SITUATION ANALYSIS OF THE TRADE SECTOR IN POŽEŠKO – SLAVONSKA COUNTY

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Summary

This paper provides account of situation in the trade sector of Požeško-slavonska county.

The following indicators were used: the number of business entities, the number of employees, investments in trade, exports and imports, price trends index and costs of living as well as turnover and the number of employees in shops.

The above listed indicators were analized for several previous years.

Key words: distribution trade, G-trade, wholesale trade, retail trade

1. Introduction

The process of economic opening of Croatia, accelerated liberalization processes and globalization of macro-markets weakened competitiveness of the Croatian trade. At the time of economic transition, trade had no clear strategy, technologically it was underdeveloped, with inadequate laws, fragmentized and with high price of capital. Further, our country failed to use incentive measures to strengthen and consolidate domestic supermarket chains and other trade activities.

Situation analysis of the trade sector has been developed based on statistical indicators according to the National Classification of Activities (NCA). According to the same classification, trade was categorized into G area, as distributive trade.

Distributive trade[1] is defined as sum of all forms of trade activities, from procurement of goods from producer to delivery of the goods to the end consumer.

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[1] Segetlija Z., Lamza-Maronić M., Distributive system of trade companies -Distribution-Logistics-Information, Faculty of Economy Osijek, 1995

Distributive trade plays the key role in economy, due to its position between supply and demand for goods, influencing both producers and consumers.

Distributive trade can be roughly divided into wholesale trade and retail trade. Trade agents, that is, trade representatives, also belong to the trade sector, specifically to wholesale trade. These agents are also known as mediators in wholesale trade, they connect buyers and sellers, without actually becoming owners of goods. It should be also mentioned that export and import activities are also included in wholesale trade.

Although wholesale and retail traders really buy and sell goods, procured goods are not treated as part of their internal consumption, if they resell it with minimum finishing like sorting, cleaning, packaging, etc. Wholesale and retail trade are treated as services of purchasing goods, storing them and displaying product range at an adequate location, which makes them accessible for buying. Output of trade activities[2] is measured by the total value of margin realized on the goods purchased for the purpose of reselling.

Distributive trade includes the following activities[3]:

- Wholesale trade with collection of payments or according to an agreement

(mediation in wholesale trade)

- Wholesale trade on one's own
- Retail trade
- Repairs of motor vehicles and motorcycles as well as objects for personal use and household

Economic role of wholesale trade is defined in relation to producers and retail traders. Wholesale traders store large quantities of goods and contribute to regulation of production by scheduling their orders over a certain period. They continuously provide financial flow for producers by paying these orders. At the same time, wholesale traders supply buyers with goods, regardless of the place and time of production.

Wholesale traders are intermediary connection between retail traders and producers, in this way allowing producers to acquire knowledge about the market through reaction they receive about their products. Besides, they also play an important role for retail traders, because they supply them with information about products and

[2] Segetlija Z., Lamza-Maronić M., International logistical systems, Contemporary trade, Zagreb,1994

[3] Segetlija Z., Lamza-Maronić M., Distributive system of trade companies -Distribution-Logistics-Information, Faculty of Economy Osijek, 1995

brands available on the market, and help them form their product ranges. Function of procurement and selection of products is important in wholesale trade because it gives advantage to trade specialization and reduces production costs in this way.

Retail traders have similar function, but to a lesser extent. Retail trade mainly consists of purchasing goods that will be resold to consumers. Some of the most important basic services of this sector are location adequacy, wide product range and procurement of small quantities of goods for consumers.

Trading forms consist of local units and sales outlets that use the same ways of selling and offer the same type of services.

