

**Republic of Serbia**

**Ministry of Finance**

Macroeconomic and Fiscal Analyses and Projections Department



# **CURRENT MACROECONOMIC DEVELOPMENTS**

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February 2024

\* When using the analysis published in this presentation, please indicate the source.

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# REAL SECTOR

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❖  
**Real GDP growth in Q4 2023 was 3.8%,  
according to the SORS flash estimate**

❖  
**IPAS recorded growth of 3.7% y-o-y in  
December 2023**

❖  
**The total industry in December increased  
by 1.7% y-o-y, while manufacturing grew  
by 2.6%**

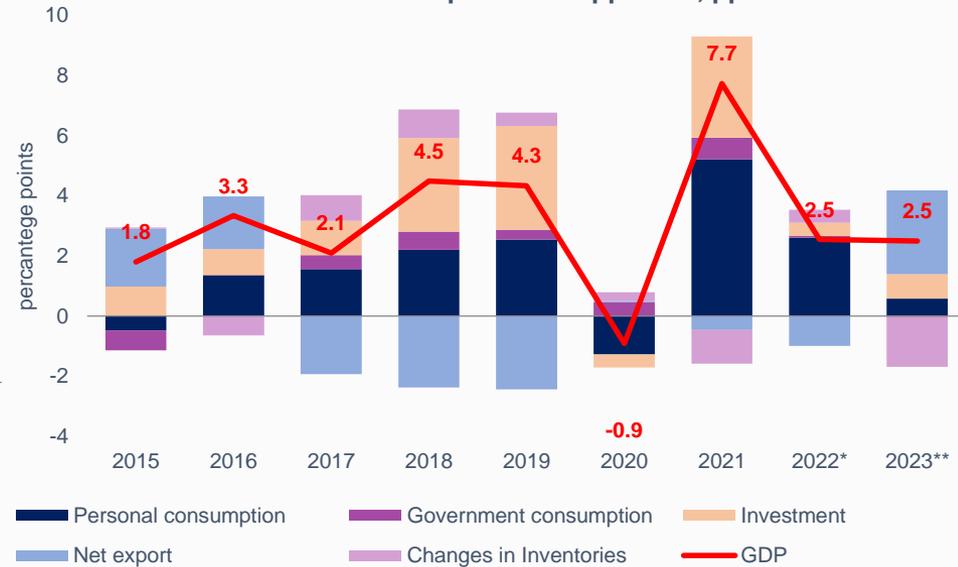
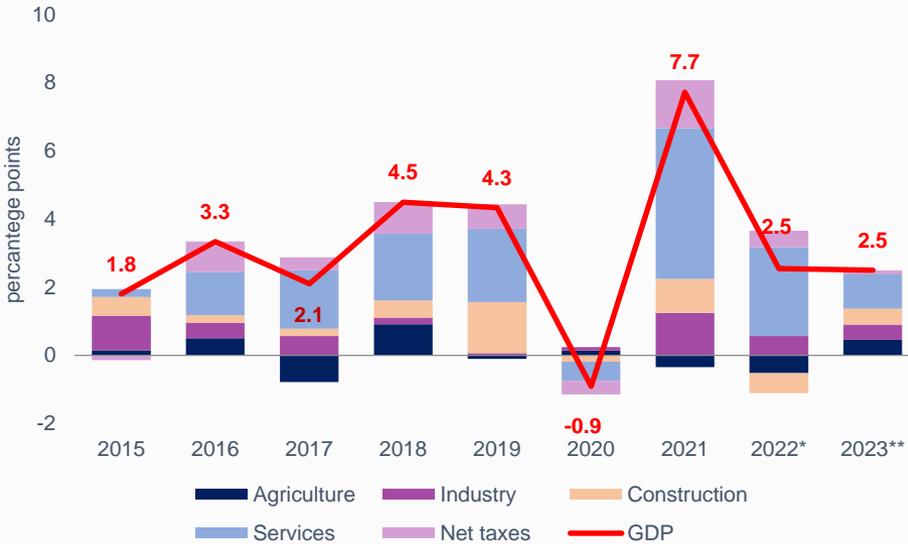
❖  
**Real retail trade turnover in December  
was higher by 3.6% y-o-y**

❖  
**In December, the number of tourist  
overnight stays increased by 4.2% y-o-y**

# Economic activity in 2023 was higher by 2.5%, according to the preliminary SORS data, which is fully in line with the initial projection of the Ministry of Finance.

Contributions to the real GDP growth rate, production approach, pp

Contributions to the real GDP growth rate, expenditure approach, pp



\* Preliminary annual data \*\* Preliminary estimate based on quarterly data  
Source: SORS, calculated in the MoF

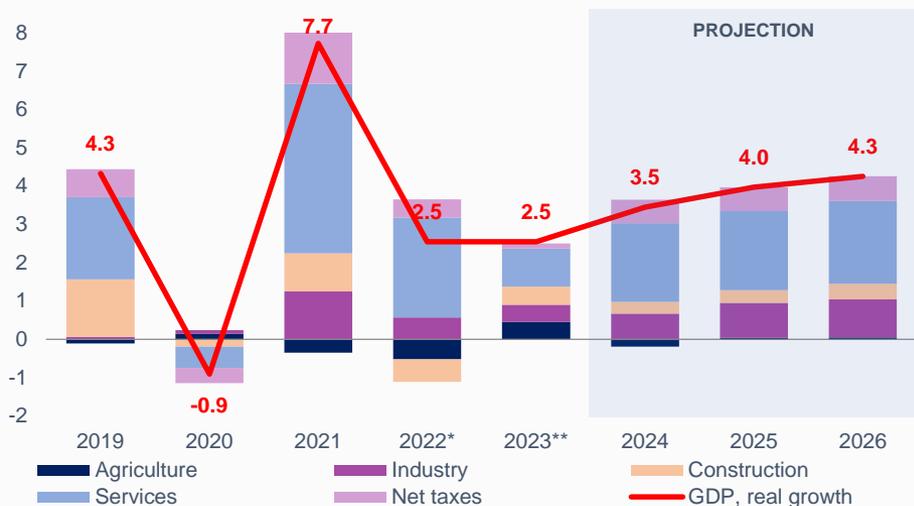
**In the past, more than a year and a half, the economy has been affected by high food and energy prices, weaker growth of the most important trading partners and tightening of financing conditions. Nevertheless, even in such circumstances, the economy has shown sufficient resilience, bearing in mind the problems and uncertainties it is faced with.**

Observed from the production side, according to the assessment of the Ministry of Finance, the increase in the created GVA in 2023 was recorded in all economic sectors. In 2023, the service sector also played the role of the dominant carrier of economic activity growth. Growth was diversified and achieved in most service activities, and particularly strong in information and communication as well as technical and professional services. Despite the weaker external demand, the industry continued its positive dynamics during 2023 and recorded an increase of 2.4%, primarily due to the activation of new production capacities, but also the recovery of electricity production. Growth was also recorded in construction as a result of increased private investment and continued investment in infrastructure projects, and partly due to a lower base in 2022. According to the current assessment of the Ministry of Finance, agricultural production was above average and achieved a growth of 9.0% compared to the previous, dry year.

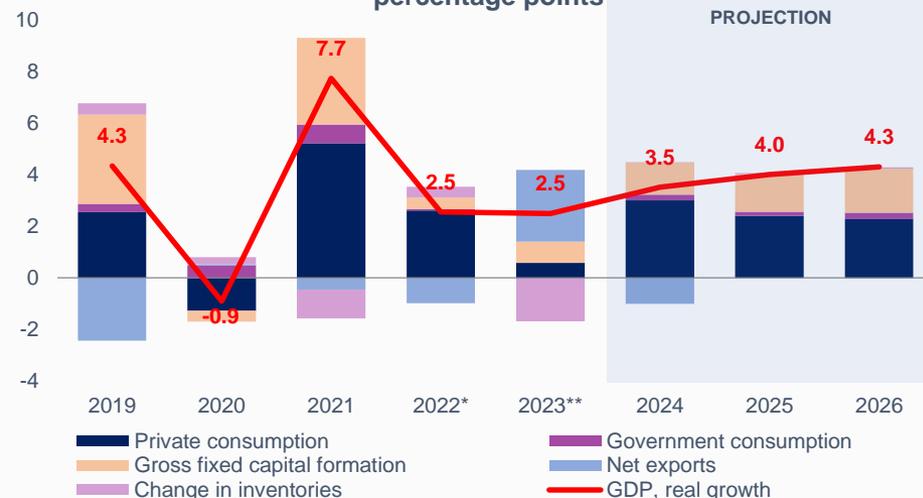
From expenditure side, GDP growth in 2023 was driven by net exports and additionally supported by growth in investments and private consumption. The activation of new production capacities resulted, according to the Ministry of Finance, in a real growth of export activity of about 3% despite reduced external demand. On the other hand, the drop in the import of energy products and lower import of raw materials resulted in a drop in real import activity of 1.4%. The increase in wages, both in the private and in the public sector, higher employment and stable growth of pensions, resulted in the continued growth of real private consumption, which was estimated at 0.9%. Investment activity was higher by about 3.5% as a result of the increase in production capacity of the economy, and it was additionally supported by the continuation of works on the implementation of infrastructure projects in the field of road and railway infrastructure, as well as significant investments in energy.

**In the coming period, the Government will lead a responsible and predictable fiscal policy, synchronized with the monetary policy and focused on minimizing the negative economic consequences of increased geopolitical tensions, but also on locating new sources of growth. Accordingly, GDP growth of 3.5% is expected in 2024 and then return to a medium-term growth rate of around 4%.**

**Contribution to the GDP growth, production approach, in percentage points**



**Contribution to the GDP growth, expenditure approach, in percentage points**



Source: SORS;  
\* Preliminary annual data \*\* Preliminary estimate based on quarterly data  
MoF projection 2024-2026

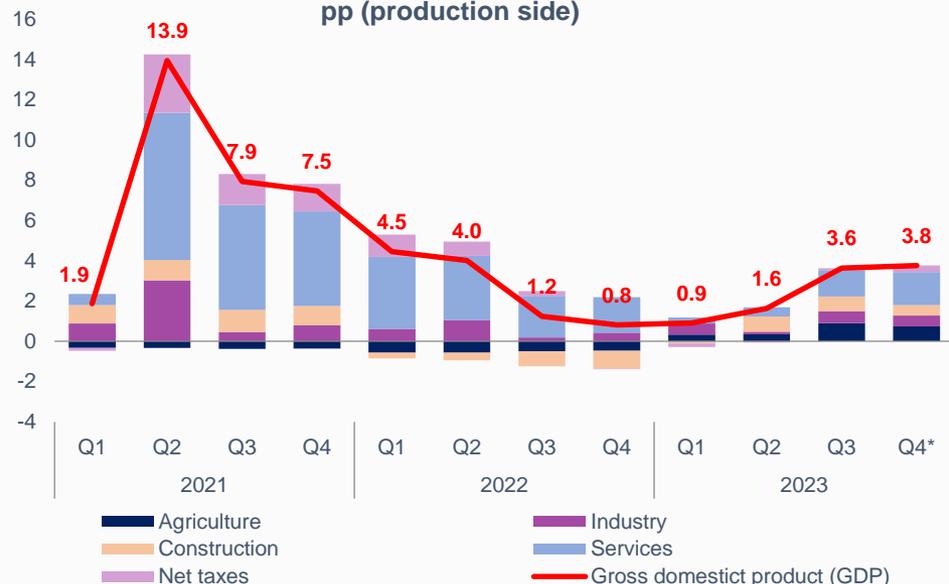
**The uncertainty in the projections is far greater than usual due to the nature and scale of the shocks at the global level. The channels through which they can potentially affect the domestic economy are numerous, often linked in a chain, and the strength of the potential shocks is such that they can greatly affect medium-term trends**

Observed from the production side, an increase in the created GVA is expected in all economic sectors, except for agriculture. In 2024, the service sector will play a dominant role in the growth of economic activity. Growth should be diversified and realized in almost all service activities, and especially strong in trade and transport, tourism and catering, with continued good results in the ICT sector and professional technical services. The industry will continue to grow during 2024, primarily due to the activation of new production capacities, but also the expected recovery of external demand. It is estimated that the construction industry will also record growth due to the continuation of infrastructure works as well as a larger volume of private investments. For the agricultural sector, assuming an average season in 2024, a decline of around 3% is projected.

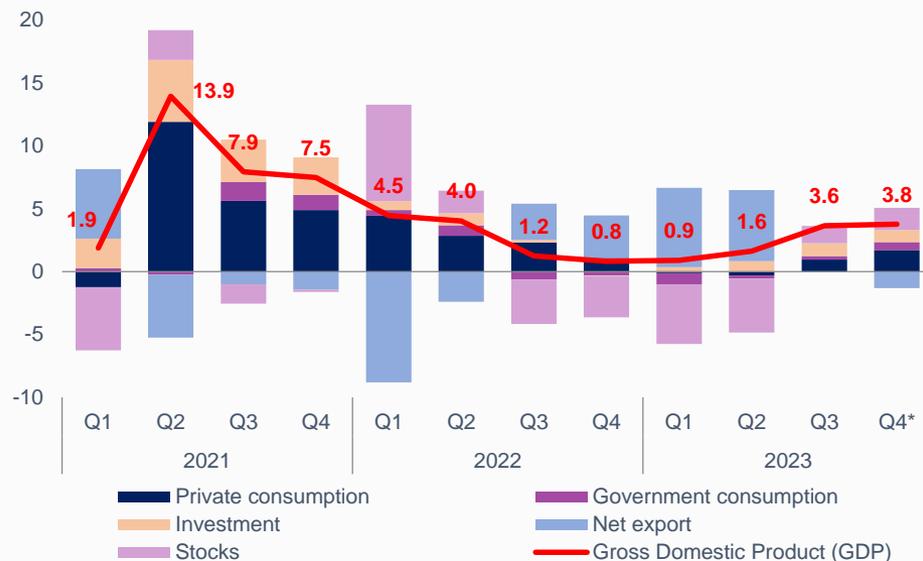
Observed by expenditure aggregates, GDP growth in 2024 will be entirely determined by domestic demand. The expected increase in wages, both in the private and in the public sector, with an increase in the minimum wage of 17.8%, higher employment and further growth in pensions will result in a growth of real private consumption of 4.3%. The high profitability of the domestic economy, the continuation of a stable inflow of FDI with the expected recovery of external demand, additionally supported by the acceleration of the realization of capital infrastructure projects will result in the continuation of investment growth. The gradual recovery of external demand with the activation of new export-oriented capacities as a result of the effect of FDI will ensure a stable growth of real exports of 8.1%. On the other hand, the strong growth of domestic demand as well as the lower base from the previous year will cause slightly faster growth of imports. Such movements of foreign trade flows will result in a negative contribution of net exports to GDP growth of 1.0 pp.

# According to the SORS flash estimate, in the fourth quarter of 2023, real GDP growth accelerated and amounted to 3.8% y-o-y.

Contribution to the quarterly growth of the GDP in pp (production side)



Contribution to the quarterly growth of the GDP in pp (expenditure side)



\* SORS flash estimate  
Source: SORS, calculated in the MoF

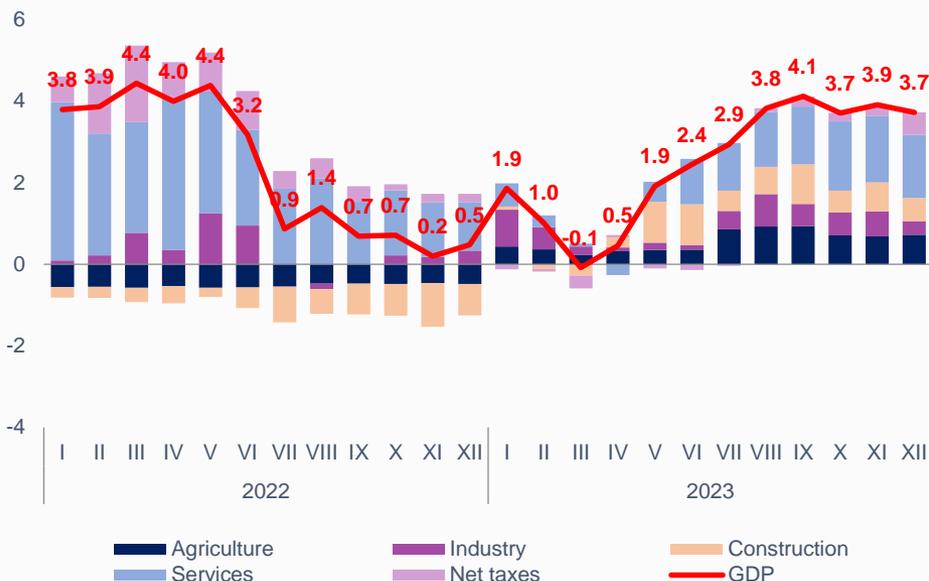
## Economic trends during 2023 in accordance with the projected quarterly dynamics needed to achieve the annual GDP growth projection of 2.5%

Observed from the production side, economic growth in the fourth quarter of 2023, according to the assessment of the Ministry of Finance, was driven by the acceleration in the service sector. Economic activity in this sector has increased in all activities with the most significant contribution from transport and tourism, as well as ICT services and services with dominant state participation (Education, Health, State Administration). The industry achieved a GDP growth of 2.7% y-o-y as a result of higher production of manufacturing and electricity, while the contribution of mining was negative. Construction continued with solid dynamics, recording an increase in economic activity of 8.7% y-o-y. Agriculture achieved an increase of about 9% y-o-y due to a good harvest of cereals and industrial plants, while the negative contribution came from the production of fruits and vegetables.

Observed by expenditure aggregates, GDP growth in the fourth quarter of 2023, according to the estimate of the Ministry of Finance, was driven by domestic demand. The slowdown in inflation was reflected in the increase in the real income of the population so that in the fourth quarter a growth of personal consumption of about 2% y-o-y was recorded. A significant positive contribution to GDP growth was achieved by state consumption, which, according to the Ministry of Finance, was higher by 4.2% y-o-y. At the same time, investment activity continued with solid results thanks primarily to larger construction works. According to the assessment of the Ministry of Finance, real exports recorded stagnation while imports recorded a slight year-on-year increase which was reflected in the negative contribution of net exports. The seasonal effect and a solid agricultural season determined the positive contribution of stocks.

# The indicator of economic activity of Serbia (IPAS) recorded growth of 3.7 y-o-y in December 2023.

Indicator of Economic Activity by sections, (contributions to the growth, pp)



IPAS original, seasonally adjusted data and trend cycle, chain linked volumes, mil. RSD



**After slightly lower growth rates at the beginning of 2023, since May there has been a gradual acceleration of economic activity, primarily as a result of a greater contribution of service activities, with continued good results in the construction and industry sectors.**

The Ministry of Finance, for the purpose of continuous monitoring of economic activity and early identification of activation of economic growth risks on the basis of short-term indicators, compiles a composite indicator of economic activity of Serbia – IPAS\*, as an indicator of economic trends in monthly dynamics. This indicator shows high reliability for measure short-term trends, but can not be used as only indicator to assess annual and medium-term trends.

