



# TRENDS





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## Trends, 1<sup>st</sup> quarter 2018

Published and printed by: Statistical Office of the Republic of Serbia, Belgrade, Milana Rakćca 5

Responsible person: dr Miladin Kovačević, director

Editor: Katarina Stančić

Prepared by:

Goran Katić (leading indicators, prices)

Milena Stevović (gross domestic product, construction)

Isidora Jovandić (external trade, domestic trade, tourism)

Katarina Stančić (labour market, earnings, industrial production)

Translated by: Vesna Aralica and Katarina Kaličanin

Technical editors: Zvonko Štajner, Suzana Jovanović and Aleksandra Vučković

Cover page design: Aleksandra Vučićević

The Statistical Office of the Republic of Serbia, main producer and disseminator of statistics, publishes a large number of releases, indicators, bulletins, etc. A multitude of publications often gives rise to confusion with users who, on the other hand, use data to assess their performances and adapt them to other economic subjects and trends.

As many users, apart from specialists, are statistically and economically illiterate, they may be confused by the diversity of data, unable to understand and prioritize them correctly, which often results in reluctance towards information.

Knowing that the statistical system is very complex, generalized and designed to meet subsectors specific needs for information, failure to understand statistics in modern society is a frequent phenomenon. Informing users by releasing “dull” statistics is often insufficient because it renders only a partial picture of macro-economy. Actually, it has appeared that the conventional ways of data presentation (tables, releases, etc.) hampers quick understanding of the socio-economic reality and fails to convey the key message, especially when there is a large number of data. It often happens that individual series move towards different directions and behave at first sight contradictorily, which make an occurrence difficult to understand.

Having in mind all of the above and keeping track of world trends in presenting statistics, as well as the interests of the community of experts, the new issue of Trends brings a series of novelties in addition to the conventional way of presenting the data of the first quarter. This is a new concept of displaying the most important economic signals through modern and advanced graphic solutions for presenting and disseminating a large set of statistics. It is worth mentioning that the reference period for all the indicators of the first quarter, except for Prices which have a somewhat different release frequency so that their trends are shown for six-month period.

The criterion of data series selection was to provide clear insight into the current economic situation and its short-term development. The series are presented through nine major statistical areas – gross domestic product, industrial production, construction, external trade, domestic trade, prices, labour market, earnings and tourism. The tenth segment presents a set of composite leading indicators which can predict, with high reliability, cyclical trends and be used for short-term forecasts.

Creating a new concept of Trends is a big challenge for us. This issue is some sort of pilot project and, as such, is subject to further changes and corrections. We are aware that such kind of undertakings entails always unintentional errors; therefore we welcome all constructive suggestions in order to further improve our work and harmonize it with modern global trends.

Since 1999, the Statistical Office of the Republic of Serbia has no available data for AP Kosovo and Metohia, therefore they are not included in the data for the Republic of Serbia (total).



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# Leading indicators

For better diagnostics, selection and evaluation of macroeconomic indicators that best depict the national economy, a macroeconomic system of composite leading indicators of the economic activity of Serbia have been built. Those are indicators that can predict with high reliability cyclical movements and be used for quarterly and annual short-term forecasts. The text below describes the family of leading indicators by section and appropriate forecast. The developed system of composite leading indicators of the economic activity of Serbia is a result of an original analytical and research work of the Statistical Office of the Republic of Serbia (SORS).

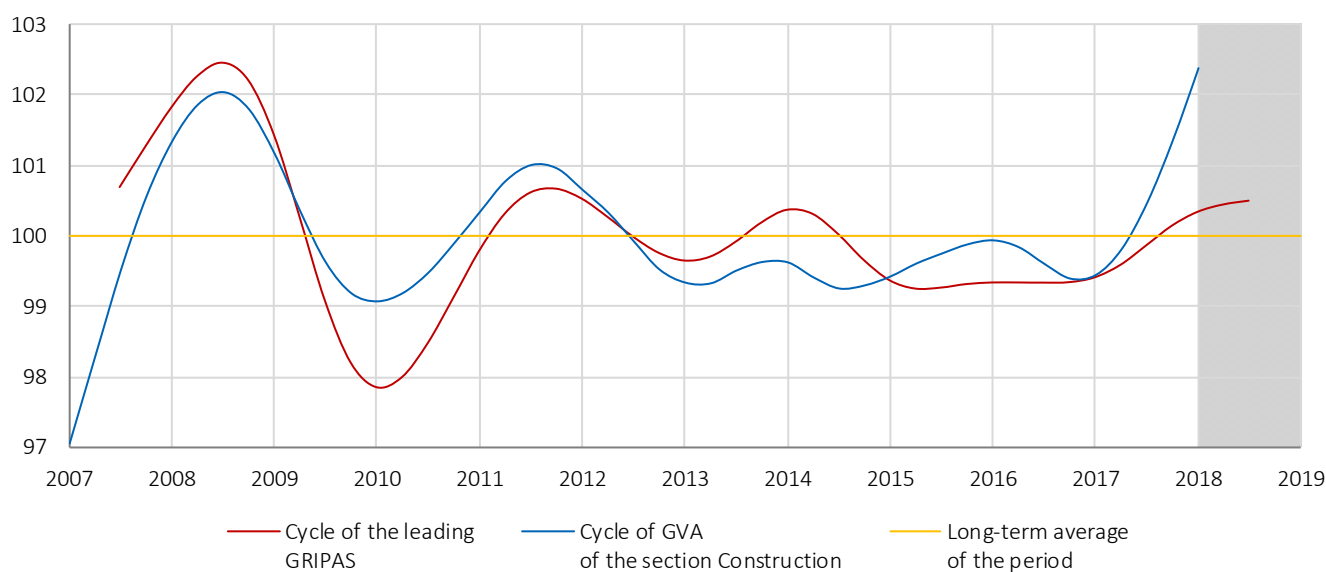
## Construction indicator of the economic activity of Serbia – GRIPAS

