



CHAMBER OF  
COMMERCE AND  
INDUSTRY OF SERBIA

# SERBIAN ECONOMY

Macroeconomic Overview

Q3

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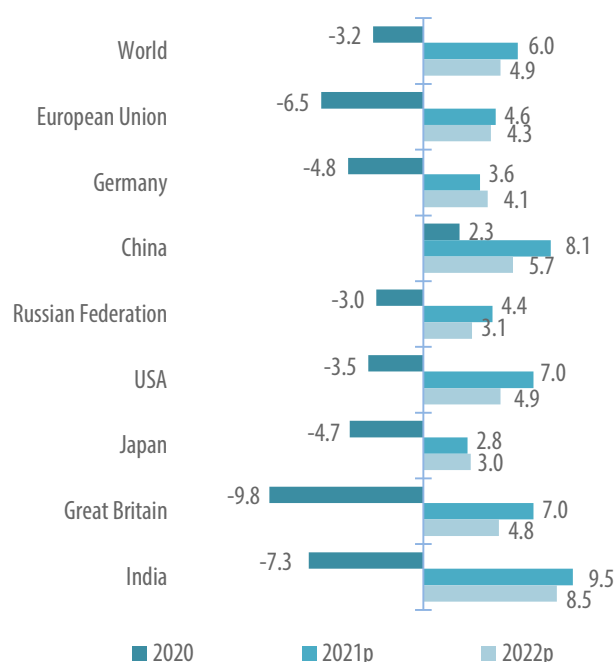


## Economic Activity – Macroeconomic Overview

In 2021, the economic recovery of the global economy, which began in the previous year, continued, so there was optimism at the global level that potentially all economic losses would be compensated in the current year. With the control of the epidemiological situation, stabilized by the process of immunization of the population, the large world economies have directed all available forces to the realization of high growth rates. However, the second half of the current year, in which numerous external risks escalated, showed that not everything would be so simple. In the energy market, there was a rapid rise in the prices of electricity and gas, which contributed to the interruption of numerous supply chains, but also to the creation of a big problem for Europe before the winter season. Russia offered a solution to the energy crisis in the form of an offer to deliver a larger amount of gas to Europe, because of which the price of energy was stabilized, but only in a short period. On the other hand, rising inflation in the world's largest economies has spilled over to less developed countries, and given that the end of the year is approaching, it is realistic to expect that the fight against inflation around the world will become increasingly difficult. The situation is further complicated by the shortage of microchips, which endangers the work of the automotive industry and causes temporary interruptions of technological and production processes. For the reasons previously explained, but also many others, it is realistic to expect that the economic growth of the global economy will slow down in the second half of the year, which will to some extent reduce the overall growth for 2021 (projection 6.0%) and potentially complicate the initial basis for 2022 (projection 4.9%).

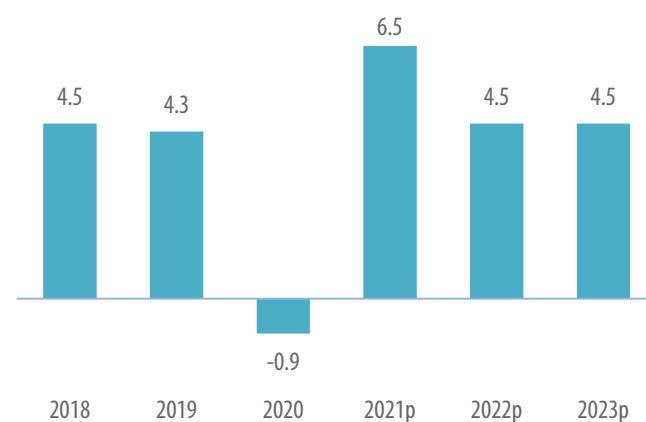
According to previous data, the global slowdown had smaller consequences for Serbia compared to most European countries due to the achieved macroeconomic and financial stability, previous growth dynamics, created fiscal space, as well as the structure of the economy. According to the corrected estimate of the NBS, Serbia's economic activity measured by **the real growth rate of gross domestic product** in 2021 will amount to 6.5%, which means an upward adjustment due to favourable economic trends achieved in the first half of the year. After achieving growth rates of 1.8% in the first and 13.7% in the second quarter of the year, a faster acceleration of economic activity is expected for Serbia than originally projected for the third quarter, according to the first announcements. Given the stable and in the short term sufficient amount of gas in stock, the European energy crisis is not expected to significantly jeopardize Serbia's energy capacity.

