the manufacturing industry and agriculture, hunting and forestry have accounted for 1.5 billion and 1.3 billion respectively.

The strong GDP growth has been supported by all industries except for the fishery industry, which was the only activity that had a negative growth rate in 2005. The most significant growth rate was achieved by financial agencies (nominally 21.9%), as a result of the successful privatization of domestic banks which resulted in an increased volume of services and productivity in this sector, as well as an increased demand for loans in the economy; next in mining and the exploitation of stone (+17.3% nominally) mainly due to a significant expansion of production in the metal-working industry in B&H which requires raw materials from the mining sector; finally in wholesale and retail (+14% nominally), as a result of the increased household consumption stimulated by increased loans and, in the last quarter of 2005, by a fear of price increases after the introduction of value-added taxes.

The manufacturing industry, which represents the most important source of gross value added among the production industries<sup>3</sup>, has experienced a satisfactory nominal growth of 8% g/g in 2005. A significant GDP growth, which is the highest in the region, should not lead us to forget that the full process of qualitative restructuring of industry has not been completed in B&H – namely, from activities that generate a low gross value added (especially the so-called LOHN<sub>5</sub> activities) to the production of finished consumer products and providing services. Further efforts will be needed in order for to complete the transformation in the future.

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<sup>1</sup> In the context of adjusting B&H national accounts statistics to international standards, BHAS has, for the first time, begun in 2005 to include imputed annuities in its calculations. Another revision of the data in GDP for 2005 is expected by the end of 2006, which will include hidden economic activities which were not included in national accounts data. At this moment, the Statistics Agency of B&H has published GDP data based solely on the production method, while the GDP calculation based on the consumption method is expected by the end of this year.

<sup>2</sup> The Statistics Agency of B&H has not calculated real GDP growth at this time. The affect of oil price fluctuations on the rate of inflation, measured by the Living Costs Index (LCI) during 2005, suggest however that the LCI is not an adequate substitute for the GDP deflator in the aforementioned year. In accordance with this, EPRU has created an independent revised calculation of the GDP deflator, which has resulted in an estimate of 6%. EPRU has also calculated a real GDP growth using this GDP deflator.

The inclusion of annuities has had a significant effect on the growth of added value in the real estate sector, rentals and business activities. The total amount of imputed annuities included in these national accounts statistics is around one billion KM.

<sup>3</sup> The Statistics Agency of B&H uses the term "production industries" to denote the primary and secondary sectors.

### 1.1.1. Gross value added and gross domestic product, current prices

	2003*	2004	2005	2006 estimate
Nominal GDP B&H (million KMs)*	12.303	14.658	15.749	17.513
Nominal growth rate (%)	5,6		7,4	11,2
Real growth rate (%)	4,5		5,7	5,7
Population (estimate, thousands)	3.800	3.843	3.844	3.844
GDP per capita (KMs)	3.238	3.814	4.097	4.556
Number of unemployed in B&H (thousands)	459	473	508	515
Average wages in B&H (KMs)	483	504	538	585
LCI (Living Costs Index), average change in %	1,1	0,7	2,9	6,0
<i>B&amp;H consolidated budget **</i>		<i>(% of GDP)</i>		
Revenues	43,2	38,0	38,6	n.a.
Expenses	41,0	35,4	35,3	n.a.
Balance	0,8	1,7	2,1	n.a.
External debt	32,6	27,5	27,5	23,8
<i>Money and Loans</i>		<i>(% of GDP)</i>		
Money in broad terms (M2)	44,7	46,6	51,3	54,4
Private sector loans	41,3	40,1	47,6	53,0
<i>Balance of Payments</i>				
Exports of products and services (million KMs)	3.793	4.698	5.681	7.195
(growth rate in %)	12,7	23,9	20,9	26,7
Imports of products and services (million KMs)	-10.392	-11.156	12.644	-13.970
(growth rate in %)	6,0	7,4	13,3	10,7
Balance of products and services ( % of GDP)	-53,6	-44,1	-44,2	-38,7
<i>Gross foreign currency reserves</i>				
In millions of KM	2.781	3.457	4.196	5.203
In months of imports of products and services	3,8	3,2	4,2	4,5
<i>Current account balance</i>				
In millions of KM	-2.823	-2.809	-3.316	-3.100
In % of GDP	-23	-19	-21	-18
<i>External debt repayment</i>				
In millions of KM	254	227	230	288
In % of exports of products and services	6,7	4,8	4,1	4,0

Every GDP comparison between 2004 and previous years would be inadequate so that the EPPU does not publish them.

\* The Statistics Agency of B&H has introduced a new methodology to the calculation of national accounts. As a result, the calculations include imputed annuities and that methodological change is limited to data for the national accounts of 2004 and 2005.