The composite indicator GRIPAS precedes gross value added (GVA) of construction, on average, for about two quarters, and its main task is to detect GVA cyclical trends in construction in the forthcoming period. As it is highly correlated with the movement of the total number of approved building permits, the total number of hours of work on building sites and the number of workers on building sites, GRIPAS indicator includes all relevant influences on construction activity.

Based on the movement of this indicator, slower increase of construction GVA is to be expected.

Combined use of GRIPAS and the development of a model of quantitative evaluation of the influence of the total number of approved building permits, hours of work on building sites and the number of workers on building sites have generated a projection based on which it is expected to have an annual construction GVA growth rate of 8.5% for the whole 2018, which will contribute to the total GDP growth rate by about 0.4 percentage points.

Graph 1. GRIPAS and construction GVA cycles (Q1 2007 – Q3 2018), standardized data



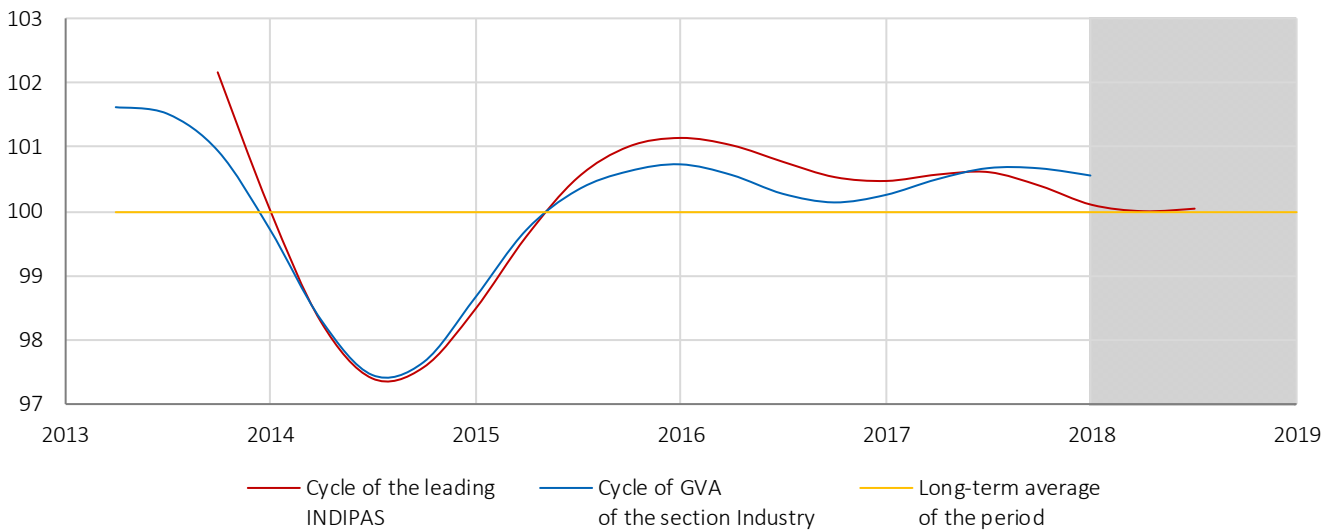
## Industry indicator of the economic activity of Serbia – INDIPAS

The leading indicator of industrial production – INDIPAS has its final objective, the forecast of the total industry GVA for the whole year, and enables anticipating industry trends in the next two to three quarters.

Based on the movement of this indicator, slower increase of the physical volume of the total industry is to be expected in the second and third quarter of 2018, resulting in an average annual growth rate of about 3.3% for 2018. By continuing to apply the model, a forecast of the total industry GVA of about 3.8% for 2018 has also been obtained, accounting for approximately 0.8 percentage points of the total GDP growth rate.