According to the Economic Activity Indicator of Serbia (IPAS), the total economic activity in December 2023 recorded a real growth of 3.7% y-o-y. The most significant positive impact on the growth of economic activity, with an increase of 3.2%, was achieved by the service sector, which was determined by the growth of turnover in retail trade of 3.6%, as well as by greater activity in sectors with dominant state participation (Education, Health, Public administration) and professional-technical services. Industrial production in December was higher by 1.7 y-o-y. driven by growth in the manufacturing of 2.6%. According to the estimate of the Ministry of Finance, the construction industry achieved a real increase of about 8% y-o-y in December, while agriculture recorded a growth of 8.9%.

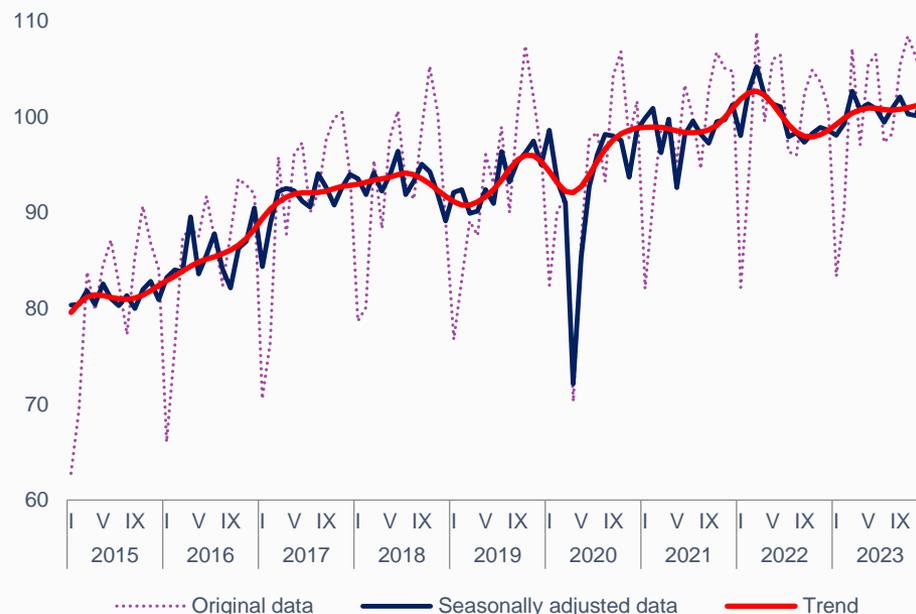
\* [https://www.mfin.gov.rs/upload/media/ZzkTpV\\_601696edb3a9a.pdf](https://www.mfin.gov.rs/upload/media/ZzkTpV_601696edb3a9a.pdf)

# In December 2023, industrial production achieved an increase in the physical volume of production of 1.7% year-on-year.

Indices of industrial output (2022=100)



Indices of manufacturing industry (2022=100)



Source: SORS, calculated in the MoF

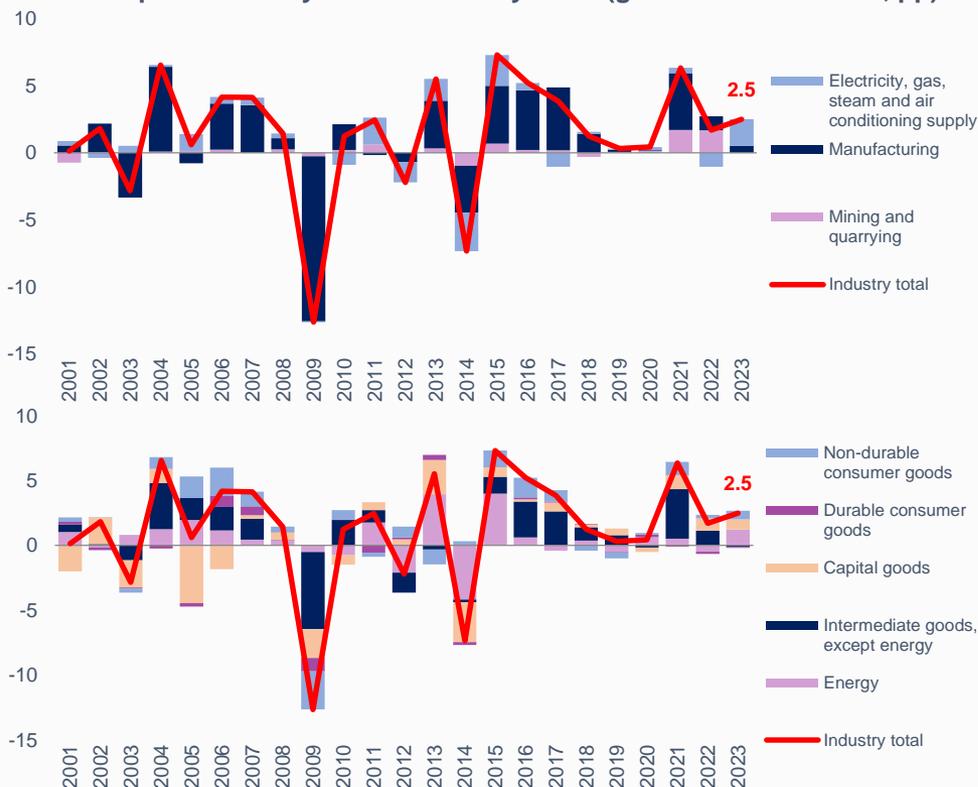
**Despite the reduced external demand and the negative impact on the dynamics of primarily export-oriented activities, the production of the manufacturing industry in the second part of 2023 recorded positive trends, whereby a significant part of the growth of the total industrial production came from this sector.**

On a year-on-year basis, the December increase in industrial production was driven by the growth of the manufacturing industry of 2.6% y-o-y. For the sixth month in a row, this sector recorded year-on-year growth in the physical volume of production, whereby half of the 24 activities of the manufacturing industry recorded an increase in production. At the same time, the volume of electricity production was higher by 6.9% y-o-y, which, along with the recorded decrease in mining production of 15.0% y-o-y, determines the almost neutral impact of the electricity sector. According to the seasonally adjusted data, the production of the total industry in December increased by 1.1%, compared to the November level, while the physical volume of manufacturing industry increased by 2.0%.

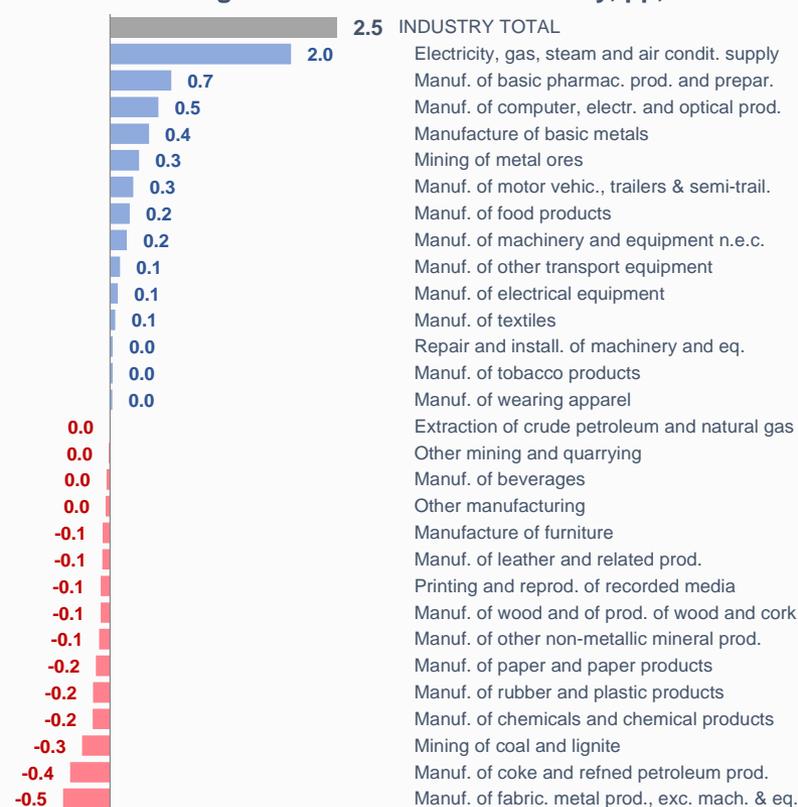
The most significant positive contribution to the manufacturing industry comes from the metal industry, which continued the upward trend of production with a growth of 74.0% y-o-y. The production of the electronic industry is continuously growing with a growth of 63.0% y-o-y. The food industry is recording an upward trend in production, achieving growth for the fourth month in a row, which amounted to 4.1% y-o-y in December. A positive contribution also had the production of other transport equipment (157.5% y-o-y), the chemical industry (14.7%), the pharmaceutical industry (7.3%) and the production of paper (15.8%). On the other hand, the most significant negative contribution comes from the machine industry (-17.5% y-o-y), with a negative contribution from the production of metal products (-8.3%), the oil industry (-4.8%), the rubber industry (-6.4%) and other manufacturing (-22.9%).

# In 2023, physical volume of industrial production increased by 2.5% compared to the previous year.

## Industrial production by sections and by MIGs (growth contributions, pp)



## Contributions to the growth rate of the total industry, pp, 2023



Source: SORS, calculated in the MoF

**Increased uncertainty in the international environment due to geopolitical tensions continues to define negative risks. However, despite this, a stable growth of industrial production was achieved during 2023 as a result of the activation of new production capacities, but also under the influence of the lower base from the previous year, especially in the manufacturing.**

In 2023, the most significant positive contribution was achieved by the production of electricity with a growth of 12.7% y-o-y, while the production volume of the manufacturing industry was higher by 0.7% y-o-y. At the same time, the physical volume of mining remained almost unchanged compared to the previous year (a decrease of 0.1%). In this period, half of the 24 activities of the manufacturing industry recorded an increase in production.

The most significant positive contribution to the movement of manufacturing industry was achieved by the pharmaceutical (growth of 14.1%), electronic (52.3%), basic metals (13.9%), automotive (12.6%) and food industry (1.4%). On the other hand, the production of fabricated metal products (decrease of 9.6% y-o-y), production of coke and refined petroleum products (-6.0%), chemical industry (-5.3%), rubber industry (-3.2%) and paper production (-5.5%) had the most significant negative contribution.

# Despite growing geopolitical tensions, high-frequency indicators point to a gradual acceleration of activity in the service sector.

**Retail trade turnover; Trade, Transportation and Accommodation and food services**



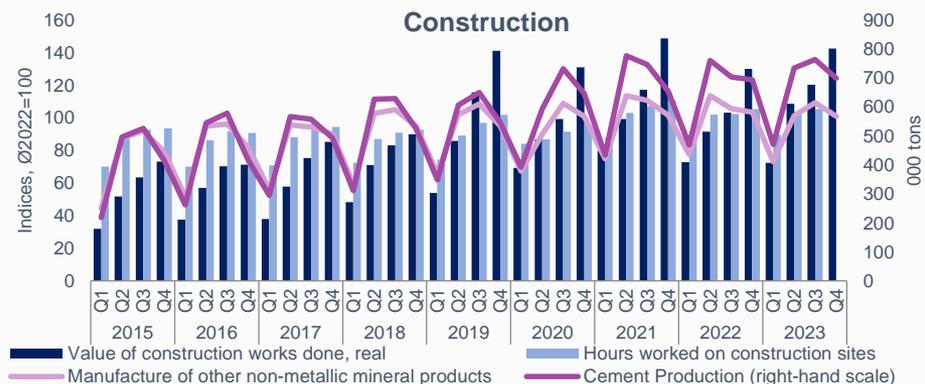
**Exports of services**



**Tourists' visits and overnight stays, foreign currency inflow from tourism**



**Construction**



Source: SORS, NBS

**The majority of service activities continue to grow, and with the easing of inflation and the growth of the real disposable income of the households, trade turnover entered the positive zone during November, and such trend continued in December.**

The retail trade turnover in 2023 nominally increased by 8.5%, while decreased in real terms by 1.9% y-o-y due to slightly higher inflation in this period. However, the slowdown of inflation in recent months has a positive effect on the real value of retail trade turnover, and after stagnant movements in October, real turnover entered the positive zone and recorded growth of 3.6% each during November and December.

In 2023, about 4.2 million tourists visited tourist destinations, which is an increase of 8.4%, with increase in the number of overnight stays by 1.6%. At the same time, foreign currency inflow from tourism increased by 3.4% and amounted to EUR 2,558.3 million.

In the first three quarters of 2023, the physical volume index of transport increased by 25.4% y-o-y due to the growth of passenger transport.

In 2023, the growth of exports of service activities continued, whereby slightly more than a third of the growth came from the increase in exports of the ICT sector of 27.4% y-o-y.

After unfavourable trends in construction during 2022 due to growing global uncertainty, a strong recovery of construction activity is recorded in 2023, with a real growth in the value of construction works done of 11.2% and the number of issued building permits of 6.4% y-o-y. At the same time, the production of cement increased by 1.6%, while the production of building materials decreased by 3.9% y-o-y.

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# EXTERNAL SECTOR

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❖ In December 2023, year-on-year growth in merchandise exports and imports recorded decline of 5.1% and 2.7%, respectively

❖ Coverage of imports by exports of goods in December amounted to 67.1%

❖ Germany, China and Italy were the largest external trade partners in 2023

❖ In December 2023, the current account deficit was EUR 695.4 million

# Despite the growth of export activity of 3.7%, a decrease in total foreign trade exchange was recorded as a result of a drop in imports of 5.5%, primarily due to lower energy imports and a drop in world prices.

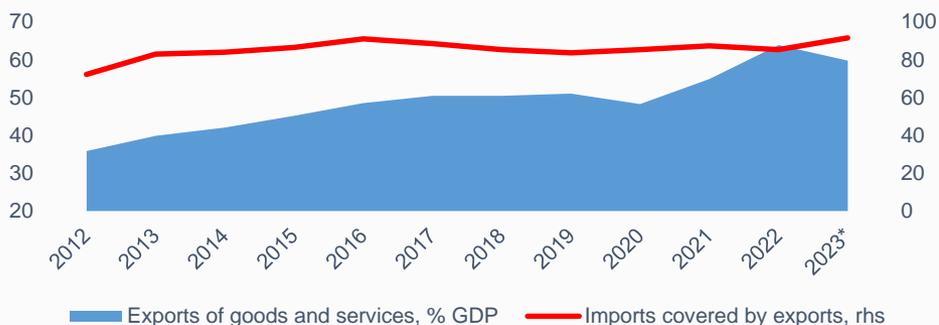
Contribution to the export, observed by economic destination of products BEC, in pp



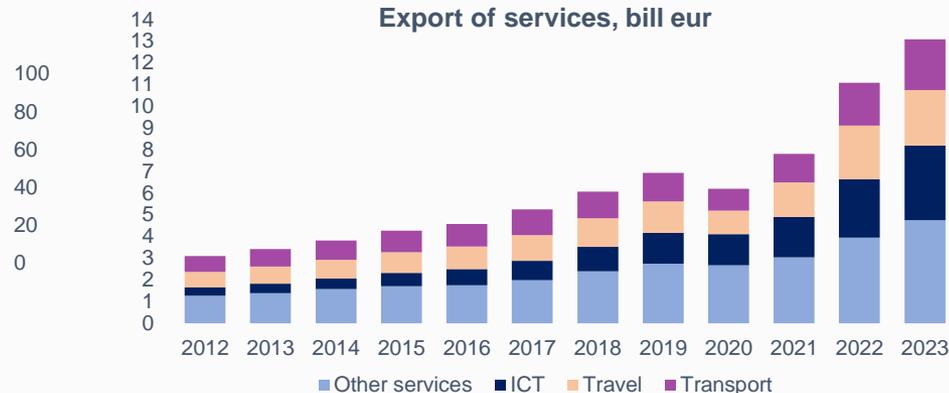
Contribution to the import, observed by economic destination of products BEC, in pp



Share of total export in GDP, coverage of imports by exports\*



Export of services, bill eur



Source SORS: \* MoF estimation

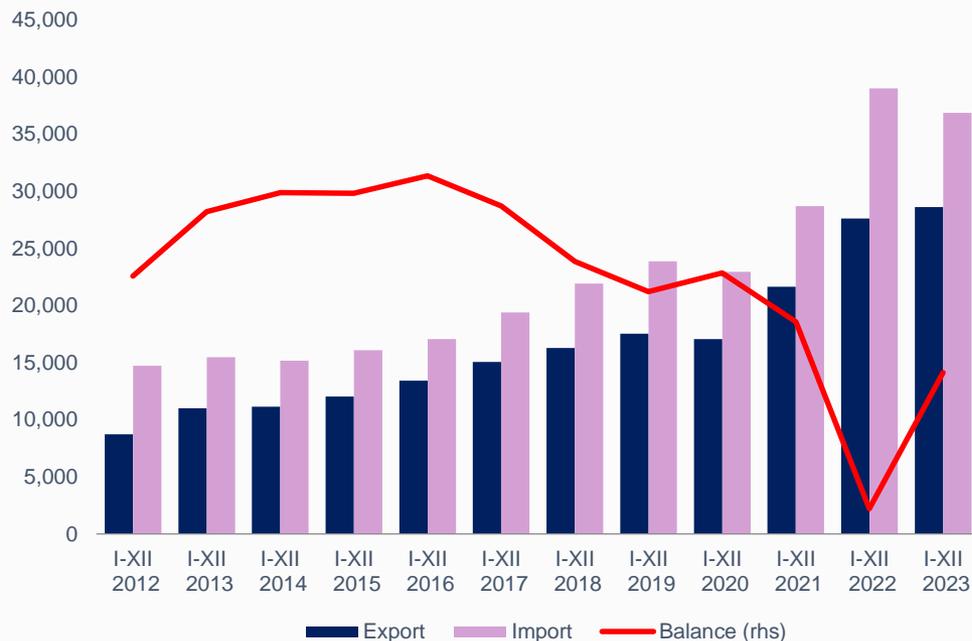
**The total volume of foreign trade in goods in 2023 amounted to 65.5 billion euros, and was 1.7% less than in 2022. The realized deficit of foreign trade goods exchange amounted to 8.2 billion euros, of which 2/5 refers to the deficit in energy exchange.**

Despite reduced external demand and increased uncertainty, the growth of export activity continued in 2023, primarily as a result of the activation of new export-oriented capacities due to the high inflow of FDI from the previous period. The manufacturing industry, as the carrier of export activity, achieved export growth of 5.4% in 2023, with growth in 16 out of a total of 23 activities. Agriculture, on the other hand, due to the weaker agricultural season in 2022, as well as the drop in prices of cereals and primary agricultural products, recorded a decrease in exports of 22.6%

Lower imports of energy products, along with a decrease in import prices, were reflected in the drop in imports in 2023. The import of raw materials and equipment recorded a decrease of 11.4% and 6.7%, respectively, and thus determined the overall decrease in import activity. Consumer goods, on the other hand, made a positive contribution to the growth of total imports, with a growth rate of 5.3%.