### GDP growth / decline projection for the world's largest economy for 2020, 2021 and 2022 (in %)



Source: IMF.

### Real GDP growth of the Republic of Serbia (in %)



Source: SORS, NBS.  
(p – NBS projection)

Internationally credible institutions such as the World Bank and the IMF have corrected the initial projections for Serbia several times during the year, only to agree almost completely with the NBS in the latest corrections, i.e. growth of about 6.0% in the current year. When it comes to 2022, according to the NBS projection, Serbia will achieve a growth of about 4.5%, with which the IMF fully agrees, and after a correction of 0.8 pp, the World Bank, too.

At the end of September 2021, the NBS **reference interest rate** amounted to 1.0%, which is a historical low of this monetary policy indicator. The key interest rate remained unchanged throughout 2021, as did the interest rates on deposits (0.1%). However, the first measure was taken in September to tighten monetary conditions, as the average repo rate at the last reverse repo auction increased by 13 base points, i.e. to 0.24%.

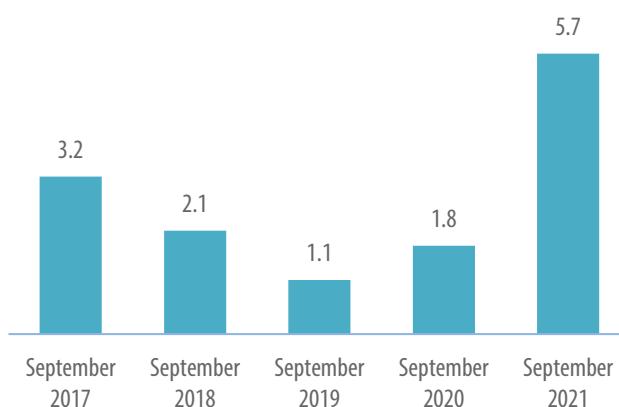
In the period January–September 2021, compared to the same period of 2020, the **inflation** stood at 3.0%, which is within the framework of the NBS target of  $3.0\% \pm 1.5$  percentage points. According to the NBS projection, the inflation will continue to move in the upper half of the target value for some time, under the influence of temporary factors, and with the cessation of their effects, the inflation is expected to return to the lower half of the target range in mid-2022. Short-term and medium-term expectations according to the Ipsos survey are 3.0%, as are expectations according to the September Bloomberg survey.

According to the data of the Ministry of Finance, in the period January–August 2021, the **consolidated budget deficit** of about EUR 248.8 million was recorded.

At the end of August 2021, the **share of the public debt in GDP of Serbia** amounted to 54.3%, which is an increase of 0.4 percentage points compared to the level from June 2021.

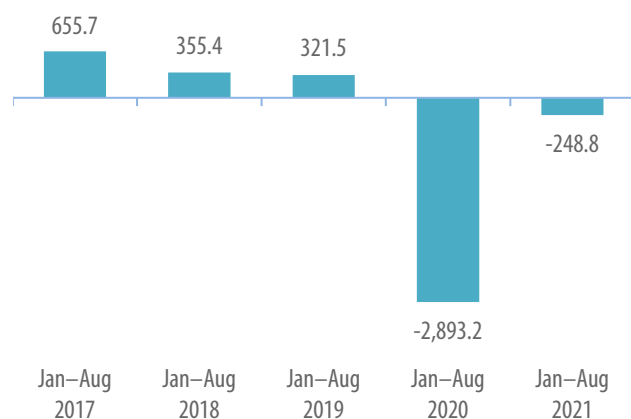
During this year, *Moody's* upgraded Serbia's **credit rating** in March 2021 ("Ba2"), while *Fitch* and *S&P* maintained their credit rating at "BB+", confirming macroeconomic stability and favorable growth prospects, as well as the adequacy of economic policy before and during the crisis. Great recognition was obtained by announcing that from 30 June 2021, dinar bonds of the Republic of Serbia have been included in the reputable *JP Morgan GBI-EM index*.