Graph 2. Comparison of the leading INDIPAS cycle and total industry physical volume, standardized data (Q1 2014 – Q3 2018)



## Trade indicator of the economic activity of Serbia – TIPAS

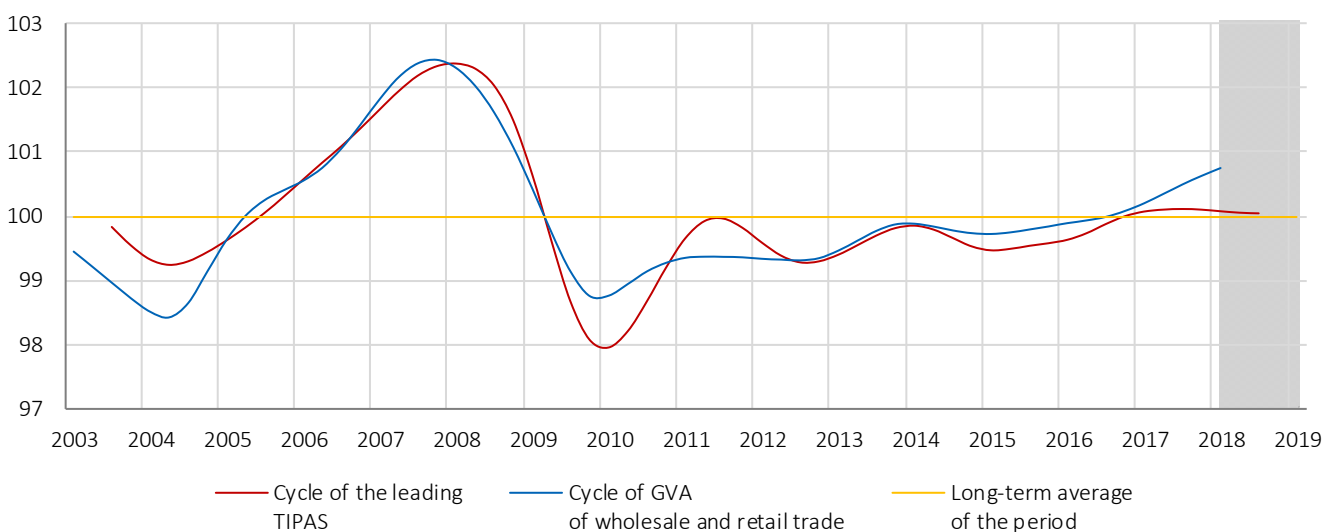
The composite leading indicator of trade activity – TIPAS, precedes the movement of wholesale and retail trade GVA for about six months (two quarters) and sends signals that the wholesale and retail trade activity will enter a stagnation phase in the second and third quarters of 2018.

Based on the movement of this indicator, an inter-annual GVA growth in wholesale and retail trade has been forecast, amounting to approximately 4.3% for 2018.

Based on the obtained forecast of wholesale and retail trade GVA, a model of total services trends has been developed, which indicates that a GVA growth of about 2.5% is to be expected in the section of total services, till the end of 2008.

Therefore, the expected GVA growth in wholesale and retail trade would contribute by about 0.7 percentage points to the GDP growth rate (and to the growth of total services GVA by about 1.4 percentage points), while, on the other hand, total services GVA would contribute to GDP growth rate by approximately 1.2 percentage points.

Graph 3. Comparison of the leading TIPAS cycle and wholesale and retail trade GVA, standardized data (Q1 2003 – Q1 2018)



# Leading indicators

## Forecast of the movements of the agricultural production – AGRIPAS system

The forecast of agricultural production trends, according to AGRIPAS system, is based on two mutually integrated main models: plant production model and livestock production model, which principal task is to forecast the total agricultural production GVA and its influence on GDP.

**Plant production model** covers separate modelling of the production of wheat and maize, taking into account the factor of rainfalls over March-April and June-August, as well as those during wheat sowing period (October-November), the estimation of harvesting areas, the variable of drought years for wheat and maize, etc. The results of the estimations of agriculture trends, based on the plant production model, will be provided in May, then at the beginning of July and beginning of September, when it is generally possible to derive the final agriculture result and its quantitative influence on GDP in the current year.

The obtained results of the plant production model indicate that in 2008, compared with the previous drought year 2017, an increase of about 35% in wheat production should be expected. The value of the standardized precipitation index in the two previous months and the Palmer Z drought index of the Republic Hydro-meteorological Service of Serbia also confirm the results of the variable used for precipitations over March-April – even though there were less precipitation in April, compared with the long-term average for the period. As soil moisture storage from March 2018 rendered a sufficiently high level of soil moisture in April it is very likely that wheat yields will be high.

As far as maize production is concerned – the expectations and models of precipitation forecasts for the period June-August are indicative of a precipitation level equalling about the long-term average for the period, which would contribute to the increase of maize production by approximately 52.3%, compared with 2017. The gross value added of the total plant production would see a growth of about 19.1%.

**Livestock model** is based on the structural livestock increase model and primary livestock product model (dependent mostly on the results of the milk production model).

The livestock model has been used to forecast an annual decrease of about -2.4% in livestock production in 2018.