\*\* Source: The Central Bank of B&H, the Finance and Treasury Ministry of B&H

## 1.1.2. Gross domestic product in 2005

<i>Activities in thousands of KMs</i>	<i>2005</i>	<i>2005/2004</i>
<b>A</b> Agriculture, hunting, and forestry	1,285,971	1.1%
<b>B</b> Fishery	2,282	-8.2%
<b>C Mining and the exploitation of stone</b>	<b>326,890</b>	<b>17.3%</b>
<b>D</b> Manufacturing industry	1,474,371	8.1%
<b>E</b> Electrical energy, gas, and water-supplying	860,863	5.9%
<b>F Construction</b>	<b>552,742</b>	<b>5.8%</b>
<b>Total production sector activities</b>	<b>4,503,119</b>	<b>5.9%</b>
<b>G</b> Wholesale and retail	1,833,265	14.1%
<b>H</b> Hotels and restaurants	309,113	1.9%
<b>I</b> Transportation, warehousing, and communications	1,255,139	3.6%
<b>J</b> Financial agency	606,681	21.9%
<b>K</b> Real estate, rentals, and business activities <sup>6</sup>	1,538,453	8.9%
<b>L</b> Public administration and defense	1,447,609	3.4%
<b>M</b> Education	663,114	6.2%
<b>N</b> Healthcare and social work	642,528	4.8%
<b>O</b> Other joint, social, and personal service activities	340,845	15.2%
<b>Total service sector activities</b>	<b>8,636,746</b>	<b>8.4%</b>
<b>Total for all activities</b>	<b>13,139,864</b>	<b>7.5%</b>
FISIM	-418,795	27.1%
<b>Total value added, base prices</b>	<b>12,721,069</b>	<b>7%</b>
Taxes on products minus subsidies for products	3,028,429	9.4%
<b>GDP, market prices</b>	<b>15,749,498</b>	<b>7.4%</b>

Source: Statistics Agency of B&H

## 1.2. Developments in terms of gross domestic product in 2006\*

Generally speaking, data from the first half of this year suggests that the strong GDP growth, identified in past years, has continued in 2006. However, some sectors of the B&H economy show stronger growth rates than others in 2006 H1.

### 1.2.1. Sectors that have exceeded expectations

From cost-based calculations of the GDP, statistics in the field of foreign trade show a significant expansion of exports, as well as a decrease of imports in this period. Should this trend continue in the second half of 2006, it may have positive effects on GDP growth.

From production-based calculations of the GDP, the *construction* sector has show a faster growth in 2006 in comparison with the same period of the previous year in both entities, especially in the Federation and this trend is expected to continue in the second half of the year.

Further expansion is also expected in the financial agency sector and in the real estate, rentals, and business activities sector in 2006, caused by an increase in housing construction caused by an increase in housing demand.

Average growth of industrial production in B&H in H1 of 2006 was 8% (FB&H 6.8% and RS 10.8%)<sup>7</sup>. This growth rate is slightly lower than the average 9.8% in 2005 (FB&H 6.1% and RS

19.8%), which is caused by the slower expansion in RS, not being entirely substituted by fast growth in FB&H. This decreased growth of industrial production in RS was caused mainly by a discontinuation of production in the Bosanski Brod Oil Refinery in August 2005. Because of the considerable contribution of this Refinery to industrial production in RS (in the first 8 months of 2005.), we must be careful in making the right comparisons between 2006 H1 and the respective period in past years. The average growth rate of industrial production in RS in the second half of the year, especially in the last quarter, should grow above the average recorded in 2006 H1. This expected trend, although along with the aforementioned fast growth in FB&H (which accounts for about 2/3 of gross industrial production), should bring the yearly average growth of industrial production for 2006 close to the level recorded in 2005.

### **1.2.2 Construction**

In spite of the decline in construction activities recorded in January, FB&H has shown a strong growth in construction activities in 2006 in relation to earlier years, while the situation in RS is characterized by considerable variations of indicators. In January of 2006, construction activities in both entities have been largely unsuccessful in relation to the same month of 2005 (indexes g/g of 71,6 and 45,3 respectively in FB&H and RS). This can mostly be attributed to the effects of introducing value-added taxes on January 1<sup>st</sup>, 2006.