Main trading forms are:

For wholesale trade:

- traditional wholesale
- «cash and carry» or wholesale self-service with non-specialized product lines
- resale of entire specialized product lines

For retail trade:

- supermarket
- discount shops
- department store
- grocery shop
- widely specialized salesperson
- narrowly specialized salesperson

For direct sale:

- catalogue sale
- telemarketing
- electronic sale
- travelling sale, street sale

2. Situation analysis of trade from 2001 – 2005

This part of analysis provides account of trade activities in the past five years with larger number of indicators and with more detailed analysis that serves as basis in developing the strategy for development of trade on the area of Požeško – slavonska county. The analysis includes the indicators about:

- the number of trade entities,
- operations of business entities in trade sector,
- investments,

- characteristics of the population and its purchasing power,
- the number of sales outlets and turnover in trade,
- trends in prices and living costs and
- export and import.

a) Indicators of the number of business entities and the number of employees

Table 1- Registered economic entities according to NCA

Activity	**2002**	**2003**		2004		2005	
Total county	registered	registered	active	registered	active	registered	active
	2.280	2.325	781	2.378	892	2.437	841
Trade	775	912	329	786	311	798	278
Trade share	33,9 %	39,3 %	42,1 %	33 %	34,8 %	32,7 %	33 %

Source: Central Bureau of Statistics

Table 2- The number of companies whose main activity is trade and their share in the total number of companies in the county:

Year	Small	%	Medium	%	Large	%	**Total**	**%**
2001	247	98,40	3	1,19	1	0,39	251	40,42
2002	229	98,70	2	0,86	1	0,43	232	39,86
2003	210	97,22	5	2,31	1	0,46	216	39,05
2004	204	97,14	5	2,38	1	0,47	210	39,55
2005	-	-	-	-	-	-	190	37,62

Source: FINA; all active legal persons whose turnover in the referential year was larger than zero

The stated indicators show that the total number of business entities in the trade sector in the analized years exibits negative trends on the area of Požeško-slavonska county.

Most of the total number of active companies whose main activity is trade are small companies with 97,14%, then medium-sized with 2,38% and one large company with 0,47%.

The share of trade in the total number of registered business entities in Požeško – slavonska county is about 34%, and active business entities about 36%. Through analized period, and according to the information from the State Bureau of Statistics, the table shows large difference between registered and active business entities. The same information was taken from the administrative register of the State Bureau of Statistics, and this register is not regularly updated. It is estimated that more than a half of the registered entities from the administrative register are not active, and the reason is that they do not report the cease of working. Some of them do not perform trade activities, but they are in the registers in the area G-trade[4], because they do not report exact main activity or the change of the main activity, and large number of them never starts working.

The share of companies (according to the information from the Domestic Payments Agency) whose main activity is trade in the total number of companies at the end of 2005 was 37,6%. From the total number of companies in the trade sector, about 98% are registered as limited liability companies (LLC), and only 2% as joint stock companies (JSC).

To illustrate this or to compare, the same information shall be given for Croatia and for the European Union:

The share of trade in the total number of registered business entities in Croatia is about 37%. Trade participates in the gross domestic product with about 10%, and employs about 15% of the total number of employees.

The share of trade in the total number of companies in the European Union is about 30%, gross domestic product makes 13% of the total, and the share in the total number of employees is 16%.

The number of sole proprietors in sole proprietorships and free profession activities that conduct trade activities is constantly increasing, and at the end of December 2005 in the same sector there were 1.099 sole proprietors registered.

Table 3- The average number of employees in trade sector according to the information at the end of the year

Year	Small	%	Medium	%	Large	%	Total	%
2001	1.007	64,72	272	17,48	277	5,22	1.556	15,08
2002	982	74,23	168	12,69	173	13,07	1.323	12,97
2003	818	63,80	257	20,04	207	16,14	1.282	13,12
2004	883	60,39	241	16,48	338	23,11	1.462	15,20
2005	-	-	-	-	-	-	1.671	17,16

Source: FINA

4 Šamanović J., Logistical and distributive systems, Split, 1999

Table 4 – Structure of employees by activities

Activity	1997		2002		2004		2005	
	Employed	%	Employed	%	Employed	%	Employed	%
Agriculture	2.214	20,57	1.453	14,18	745	7,75	689	6,85
Mining ind.	299	2,78	757	7,39	724	7,53	11	0,11
Processing industry	5.653	52,54	5.006	48,83	5.189	53,96	5.372	53,41
Construction.	460	4,27	586	5,72	328	3,41	1.085	10,79
Trade	1.174	10,91	1.318	12,86	**1.462**	**15,20**	**1.671**	**16,61**
Transport	272	2,53	372	3,63	421	4,38	451	4,48
Other	689	6,40	757	7,39	747	7,77	780	7,75
Total	**10.761**	**100,00**	**10.249**	**100,00**	**9.616**	**100,00**	**10.059**	**100,00**