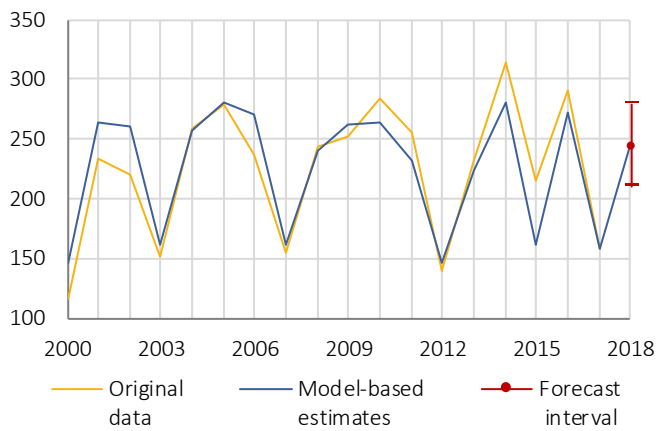
**Observed globally**, it is estimated that plant production will contribute to the growth of agricultural production GVA by about 13.5 percentage point, and livestock production by about -0.6 percentage points, resulting, in total, in an annual increase of 12.8% of agricultural production GVA in 2018.

The contribution of the section agriculture to the GDP growth rate in 2018 would thus be about 0.8 percentage points.

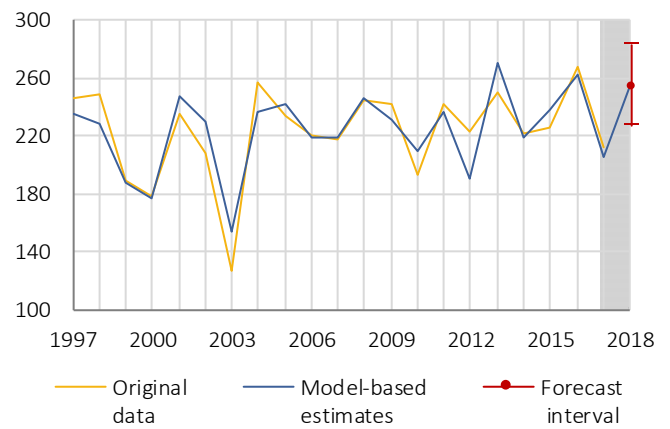
**Table 1. Annual GVA forecasts for selected sections and their estimated contributions to GDP**

| 2018                             | Agriculture, forestry, fishing | Total industry | Construction | Total services |
|----------------------------------|--------------------------------|----------------|--------------|----------------|
| Annual growth rates, %           | 12.8                           | 3.8            | 8.5          | 2.5            |
| Contributions to GDP growth rate | 0.8                            | 0.8            | 0.4          | 1.2            |

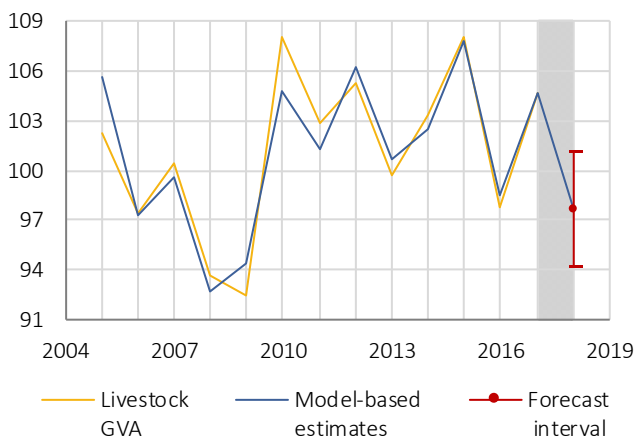
**Graph 4. Actual and model-based estimated maize production, in tons, base indices (average 1947 = 100)**



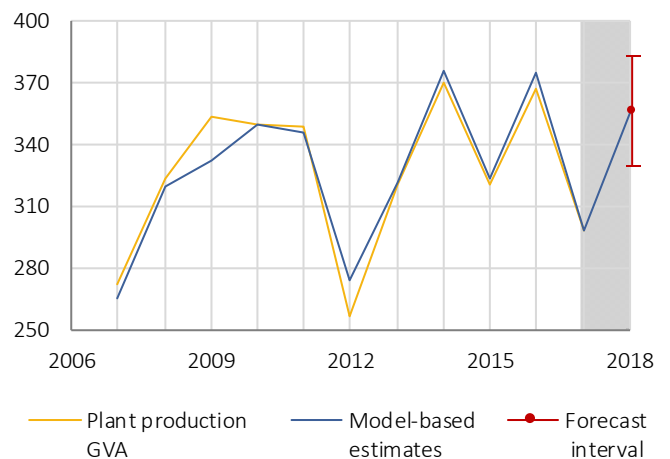
**Graph 5. Actual and model-based estimated wheat production, in tons, base indices (average 1947 = 100)**



**Graph 6. Actual and model-based estimated livestock GVA, chain indices (year to previous year)**



**Graph 7. Actual and model-based plant protection GVA, base indices (average 1947 = 100)**



## What are leading indicators?

The concept of leading composite indicators is an analytical tool to predict cyclical trends of economic activity. It implies the detection of turning cyclical points, minima and maxima so to anticipate the phase of the business cycle of the national economy in a future period. Each of the composite indicators developed in the SORS by section is composed of a large number of weighted indicators for each section. When detecting the variables that have been incorporated in the presented composite indicators, all macro-economic areas and the survey on business expectations in the Serbian economy, conducted by EUROSTAT methodology, have been analysed. The system of composite leading indicators developed in the SORS precedes the cycles of economic activity, on average, for about six months and, combined with econometric models, enables to make a short-term quantitative assessment of the dynamics of the annual growth rate of economic activity, on quarterly and annual levels.