**Consumer prices**  
(in %, as compared with the same month previous year)



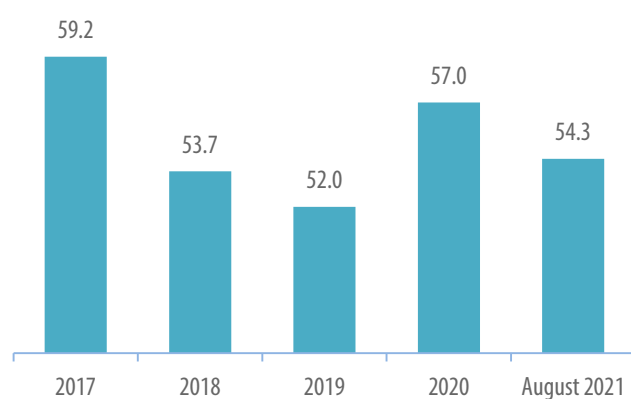
Source: SORS.

**Consolidated fiscal balance of the Republic of Serbia**  
(in EUR million)



Source: Ministry of Finance.

**Public debt of Serbia**  
(central country level, in GDP %)



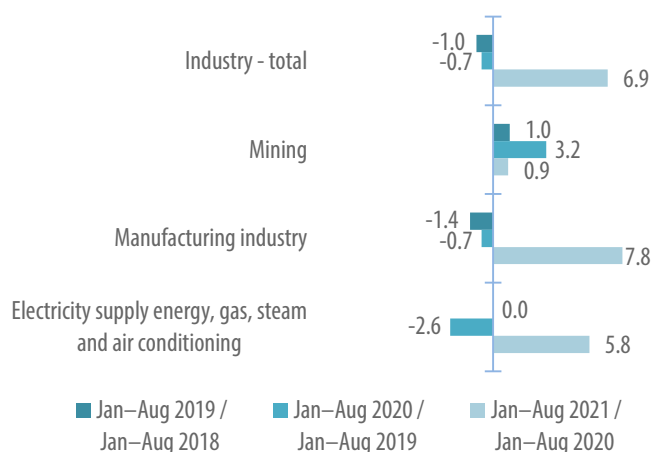
Source: Ministry of Finance.

In the period January–August 2021, **the industrial production** was higher by 6.9%, as compared with the same period previous year. In the sector of electricity, gas and steam supply and air conditioning, the industrial production grew by 5.8% and in the manufacturing sector by 7.8%. A substantially lower increase in production of 0.9% was recorded in the sector of mining. Given that the industrial production increased in relation to the pre-pandemic level, and if the intensity of the virus weakens over the year, additional growth of this industrial indicator should be expected in the coming months.

In the period January–July 2021, Serbia attracted a total of almost EUR 2.0 billion in **net foreign direct investments**, which is the year-on-year growth of 25.1%. In the first half of 2021, most FDIs arrived from EU member states of 904.1 million euros, of which the net FDI inflow amounted to EUR 922.0 million. From among EU member states, the largest FDI inflow in the first two quarters of 2021 was recorded from the Netherlands (EUR 299.7 million), followed by Germany (EUR 108.2 million), Austria (EUR 94.0 million), Cyprus (EUR 70.0 million), Slovenia (EUR 64.4 million), Hungary (EUR 61.0 million) and France (EUR 58.7 million), while the largest inflow of FDI from European countries outside the EU was recorded from Switzerland (EUR 229.2 million) and the United Kingdom (EUR 79.4 million). In the same period, FDI inflows of 533.7 million euros were recorded from the Asian continent, most of them from China (EUR 494.4 million) and Japan (EUR 40.4 million), while inflows from North America were amounted to 66.0 million euros, of which 56.6 million euros from the United States. The largest net FDI inflow in the first half of 2021 was recorded from China (EUR 494.4 million), the Netherlands (EUR 301.4 million), Germany (EUR 112.3 million) and Switzerland (EUR 104.1 million).