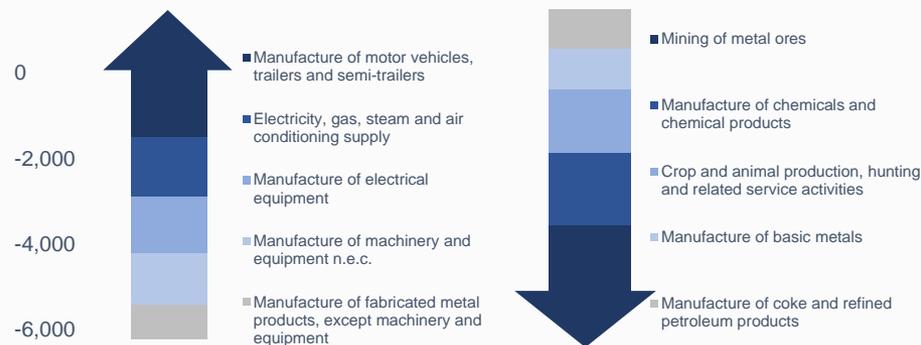
# Exports and imports of goods in 2023 amounted to 28.6 and 36.9 billion euros, respectively, while the coverage of imports by exports increased to 77.7% compared to 70.8% in the same period of the previous year.

External trade in the period January-December (2012-2023), mill. EUR

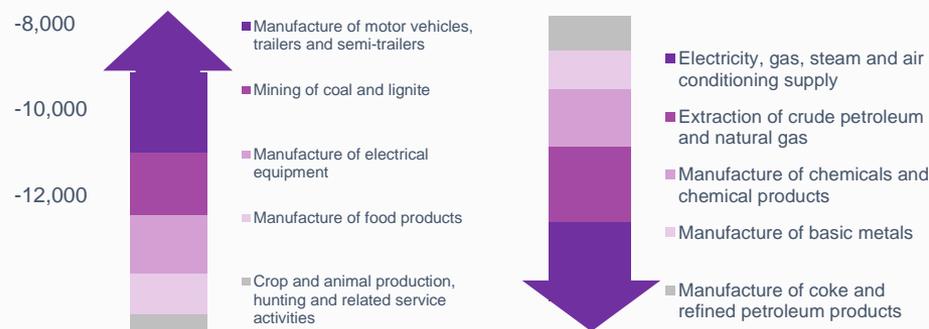


Source: SORS

Activities with the most significant impact on growth/decline of export



Activities with the most significant impact on growth/decline of import



**In December 2023 alone, foreign trade in goods decreased year-on-year by 3.7% and amounted to EUR 5.5 billion, due to decline of export of 5.1% and import of 2.7%.**

Exports of goods in December 2023 amounted to EUR 2.2 billion, which is a decrease of 5.1% y-o-y. The negative contribution to exports came from lower exports of the manufacturing industry, mining and electricity, while a positive contribution was recorded in agriculture. Exports of the manufacturing industry recorded a drop of 4.2% (decrease of 82.1 million euros), with growth recorded in 8 out of 23 activities. Within the manufacturing industry, the pharmaceutical, tobacco and metal industries had the most significant positive contribution.

The value of goods imports in December amounted to 3.3 billion euros and decreased by 2.7%, y-o-y, which is largely a consequence of the high base in the previous year, as well as lower energy prices on the world market. The decrease in imports was mainly contributed by the lower import of reproduction goods, where a decrease of 9.5% was recorded (a decrease of 180.8 million euros). On the other hand, a positive contribution came from the import of consumer goods, where a growth of 8.4% (or 51.8 million euros), as well as a slightly higher import of equipment (growth of 3.4%, or 15.1 million euros).

In the 2023, exports of goods increased by 3.7% (or EUR 1.0 billion), while exports of the manufacturing industry increased by 5.4% (by EUR 1.3 billion). The highest growth in export activity within the manufacturing industry was recorded in the automotive (21.1%), electric (14.3%), and machine industries (22.4%), while a positive contribution was also recorded in the metal (20.0%) and tobacco industry (20.8%).

In the same period, the fall in goods imports amounted to 5.5% and was recorded in 15 out of 23 divisions of the manufacturing industry. The decrease in the total import of goods was mainly contributed by the decrease in the import of intermediate goods of 11.4%, y-o-y, with a simultaneous decrease in the import of equipment of 6.7%, y-o-y. On the other hand, the import of consumer goods recorded a growth of 5.3%.

# The largest external trade partners of Serbia in 2023

## Good exports (mill. EUR) and most significant products (%)

	<b>4,315.3</b>
Rotating electric plant and parts	18.7
Equipment for distributing electricity	13.9
Parts and accessories of the motor vehicles	7.9
Railway vehicles and associated equipment	4.6
Other	54.9

**13.0%**

## Good imports (mill. EUR) and most significant products (%)

	<b>4,821.1</b>
Motor cars and other motor vehicles	5.5
Medicaments	4.9
Copper	4.6
Elec. apparatus for switching or protecting elec. circuits	2.8
Other	82.1

	<b>1,146.0</b>
Copper ores and concentrates	68.1
Copper	24.3
Wood, simply worked	2.1
Elec. apparatus for switching or protecting elec. circuits	0.6
Other	4.9

**8.8%**

	<b>4,502.2</b>
Telecommunications equipment	7.4
Automatic data processing machines	3.1
Electrical machinery and apparatus	2.5
Electrical apparatus for electrical circuits	2.4
Other	84.6

	<b>1,771.6</b>
Footwear	8.8
Articles of apparel	7.2
Rubber tires, flaps, etc.	5.2
Furniture and parts	4.8
Other	74.0

**8.4%**

	<b>2,683.2</b>
Leather	5.7
Copper	2.6
Articles of plastics	2.5
Other machinery and equipment for particular industries	2.4
Other	86.8

	<b>1,562.4</b>
Equipment for distributing electricity	18.9
Electric current	14.1
Thermionic valves and tubes	7.7
Rotating electric plant and parts	3.6
Other	55.7

**4.6%**

	<b>1,534.1</b>
Natural gas, whether or not liquefied	10.2
Petroleum oils and oils obtained from minerals	9.7
Medicaments	7.5
Equipment for distributing electricity	5.1
Other	67.6

	<b>1,967.1</b>
Petroleum oils and oils obtained from minerals	9.6
Electric current	4.4
Alcoholic beverages	3.2
Cereal preparations and preparations of flour or starch	3.0
Other	79.8

**4.6%**

	<b>1,026.0</b>
Electric current	14.9
Coke and semi-coke of coal, of lignite or of peat	13.7
Iron and steel bars, rods, angles	11.0
Briquettes lignite and peat	8.9
Other	51.4

	<b>1,106.0</b>
Household type, elec. and nonelec. equipment	10.4
Clothing accessories of textile fabrics	7.4
Feeding stuff for animals	6.6
Fruit and nuts, fresh or dried	5.5
Other	70.1

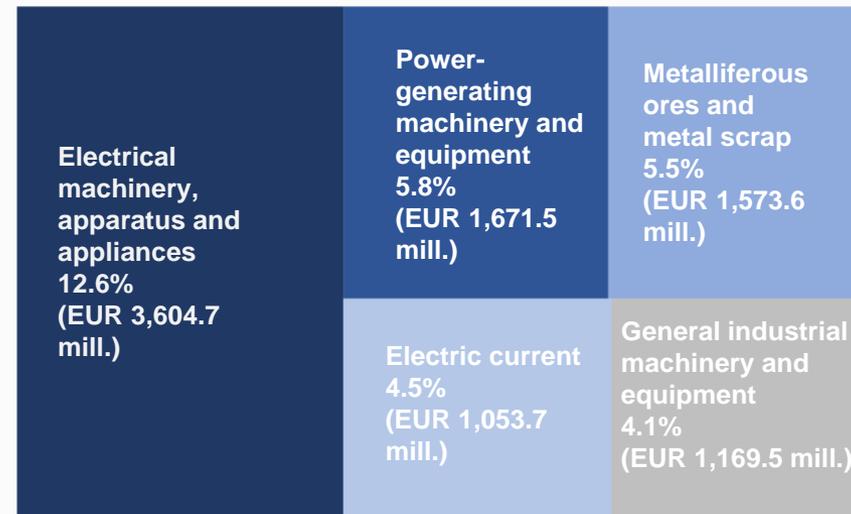
**4.6%**

Share in overall external trade

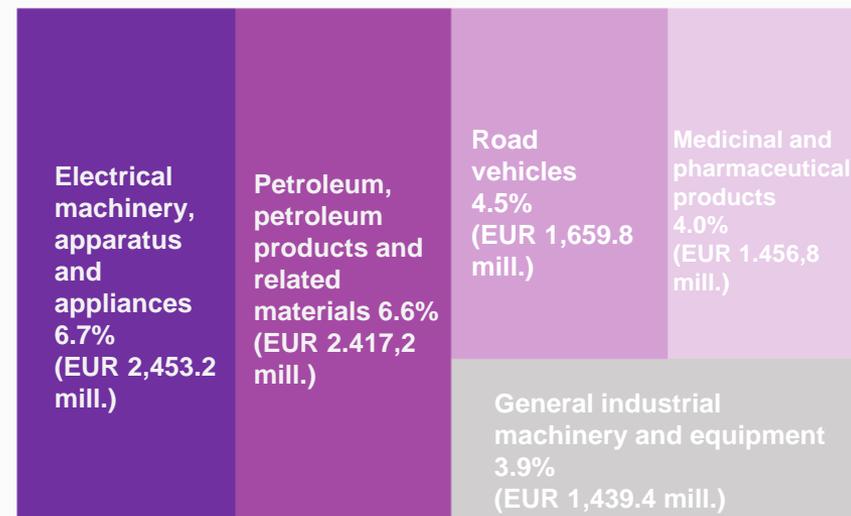
	<b>1,598.4</b>
Natural gas, whether or not liquefied	68.8
Fertilizers (other than crude)	12.7
Inorganic chemical elements, oxides and halogen salts	2.4
Tobacco, manufactured	2.2
Other	13.9

# In 2023, the total export value of 15 largest exporters amounted to EUR 7.0 bill. The largest exporter was Serbia Zijin Mining, followed by Serbia Zijin Copper and HBIS Group.

## The most significant products in export in 2023



## The most significant products in import in 2023



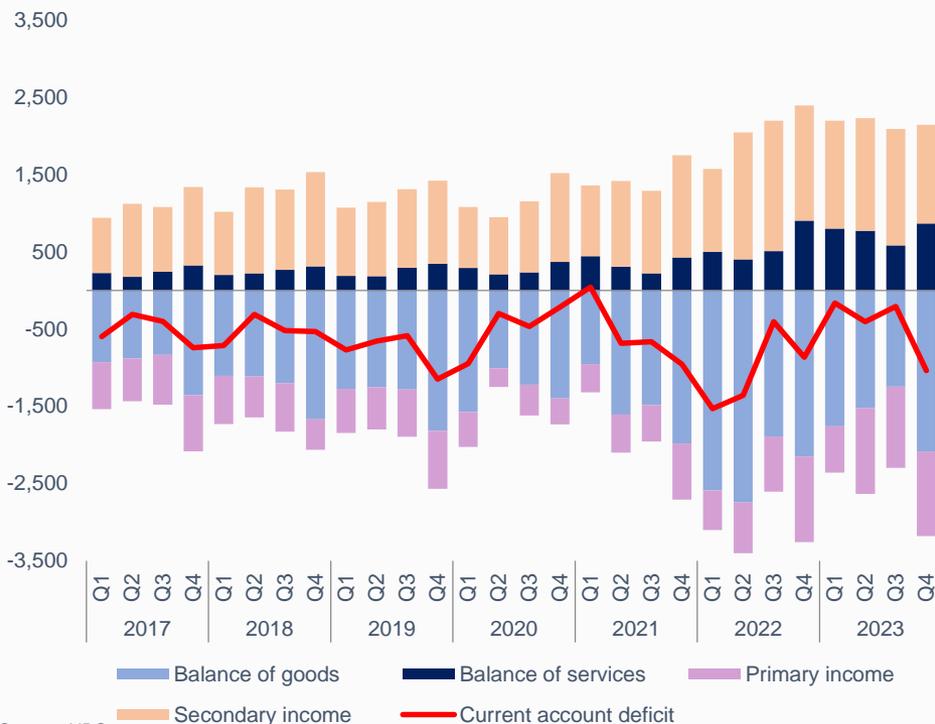
## 15 BIGGEST EXPORTERS\* in 2023 (EUR mill.)

NAME OF EXPORTER	LOCATION	EXPORT
SERBIA ZIJIN MINING D.O.O.	BRESTOVAC	1,152.0
SERBIA ZIJIN BOR COPPER	BOR	746.3
HBIS GROUP SERBIA IRON & STEEL D.O.O.	BEOGRAD	549.1
ZF SERBIA D.O.O.	PANČEVO	504.8
LEONI WIRING SYSTEMS SOUTHEAST	PROKUPLJE	489.3
TIGAR TYRES	PIROT	454.9
DRUŠTVO ZA TRGOVINU ROBERT BOSCH	BEOGRAD	453.1
HENKEL SRBIJA	BEOGRAD	405.0
YURA CORPORATION	RAČA	394.3
NAFTNA INDUSTRIJA SRBIJE	NOVI SAD	386.6
HEMOFARM	VRŠAC	351.9
SCM POWER D.O.O.	BEOGRAD	298.3
PHILIP MORRIS OPERATIONS	NIŠ	288.7
MINTH AUTOMOTIVE EUROPE D.O.O.	LOZNICA	277.9
GORENJE	VALJEVO	277.5

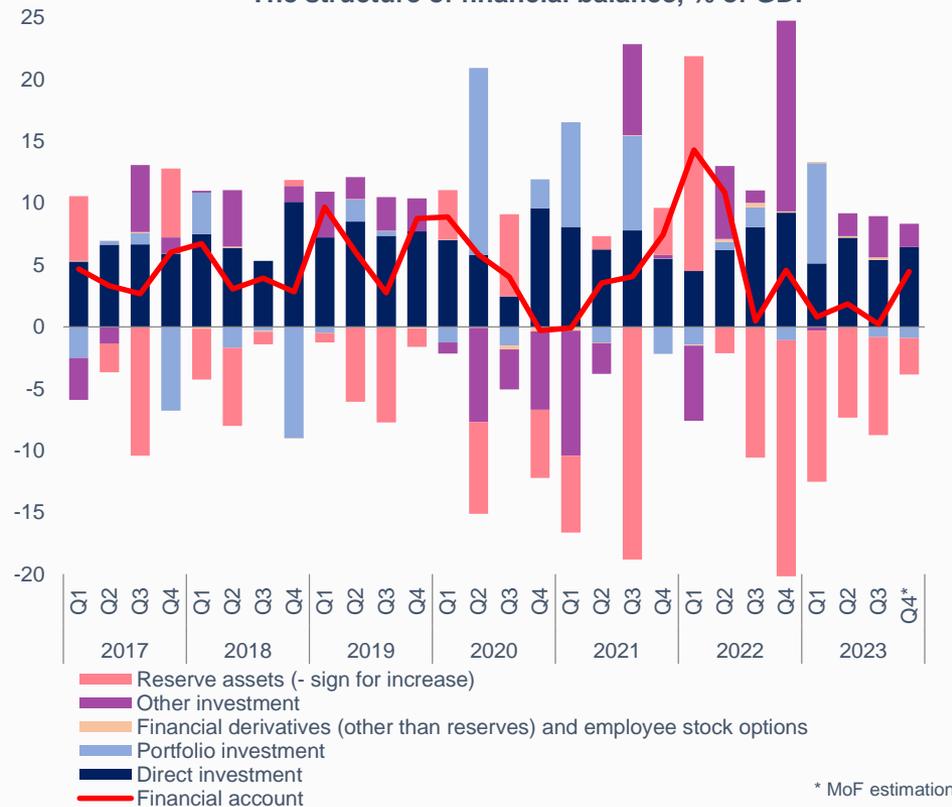
\* Observed by Customs Administration, individual data (excluding consolidated reports of groups and holdings)

## The current account deficit decreased from 6.9% in 2022 to 2.6% of GDP in 2023\*.

### Balance of payment (mill. EUR)



### The structure of financial balance, % of GDP



## The deficit of goods and services in the same period amounted to 3.6 billion euros, which represents a year-on-year decrease of 3.5 billion euros.

In 2023, the current account of the balance of payments recorded a deficit in the amount of 1.8 billion euros, which is 2.4 billion euros less than in the same period of the previous year. The decrease in the current account deficit was largely contributed by the decrease in the goods deficit, which amounted to 6.6 billion euros and is lower by 2.8 billion euros year-on-year. A surplus was recorded on the services account, which is EUR 703.1 million higher y-on-y, and amounted to EUR 3.0 billion.

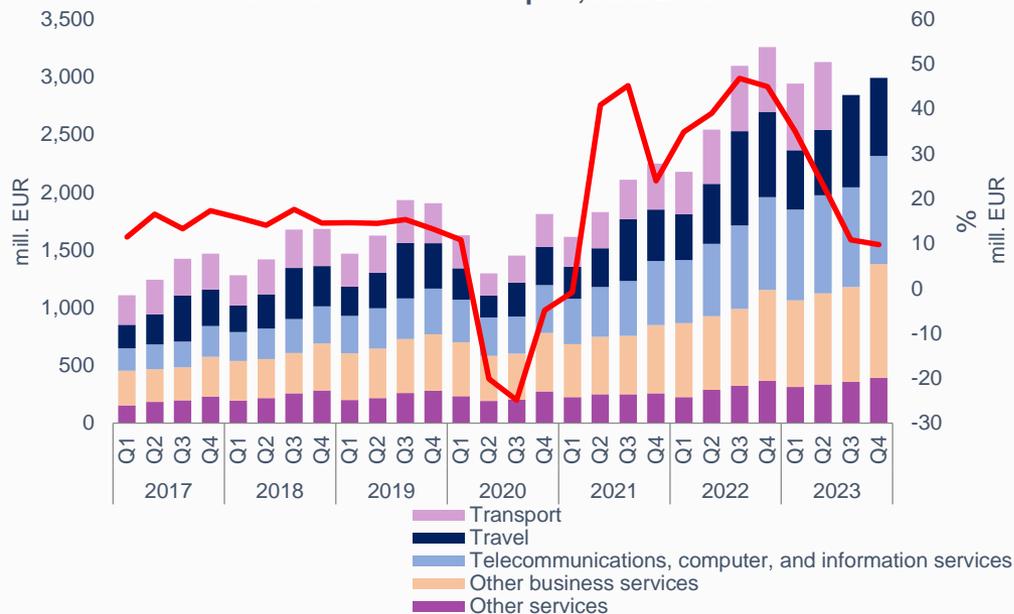
The deficit of primary income was higher by 28.6% (an increase of EUR 859.1 million), while the surplus of secondary income was lower by 4.3% and amounted to EUR 5.6 billion, with a net inflow of remittances from abroad of 3.7 billion euros.