# 1. Gross domestic product

## 1.1. GDP trend

Positive effects of investment cycle from the previous period and high exterior demand contributed to manufacturing increase, which, together with energy sector recovery, accelerated GDP growth to 4.6% in the first quarter 2018. Moreover, strong economic activity in construction and in majority of service activities mostly impacted the mentioned GDP increase.

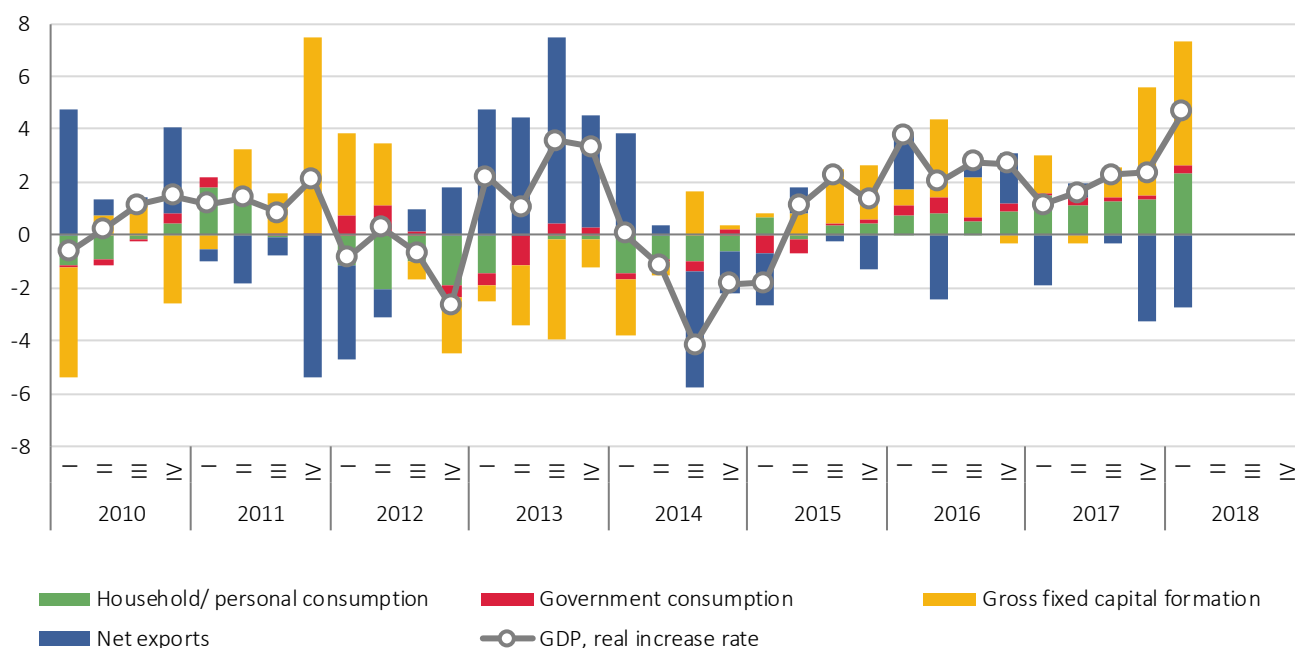
Structure of realized GDP increase, observed from the **expenditure side**, in the last two quarters of the observed period is more favourable relative to the previous period. After the slow increase of only 2.5% in the first half of 2017, the investments significantly accelerated increase in the second half of the year. This acceleration was continued in the first quarter of 2018, reaching to 14.9% (table 1.1). Thanks to this change, total investments' increase in the last year amounted to somewhat over 6%.

**Table 1.1 GDP – expenditure side, real inter-annual growth rates, 2014 – Q1 2018 (%)**  
(quarter relative to the same quarter of the previous year)

|                               | 2014        | 2015       | 2016       | 2017       |            |            |            | 2018       |
|-------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|
|                               |             |            |            | Q1         | Q2         | Q3         | Q4         | Q1         |
| <b>GDP</b>                    | <b>-1.8</b> | <b>0.8</b> | <b>2.8</b> | <b>1.1</b> | <b>1.6</b> | <b>2.3</b> | <b>2.4</b> | <b>4.6</b> |
| Household consumption         | -1.3        | 0.5        | 1.0        | 2.1        | 1.6        | 1.8        | 1.8        | 3.1        |
| Government consumption        | -0.6        | -1.5       | 2.3        | 0.4        | 1.6        | 1.0        | 1.1        | 2.3        |
| Gross fixed capital formation | -3.6        | 5.6        | 5.1        | 2.5        | 2.6        | 6.2        | 12.5       | 14.9       |
| Exports                       | 5.7         | 10.2       | 12.1       | 9.1        | 11.2       | 11.6       | 7.5        | 9.3        |
| Imports                       | 5.6         | 9.3        | 9.0        | 11.3       | 8.9        | 10.7       | 12.1       | 12.5       |

Unlike investments that recorded positive trends at the end of 2017, net exports at the end of 2017 noted more significant slowing growth, while imports noted increase (table 1.1). Similar situation is noticed in Q1 2018, whereof exports increased by only 1.8 p.p. relative to the previous quarter. However, imports increase still remains in the ascending path (12.55% in the first quarter, presenting the increase of 0.4% p.p. compared to the previous quarter).