Source: FINA

It can be observed in the trade sector that the total number of employees is growing up and at the end of 2005 it was larger than the total number of employees in 2001 by 7,4%. Further, a negative trend in the number of employees of small companies, whose share in the total number of employees in 2004 was 6%, can be observed. Medium-sized companies have fluctuating trends in the number of employees, while the number of employees in the only large company in the trade sector shows significantly increase. The share of the number of employees in the trade sector in relation to all employees in all sectors in Požeško – slavonska county at the end of 2005 amounts to 16,61%, which is similar to the share of trade in the total number of employees in Croatia and the European Union.

b) Business results of entrepreneurs in the trade sector

Business results of entrepreneurs on the area of Požeško – slavonska county whose main activity is trade is stated through indicators of the total income, after-tax profit, current loss and the number of entities. The stated indicators have been taken over from FINA, and they refer to all active legal persons whose turnover was larger than zero in the referential year, even if they worked for only a part of the year. Related information are given in the following table year by year, for the period 2001-2005.

Table 5-Total indicators for Požeško – slavonska county:

Year	2001	2002	2003	2004	2005
Total number of companies	621	582	553	531	505
Total income (in thousand kn)	2.784.489	2.402.184	2.710.241	2.739.279	3.105.998
Current loss (in thousand kn)	70.857	52.788	54.452	259.845	153.651
Number of employees	10.315	10.201	9.770	9.616	9.436
Pre-tax profit (in thousands kn)	47.628	54.735	57.156	60.254	101.848
After-tax profit	34.937	43.338	45.497	48.887	88.201

Source: FINA

Business operations of companies in the trade sector:

Table 6- Total income in the trade sector

in thousand kn

Year	Small	%	Medium	%	Large	%	Total	% in the county
2001	653.147	53,44	130.214	23,26	171.960	17,15	955.323	34,31
2002	431.444	53,61	49.065	13,12	217.973	17,77	698.483	29,08
2003	352.709	51,28	96.209	23,42	259.027	16,07	707.946	26,12
2004	389.230	54,66	106.219	25,35	374.596	31,76	870.046	31,76
2005	-	-	-	-	-	-	1.103.558	35,52

Table 7 – Current loss

in thousand kn

Year	Small	%	Medium	%	Large	%	Total	%
2001	6.782	34,68	1.235	9,11	0	0,00	8.018	11,32
2002	8.772	46,28	0	0,00	0	0,00	8.772	16,62
2003	7.933	33,26	2.043	17,90	0	0,00	9.976	18,32
2004	10.292	38,62	0	0,00	0	0,00	10.292	3,96
2005	-	-	-	-	-	-	15.675	10,20

Source: FINA

Table 8 – Pre-tax profit

in thousand kn

Year	Small	%	Medium	%	Large	%	Total	%
2001	8.633	34,36	932	8,02	2.555	23,52	12.121	25,45
2002	9.972	48,75	705	5,59	1.507	6,96	12.185	22,26
2003	8.769	47,44	1.968	11,71	2.194	10,04	12.931	22,63
2004	11.296	52,03	2.940	20,11	2.620	10,96	16.858	27,98
2005	-	-	-	-	-	-	22.581	22,17

Source: FINA

Table 9 – After-tax profit

in thousand kn

Year	Small	%	Medium	%	Large	%	Total	%
2001	5.854	33,98	583	6,49	1.644	18,88	8.083	23,14
2002	6.945	49,06	478	4,58	992	5,30	8.416	19,42
2003	6.308	45,77	1.444	11,32	1.585	8,36	9.338	20,52
2004	8.647	51,21	2.268	19,45	1.971	9,69	12.886	26,36
2005	-	-	-	-	-	-	18.724	21,22

Source: FINA

From the above stated indicators it can be observed that the total number of companies in Požeško – slavonska county in the analized period 2001 – 2005 decreased, and the same negative trend in the number of companies was observed in the trade sector.