Construction companies have had incentives to complete jobs and collect payments for as many jobs as possible in 2005 in order to avoid approaching higher tax rates (17% in relation to 10% sales tax rate which was in effect until December 31<sup>st</sup>, 2005). Clients may have also considered that it was better to pay in advance (in order to avoid higher tax rates) on contracts whose implementation was coming to term next year. This means that, at the end of 2006, construction companies experienced an unexpected boost in terms of short-term influx of cash. The result was that the value of construction companies increased in December of 2005 (the rate for December was 96.6% g/g in relation to 2004-2005) and they experienced a sharp drop in January 2006. Despite this difference in the values of activities, variations in the numbers of workers and effective hours spent on construction activities during 2006 H1 in RS were considerably smaller. The increase of the growth rate in the Federation in 2006 H1 is mainly attributed to huge construction projects in Canton Sarajevo. The construction of residential buildings has also played a role. Housing loans in FB&H have risen 31.42% (2006Q1, g/g). Housing loans in RS had grown significantly in 2005 (74.18%), while a slight decrease was recorded in 2006 (5% g/g).

## 1.3. INVESTMENT IN B&H

### 1.3.1. B&H PAYMENTS FOR GROSS FIXED CAPITAL FORMATION BY MAIN FORMS OF INVESTMENT, BY ACTIVITY OF T INVESTOR IN 2004 AND 2005 ( EU NACE Rev.1.1 )

thousand KM

Year	Total	Payments for gross fixed capital formation					
		From own financial assets	From joint assets	From financial credits	Financial leasing	From assets of budgets and funds	From other sources
2004.	2.808.674	1.631.942	112.948	661.400	102.235	94.637	205.512
2005.	3.420.982	1.913.508	137.667	814.615	156.735	155.263	243.794
Index	121,80	117,25	121,89	123,17	153,31	164,06	118,63

\*Source: Statistics Agency of B&H

### 1.3.2. GROSS FIXED CAPITAL FORMATION IN FIXED ASSETS, BY ACTIVITY OF INVESTOR IN 2004 AND 2005 ( EU NACE Rev.1.1 )

thousand KM

Year	Total	Technical composition		
		Construction works	Machinery, transport and other equipment	Other
2004.	2.907.852	1.284.103	1.518.162	105.587
2005.	3.512.064	1.630.829	1.759.357	121.878
Index	120,78	127,00	115,89	115,43

\*Source: Statistics Agency of B&H

### 1.3.3. GROSS FIXED CAPITAL FORMATION IN NEW FIXED ASSETS, BY ACTIVITY OF INVESTOR IN 2004 AND 2005 ( EU NACE Rev.1.1 )

thousand KM

Year	Total	Technical composition		
		Construction works	Machinery, transport and other equipment	Other
2004.	2.667.986	1.189.006	1.374.172	104.808
2005.	3.125.186	1.474.301	1.529.797	121.088
Index	117,14	123,99	111,33	115,53

\*Source: Statistics Agency of B&H

## 1.4. AVERAGE WAGES IN BOSNIA AND HERZEGOVINA

### Average gross wages in KM

in KM

	average							
	Φ 2000	Φ 2001	Φ 2002	Φ 2003	Φ 2004	Φ 2005	I-XII 2006	XII-2006
<b>B&amp;H</b>	539	598	660	717	748	798	869	910

Source: Statistics Agency of B&H

### Average net wages

in KM

	average							
	Φ 2000	Φ 2001	Φ 2002	Φ 2003	Φ 2004	Φ 2005	I-XII 2006	XII-2006
<b>B&amp;H</b>	372	408	446	484	505	538	586	613

Source: Statistics Agency of B&H

## 1.5. UNEMPLOYMENT IN BOSNIA AND HERZEGOVINA

### Registered unemployment

	Φ 2000	Φ 2001	Φ 2002	Φ 2003	Φ 2004	Φ 2005	I-XII 2006	XII-2006
<b>B&amp;H</b>	419.864	420.820	427.534	434.087	455.836	489.869	516.216	524.376

Source: Statistics Agency of B&H

## 1.6. FOREIGN TRADE EXCHANGE OF B&H

### 1.6.1. Total foreign trade exchange B&H 2005 and 2006

Year	Export of B&H	Import of B&H	Import covered by export
2005.	3.826.488.971,64	11.081.124.967,34	34,52 %
2006.	5.239.752.244,23	11.280.813.169,65	46,45 %

Source: Indirect Taxation Authority of B&H

### 1.6.2. Total trade exchange B&H and Italy 2005 and 2006

Year	B&H export to Italy	B&H import from Italy	Import covered by export
2005.	492.230.524,20	913.771.131,67	53,87 %
2006.	715.563.125,86	922.243.733,27	77,59 %

Source: Indirect Taxation Authority of B&H

## 2. ACTIVITY OF CONSTRUCTION AND INDUSTRY OF CONSTRUCTION MATERIALS OF B&H

### 2.1. ACTIVITY OF CONSTRUCTION OF B&H

#### 2.1.1. ACTIVITY OF CONSTRUCTION IN B&H

##### 2.1.1.1. VALUE OF PERFORMED CONSTRUCTION WORKS IN B&H

Year	Value of performed work (in thous. KM)	Number of workers on construction works
2003	692.580	16.335
2004	722.567	13710
2005	957.137	15.979
2006	1.089.825	16.932