The net inflow of FDI amounted to EUR 4.2 billion, while the total inflow of FDI amounted to EUR 4.5 billion.

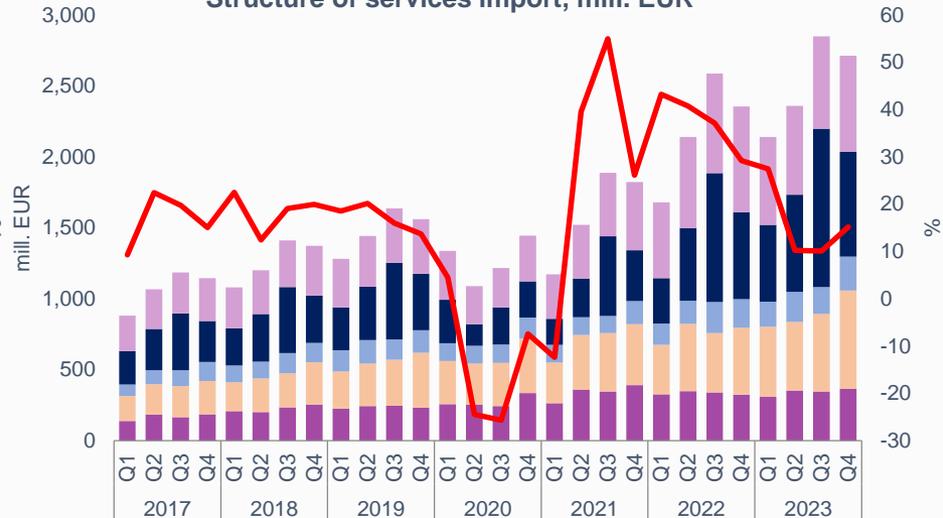
The net inflow of portfolio investments in the observed period amounted to EUR 917.8 million.

# The surplus in foreign trade exchange of services in 2023 amounted to 3.0 billion euros, and is higher by 30.4%. The largest surplus was achieved in the ICT sector and business services.

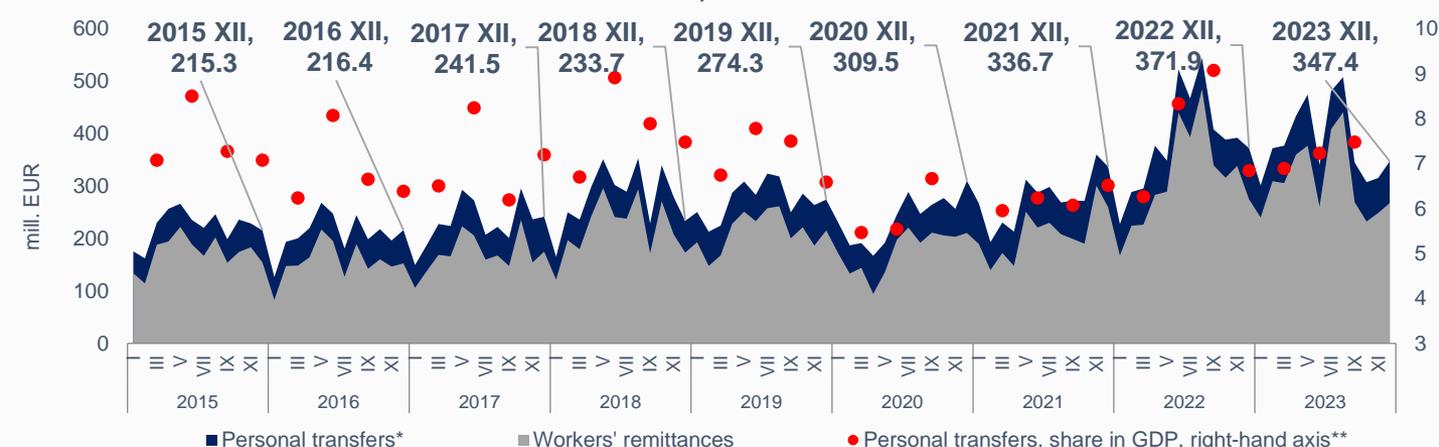
### Structure of services export, mill. EUR



### Structure of services import, mill. EUR



### Personal transfers\* and workers' remittances, mill. EUR



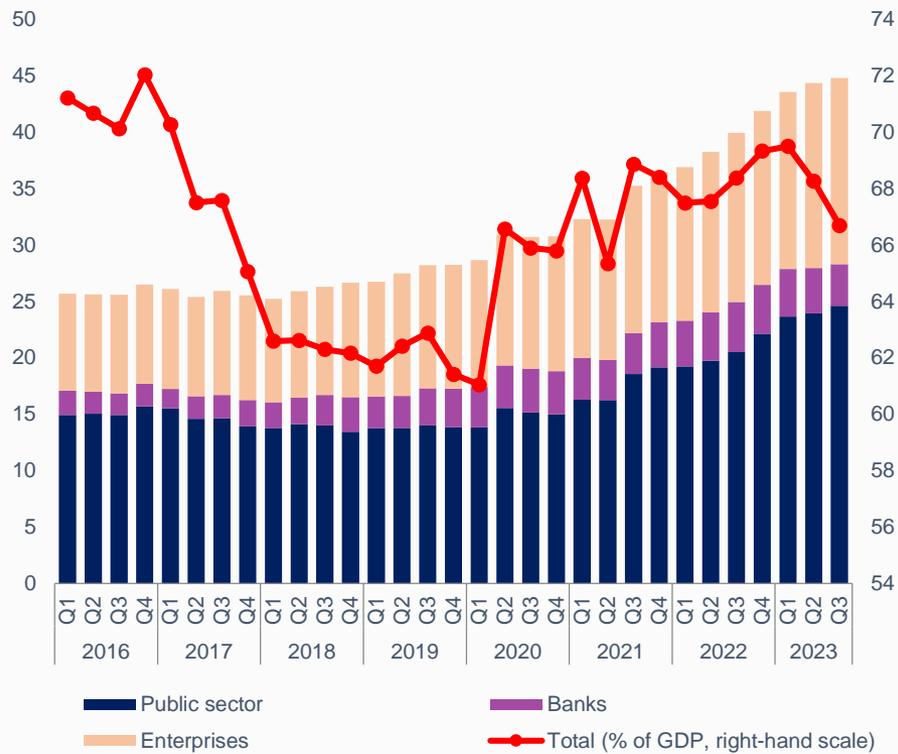
In 2023, a high inflow of transfers and remittances from abroad was maintained. The total inflow based on remittances and from abroad amounted to 3.9 billion euros.

\* Current transfers between resident and non-resident households.

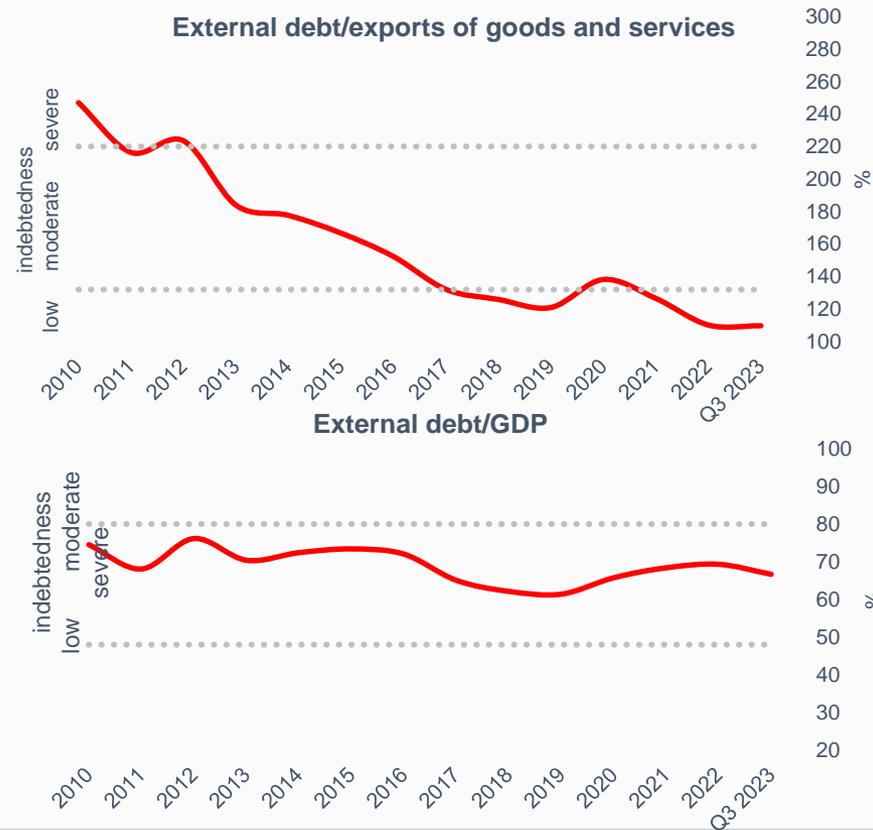
\*\* MoF estimate based on preliminary GDP data.

# Total external debt at the end of September 2023 amounted to 66.7% of GDP.

External debt, in billion EUR



External debt/exports of goods and services



**At the end of September, the external indebtedness of the public sector compared to the end of the previous year increased by EUR 2.5 billion, with a simultaneous increase in the indebtedness of enterprises of EUR 1.1 billion, while the banking sector reduced indebtedness by EUR 648.3 million.**

At the end of September 2023, compared to the end of the previous year, the ratio of external debt to exports decreased from 110.2% to 109.8%, while the ratio of external debt to GDP decreased from 69.3% to 66.7%.

According to the World Bank criteria\*, the current level of external debt to exports ranks Serbia among low-indebted countries and external debt to GDP ranks Serbia among medium-indebted countries.

\* According to the World Bank's methodology, if the ratio of external debt to export is below 132% then the country is at the low indebted level and for ratio above 220% country is severely indebted. According to the same methodology, if the ratio of external debt to GDP is below 48% then the country is at the low indebted level and for the ratio above 80% country is severely indebted.

# LABOUR MARKET

Registered employment in December was higher by 0.9% y-o-y

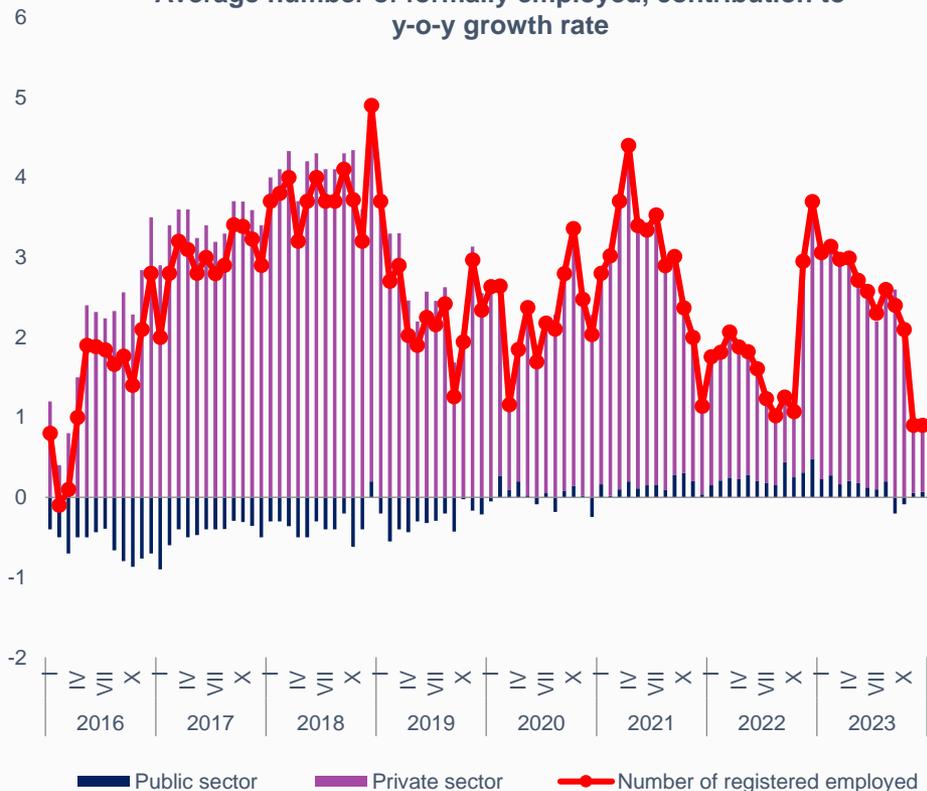
Unemployment rate in Q3 2023 totalled 9.0%

According to the National Employment Service, the number of unemployed persons in November was lower by 9.8%, y-o-y.

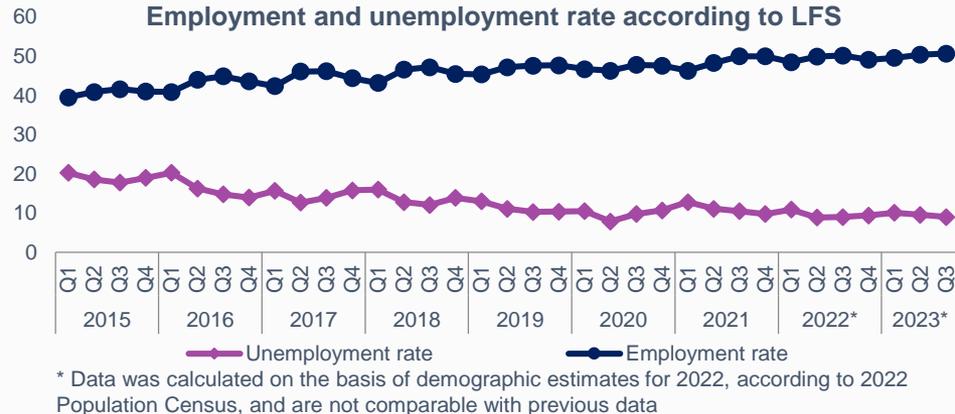
Average net salary in November totalled RSD 89,956 (EUR 768)

# In December 2023, the continuation of the trend of employment growth was recorded.

### Average number of formally employed, contribution to y-o-y growth rate



### Employment and unemployment rate according to LFS



### Number of unemployed persons, according to NEA



## Most significant yearly growth of employment in December was registered in scientific activities, health and information and communication technologies.

According to CROSO\* records, the year-on-year increase in employment in December amounted to 0.9% and was mostly the result of growth in employment in the private sector (1.1%), while in the public sector the number of employees increased mildly by 0.3%.

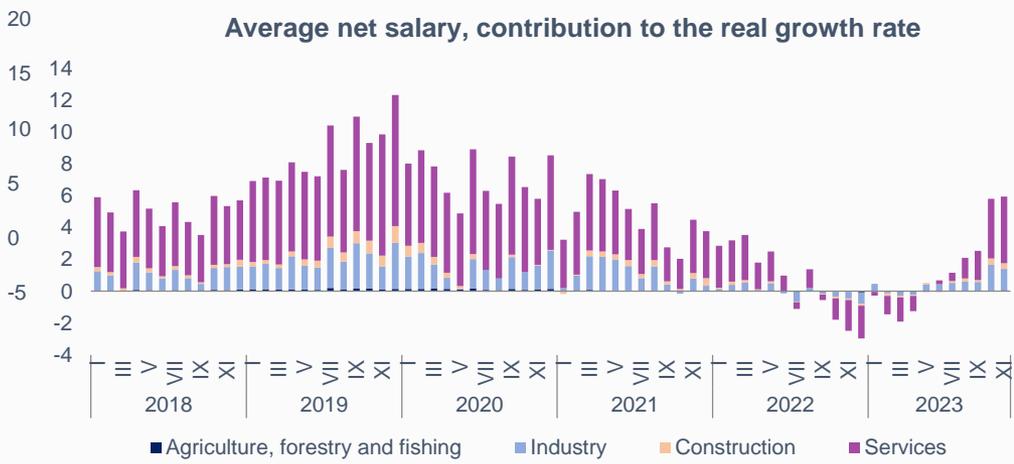
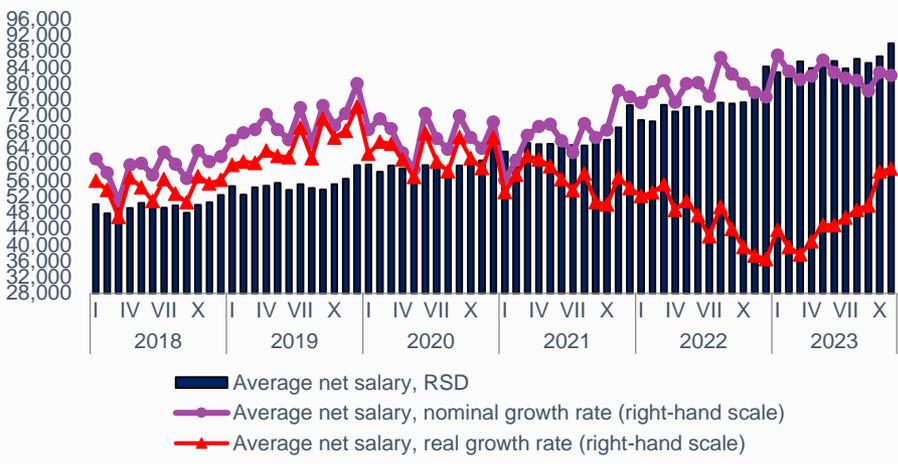
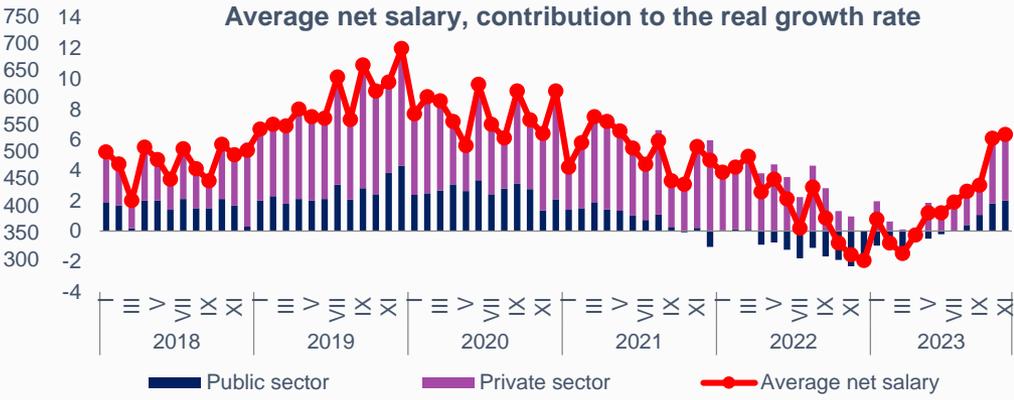
In 2023 employment increased by 2.4%, compared to the same period of the previous year. Most significant contribution to the growth came from employment increase in the ICT and scientific activities.