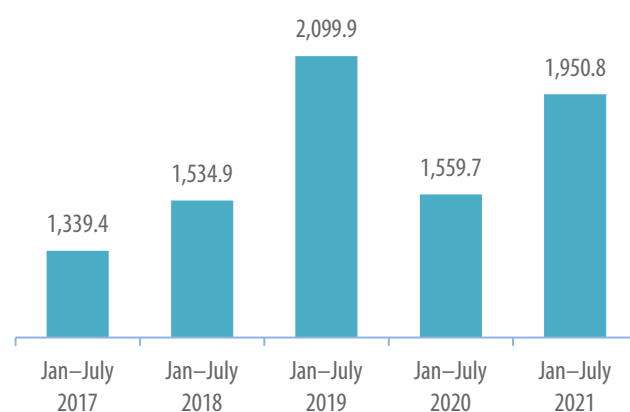
The total **foreign commodity trade** of Serbia, in the period January–August 2021, amounted to EUR 31.6 billion, which is an increase of 25.8% as compared with the same period previous year. Goods were exported in the value of EUR 13.7 billion, which is an increase of 28.5%, whereas import of goods stood at EUR 17.9 billion, with a year-on-year growth of 23.7%. The commodity trade deficit amounted to EUR 4.2 billion, which is an increase of 10.5%, compared to the same period previous year, whereas the coverage of imports by exports increased and amounted to 76.3%. The high deficit is a consequence of the fact that the economic growth depends largely on import of material and products for the needs of investment activity and consumption, as the components of GDP, a relatively strong dinar against key currencies, and rising prices in the energy market, etc.

#### Increase / decline in industrial production (current month in relation to the month of the previous year), in total and according to sectors (in %)



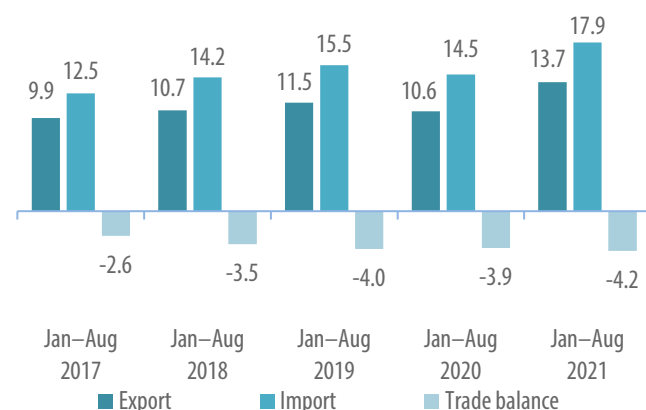
Source: SORS.

#### Net FDI (in EUR million)



Source: NBS.

#### Foreign trade (in EUR billion)



Source: SORS.

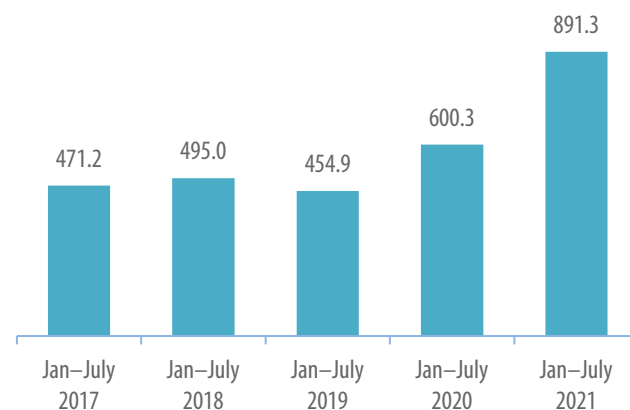
In the period January–July 2021, Serbia reached the **record surplus in trade in services** of EUR 891.3 million, with the year-on-year growth of 48.5%, which indicates independence of this sector from the impact of the pandemic, and its progressive growth from year to year. The driver of the surplus in this period were ICT services, whose trade balance was positive and amounted to EUR 700.3 million. In addition, in this period, the recovery of tourist services was noted, whose surplus increased by almost 4 times year on year and amounted to EUR 141.0 million, with a year-on-year increase in both exports and imports. Observed by countries, the largest surplus was recorded in trade services with the United States (EUR 364.8 million), Germany (EUR 216.8 million) and the Netherlands (EUR 98.8 million). The contribution to the year-on-year improvement of the external position has come from the increase in the surplus in the exchange of services and the surplus of the secondary income. At the end of 2021, this is expected to be a new record year when it comes to the trade surplus in the services sector.

According to the data of the NBS, in the period January–July 2021, the **current account balance of payment deficit** amounted to EUR 779.3 million, which is a significant decline in the deficit given that in the same period last year, this indicator amounted to EUR 1.4 billion. Due to the observed positive trend in the movement of this indicator, the current deficit estimate for 2021 was corrected from 4.6% to 4.0% of GDP.