**Graph 1.1 Contributions to inter-annual GDP growth rate – expenditure side**



# 1. Gross domestic product

Observed from the **production side**, the greatest positive contribution to quarterly GDP increase in Q1 (1.7 p.p.) resulted from increased activity in service sections, which, observed as aggregate, recorded growth of about 4%. Continued favourable trend in the section of trade indicates turnover growth in the first quarter 2018, while increased number of tourist arrivals and nights indicates continued positive tendencies also in the section of accommodation and food services. Increased activity in service sections additionally shows the continuation of employment growth, recorded in all sections in Q1.

**Table 1.2 GDP – production side, real inter-annual growth rates in 2014 – Q1 2018 (%)**

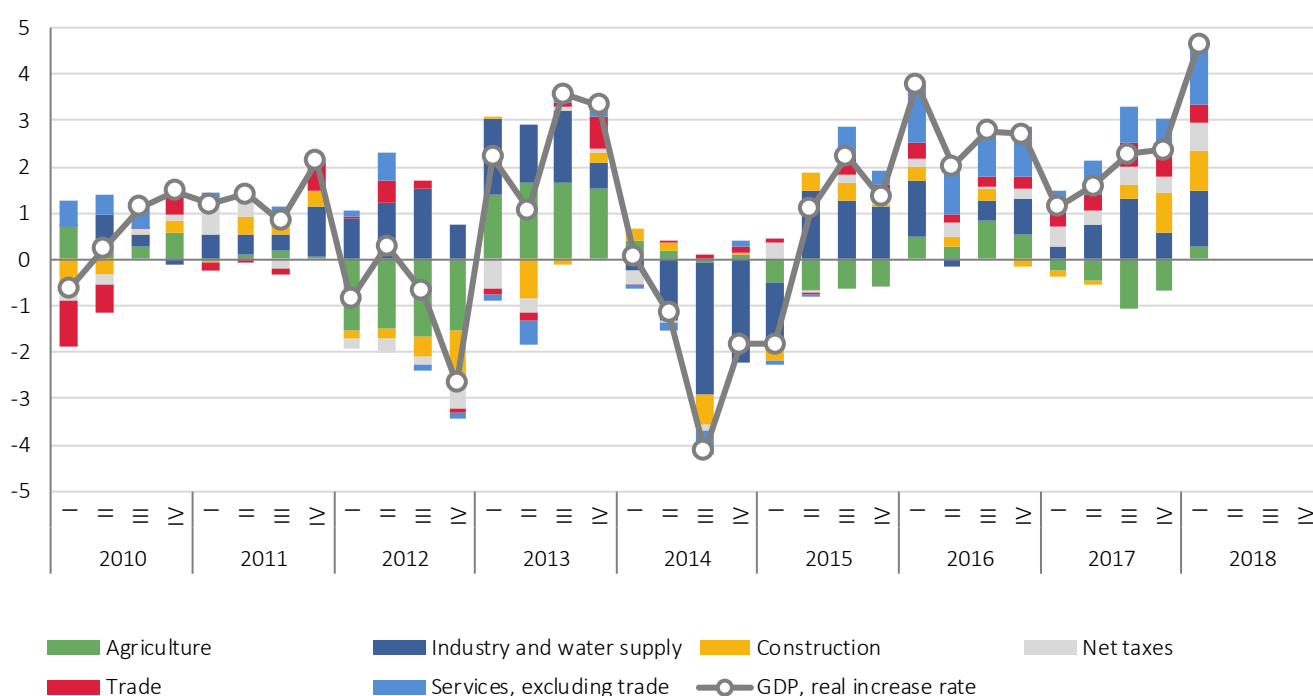
|                           | 2014        | 2015       | 2016       | 2017       |            |            |            | 2018       |
|---------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|
|                           |             |            |            | Q1         | Q2         | Q3         | Q4         | Q1         |
| <b>GDP</b>                | <b>-1.8</b> | <b>0.8</b> | <b>2.8</b> | <b>1.1</b> | <b>1.6</b> | <b>2.3</b> | <b>2.4</b> | <b>4.6</b> |
| Agriculture               | 2.0         | -7.7       | 8.1        | -6.3       | -9.1       | -11.9      | -9.5       | 6.1        |
| Industry and water supply | -7.6        | 3.2        | 2.6        | 1.3        | 3.5        | 6.4        | 2.8        | 5.3        |
| Construction              | -1.5        | 2.7        | 3.2        | -3.7       | -2.1       | 6.0        | 17.9       | 26.4       |
| Trade                     | 0.7         | 2.0        | 2.7        | 3.4        | 3.4        | 5.6        | 5.0        | 4.6        |
| Services, excl. trade     | -0.4        | 0.6        | 2.8        | 1.1        | 1.8        | 2.0        | 1.9        | 3.1        |
| Net taxes                 | -0.8        | 0.9        | 1.0        | 2.1        | 1.8        | 2.4        | 2.1        | 3.2        |

Positive contribution to GDP increase in Q1 was continuously provided by industry and construction. Therefore, favourable trends in industry (including water supply), which accelerated the increase from 2.8% mg in Q4 2017 to 5.3% mg in Q1, positively influenced GDP growth of 1.2 p.p. (table 1.2). Industrial production recovery in Q1 was principally led by favourable trends in manufacturing.