\* Central registry of compulsory social security

According to the National Employment Service, the number of unemployed persons in November was lower by 9.8%, y-o-y.

In the third quarter of 2023, compared to the same quarter of the previous year, the employment rate increased by 0.5 percentage points and amounted to 50.7%. At the same time, the unemployment rate remained unchanged and totalled 9.0%.

# The average net salary in November 2023 increased by 14.8% in nominal terms, y-o-y and amounted to RSD 89,956. At the same time, in real terms wages increased by 6.3%.



**Observed by activities, the most significant year-on-year real wage growth in November was recorded in the manufacturing industry, trade, state administration and defence, education and transportation.**

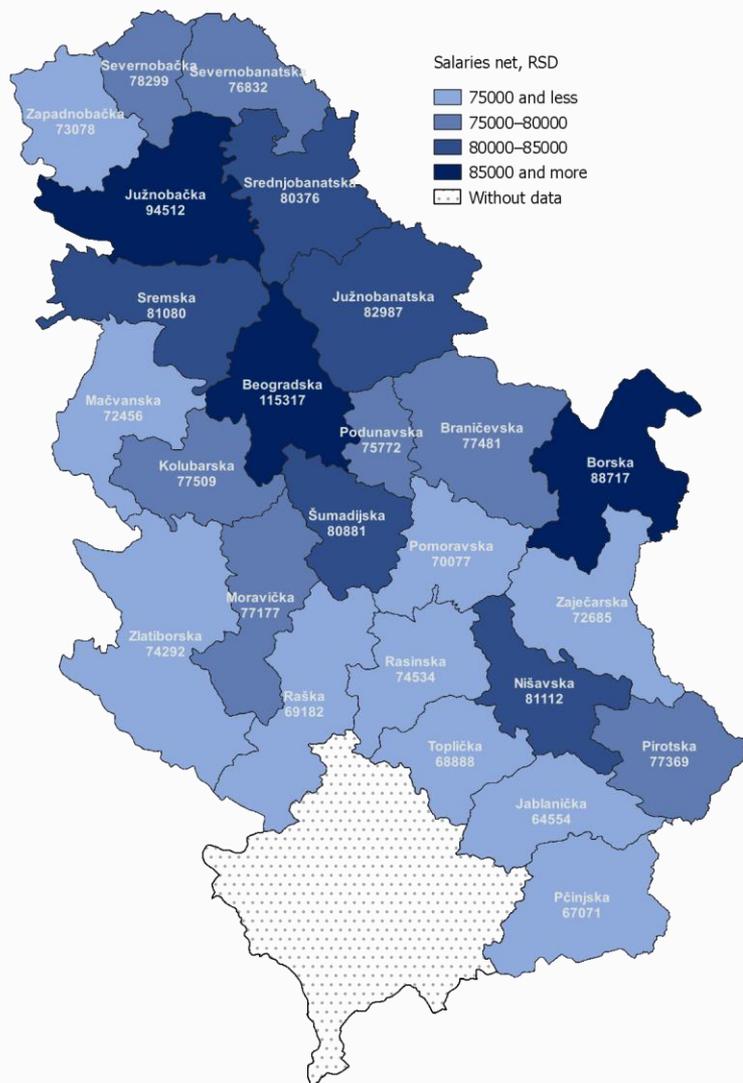
The year-on-year real wage growth in November was driven by the growth of wages in the private sector, which recorded a real increase of 5.9%, and was additionally supported by the growth of wages in the public sector of 7.5%.

In the period January-November salaries increased by 2.0% in real terms compared to the same period of the previous year. Since 2023, minimum cost of labour per working hour increased by 14.3% to RSD 230.0.

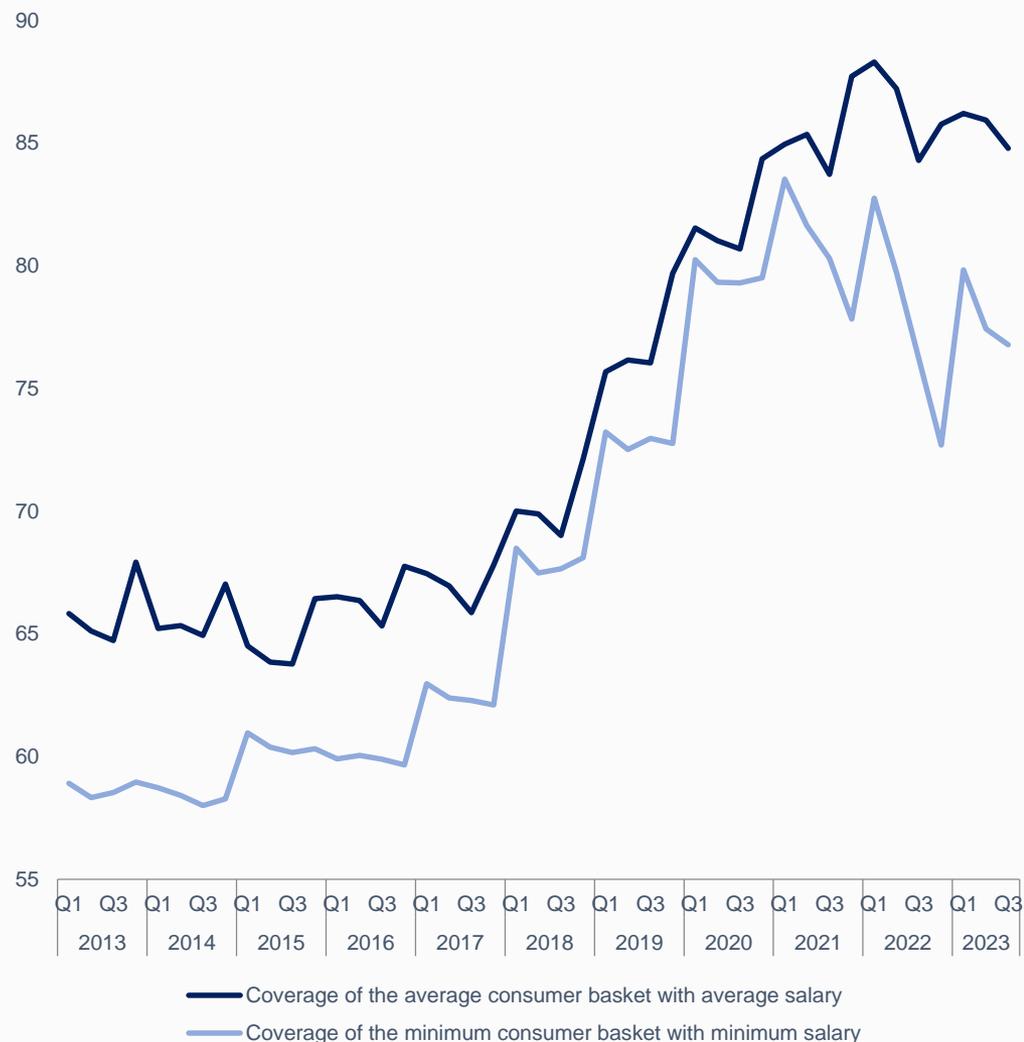
Source: SORS, calculated in MoF

# Active measures of the Government of the Republic of Serbia were created in order to reduce the identified regional and social inequalities.

## Average net salaries by areas, November 2023



## The ratio of salaries and consumer basket

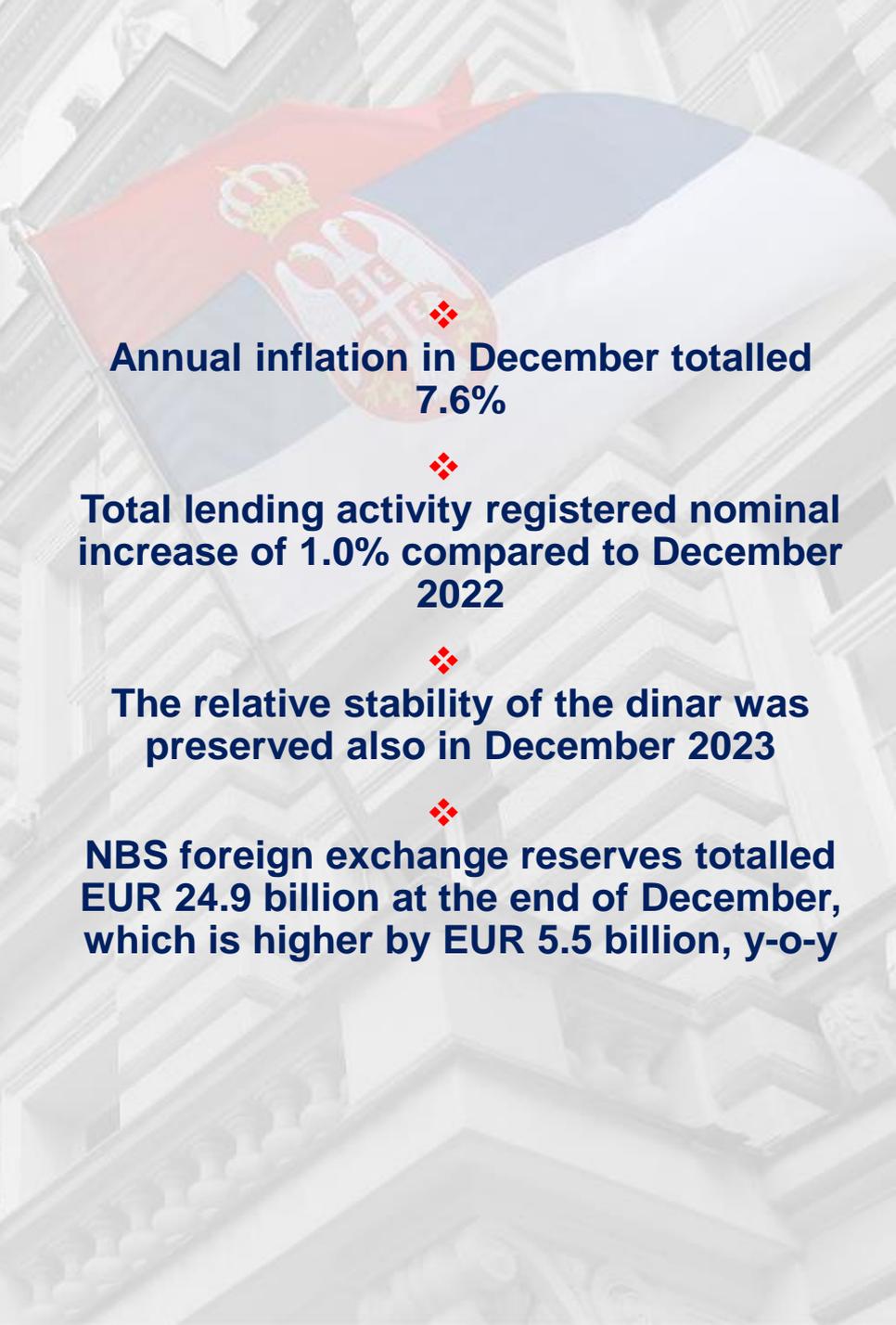


Source: SORS and Ministry of Trade, Tourism and Telecommunications

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# MONETARY DEVELOPMENTS

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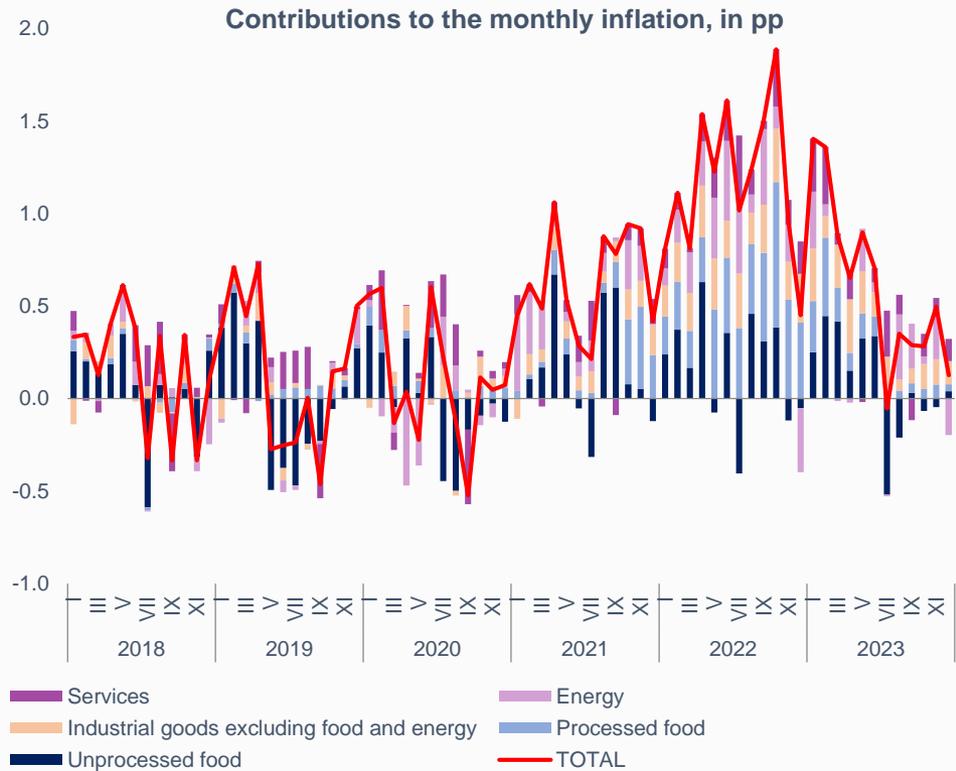
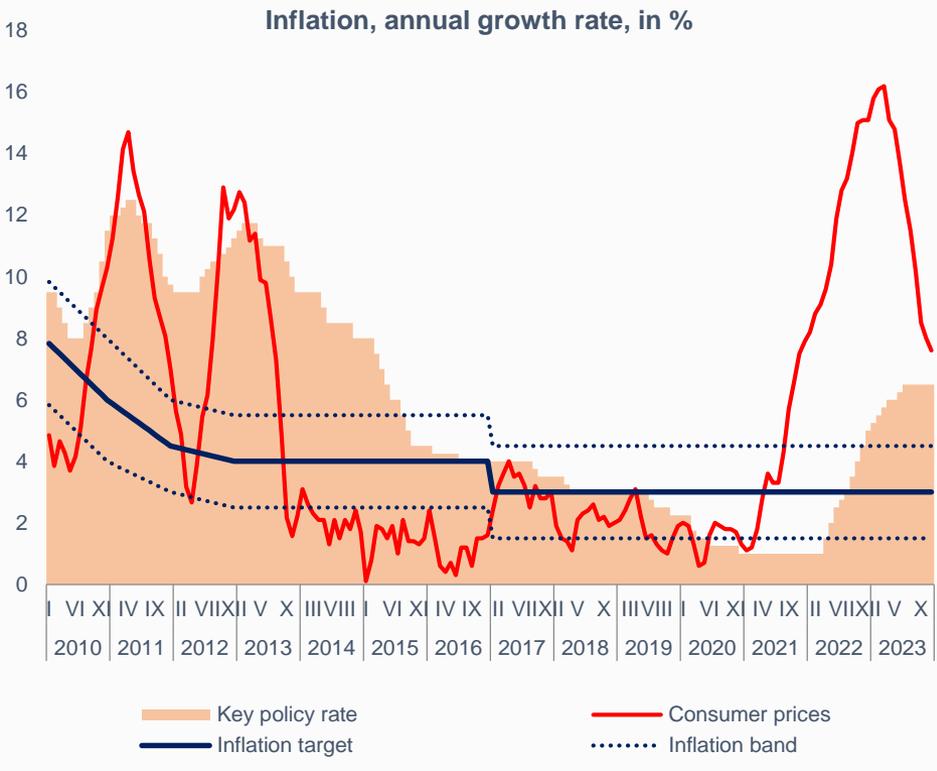
Annual inflation in December totalled  
7.6%

Total lending activity registered nominal  
increase of 1.0% compared to December  
2022

The relative stability of the dinar was  
preserved also in December 2023

NBS foreign exchange reserves totalled  
EUR 24.9 billion at the end of December,  
which is higher by EUR 5.5 billion, y-o-y

**In December 2023, the slowdown in the growth of consumer prices which started in April continued and the annual inflation rate totalled 7.6%. As a result of declining inflationary pressures, the NBS kept the key policy rate to 6.50% in February.**



**At the same time, core inflation was significantly lower and amounted to 6.5%, which was significantly influenced by the preserved stability of the exchange rate, as well as preserved business and consumer confidence.**

In December, the growth of consumer prices continued to move on a downward path, so it amounted to 7.6% year-on-year, which is still above the target level. This trend of inflation was influenced by reduced cost pressures, the continued slowdown in the growth of food prices, as well as the prices of products and services within the base inflation (consumer price index excluding food, energy, alcohol and tobacco).

During first half of 2023, the restrictiveness of monetary policy increased. Thus, since the beginning of the year, the key policy rate has been increased six times to the level of 6.50%, as well as lending facility rate to 7.75% and the deposit facility rate to 5.25%. Keeping the key policy rate at an unchanged level from July 2023 to February 2024 was influenced by the further easing of global inflationary pressures, the established downward path of domestic inflation and its expected movement within the target band over the monetary policy horizon, as well as the effects of the previous tightening of monetary policy.