Total income in all sectors on the area of our county (table 5) in 2002 in relation to 2001 went down by 13,73%. In other years an increase can be observed, and total income in all sectors in 2005 when compared to 2001 increased by 11,55%, and similar trends can be noticed in total income and in the trade sector.

In the trade sector, the loss in the analized period (table 7) had negative trends, and the largest loss was realized in 2005, and it is larger by 34,34% in relation to the loss from 2004. Positive trends in the trade sector can be seen in the increase of the total number of employees.

Besides, positive movement in the trade sector in this period were observed in pre-tax and after-tax profit.

Fixed assets grew in 2005 by 14,05% in relation to 2004, and current assets increased by 18,1%. The share of fixed assests in total assets in trade in 2001 amounted to 41,05 %, an the share of current assets was 54,93 %, which is at the same level as in 2004.

Capital and reserves in the trade sector in 2005 were larger by 7,76% in relation to 2004. Capital and reserves in the trade sector participated with 18,97% in the total assets of the trade sector, and in the total assets in all sectors 3,2%.

Long-term liabilities in the trade sector in 2005, compared to 2004, were higher by 29,7%, short-term liabilities by 17,9%, and the total liabilities were larger by 15,8%.

Table 10 – Ratio between after-tax profit and loss in companies

Year	**Ratio between profit and loss**			
	Small	**Medium**	**Large**	**Trade total**
2001	0,86	0,47	0	1,01
2002	0,79	0	0	0,95
2003	0,79	0,70	0	0,94
2004	0,84	0	0	1,25
2005	-	-	-	1,19

Source: Calculation based on indicators from the tables 7 and 9
> 1 – favourable ratio
< 1 – unfavourable ratio
0 – favourable business operations without loss

If ratio between profit and loss as the most important indicator is analized, it can be observed that it was unfavourable for small companies throughout the analized period.

The ratio in medium-sized companies is a little bit more favourable, while the only large trading company worked without losses in all years of the observed period. Based on the favourable ratio between after-tax profit and loss realized by medium and large companies, we obtained favourable ratio of the total business operations in the trade sector.

Total business operations of entrepreneurs in the trade sector can be given a positive grade. If business operations of companies in the trade sector are evaluated according to the achieved total income, it can be said that the trade is the second sector by the size of the total income, with the share of about 31% in the total income in all sectors in the county. The largest total income is achieved in the processing industry, whose share in the total income in the county is 34%. Looking individually, the largest total income in the total income of all companies in the county is realized by large company Presoflex LLC from Požega, in the trade sector.

Besides good examples in business operations of companies in the trade sector, 53 small companies had difficulties in doing business, due to which 52 companies are in liquidation and one is in bankruptcy. In companies where liquidation procedure started there were 69 employees.

c) Investments in fixed assets

Realized investments in fixed assets on the area of Požeško – slavonska county represent the value of physically realized construction, production or purchase of fixed assets throughout the year, regardless of if and when their payment was collected.

Table 11- Investments by activities and seat of investor 2001 – 2004

in thousand kuna

Activity	2001	2002	Index 02/01	2003	Index 03/02	2004	Index 04/03
Trade	4.147	1.872	45,1	14.804	790,8	38.356	259,1
Total activities	137.888	153.477	111,3	175.585	114,4	173.624	98,9
Share of trade in the total	3 %	1,2%	-	8,4 %	-	22,1	-

Source: Central Bureau of Statistics

In the analized period (2001 - 2004) there were positive trends in total investments in all sectors in Požeško – slavonska county. In 2001 and 2002 there were no significant investments in the trade sector, and investments in this sector in 2003 and 2004 increased. The share of trade in the total investments in our county in the first two stated years was insignificant, but at the end of 2004 the share in the total investments went up and it was realistic in relation to the share of trade in the total number of active companies. Large increase of total investments in the trade sector resulted from consolidation and concentration of retail trade entities and establishment of large supermarkets, increase of sale and storage space and better informatization..