Significant construction growth was also noted in the first quarter, presenting the continuation of favourable trends from the second half of 2017, which was strongly caused by continued intensive realization of infrastructure projects. Namely, on inter-annual level, construction accelerated increase to 26.4% in the first quarter of 2018, and positively contributed to GDP increase with 0.9 p.p.

Moreover, positive contribution to GDP was provided by agriculture (0.3 p.p.), which mostly resulted from low base due to bad last year's season.

**Graph 1.2 Contributions to inter – annual GDP growth rate – production side**

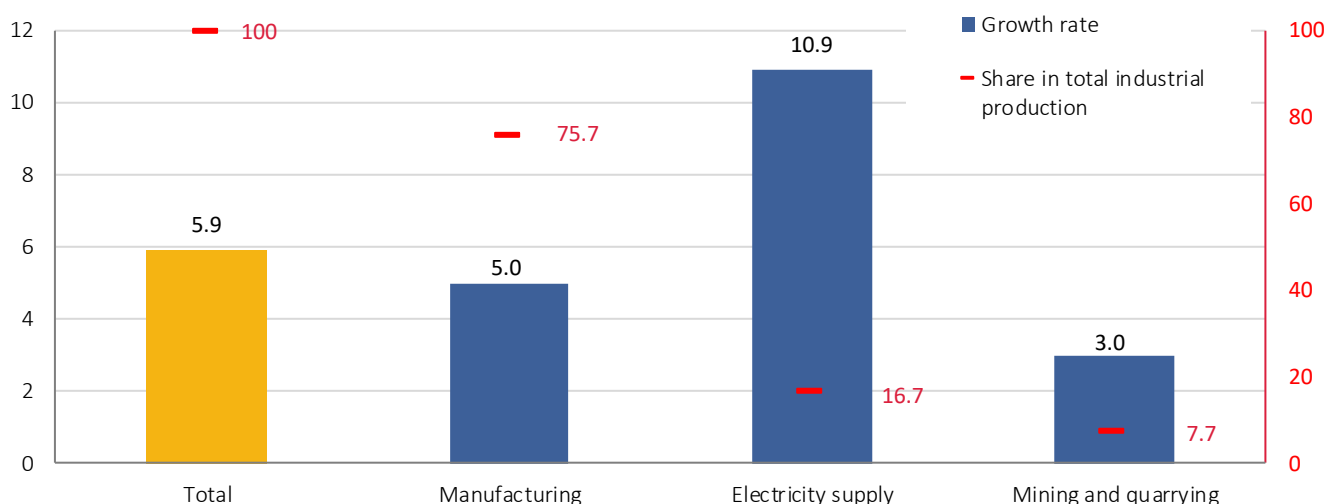


## 2. Industrial production

### 2.1. Total industrial production

Total industrial production in Serbia, in the first quarter (Q1) 2018 increased by 5.9% relative to the same period 2017. All sections noted cumulative increase in the first three months – Manufacturing – 5%, Electricity, gas, steam and air conditioning supply- 10.9% and Mining and quarrying – 3%.

**Graph 2.1. Cumulative trends of total industry and its sections (%)**  
(quarter relative to the same quarter of the previous year)



Manufacturing, with the increase of 5% mostly contributed to total industrial production growth, even 3.8 p.p.

The section of Electricity, gas, steam and air conditioning supply contributed to total industrial production increase with 1.8 p.p. and Mining and quarrying with 0.3 p.p.

Slightly slower increase trend is expected for the second quarter, i.e. somewhat lower increases, which will, according to prognoses, result in average growth of total industrial production in the first half of the year by between 3.5% and 4%, and increase of manufacturing between 3% and 3.5%.

**Table 2.1. Industrial production, quarterly growth (%)**  
(quarter relative to the same quarter of the previous year)

|   | 2016  |       |       |       | 2017  |       |       |       | 2018  |                     |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
|   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q1+Q2 <sup>1)</sup> |
| Industrial production – total                       | 108.0 | 103.6 | 104.9 | 104.6 | 101.1 | 103.1 | 107.0 | 104.2 | 105.9 | <b>104.0</b>        |
| Manufacturing                                       | 106.1 | 106.5 | 105.0 | 106.5 | 106.0 | 105.0 | 108.7 | 105.7 | 105.0 | <b>103.5</b>        |
| Electricity, gas, steam and air conditioning supply | 112.2 | 92.8  | 106.6 | 99.2  | 85.8  | 93.8  | 100.5 | 97.3  | 110.9 | ...                 |
| Mining and quarrying                                | 113.6 | 99.2  | 102.9 | 98.4  | 94.2  | 105.4 | 105.1 | 104.3 | 103.0 | ...                 |