Source: Collective data from the entity statistics agencies

##### 2.1.1.2. RESIDENTIAL CONSTRUCTION IN B&H

###### RESIDENTIAL CONSTRUCTION IN B&H<sup>1)</sup>

Year	Completed dwellings		Uncompleted dwellings <sup>2)</sup>
	Number	Area m <sup>2</sup>	Number
2003*	1.421	-	1.904
2004*	1.453	-	1.934
2005**	2.465	137.994	3.143 <sup>2)</sup>
2006**	1.991	115.574	3.657 <sup>2)</sup>

\*Source: Collective data from the entity statistics agencies

\*\*Source: Statistics Agency of B&H

1) only new dwellings built by legal entities comprise by monthly survey

2) situation at the end of reporting period

## 2.1.2. ACTIVITY OF B&H CONSTRUCTION ABROAD

### 2.1.2.1. Value of works of entity of Federation of B&H abroad

YEAR	VALUE OF COMPLETED CONSTRUCTION WORK (u 000 KM)	VALUE OF NEW CONTRACTS (u 000 KM)	AVERAGE NUMBER OF WORKERS ON SITES
2002.	72.493	150.083	1.109
2003.	117.507	147.198	1.488
2004.	128.646	193.560	1.754
2005.	135.127	233.641	1.626
2006.	191.014	362.560	1.881

Source: Statistics Agency of the Federation of B&H

### 2.1.2.2. B&H CONSTRUCTION WORKS ABROAD, FIRST QUARTER OF 2007

#### Value of new contracts:

in the first quarter of 2007 decreased by 1,4% as compared to the same period 2006  
in the first quarter of 2007 increased by 92,6% as compared to the average value of 2006

#### Value of construction put in place:

in the first quarter of 2007 increased by 95,3 % as compared to the same period 2006  
in the first quarter of 2007 increased by 5,1% as compared to the average value of 2006

	VALUE OF NEW CONTRACTS	VALUE OF COMPLETED CONSTRUCTION WORK			AVERAGE NUMBER OF WORKERS AND HOURS ON SITES <sup>1)</sup>			
		TOTAL	BUILDINGS	CIVIL ENGINEERING	TOTAL	MANAGERIAL CLERICAL PERSONNEL	WORKERS ON BUILDING SITES	TOTAL OF HOURS WORKED (in 000) <sup>2)</sup>
<b>TOTAL</b>	<b>167062</b>	<b>55859</b>	33585	22274	<b>1365</b>	208	1157	<b>372147</b>

Source: Statistics Agency of B&H

1 Workers from the B&H employed on building sites abroad in reporting quarter  
2 Number of working hours refers to workers on building sites

### Indices of B&H construction works, first quarter of 2007

	Indices		
	I - III 2007	I - III 2007	I - III 2007
	X - XII 2006	I - III 2006	Ø 2006
<b>VALUE OF NEW CONTRACTS</b>	579,7	98,6	192,6
<b>VALUE OF COMPLETED CONSTRUCTION WORK</b>	105,4	195,3	105,1
<b>AVERAGE NUMBER OF WORKERS EMPLOYED ON BUILDING SITES ABROAD</b>	86,2	122,3	90,2
<b>HOURS WORKED ON SITE</b>	82,6	168,4	108,4

Source: Statistics Agency of B&H

### 2.1.2.3. Activities of B&H construction industry in Germany

Projects in Germany are our specific form of work abroad and they are called 'detachment'. Companies from Bosnia and Herzegovina perform jobs in Germany on the basis of a bilateral agreement between the German and B&H government. On the basis of that agreement, every year the Ministry of economy and labor of Germany grants Bosnia and Herzegovina a quota of total monthly and yearly number of workers which can work in Germany. Mainly, companies from Bosnia and Herzegovina sign contracts for the realization of a single phase of construction (Ex. concrete, mortar, digging, mining, finishing, maintenance, reconstruction, etc.), and that signed contract comes to the German regional Arbeitagentur to be approved and to allow a certain number of workers from the Bosnian company to come to Germany and carry out that contract.