d) Wholesale trade

According to the Trade law, wholesale trade[5] is defined as purchase of goods for the purpose of reselling them further to retail traders, industrial, trade and professional users and institutions, and other wholesale traders as well as mediation in trade, that is, sale of goods for third persons. Here belongs transit traffic, that is, sale of goods that are delivered at the order of salesperson directly to the buyer, from storage or other destination of producer, importer, or other business entity, without previous storage of such goods at producer's premises. Further, the same law determines that purchase and sale of goods on a foreign market is also wholesale trade.

Trade with foreign countries is conducted based on a contract between a trader with seat in Croatia and persons with seat in foreign countries, in accordance with regulations of Croatia and international agreements and contracts.

Any trader or other physical or legal person that transports goods into or out of the country in order to conduct registered activities can be an importer or exporter. Also, any trader or other physical or legal person registered to conduct production activities who sells its products on the market can be an importer or exporter. This is the case with most of the legal persons in Požeško – slavonska county that conduct production activities, and sell their products on a foreign market.

This analysis included indicators for Požeško – slavonska county about the toal value of goods that were exported within a certain period to a foreign market or imported from the same market into our county. Wider analysis of wholesale trade was not made due to the lack of information, so we analized only trends of that part of wholesale trade that refers to exports and imports.

[5] Trade law, National Gazette

Relation between exports and imports

Table 12 - Exports – imports by sectors; 2001 – 2005

Year		2001	2002	2003	2004	2005
Total exports	000 USD	59.667	61.487	54.296	45.767	48.967
	index	**‘01/’00** 89,5	‘02/’01 103,1	‘03/’02 88,3	‘04/’03 84,3	‘05/’04 107,0
Total imports	000 USD	50.176	45.166	34.556	27.053	31.076
	Index	**‘01/’00** 102,9	‘02/’01 90,0	‘03/’02 76,5	‘04/’03 78,3	‘05/’04 114,9
Coefficient (exports/imports)		1,19	1,36	1,57	1,69	1,58

Source: Central Bureau of Statistics

Amounts in USD were calculated based on daily exchange rates on the day of custom clearance of goods, they are determined by Croatian National Bank, medium exchange rate was used.

It can be observed in the analized period, according to the table 12, that values of the total exports and total imports had decreasing tendency, except increase in 2005.

Požeško – slavonska county showed export – import surplus in the analized five-year period, that is, the value of exports during all five years was larger than the value of imports. Coefficient of exporting predominance was constantly rising, except that in 2005 it decreased to the level as in 2003.

Our county, along with positive trends in export – import, has good preconditions to increase the value of total exports. This in the first place refers to tradition in production in processing industry, then good natural resources and production potential oriented toward exports, and cheap labour force. In order to make this preconditions come true, it is necessary to make investments in new technology, which would make production cheaper and increase its efficiency.

Beside stated measures, the Government of Croatia has to adopt certain measures to stimulate exports at the national level, and this in the first place refers to monetary and fiscal politics[6]. By current monetary and fiscal politics, the state stimulated imports through appreciation of domestic currency. In addition to export benefits that would manifest through positive politics of domestic currency exchange rate, loan support and incentive for implementation of new technologies in production, the state should provide incentives for exported goods to producers in the form of loans for working capital in preparing exports and for export of goods and services.

[6] V. Srb, B. Matić, B. Marković: Monetarne financije (Monetary Finances), Ekonomski fakultet u Osijeku, Osijek, 2003.

e) Retail trade

Retail trade[7] is purchase of goods for further resale to the population for personal consumption or household use and mediation in buying and selling goods for third persons. Resale of new or used goods is conducted through: shops, department stores, stands, green markets, companies for orders by post, etc.