According to the Labour Force Survey, in the second quarter of 2021, the number of employees amounted to 2.8 million, whereas 352.0 thousand unemployed persons were registered (which is lower by 47.4 thousand as compared with the first quarter of 2021). In the second quarter, the **employment rate** of the population aged 15 and over amounted to 48.3%, whereas the **unemployment rate** was 11.1%. The economic support measures of the Government of the Republic of Serbia contributed substantially to maintaining of the private sector's liquidity, and preserving of employment, both in 2020 and 2021.

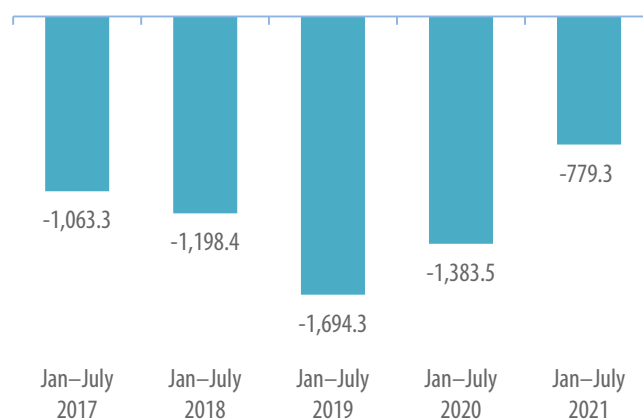
The **average gross salary** calculated for the period January–July 2021 amounted to EUR 755, while the **average net salary** amounted to EUR 547. As compared with the same period previous year, the gross salary was higher in real terms by 5.7%, and net salary by 4.4%. At the same time, medial net salary for July 2021 amounted to EUR 425, which means that 50% of employees earned the salary lower than the above amount.

Surplus in trade in services (in EUR million)



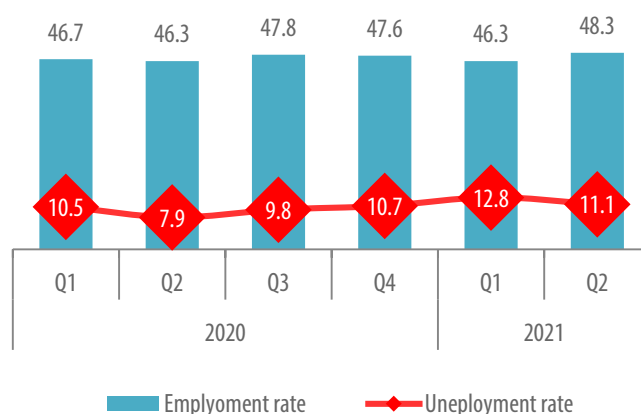
Source: NBS.

Balance of payments of the Republic of Serbia (in EUR million)



Source: NBS.

Trends in employment / unemployment rate with the population of age 15 and over, according to the Survey on Labour Force (in %)

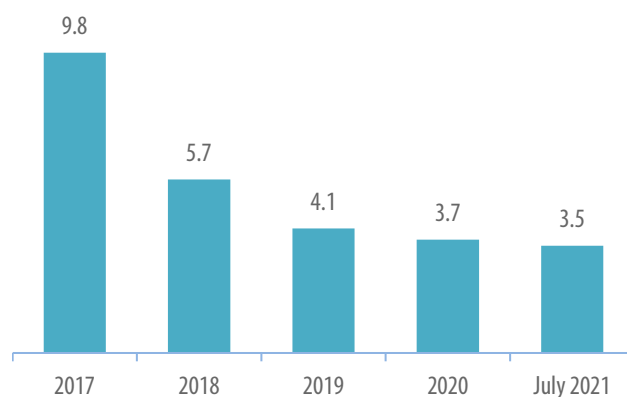


Source: SORS.

According to the data of the NBS, over the last three years, the domestic **lending activity** has recorded almost two-digit year-on-year growth rates, supported by the measures and easing of the NBS monetary policy, the loans from the Guarantee Scheme, and low interest rates at the money market in the Eurozone. In 2021, the loan structure remained favourable in terms of its contribution to the economic recovery – the growth is boosted by the working capital loans and corporate investment loans, and housing loans. The total domestic loans, in July 2021, were higher by 7.2% at the year-on-year level, while the gradual slowdown of growth is largely a consequence of the high base from the previous year, due to the implementation of the moratorium. In July, the investment loans accounted for 42.3% of the total corporate loans, whereas the share of the liquidity loans and working capital loans amounted to 44.7%, with the support of the loans from the Guarantee Scheme. The loans granted to micro, small, and medium-sized enterprises<sup>1</sup> accounted for 67% of the total corporate loans in July 2021. The stability of the banking sector in Serbia was maintained and additionally reinforced owing to the NBS measures, and the share of non-performing loans in total loans amounted to 3.5%<sup>2</sup> (July 2021). The lending activity growth is also expected in the coming period, as a result of the so far easing of the NBS monetary policy, low interest rates in the Eurozone, interbank competition, and decrease in NPLs.