#### Granted and used quota of detachments

DETACHMENT'S YEAR	2002/2003.	2003/2004.	2004/2005.	2005/2006.
GRANTED MONTHLY QUOTA (Men/Month)	1.610	1610	1.610	1.610
GRANTED YEARLY QUOTA (Men/Year)	19.320	19.320	19.320	19.320
USED YEARLY QUOTA	14.268	16.104	17.796	17.964
PERCENTAGE OF GRANTED YEARLY QUOTA	73,8 %	83,3 %	92,1 %	93,0 %

Source: Foreign Trade Chamber of B&H

### 2.1.3. The outlook for construction in B&H in the following period

The current difficult overall and economic situation in B&H, the difficult economic situation in construction in itself, its great dividedness, fragmentation, and disorganization, objectively leave no space for optimism or expectations that there can be a more significant improvement of the current situation in the construction industry in the near future. In the short term, with the support the construction industry enjoys at present, what can be realistically expected in the future is a slight increase of activities in the years to come. In the domestic market that is expected primarily because of the announced opening of work on the construction of road infrastructure, the commencement of work on the construction of certain hydro energy buildings in B&H, while in the foreign market the activities of domestic firms on formerly abandoned or new markets in certain Arab countries raise optimistic expectations for our increased presence there.

The main problem facing the construction industry in B&H are primarily the result of a chronic lack of jobs, most importantly lack of capital facilities construction. Even when for the few capital facilities that are constructed from time to time, because of a lack of resources and support from domestic banks, our companies are eliminated from tenders and jobs are given to foreign firms or those whose references and objective abilities are questionable. The best example this are the tenders for road construction in B&H.

Strategic investments are very important for the resolution of problems facing the construction industry in the country. The construction of a highway through B&H on the 5C corridor would have not only an effect on improving the state of the construction industry but would also be a strategy boost to the development of B&H's economy. However, activities that have been carried out and the undertaken discussions have not outlined a clear path and commitment to a strategy for its realization, so that we can continue to expect a partial, not a global approach to its realization. It would be realistic to expect that the construction of a highway will wait for better times or that it will continue on as it has up to this point – for a long time period. The political commitment is the highway construction through B&H on corridor 5C be conducted on state and entity levels

In the future, certain progress can be expected in improving the current position of the B&H construction industry. Of course, the work and activities of construction firms in the country are

directly correlated to the possibility of exporting construction services. Without financial resources, the support of banks and state incentives, it would be unreasonable to expect firms to even think about entering foreign markets, let alone to take such a step. The state of affairs in firms, even those that have work in the country and certain activities abroad, is such that their main problem is how to obtain even minimal resources or fulfill conditions to apply for a tender. As a result, in most cases firms give up on participating in most attractive tenders. Very few consider researching or entering new markets.

What are the possibilities of offering our services to certain foreign markets in the future?

At present, firms from B&H are employed in 11 countries on 3 continents of the world, primarily in Arab countries, and we estimate that in 2006 they had contracts values at more than 250 million €, with a trend of significant growth in the first three months of 2007. In addition, a certain number of firms is researching the possibility of increased presence in those and new markets.

With respect to the export of construction services to foreign markets, today we can only speak with certainty about the presence of firms in the German market. This market is very important and attractive to our firms and it is essential to maintain it, possibly even to increase our presence in the future. In accordance with the current International agreement, we can currently employ a little over 1,700 workers monthly in the market, which is carried out some 110 of our mainly smaller firms, but there are also large firms, such as GIK Hidrogradnja, GP Vranica, Tehnograd, Umel, Remontmontaža and others. We should also mention that, like our presence in the German market, we also trying to regulate our firms' presence in the neighboring Croatian market, for which certain activities have already been undertaken. It's important to regulate these relations as soon as possible, considering the impending acceptance of Croatia into the European Union. In addition, the permanent concession of a part of the unused Croatian contingent to Germany would seemingly result in a significant increase in our presence in Germany.