Retail trade (except trade in motor vehicles and motorcycles) can be divided into[7]:

- retail trade in non-specialized shops
- retail trade in food, drinks and tobacco products in specialized shops
- retail trade in other goods except food, drinks and tobacco products in specialized shops
- retail trade in used goods in shops
- retail trade outside shops

Sufficient amount of statistical information for this analysis was not available, since the State Bureau of Statistics has not published detailed information about wholesale and retail trade by products for the period from 2000 to 2005. The reason for that is that research by products was discontinued. For this reason we gave account of only basic indicators in retail trade. Statistical research in the trade sector on the area of Požeško – slavonska county as conducted based on sampling, as at the national level. Since stratification of samples was not conducted by counties, these indicators do not have envisaged level of accuracy.

Tablica 13 – Retail trade; number of entities, number of shops, number of employees, turnover and stocks in 2005

Entity type	Number of entities	Number of shops	Number of employees	Number of empl. per shop	Turnover in 000 kuna	Stocks in 000 kuna
Legal persons	131	418	1.311	3,1	932.987	145.578
Sole propriety	274	358	611	1,7	193.542	33.485
Total ret. trade	**405**	**776**	**1.992**	**2,6**	**1.126.529**	**179.063**
Total trade	474	809	2.510	3,1	1.487.662	216.659
Share in the total	85,4 %	95,9 %	79,4 %	-	75,7 %	82,6 %

[7] Segetlija Z., Lamza-Maronić M., Marketing trgovine,II. Izdanje, Ekonomski fakultet u Osijeku, Osijek, 2001.

Table 14 – Turnover in shops in 2005

in thousands kn

Type of econ. entity	Number of ent.	Number of empl.	Turnover in shops	Turnover per econ. entity	Turnover per employee
Legal persons	131	1.311	932.987	7.122	711
Sole propr.	274	611	193.542	706	316
Total retail trade	405	1.992	1.126.529	2.781	565
Total trade	474	2.510	1.487.662	3.138	592

Source: Central Bureau of Statistics

Table 15 – Number of inhabitants according to the Registry of 2005 per number of shops in retail trade in Požeško – slavonska county

Year	Number of inhabitants	Number of shops	Number of people per 1 shop
2005	85.831	776	110,6

Source: Central Bureau of Statistics

According to the table 13, retail trade has signiicant share in the total indicators in the trade sector of Požeško – slavonska county, and this share ranges from 75 – 95%.

Further, it can be observed from this table that the significant share of retail trade belongs to sole proprietorships and free professions. Over 45% of shops and 30% of employees in the retail trade of Požeško – slavonska county is in the field of sole proprietorships and free professions.

Turnover in retail trade in the field of sole proprietorships and free professions makes 17% of the total turnover in retail trade in our county. If turnover is put into relation to the number of registered entities, it can be observed that the value of realized turnover in the field of sole proprietorships and free professions is very small in relation to legal persons. Turnover per number of employees also has small value in relation to turnover per employee realized in retail trade of legal persons. The reasons for that are the size of business premises, the number of employees on these premises, and narow product range..

In 2005 in Požeško – slavonska county there were 405 business entities registered for conducting trade activities in retail trade. The same business entities conducted retail trade in 776 shops. The number of employees per shop was 2.6, and the number of inhabitants per shop was 110, while turnover per employee amounted to 565 thousand kunas.

Retail trade is still fragmentized, although this sector in Europe goes through largest changes, which are manifested through integration and restructuring of the market, which is, according to experts, expected to last until 2010. This process was observed to a great extent in all transition countries in the 90-ies, while this process could be observed in Croatia only in the past few years.

When Croatia is observed in this process, then on one side there is a very strong occurrence of foreign supermarket chains entering our market, and on the other hand, as reaction to these processes, domestic trade goes through consolidation and concentration processes.

Processs of consolidation and concentration of trade also take place in our county. Unfortunately, these processes should have started earlier and they should have been managed and directed by state institutions and the county.

Total turnover, the number of employees and average salaries in companies in the trade sector

These indicators have been taken over from statistical research in the field of distributive trade with the aim of explaining trends in turnover and the number of employees in the companies in the trade sector.