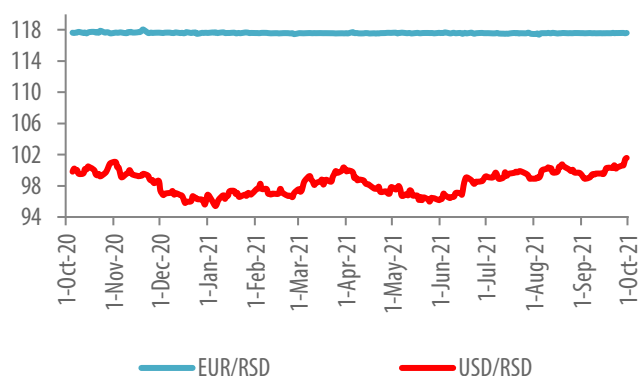
In the period January–September 2021, **the average foreign exchange rate** amounted to 117.5724 dinars to one euro, and 98.3400 dinars to one US dollar. Despite numerous economic and epidemiological challenges, a stable exchange rate should be expected in the coming period, without significant oscillations in the value against leading currencies.

### Non performing loans (NPL) share in total loans (in %)



Source: NBS.

### Trends in foreign exchange rates in the last year



Source: Bloomberg L.P.

<sup>1</sup> To micro, small and medium-sized enterprises.

<sup>2</sup> At the end of 2015, this indicator amounted to 17.0%, which is a decrease of 13.3 p.p.



## Methodological Notes

From 2018, the Statistical Office of the Republic of Serbia calculates **average wages** on the basis of data from the records the Tax Administration. The study of wages is based on the data from the Tax Return for withholding tax (form PPP-PD). Average wages are calculated based on the amount of calculated wages for the reporting month, and the number of employees, which is shown in the full-time equivalent – FTE. All categories of employees are included, for whom their employers, i.e. economic entities, submitted to the Tax Administration a completed electronic tax return form PPP-PD, with the calculated wages. Since 1999, the Statistical Office of the Republic of Serbia has not disposed of some specific data for the Autonomous Province of Kosovo and Metohija, and therefore, they are not included in the scope of data for the Republic of Serbia (total).

The term **employees** implies persons who have a formal and legal employment contract, i.e. the established labour relationship with the employer, for a fixed or indefinite period; persons working outside the labour relationship, based on an engagement contract or a contract on temporary and occasional jobs; persons engaged in self-employment, or founders of companies or sole trade businesses; and persons engaged in agricultural activities, who are in the records of the Central Registry of Compulsory Social Insurance. The study on the **registered employment** is based on the combination of data of the Central Registry of Compulsory Social Insurance (CROSO) and the Statistical Business Register (SBR). The data on payers of the compulsory social insurance contribution and the insured, based on the work, are obtained from CROSO. The data on business entities and their main characteristics are obtained from SBR. Distribution of employees by activity, in the context of a business entity, is done according to the structures that are formed on the basis of data on local units.

Labour Force Survey (LFS) is a survey that based on a random selected sample of households compiles the data on the main characteristics of labour force, with the aim to estimate thereby the labour force volume in our country. LFS is conducted in compliance with the standards and recommendations of the International Labour Organization (ILO), and the regulations of the European Statistical Office (Eurostat), which ensures the LFS data to be compared with the equivalent data from other (particularly European) countries. Starting from January 2021, Labour Force Survey is implemented in accordance with the new Regulation by the European Parliament and the Council, thus ensuring the improvement of the overall quality of data and their international comparability. According to LFS, employed persons comprise persons aged 15 to 89 who during the reference week worked for at least one hour for pay or profit, as well as persons with a job or business who were temporarily not at work during the reference week. **Unemployed population** includes persons aged from 15 – 74 that did not perform any paid job during the reference week, were actively seeking work in the four week period ending with the reference week, and are currently available for employment within a period of two weeks from the end of the reference week.