## 2.2. ACTIVITY OF INDUSTRY OF CONSTRUCTION MATERIALS OF B&H

### 2.2.1. PRODUCTION AND SALES OF BUILDING MATERIALS IN BOSNIA AND HERZEGOVINA – 2005

Code	Product and activity	Measuring unit	Total Production	Production sold	Production value sold (in 1000KM)
<b>14 Other mining and quarrying</b>					
<b>14.1 Quarrying of stone</b>					
14.11.11.50.00	Ecaussine and other calcareous stone for monumental or building	t	88.364	0	0
14.11.12.33.00	Granite, crude or roughly trimmed	t	18.181	18.187	7.349
14.11.12.90.00	00 Porphyry, basalt and other monumental/building stone crude, roughly trimmed/merely cut (excluding calcareous monumental/ building stone of gravity > 2.5 kg/10m <sup>3</sup> granite and sandstone)	t	27.709	27.285	245
<b>14.12 Quarrying of limestone, gypsum and chalk</b>					
14.12.10.30.00	Gypsum and anhydrite	t	152.939	145.043	2.565
14.12.10.50.01	Limestone crushed used for the manufacture of lime or cement	t	1.237.451	1.184.906	9.228
14.12.10.50.02	Limestone powdered	t	106.445	99.095	1.762
14.12.20.30.01	Dolomite, crude	t	128.639	93.387	897
14.12.20.30.02	Cut dolomite, for use in industry	t	65.605	4.693	41
14.12.20.30.03	Dolomite, powdered	t	15.731	15.160	923
<b>14.13 Quarrying of slate</b>					
14.13.10.00.00	Slate, crude, roughly trimmed or merely cut into rectangular or square blocks or slabs	t	3.092	3.142	303
<b>14.2 Quarrying of sand and clay</b>					
<b>14.21 Operation of gravel and sand pits</b>					
14.21.11.50.	Silica sands (quartz sands or industrial sands)	t	119.831	120.566	2.136
14.21.11.90.	Construction sands such as clayey sands; kaolin sands;	t	574.490	538.548	3.539
14.21.12.10.01	Gravel	t	1.471.857	1.359.049	6.179
14.21.12.10.02	Pebbles, shingle and flint	t	88.676	55.482	555
14.21.12.30.01	Crushed or cut dolomite for concrete aggregates, for road stone and for other construction use	t	901.865	888.895	8.845
14.21.12.30.02	Other crushed or cut stone used for concrete aggregates, for road stone and for other construction use	t	2.148.055	1.650.677	12.271
14.21.12.50.00	Granules; chippings and powder of marble	t	2.543	3.372	256
14.21.12.90.00	Granules; chippings and powder of Ecaussine; travertine; granite; porphyry; basalt; sandstone and other	t	2.543	0	0
14.21.13.30.01	Slag for construction use	t	11.357	22.606	205
<b>14.22 Mining of clays and kaolin</b>					
14.22.11.40.00	Kaolin	t	14.500	16.501	232
14.22.11.60.00	Kaolin clays (ball and plastic clays)	t	14.553	13.807	230
14.22.12.10.00	Bentonite (sodium and calcium smectite); attapulgitic and sepiolite	t	24.882	24.882	648
<b>14.3 Mining of chemical and fertilizer minerals</b>					
<b>14.30 Mining of chemical and fertilizer minerals</b>					
14.30.13.13.00	Natural barium sulphate (barytes)	t	160	170	64
<b>14.50 Other mining and quarrying n.e.c..</b>					
14.50.23.80.00	Slag, and ash including seaweed ash (excluding granulated slag, ash and residues containing metals or metal compounds-slag for construction use)	t	2.905	2.905	337

<b>Code</b>	<b>Product and activity</b>	<b>Type Measuring</b>	<b>Total Production</b>	<b>Production of unit production sold</b>	<b>value sold production (in 1000KM)</b>
<b>26.3</b>	<b>Manufacture of ceramic tiles and flags</b>				
<b>26.30</b>	<b>Manufacture of ceramic tiles and flags</b>				
26.30.10.10.00	Unglazed ceramic mosaic tiles; cubes and similar articles; with a surface area < 49 cm <sup>2</sup>	m <sup>2</sup>	8.171	4.073	164
<b>26.4</b>	<b>Manufacture of bricks, tiles and construction products, in baked clay</b>				
<b>26.40</b>	<b>Manufacture of bricks, tiles and construction products, in baked clay</b>				
26.40.11.10.02	Ceramic hollow blocks, with horizontal holes	m <sup>3</sup>	251.090	263.294	14.843
26.40.11.10.03	Ceramic hollow blocks, with vertical holes	m <sup>3</sup>	138.681	144.474	9.191
26.40.11.10.05	Ceramic hollow bricks, with vertical holes	m <sup>3</sup>	0	7	1
26.40.11.10.08	Ceramic insertion bricks	m <sup>3</sup>	41.246	42.655	1.958
26.40.11.30.00	Non-refractory clay flooring blocks; support or filler tiles and the like (excluding of siliceous fossil meals or	kg	850.000	890.000	216
<b>26.5</b>	<b>Manufacture of cement, lime and plaster</b>				
<b>26.51</b>	<b>Manufacture of cement</b>				
26.51.12.10.00	White Portland cement	kg	540.700.000	543.591.000	55.772
26.51.12.30.00	Grey Portland cement (including blended cement)	kg	484.840.000	475.222.000	53.640
<b>26.52</b>	<b>Manufacture of lime</b>				
26.52.10.33.00	Quicklime	kg	125.567.000	17.072.350	2.167
26.52.10.35.00	Slaked lime	kg	60.802.000	61.021.500	5.287
<b>26.53</b>	<b>Manufacture of plaster</b>				
26.53.10.00.00	Plasters consisting of calcined gypsum or calcium sulphate (including for use in building, for use in dressing woven fabrics or surfacing paper, for use in	kg	33.604.000	33.582.000	4.432
<b>26.6</b>	<b>Manufacture of articles of concrete, plaster and cement</b>				
<b>26.61</b>	<b>Manufacture of concrete products for construction purposes</b>				
26.61.11.30.01	Building blocks for walls and partitions	kg	59.440.150	58.854.625	4.525
26.61.11.30.05	Building thermo insulating blocks made of concrete cell (gas and foam concrete)	kg	15.636.000	15.144.000	2.283
26.61.11.30.06	Terraco concrete elements for construction use	kg	475.260	599.760	154
26.61.11.30.07	Concrete roofing tiles and slabs, n.e.c.	kg	1.655.960	1.744.886	434
26.61.11.30.08	Other construction blocks and bricks of cement and concrete (incl. reinforced) or of artificial stone	kg	6.932.237	9.006.381	4.187
26.61.11.50.00	Flagstones and similar articles of cement; concrete Tiles; or artificial stone (excluding building blocks and bricks	kg	20.432.749	20.047.573	2.121
26.61.12.00.01	Prefabricated light structural components for building of outdoor walls	kg	85.000	97.000	17
26.61.12.00.02	Prefabricated light structural components for building of partition walls	kg	0	0	0
26.61.12.00.03	Prefabricated light structural components for building of ceilings and attics	kg	1.195.000	1.152.000	246
26.61.12.00.04	Prefabricated light structural components for wall cladding and lining	kg	62.983.000	62.609.000	8.711
26.61.12.00.05	Other light structural components, not reinforced	kg	11.798.289	7.839.421	615
26.61.12.00.07	Other structural components, for construction and civil works, made of cement and concrete	kg	24.504.396	23.736.332	5.294
26.61.13.00.00	Pipes of cement; concrete or artificial stone	kg	19.269.048	21.727.584	3.798