Table 16 – Turnover in thousands kn, VAT not included

	2003		2004		2005	
Activity	Turnover	Empl.	Turnover	Employees	Turnover	Employees
Wholesale trade	274.022	138	216.920	58	257.979	426
Mediation	9.011	128	188	1	68.952	35
Retail trade	435.305	804	316.373	1.932	932.987	1.311
Repair sevices	6.596	21	99	8	11.009	67
Total trade	724.934	1.091	533.580	1.999	1.270.927	1.839

Source: Central Bureau of Statistics

It can be observed from the indicators shown in the table above that the process of consolidation and concentration in our county in the last two years resulted in significant increase in turnover and the number of employees. Looking individually by activities within the total situation in all trade activities, it can be noticed that there has been a significant increase in turnover and the number of employees in wholesale trade, mediation, repairs, and in 2005 in retail trade, which had the largest turnover and the largest number of employees in the analized period.

Further, increased turnover resulted from increased number of supermarkets who offered lower prices and in this way prevented our citizens from going shopping abroad.

Besides, increased turnover in retail trade resulted from various payment-related benefits for buyers, like deferred payments for checks and credit cards and increase in the number of loans that are offered at far better conditions than in previous years. Increased turnover was also influenced by good conditions for car buying for war veterans, which was discontinued in the middle of 2001.

Although average net salaries in all activities on the area of Požeško-slavonska county showed positive trends from 1993 to 2001 (they were constantly increasing), average net salaries in the trade sector in the same period were lower than average salaries in other sectors.

Explanation for such indicators can be found in the facts related to qualification structure of employees in the trade sector, where employers pay salaries according to educational background, but in most cases without bonus if turnover was larger than expected. In the total number of employees in the trade sector in 2000, on the area of Požeško-slavonska county, most of employees were with secondary school qualifications and qualified salespersons with 78,6%, then semi-qualified, non-qualified, and lower educational background with 9%, highly qualified with 3,9%, and two-year of post secondary or university qualifications with 8,4%. Situation is similar also in other years of the analized period from 1993 to 2001.

f) Living standard and purchasing power of population

Economic development and purchasing power of population are of great importance for possibilities of further development and strengthening of business activities in the trade sector. Although war damages significantly reduced economic capacities and production on the area of Požeško-slavonska county, its economy did not suffer any shortage. Trade companies faced various difficulties in doing business at that time, and these problems inluded: decreased purchasing power of population, disturbed relations on broader market, problems with liquidity, etc. The post-war period was the key period which brought to bad situation in the trade sector, due to decreased living standard. Such negative trends stopped in 1995, but since 1999 purchasing power of the population decreased again, which was caused by further rise of prices and living costs, irregular payments of salaries, etc.

Table 18 – Retail price indexes and living costs indexes 1991 – 1999

Year	91/90	92/91	93/92	94/93	95/94	96/95	97/96	98/97	99/98
Retail prices indexes	223,0	765,5	1.617,5	197,6	102,0	103,5	103,6	105,7	104,2
Indexes of living costs	224,2	734,0	1.586,3	207,2	104,0	104,3	104,1	106,4	103,5

Source: Central Bureau of Statistics

For evaluation of trends in economic development and living standard of the population we had to use indicators for Croatia, because such statistical researches have not been conducted at the county level.

The level of economic development and living standard of the population are best illustrated by information about: gross domestic product, structure of personal consumption of a consumer (especially important for development of retail trade), and presence of durable consumer goods in households of Croatia.

Table 19 – Information about values of gross domestic product per capita, in USD

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP	5.106	3.887	2.664	2.481	3.062	3.873	4.243	4.398	4.833	4.480

Source: Central Bureau of Statistics, statististical information

Analizing gross domestic product in the period from 1990 to 1999, it can be observed that there was a decrease from 1991 to as long as 1994 as a result of war. After that there were positive trends until 1999, when GDP went down.