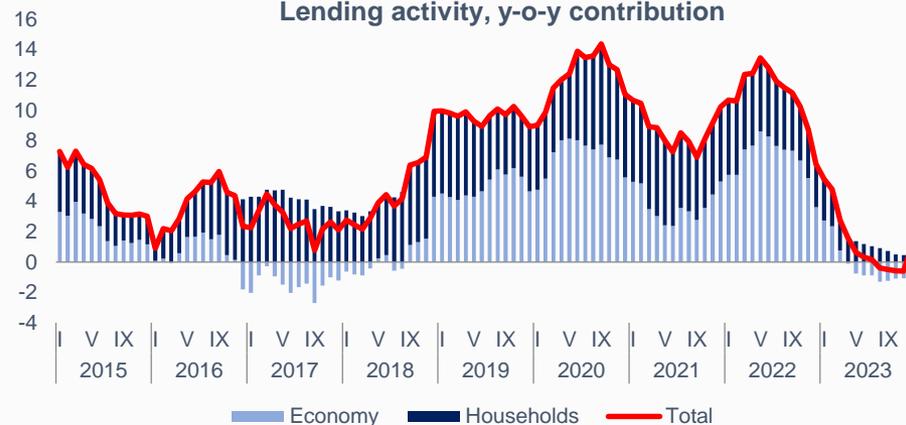
Source: SORS, NBS

# The total lending activity in December 2023 recorded growth of 1.0%, y-o-y.

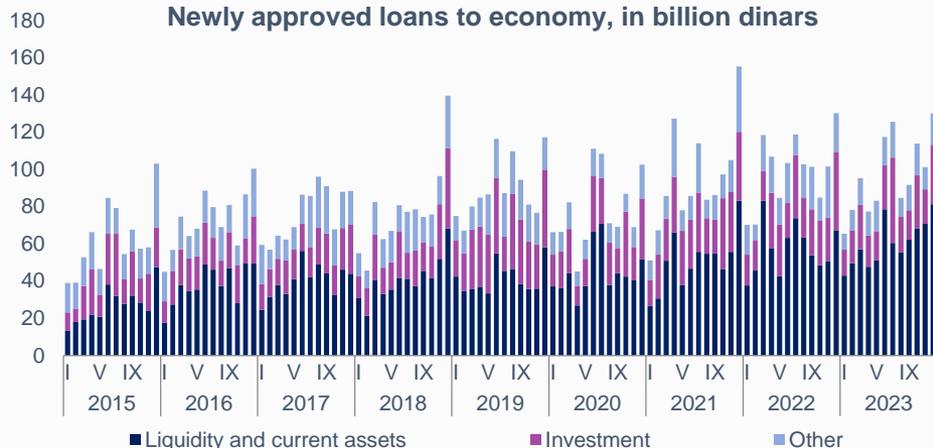
### Annual growth rates of loans



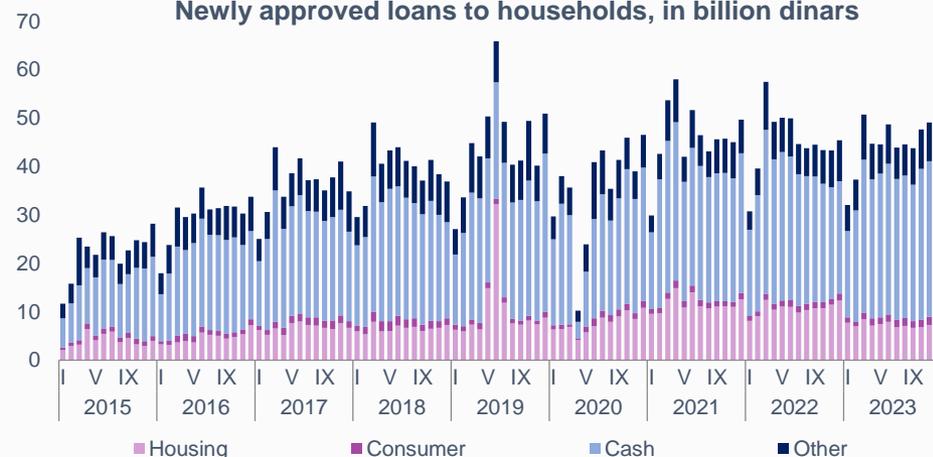
### Lending activity, y-o-y contribution



### Newly approved loans to economy, in billion dinars



### Newly approved loans to households, in billion dinars



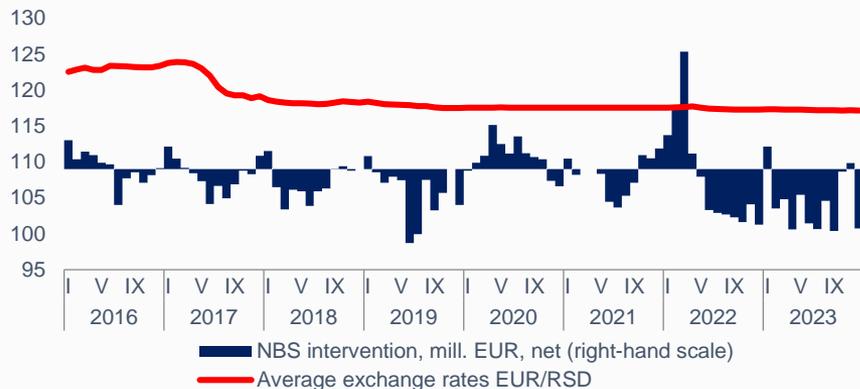
**The positive contribution to the growth in total loans comes from the lending activity of the households, while economy loans also had a positive contribution, for the first time since March. Share of NPL in total loans amounted to 3.1% at the end of November.**

The slowdown and negative growth of loans during previous months was a consequence of the high base and the tightening of the monetary policy of the NBS and the ECB. In December, a nominal increase in total placements was registered by 1.0%, placements to the households increased by 1.2%, while economy recorded increase of 0.9%, y-o-y.

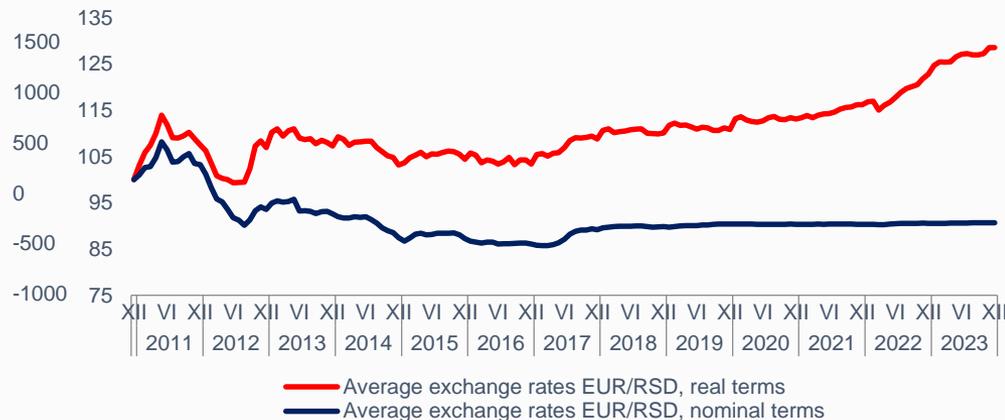
The tightening of monetary conditions was accompanied by an increase in interest rates on the new dinar loans to the economy and the households. Also due to the tightening of the monetary policy of the ECB, there is also an increase in interest rates on euro-indexed loans on the domestic market. The interest rate on total newly approved dinar loans in **December** increased by 1.2 pp and amounted to 10.46%. Total newly approved loans increased year-on-year by 1.5%. Source: NBS

# In December 2023, nominal and real appreciation of dinar was recorded on average, by 0.1% and 4.7%, respectively.

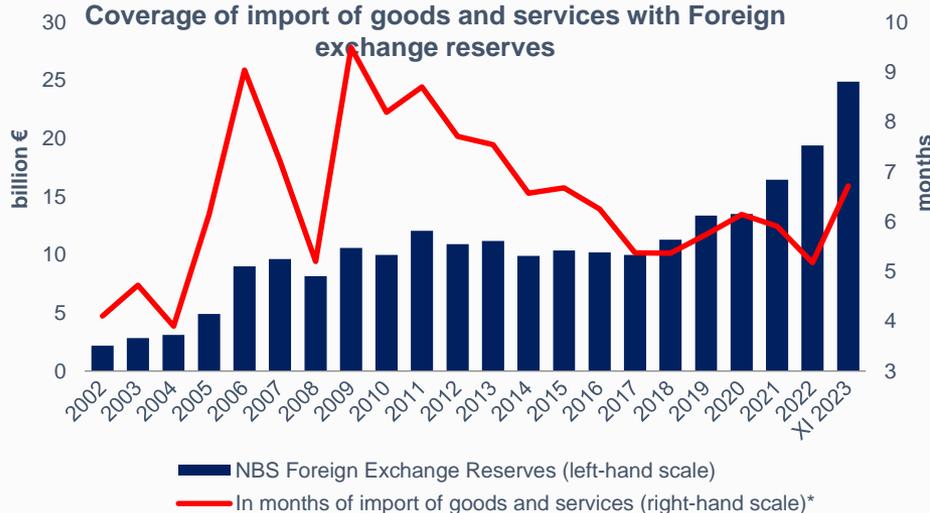
## Movements in the exchange rate and NBS interventions on the foreign exchange market



## Real and nominal exchange rate, indices January 2010=100



## Coverage of import of goods and services with Foreign exchange reserves



## Foreign exchange reserves and foreign currency savings, EUR billion



\* According to the latest available data from NBS Balance of payments statistics.

In order to mitigate excessive short-term dinar exchange rate fluctuations, the NBS intervened in the foreign exchange market in December with a net buying of foreign exchange in the amount of EUR 590 million.

In December, foreign exchange reserves increased by EUR 0.7 billion compared to the previous month and amounted to EUR 24.9 billion, which is the highest level since the data is recorded. The increase in FX reserves reflects primarily NBS FX purchase interventions in the domestic FX market, also inflows were also generated by net allocations of bank FX required reserves, reserve management, grants and other sources.

Source: NBS

# FISCAL DEVELOPMENTS

❖ In 2023, a fiscal deficit of RSD 181.1 bln (2.2% of GDP) was realized at the general government level. Deficit in accordance to fall projection was planned at the level of 2.8% of GDP, while the original plan for 2023 was 3.3% of GDP.

❖ In 2023, compared to 2022 public revenues recorded a growth of 11.9%, mostly thanks to higher revenues from direct taxes and contributions, while expenditures recorded a growth of 9.8%, mostly due to higher pensions and general government wages.

❖ A new set of fiscal rules in force from 2023 i.e. 2025

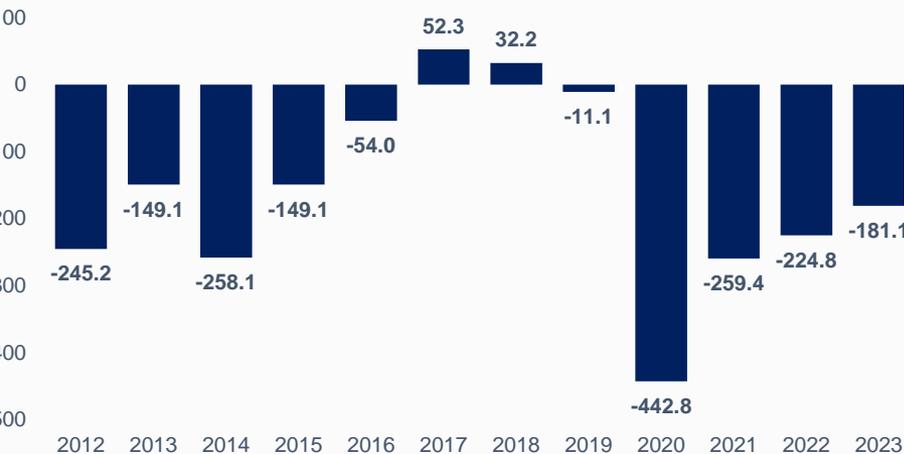
The general fiscal rules determine the target medium-term fiscal deficit, as well as the maximum ratio of debt to GDP with the aim of ensuring the long-term sustainability of the fiscal policy.

Special fiscal rules determine expenditure limits for pensions and general government salaries

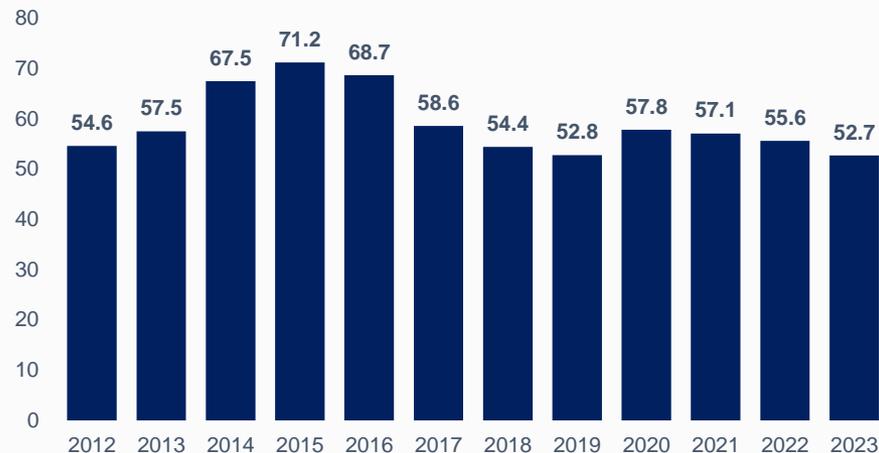
❖ At the end of 2023, the public debt of the general government amounts to 52.7% of GDP, while the debt of the central level of government amounts to 52.3% of GDP.

# In 2023, the general government deficit amounted to 181.1 billion dinars, while public debt stood at 52.7% of GDP

## Fiscal result for the general government for the period 2012 – 2023



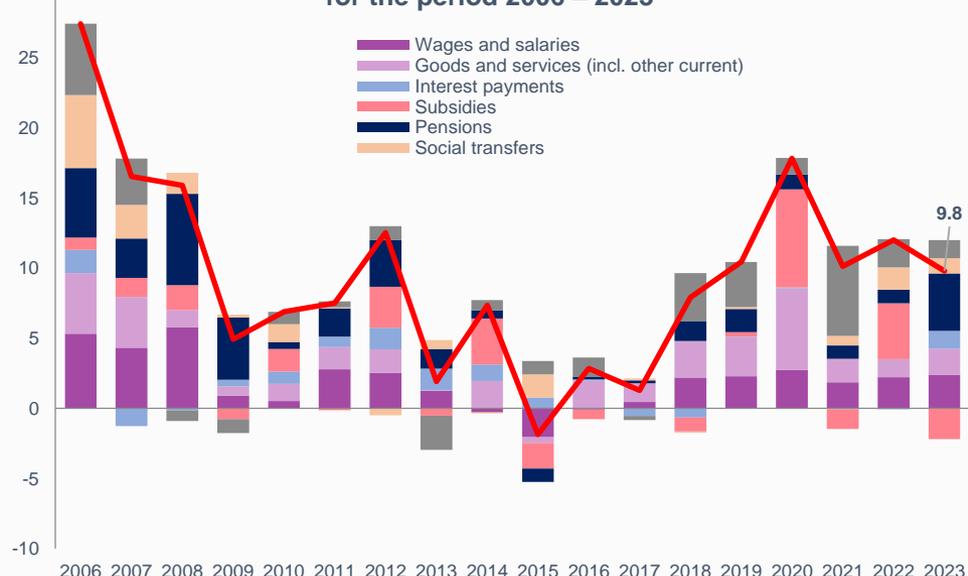
## Public debt of the general government in% of GDP for the period 2012 – 2023



## Contributions to an annual growth rate of public revenues for the period 2006 – 2023

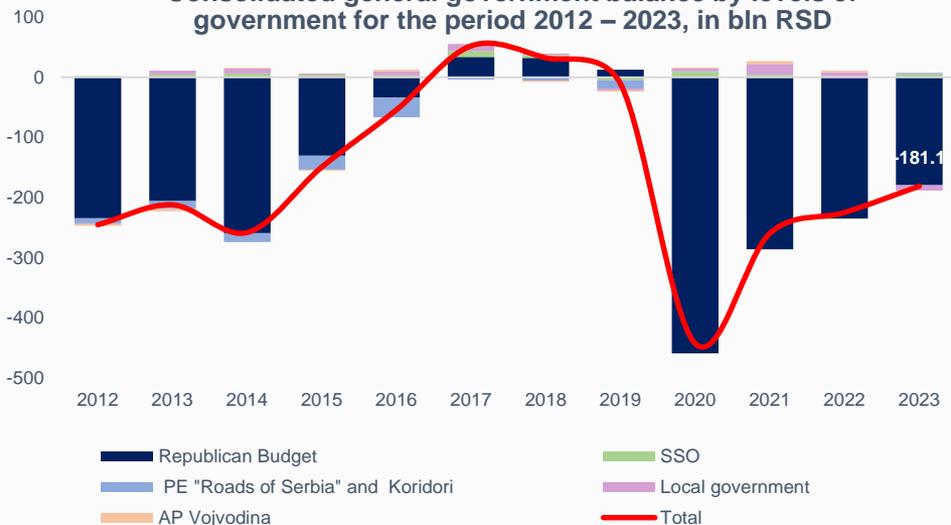


## Contributions to an annual growth rate of public expenditures for the period 2006 – 2023

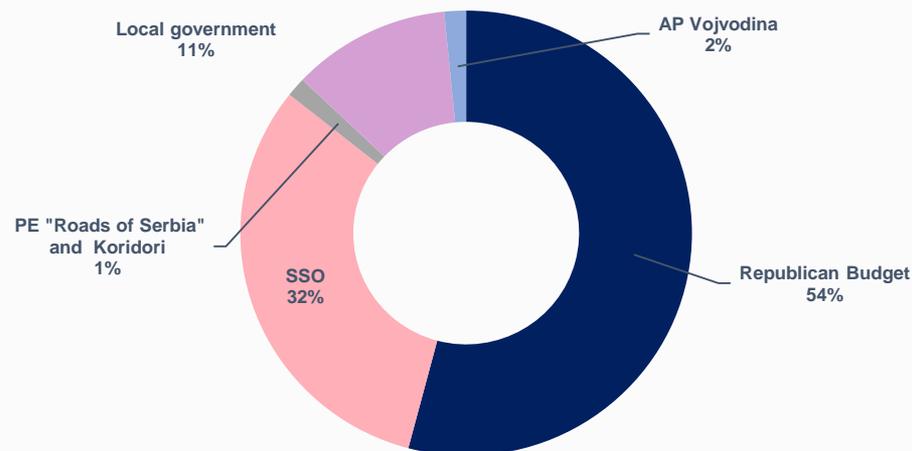


# In 2023, the Republican Budget deficit of RSD 179.3 billion was recorded

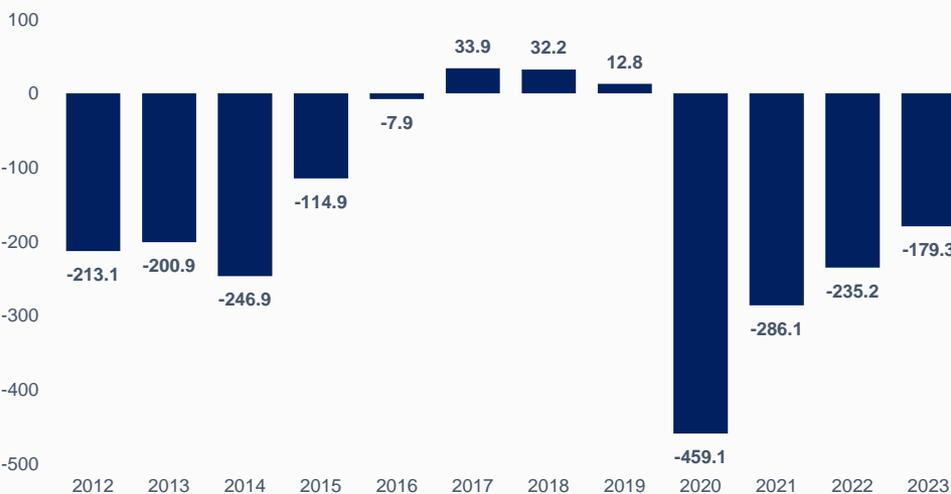
Consolidated general government balance by levels of government for the period 2012 – 2023, in bln RSD



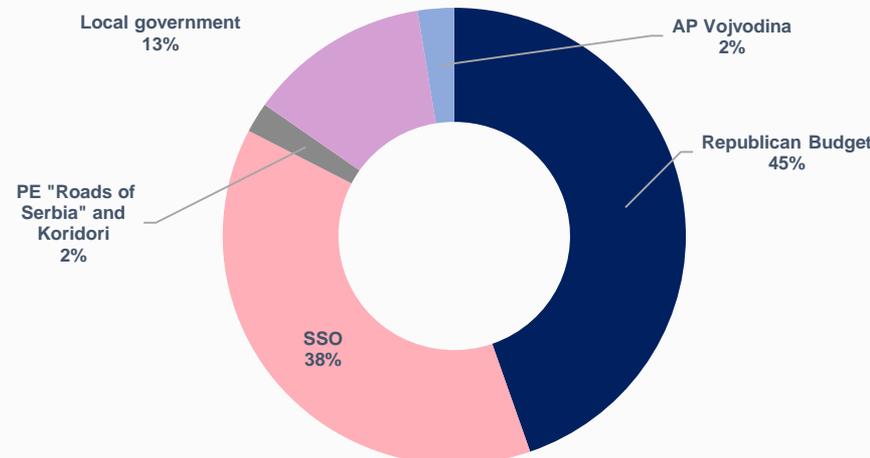
Structure of consolidated revenues by levels of government in 2023 \*



Fiscal result of the Republican budget for the period 2012 – 2023



Structure of consolidated expenditures by levels of government in 2023 \*



\* Not including transfers between levels of government

# The new set of fiscal rules is an integral part of the Law on Amendments to the Law on the Budget System, adopted at the end of 2022

## General fiscal rules\*:

- The general government debt, including obligations based on restitution, will not exceed 60% of GDP.
- The target medium-term deficit is 0.5% of GDP.