Code	Product and activity	Type Measuring	Total Production	Production of unit production sold	value sold production (in 1000KM)
<b>26.63</b>	<b>Manufacture of ready-mixed concrete</b>				
26.63.10.00.00	Ready-mixed concrete	kg	586.113.544	539.301.284	25.448
<b>26.64</b>	<b>Manufacture of mortars</b>				
26.64.10.00.01	Facade mortars, ordinary, excl. refractory	kg	1.933.250	1.839.570	1.237
26.64.10.00.02	Cement mortars, excl. refractory	kg	45.952.950	45.759.020	6.316
26.64.10.00.03	Mortars and cements, excl. refractory n.e.c.	kg	1.890.830	1.925.500	412
<b>26.66</b>	<b>Manufacture of other articles of concrete, plaster and cement</b>				
26.66.11.00.00	Articles of plaster or compositions based on plaster, n.e.c.	kg	600.000	600.000	1.693
26.66.12.00.00	Articles of cement; concrete or artificial stone for non- constructional purposes (including vases; flower pots; architectural or garden ornaments; statues and ornamental	kg	11.112.464	11.291.659	3.089
<b>26.7</b>	<b>Cutting, shaping and finishing of ornamental and building stone</b>				
<b>26.70</b>	<b>Cutting, shaping and finishing of ornamental and building stone</b>				
26.70.11.00.00	Worked monumental/building stone and articles thereof, in marble, travertine and alabaster excluding tiles, cubes/similar articles, largest surface < 7 cm <sup>2</sup> , setts, kerbstones, flagstones	kg	2.341.671	2.408.481	2.702
26.70.12.40.00	Other calcareous stone, n.e.c., cut/sawn, flat/even surface, otherwise worked	kg	327.000	256.000	252
26.70.12.60.00	Worked monumental or building stone and articles thereof, of granite excluding tiles, cubes and similar articles, largest surface area is < 7 cm <sup>2</sup> , setts, kerbstones and flagstones	kg	1.199.497	1.053.287	1.635
26.70.12.80.00	Worked monumental or building stone and articles tiles; cubes and similar articles; of which the largest surface area is < 7 cm <sup>2</sup> )	kg	2.662.024	2.344.024	3.948
<b>26.8</b>	<b>Manufacture of other non-metallic mineral products</b>				
<b>26.82</b>	<b>Manufacture of other non-metallic mineral products n.e.c.</b>				
26.82.11.93.00	Brake linings and pads of asbestos or other mineral substances	kg	0	2.000	26
26.82.12.59.01	Bituminous paper (in rolls)	m <sup>2</sup>	3.732.580	3.703.780	2.592
26.82.12.59.02	Bitumen stripes with glass fabric core and other products based on bitumen (in rolls)	m <sup>2</sup>	5.090.000	5.581.000	3.950
26.82.12.59.03	Bituminous strips with core made of glass wool or other fabrics, in rolls	m <sup>2</sup>	78.570	78.470	251
26.82.12.59.04	Bituminous plastic coated strips, in rolls	m <sup>2</sup>	2.984.114	2.964.560	7.114
26.82.13.00.01	Bituminous hot asphalt mixtures	kg	552.824.600	546.311.600	39.291
26.82.13.00.02	Tar and other bituminous mixtures	kg	3.361.000	3.383.000	2.491