Table 20 – Structure of personal consumption, average per household from 1998 to 1999

Consumption groups	Average annual personal consumption in kunas			Structure of personal cosumption in %		
	2002	**2003**	**2004**	**2002**	**2003**	**2004**
Personal consumption - total	53. 677	52. 382	58.613	100	100	100
Food and beverages	20. 485	19. 826	18.845	38,17	37,85	32,15
Alcoholic drinks and tobacco	2. 473	2. 391	2. 273	4,61	4,56	3,89
Clothes and shoes	3. 367	3. 911	5. 907	6,27	7,47	10,08
Dwelling and energy consumption	5. 800	6. 958	7. 811	10,81	13,28	13,33
Furniture, equipment and regular maintenance	3. 387	3. 081	2. 880	6,31	5,88	4,91
Health care	898	957	1.228	1,67	1,83	2,09
Transport	7. 204	5. 752	7. 156	13,42	10,98	12,20
Communications	1. 008	1. 113	1. 619	1,88	2,12	2,76
Recreation and culture	2. 758	2. 994	3. 931	5,13	5,72	6,71
Education	330	368	431	0,61	0,70	0,73
Catering services	1. 653	1.429	2. 155	3,05	2,73	3,68
Other goods and services	4. 332	3. 602	4. 377	8,07	6,88	7,47

Source: Central Bureau of Statistics, priopćenje br.13.2.1. / 2001

The quality of living and purchasing power can be evaluated based on indicators of structure of personal consumption, when these are compared to information about personal consumption in nine more important EU countries. Croatian people on average spend about 40% of the total consumption on food, drinks and tobacco, while about 13% of the total consumption is spent on dwelling. Compared to average consumption in the EU countries, this is a very bad relation, because in these countries about 19,7% is spent on food, drinks and tobacco, and about 25,3% for dweling. When it comes to transport, communications, clothes and shoes, furniture and house maintenance, recreation, culture, hotels and restaurants, European people spend in these fields significantly more than Croatian people.

3. Conclusion

In modern conditions of conducting business, decisions made at the company level, and also at the level of the entire economy of our county, are very important for selection of adequate strategy for trade development, due to relatively high distribution costs.

In the new economic system, trade will develop as market institution. Economic conditions should no longer be an obstacle in development of internal trade in Požeško-slavonska county.

Organization and structure of our internal trade has to be a function: of size and potential of the market, properties of available goods and services, size of production units and state of their specialization, etc., and level of total economic development.

Along with expansion of foreign supermarket chains in Croatia, the process of consolidation and concentration of domestic trade started, but it is currently still inadequate to respond to foreign competition. Weaknesses of domestic trade became prominent in such situation, and this are in the first place small possibilities of investing into own development, high retail prices conditioned by costs on which trade had no impact, insufficient informatical equipment, weak personnel structure, that is, low level of knowledge due to weaknesses of education system, delayed business and development linkage with production and creation of partner relations. As a result of arrival of foreign supermarket chains, several thousands of small shops were closed in Croatia in the past year, and this trend goes on. Foreign supermarket chains build large business centers in all larger towns and so they throw domestic traders out from the ever crowded market. The role of the state in terms of protection of domestic trade is almost non-existing, and the state should finally decide on what kind of trade it wants, because domestic food industry depends on it to a large extent. The situation in Požeško-slavonska county is almost the same, only comfort being that there are no foreign traders in our county. Large business centers were built or established by Presoflex and KTC, with mostly food products. In the western part of our county and towns Pakrac and Lipik, war resulted in reduced number of inhabitants by almost 50%, so there was no interest in establishing a larger supermarket there.

Due to the above stated reasons it is necessary to persist during the coming period in the following:

- conduct restructuring in direction of consolidation and raising quality of services
- more even physical planning of trade network and infrastructure
- improved qualification structure of personnel
- rationalization of operations costs, increased quality and lower prices of services
- better development of electronic business
- minimalization of grey and black market
- introduction of new forms of sale
- development of private labels
- Obtain support of the county and the state in upgrading and improvement of legal framework, especially Trade Act, Consumer Protection Law, Law on market competition protection, adopting other regulations
- domestic trade should utilize its competitive advantages, in the first place good knowledge of market, knowing customs and institutional conditions for doing business, use of attractive locations and existing network of retail shops, and links with domestic suppliers.

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