If the general government debt is above 60% of GDP, the fiscal position of the general government must be balanced, so that the deficit is at most 0% of GDP.

If the general government debt is between 55% and 60% of GDP, the deficit amounts to a maximum of 0.5% of GDP.

If the general government debt is between 45% and 55% of GDP, the deficit amounts to a maximum of 1.5% of GDP.

If the general government debt is below 45% of GDP, the deficit will not exceed the amount of 3% of GDP.

## Special fiscal rules\*\*:

- Share of general government salaries in GDP up to 10%.
- Indexation of pensions depending on their share in GDP.

If the total expenditure for pensions is less than 10% of GDP, the pension will be adjusted according to the change in the average salary without taxes and contributions, in the manner defined by the law governing pension and disability insurance.

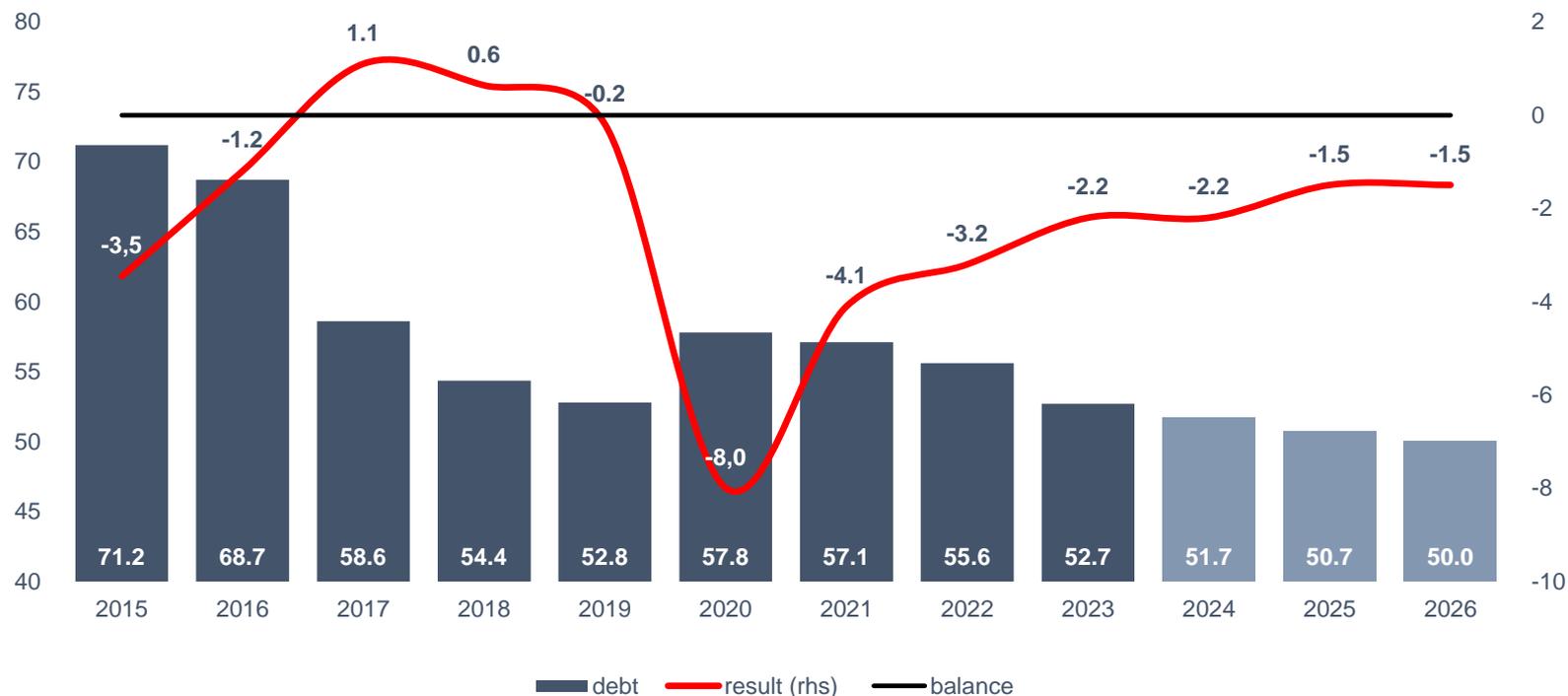
If the total expenditure for pensions is 10% or more than 10% and less than 10.5% of GDP, the pension will be adjusted to the sum of half of the change in the average salary without taxes and contributions and half of the change in consumer price, in the manner defined by the law governing pension and disability insurance.

If the total expenditures for pensions are equal to or greater than 10.5% of GDP, the pension will be adjusted according to the change in consumer prices, in the manner defined by the law governing pension and disability insurance.

*\* will be applied from the adoption of the law on the budget of the Republic of Serbia for 2025, until then the fiscal goals established in the Revised Fiscal Strategy for 2024 with the projections for 2025 and 2026 will be applied*

*\*\* applied with the adoption of the Law on the budget of the Republic of Serbia for 2023, with a gradual expansion of the scope of the general government, in accordance with the law*

# Fiscal result and general government debt, in % of GDP\*

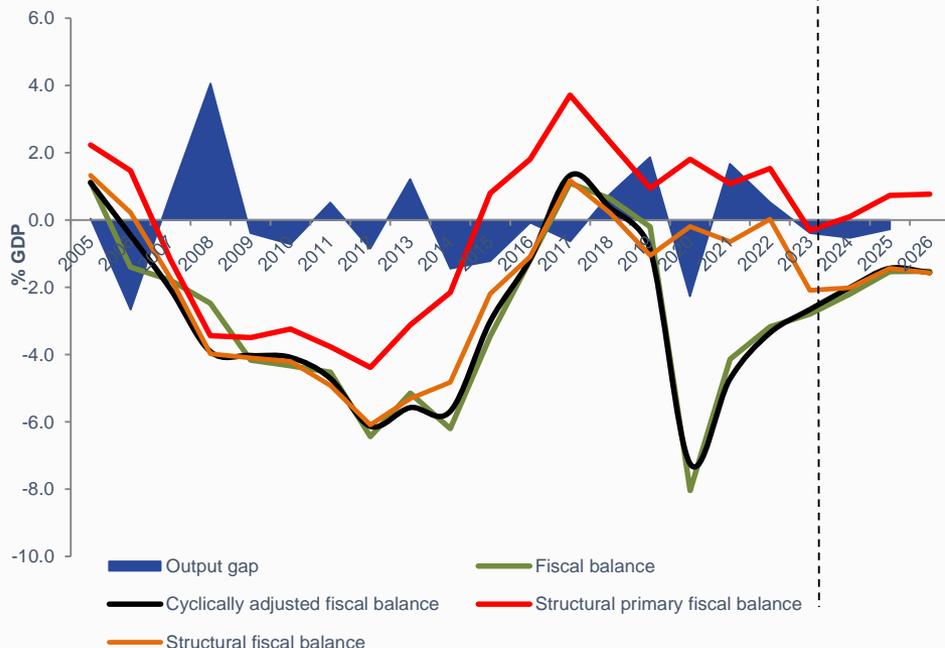


The expansionary fiscal policy during 2020 and 2021 reduced the negative economic consequences of the pandemic. In 2022, the focus shifted to protecting the economy and the population from the energy crisis. During 2023, due to higher revenues compared to the plan, fiscal space was created which was used for additional fiscal stimulus to the population and capital investments. In the next medium-term period\*, a moderate reduction of the deficit of the general government is foreseen in order to ensure the flexibility of the national economy through fiscal policy, as well as a timely and effective response to possible external shocks. This, above all, refers to the expenditure side. On the revenue side, the priority will remain the further reduction of the tax burden on wages and the continuation of the fight against tax evasion and the gray economy.

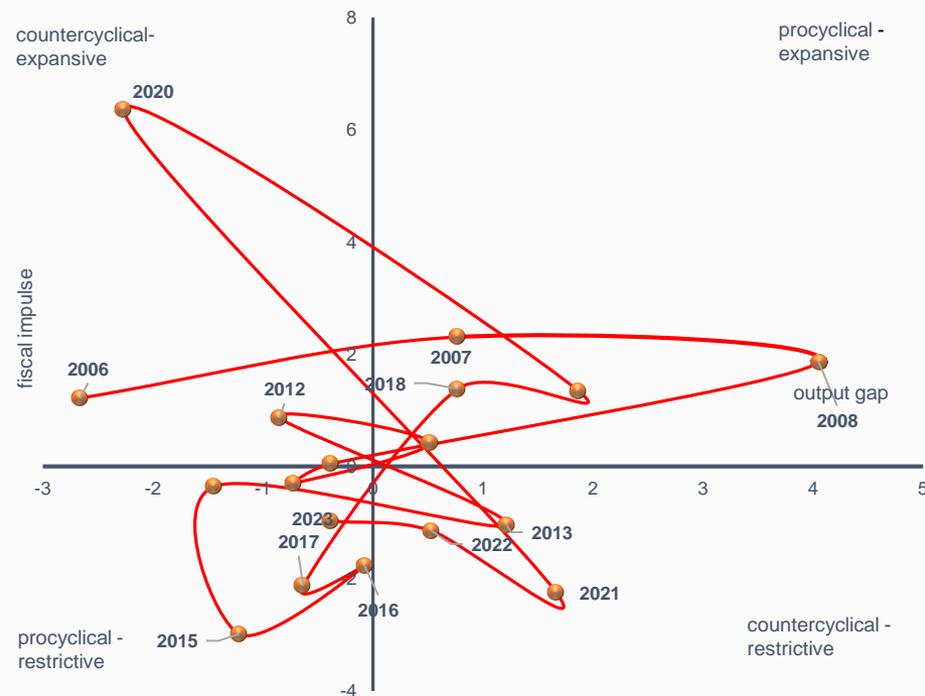
\* Projected data for period 2024-2026 in accordance with the Revised Fiscal Strategy for 2024 with projections for 2025 and 2026

# Cyclically-adjusted and structural fiscal balance

Cyclically adjusted and structural primary fiscal balance in % of GDP for the period 2005–2026



Character of fiscal policy and output gap for the period 2006–2023



The structural fiscal position of the country was not significantly jeopardized in the period between 2020 and 2023, due to the fact that measures to help the economy were implemented from the domain of fiscal policy of a time-limited nature. Fiscal policy during 2020 was extremely expansionary-countercyclical, aimed at mitigating the negative economic cycle. Due to the somewhat smaller scope of the package of economic support measures in 2021, the fiscal policy was more restrictive than the year before and neutral in character. In 2022 and 2023, the fiscal policy was assessed to be slightly restrictive, despite significant allocations to alleviate the energy crisis. This is partly a consequence of the growth of interest expenses, which are excluded from the calculation of the primary result. A similar restrictive character of the policy, in compliance with the fiscal rules, is expected in the period from 2024 to 2026.

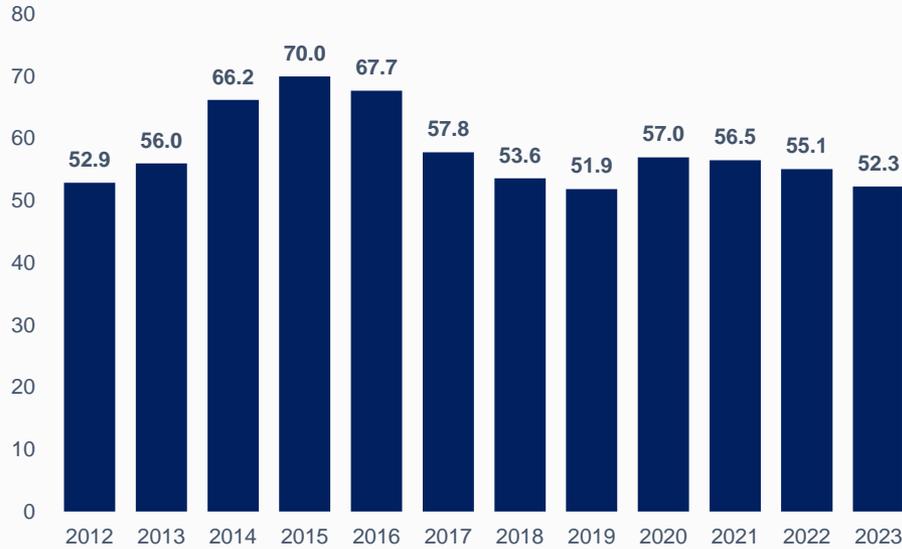
\* A disaggregated approach to the OECD methodology was used to assess the cyclically-adjusted fiscal balance. A more detailed description of the methodology used can be found in the Fiscal Strategy for 2013 with projections for 2014 and 2015 or via the link [https://www.mfin.gov.rs/upload/media/jzsbpl\\_601ab1585ca02.pdf](https://www.mfin.gov.rs/upload/media/jzsbpl_601ab1585ca02.pdf).

\*\* Structured primary balance is obtained by excluding interest income and expense, as well as one-time revenues and expenditures from a cyclically-adjusted result.

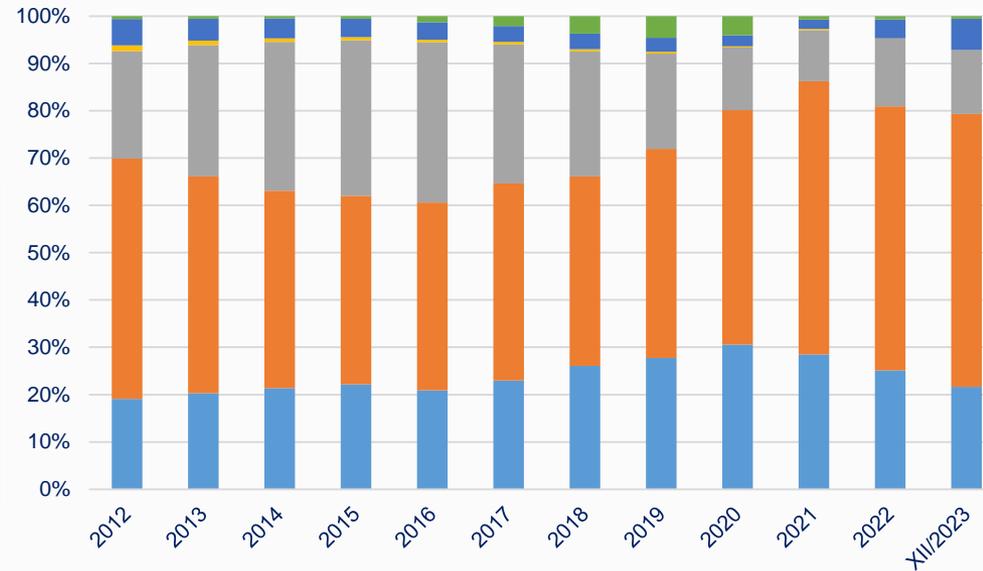
\*\*\* The character of fiscal policy is assessed by combining the production gap and the so-called fiscal impulse. The fiscal impulse defines fiscal policy as expansive or restrictive and in this case it is obtained as the difference between two successive structural primary balance.