Source: Statistics Agency of B&H

## 2.2.2. FOREIGN TRADE EXCHANGE OF INDUSTRY OF CONSTRUCTION MATERIALS OF B&H – 2006.

Tariff number	Product	EXPORT		IMPORT	
		B&H Export	B&H Export to Italy	B&H Import	B&H Import from Italy
2515	Marble, travertine, ecaussine, and other calcareous stone for monuments, buildings, with a density of 2.5 or more, and alabaster, including also stone roughly chiseled, sawed or in other ways shaped into square or rectangular blocks or plates;	277.362,89	18.368,65	2.190.192,99	718.881,11
2516	Granite, porfire, basalt, and other stones for monuments and buildings and other stone roughly chiseled, sawed, or in other ways shaped into square or rectangular blocks or plates;	1.132.056,48	171.836,65	5.663.997,50	2.309.354,63
2517	Round pebbles, gravel, broken off or crushed stone, which is usually used as an aggregate for concrete, for the filling up of roads or railroad tracks as well as other kinds of filling, large quartz and flint stone, heat-treated or not; macadam made from dross and similar industrial waste products including those mixed with substances from the first part of tariff numbers 2515 and 2516, heat-treated or not;	18.759.993,33	0,00	2.148.611,96	41.345,38
2521	Limestone for use in industry	1.677.575,45	0,00	23.465,35	0
2522	Lime	190.245,29	0	12.720.542,32	0,00
2523	Cement	16.378.727,50	0,00	63.395.063,60	24.294,71
2524	Asbestos	0,00	0,00	0,00	0
6801 00 00000	Cubes for pavements, curbs, and plates for pavements, made from natural stone (except for slate)	1.536.460,09	0,00	1.427,09	0,00
6802	Processed stone for monuments and buildings simply cut with a flat surfaced or polished surfaced saw	5.713.902,88	60.656,15	12.958.402,31	7.195.875
6803 00	Processed slate	0,00	0,00	29.651,38	27.943,22
6807	Products made from asphalt or similar materials (e.g. from bitumen taken from oil or the resin of tar from stone charcoal)	4.694.534,85	0,00	10.598.158,37	2.737.933,04
6808 00 00 00	Plates, tiles, blocks, and similar products made from plant fibers, straw, shavings, slivers, sawdust, or other wooden waste materials, agglomerated with cement, gypsum, or other mineral cohesive substances	0,00	0,00	0,00	0,00
6809	Products made from gypsum or gypsum-based mixtures;	122.344,67	55.033,48	9.915.808,84	493.275,46
6810	Products made from cement, concrete, or artificial stone, reinforced or not;	25.404.876,06	159.606,91	8.165.809,40	510.747,63
6811	Asbestos-cement products, products made from cement with cellulose fibers and the like:	0,00	0,00	1.856.712,06	0,00
6901 00 00	Bricks, blocks, tiles, and other ceramic products made from siliceous fossil meals	0,00	0,00	208.710,24	0,00
6902	Fireproof bricks, blocks, tiles, and other fireproof ceramic products for installation, with the exception of those made from siliceous fossil meals or siliceous dirt	10.894,03	0,00	9.056.957,60	62.761,91
6903		50.275,16	0,00	2.941.482,33	371.673,36
6904	Ceramic masonry bricks, floor blocks, partition blocks and the like:	3.564.780,04	17.350,57	25.804.250,98	46.793,02
6905	Tiles, parts, and tools for chimneys, decorations and other ceramic products for construction:	73.546,42	0,00	37.365.613,28	70.334,00

<b>6906 00 00 00</b>	<b>Ceramic pipes, drains, gutter-pipes, and tools for pipes</b>	0,00	0,00	87.450,68	0,00
<b>6907</b>	<b>Unglazed ceramic tiles for paving and covering; unglazed ceramic mosaic tiles, with or without a base</b>	365.865,47	0,00	3.964.487,04	0,00
<b>6908</b>	<b>Glazed ceramic tiles for paving and covering; glazed ceramic tiles and the like intended for mosaics, with or without a base</b>	942.580,69	358.038,87	50.471.170,99	16.074.719,60
<b>6910</b>	<b>Sinks, wash-basins, wash-basin columns, bathtubs, bides, toilet bowls, flush tanks, urinals, and similar sanitary products, ceramic:</b>	33.406,39	0,00	2.078.027,73	1.398.136,75
		<b>80.929.427,69</b>	<b>840.891,28</b>	<b>261.645.994,04</b>	<b>32.084.068,67</b>

Source: Indirect Taxation Authority of B&H