Data on **foreign direct investments** the National Bank of Serbia receives from the banks, which means that these data are classified by country of payment and not by the country of investment, and therefore depend on the country in which the particular company has a bank account through which payment is made, i.e. investment. National Bank of Serbia, in accordance with the guidelines of the IMF in the framework of EU accession, has changed the methodology of calculating foreign direct investment (using the “Manual for balance of payments and international investment position Nos. 6 IMF”) and according to the new methodology, the net foreign direct investment is obtained as the difference between the net increase in financial assets (total inflow from withdrawal of residents’ investments abroad and investments of domestic capital abroad) and a net increase in financial liabilities (total investments of nonresidents in Serbia and the outflow from withdrawal of investments by non-residents in Serbia) and include investments in money, goods, conversion of debt to equity, intercompany loans and reinvested profit.

Some of the values shown in the Bulletin, are rounded up to millions or billions, with one decimal place and, therefore, the total values (summaries) do not always coincide with the sum of individual data, due to the fact that non-rounded up figures were used (which gives more accurate data).

### Abbreviations used

GDP	Gross Domestic Product	FDI	Foreign Direct Investment
GVA	Gross value Added	LFS	Labour Force Survey
EURIBOR	Euro Interbank Offered Rate	RSD	Serbian dinar
LIBOR	London Interbank Offered Rate	EUR	euro
BELIBOR	Belgrade Interbank Offered Rate	USD	American dollar

**Foreign exchange rates:** All conversions in the Bulletin were made according to the average medium rates of the National Bank of Serbia:

Time	2015	2016	2017	2018	2019	2020	2021		
							Q1	Q2	Q3
EUR/RSD	120.7328	123.1179	121.3367	118.2716	117.8524	117.5778	117.5782	117.5738	117.5657
USD/RSD	108.8543	111.2903	107.4987	100.2784	105.2762	103.0272	97.6048	97.5949	99.7082

Source: NBS.

**The sources of data:** Statistical Office of the Republic of Serbia (SORS), National Bank of Serbia (NBS), Business Registers Agency (BRA), Chamber of Commerce and Industry of Serbia (CCIS), Customs Administration (CA), Ministry of Finance (MF), Tax Administration (TA), Statistical Office of the European Union (Eurostat), Bloomberg L.P, Central Registry of Compulsory Social Insurance (CROSO), International Monetary Fund (IMF).

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## Centre for Strategic Analyses, Analytics, Planning and Publications

Reliable and timely information in a modern and dynamic economic environment is one of the key services of the Chamber of Commerce and Industry of Serbia. Owing to a constant communication with economic entities and the availability of databases, the Centre for Strategic Analyses, Analytics, Planning and Publications creates and develops a set of economic indicators, prepares and coordinates the publication of numerous regular economic reports and analyses as follows:

**Macroeconomic indicators (annual overview)** – the main indicators of economic trends in the Republic of Serbia.

**Macroeconomic framework (yearly and quarterly overview)** – an overview of the most significant macroeconomic trends in the Republic of Serbia.

**CCIS sectoral analyses** – a detailed overview of economic activities, support to economy, current events, initiatives, regulations, popular topics by economic sectors in the country presented in the CCIS electronic newsletters of nineteen associations, which are published quarterly.

**Business Activity of Companies in the Republic of Serbia** – the report on trends in a business activity of companies in the Republic of Serbia is prepared for better understanding of the circumstances in which the economy operates in the domestic market.

**Incentives for different sectors of economy** (*only in Serbian*) – a detailed overview of all available incentives for economy sectors: agriculture, industry and services.

**Benefits for investing in Serbia** – the brief overview of different benefits for investing in Serbia.

**MAT – Macroeconomic Analyses and Trends** (*only in Serbian*) – the most influential professional journal in the area of macroeconomic research in the country.

**Barometer** (*only in Serbian*) – the publication follows economic trends in the domestic industry, and presents monthly information on indicators of economic expectations.

**Standardized foreign trade and economic reports** (*only in Serbian*) – containing monthly and annual data on foreign trade.

Upon special request, the information on the Serbian market research (the analysis by economic sectors, regions, municipalities, bilateral cooperation with foreign countries) is available to all stakeholders, as well as the information on the latest trends in international financial and commodity market.

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