# The central government debt in 2023 amounted to 52.3% of GDP

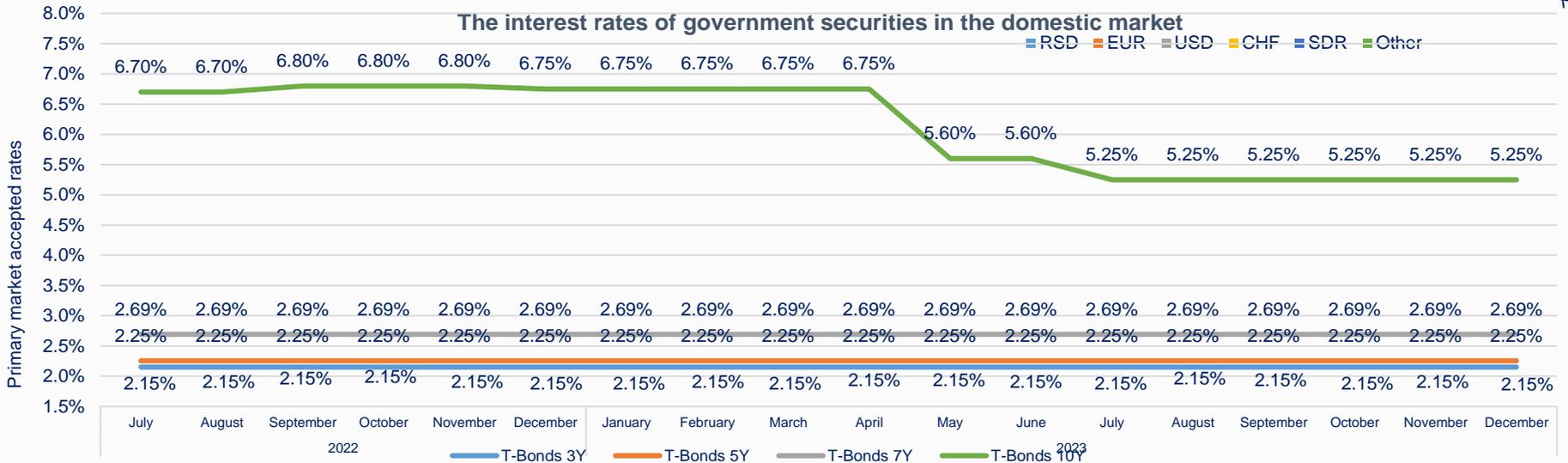
## The share of public debt to GDP of the central government



## Public debt currency structure in period 2012 – 2023



## The interest rates of government securities in the domestic market



## The last realized rate at auctions of government securities on a monthly basis

# Credit rating of the Republic of Serbia and countries in the region

**STANDARD  
& POOR'S**

**FitchRatings**

**MOODY'S**

	Rating	Change	Rating	Change	Rating	Change
Serbia	BB+	no change	BB+	no change	Ba2	no change
Bulgaria	BBB	no change	BBB	no change	Baa1	no change
Croatia	BBB+	no change	BBB+	no change	Baa2	no change
Hungary	BBB-	no change	BBB-	no change	Baa2	no change
Rumania	BBB-	no change	BBB-	no change	Baa3	no change
Republic of North Macedonia	BB-	no change	BB+	no change	/	no change
Bosnia and Herzegovina	B+	no change	/	/	B3	no change
Montenegro	B	no change	/	/	B1	no change

• **Standard and Poor's** – In October 2023, the credit rating agency Standard and Poor's confirmed the credit rating of the Republic of Serbia at BB+ level and maintained stable prospects for its further increase. The confirmation of the credit rating is the result of a moderate level of public debt and a credible monetary policy framework. It is estimated that the Government of the Republic of Serbia will meet its target budget deficit of 2.8% of GDP this year, compared to the originally planned 3.3%. The agency states that the Government aims to continue fiscal consolidation, and that from 2025, the level of the budget deficit will amount to 1-2% of GDP. Also, a high inflow of foreign direct investments will enable a further increase in foreign exchange reserves, which are already at a historical maximum, and contribute to the reduction of public debt and the strengthening of exports. The report points out that inflation will begin to fall significantly in 2024, thanks to the strict monetary policy of the National Bank of Serbia and the stable exchange rate of the domestic currency against the euro, and that it will approach the target range of 3% +/- 1.5% in the second half of 2024. The agency states that the credit rating could be improved if the negative consequences of geopolitical uncertainty are kept under control and there is an accelerated growth of the economy. The stable forecast for the next period is an indicator that the Republic of Serbia will continue to lead a responsible monetary and fiscal policy, aimed at further reforms, at investing in infrastructure projects, at preserving the stability of the exchange rate, the stability of the banking sector and the public debt, and that, despite numerous challenges, it will preserve economic growth and stability.

• **Fitch Ratings** – In February 2024, the Fitch Ratings agency confirmed the credit rating of the Republic of Serbia at BB+ level with a stable outlook for further improvement. The agency announces that the credit rating of the Republic of Serbia is supported by credible frameworks of macroeconomic policy, disciplined fiscal policy, as well as the growth of gross domestic product per capita. Also, the report states that the Republic of Serbia successfully managed the macroeconomic risks that arose as a result of the energy crisis. Based on preliminary data, the agency predicts economic growth of 2.5% in 2023, supported by investments and trade. Affecting the work on the currently largest project of the Republic of Serbia, the construction of "EXPO 2027", capital investments will remain at a high level. Projects financed by foreign direct investment will further boost exports, as well as increasing demand within the European Union. The share of investment in GDP is predicted to be around 26.5% in 2024 and 2025, compared to 18.2% for the period between 2010 and 2019. The "Fitch Ratings" agency also predicts growth of 3.3% in 2024 and 4.2% in 2025, and points out that the Free Trade Agreement signed with the People's Republic of China in September last year, the New Plan for the Western Balkans, as well as infrastructural development in preparation for "EXPO 2027", together support high growth for a longer period (official expectations of 4%).

• **Moody's** – In September 2023, the rating agency Moody's confirmed the credit rating of the Republic of Serbia at Ba2 and maintained a stable outlook for its further increase. The Agency's report points out that, despite the crisis and all the challenges from the external environment, Serbia managed to preserve the stability of the economy and the confidence of investors, to achieve a high level of foreign direct investments and to preserve jobs. This rating also reflects the positive results of fiscal consolidation supported by the recently revised fiscal framework. The structural reforms implemented in the last few years, with the help and support of the International Monetary Fund and the European Union, helped preserve the country's macroeconomic stability. The stable prospects for a further increase in the credit rating confirm the expectations of the Moody's agency that the Republic of Serbia will continue to lead a cautious fiscal policy, as well as that it will continue to make progress in structural reforms. The Government of the Republic of Serbia will continue to monitor influences from the international and domestic environment, with continuous positive responses to various challenges, with the tendency to preserve economic growth, maintain financial stability, preserve the stability of the exchange rate, the stability of the banking sector and attract foreign investments.

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# INTERNATIONAL ENVIRONMENT

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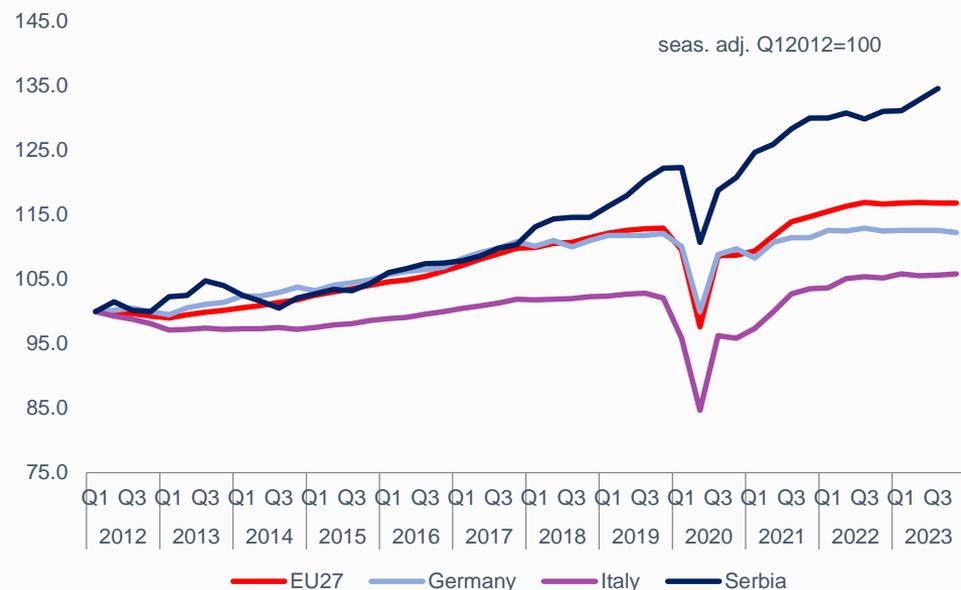
According to the flash Eurostat estimate, economic growth in Q4 2023 was 0.3% and 0.1% in EU27 and euro area respectively, y-o-y.

◆  
Composite PMI Eurozone index increased by 0.3 points in January, BCI indicator increased by 0.10 points, while ESI indicator decreased by 0.1 points.

◆  
Euro area inflation mildly increased in December to 2.9% y-o-y.

# According to the flash Eurostat estimate, the economic growth of euro area and EU in Q4 2023 was respectively 0.3% and 0.1%, y-o-y.

Real GDP rates of the main international trade partners of Serbia



GDP, real growth rates, %

	2023	2024*	2025*
EU	0.5	0.9	1.7
<b>Main RS foreign trade partners</b>			
Italy	0.6	0.7	1.2
Germany	-0.3	0.3	1.2
Bosnia and Herzegovina	1.5	2.0	2.3
Romania	1.8	2.9	3.2
Russia	3.0	2.6	1.1
Montenegro	4.9	2.7	2.3

\* Projection

Source: European Commission, February 2024 and November 2023; IMF WEO January 2024

\* Flash estimate for Q4 2023

**The economic activity of our largest foreign trade partners, primarily Germany and Italy, during 2023 was significantly affected by the conflict in Ukraine and high inflation, which had a negative impact on private consumption and foreign demand. Weaker results than previously expected in 2023 led to a downward revision of EU growth for 2024, but growth is still expected in all EU countries, while inflation has been brought under control with an expected faster decline in 2024 compared to earlier forecasts.**

The dynamics of the economic activity of European economies during 2023 was burdened by high inflation and the decline in the purchasing power of the population, weak external demand, rising interest rates of central banks in order to suppress inflation, as well as the gradual disappearance of fiscal support.

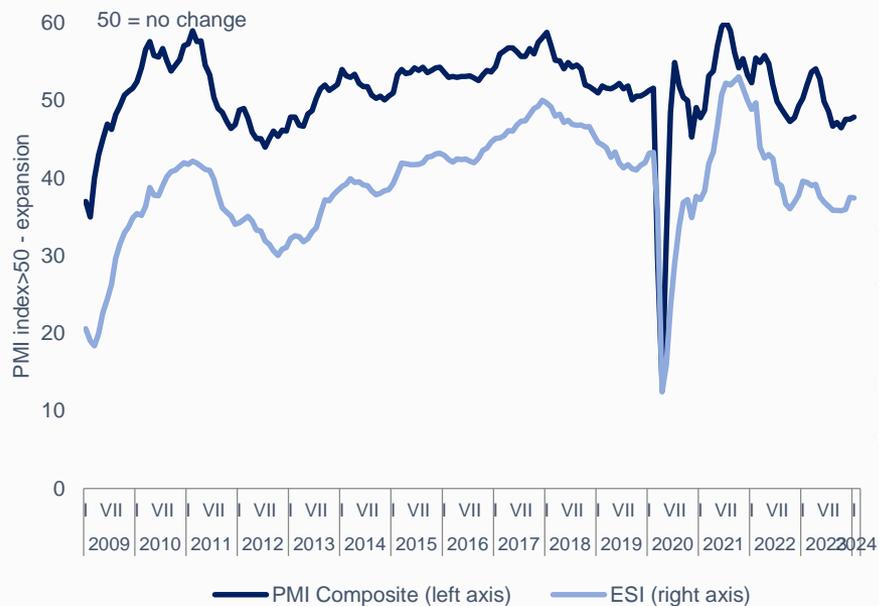
According to the flash Eurostat estimate, during 2023, the EU economy further slowed down, recording an average growth of 0.5% compared to the previous year. German economy continued with weak results in the fourth quarter of 2023 and recorded a decrease of 0.3% compared to the previous quarter, while the year-on-year decrease was 0.2%.

Italian economy was characterised by growth of economic activity in Q4 compared to the previous quarter (0.2%), as well as compared to the same quarter of the previous year (0.5%).

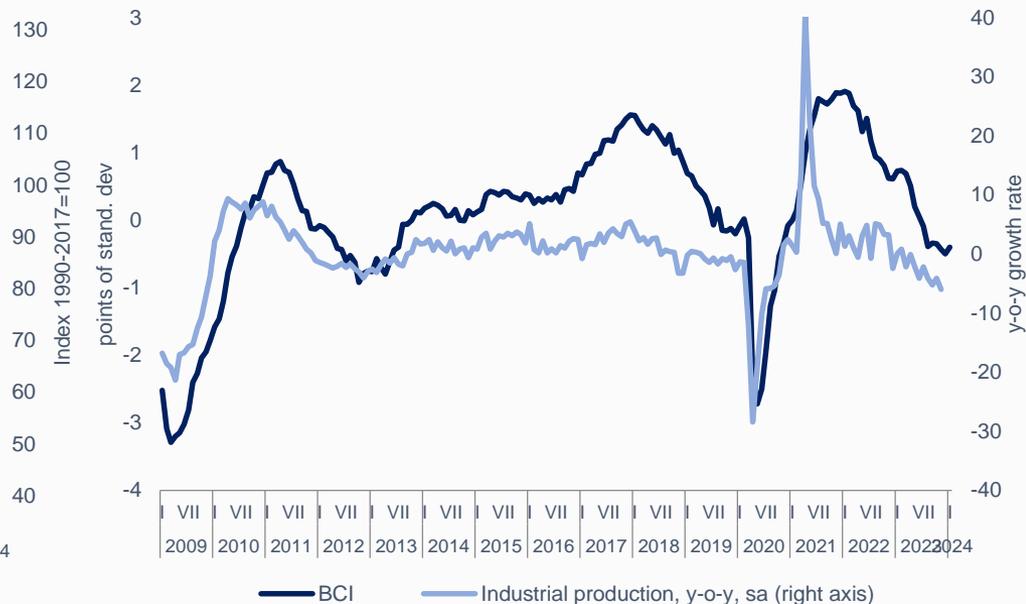
According to the EC's winter estimates, a moderate growth of EU economic activity of 0.9% is expected in 2024 (downward revision by 0.4 pp compared to autumn projections), with expected growth in all EU countries. In the medium term, a gradual acceleration of growth is expected, accompanied by the normalization and acceleration of external demand, but also the recovery of private consumption thanks to the growth of real disposable income of the population due to the preserved labour market and expected real wage growth supported by further easing of inflation. The risks of achieving the projection are asymmetric downwards due to the still present heightened geopolitical tensions.

# Growing geopolitical tensions and the tightening of economic and political relations are reflected in indicators of economic activity and business climate.

## Euro area economic indicators



## BCI index and the industrial production in the Euro area



**Composite PMI index of Eurozone increased from 47.6 points in December to 47.9 points in January, while the ESI index amounted 96.2 points (fall by 0.1 points). The development of these indicators was accompanied by mild improvement of the business climate indicator – BCI.**

The dynamics of the composite PMI of Eurozone in December 2023 (47.9) indicate the slowdown of economic activity, considering that the value of the index is under the borderline of 50 for the eight consecutive month. The services sector recorded a decline for the sixth month in a row, while significant contractions in the manufacturing sector were the main cause of the decline in overall economic activity.

ESI indicator recorded minimal fall in December, and the euro-area sentiment showed deterioration in the sector of construction, while the remaining sectors remained stable. BCI index registered mild increase of 0.10 points but remained negative at 0.40 points.

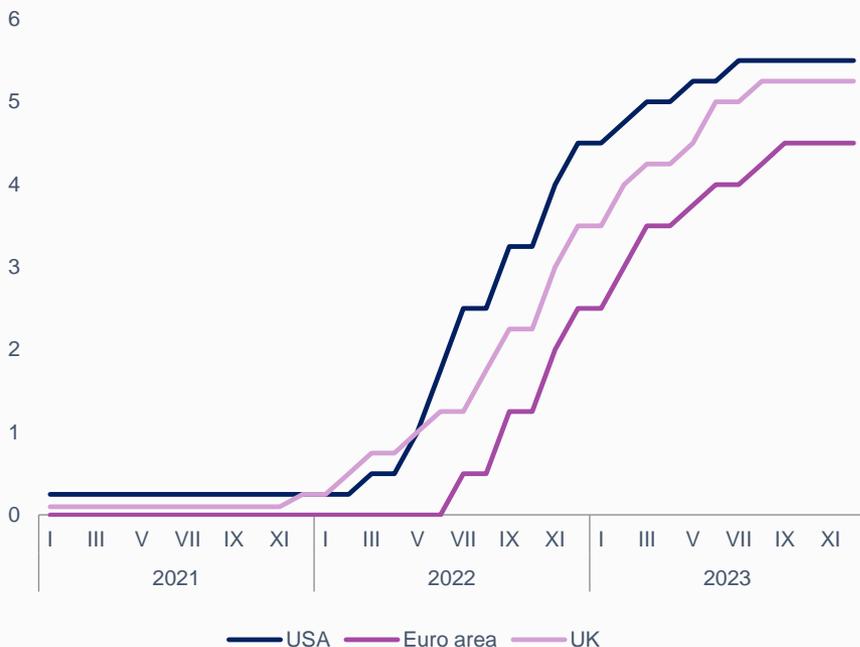
Eurozone PMI Composite index is developed by Markit LTD, and it is based on original survey data collected from a representative sample of 5,000 manufacturing and service companies. Methodology of this index tracks changes in employment, prices, sales and inventory. An index value above 50 indicates improving economic activity, while a value below 50 indicates a deterioration.

Economic Sentiment Indicator (ESI) was developed by the Directorate-General Financial and Economic Affairs (DG ECFIN) of the European Commission. ESI is based on the responses on the questionnaire that is conducted in several fields: manufacturing industry, construction, retail trade, services and financial services. An index value above 100 indicates improving economic activity, while a value below 100 indicates a worsening.

The Business Climate Indicator (BCI) is based on estimations of production, orders and inventories, as well as the current and future expectations of entrepreneurs. BCI index deviates from the industrial confidence indicator in number of inputs which are considered, and therefore is expressed in points of standard deviation.

# Annual inflation in euro area mildly increased to 2.9% in December compared to previous month, when recorded value of 2.4%.

Key policy rates in selected countries, %



Prices of raw material, indices 2008=100



Source: Central banks of selected countries

Source: IMF; Eurostat

**In December 2023, the largest contributor to y-o-y inflation rate were made by services, food, alcohol and tobacco, non-energy industrial goods and energy (1.74 pp, 1.21 pp, 0.66 pp and -0.68 pp, respectively).**

Total inflation in the euro area decreased in Q4 2023 compared to previous quarter, while in 2023 it averaged 5.4%. According to the December ECB estimates, in the medium term, a further slowdown in inflation is expected, which after 2.7% in 2024 and 2.1% in 2025 will decrease to 1.9% in 2026.

In January 2024, ECB decided to keep the interest rate to the level of 4.50%.

In January 2024, FED decided to keep the interest rate to an interval of 5.25% to 5.50%.

According to the OPEC data, the price of oil type Urals has amounted to 64.92 \$/barrel in December, which is 13,0% lower compared to the previous month. In 2023, the price decreased by 17.9%, to 64.43 \$/barrel, compared to 2022.

Average prices of agriculture products have increased by 0.8% in December 2023 compared to the previous month, while food prices decreased by 1.8%. Base metal prices increased by 1.4%, compared to the previous month, while the price of iron ore increased by 4.8%, copper prices increased by 2.7%. In the group of precious metals, the price of gold increased by 2.5%, while the price of silver increased by 2.7%.

Republic of Serbia

Ministry of Finance



# MACROECONOMIC AND FISCAL ANALYSES AND PROJECTIONS DEPARTMENT

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