<sup>1)</sup> Prognoses

## 2. Industrial production

### 2.2. Manufacturing (C)

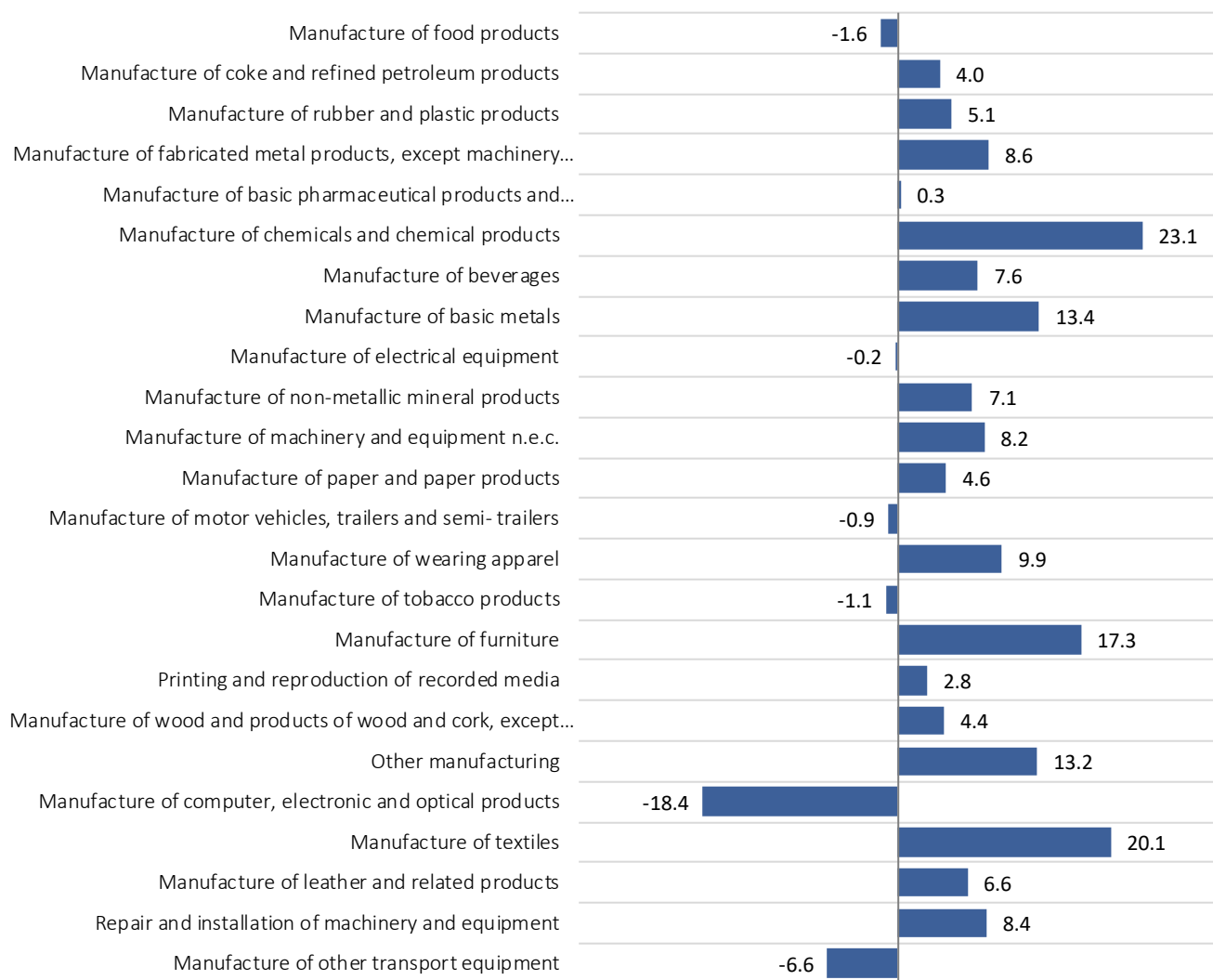
(share of 75.7% in total Industrial production index)

In the first quarter 2018, observed by divisions, manufacturing increased in 18 out of 24 divisions. Decrease was recorded in six divisions, out of which three do not have significant share in total industrial production index (Manufacture of computers, with the share of 0.8%, Manufacture of tobacco, with the share of 1.9% and Manufacture of other transport equipment, with the share of 0.3%). Food industry recorded high share in total industry (16%), simultaneously noticing cumulative fall of 1.6%. Symbolic cumulative fall was noticed in manufacturing of electrical equipment (0.2%) and manufacturing of motor vehicles and trailers (0.9%). These two divisions account for 5.3% of total industrial production (3% and 2.3%, respectively).

**Graph 2.2. Manufacturing by divisions, cumulative growth rates (%)**

(Q1 2018 relative to the same period of the previous year,

Divisions are listed by descending share in total industrial production)

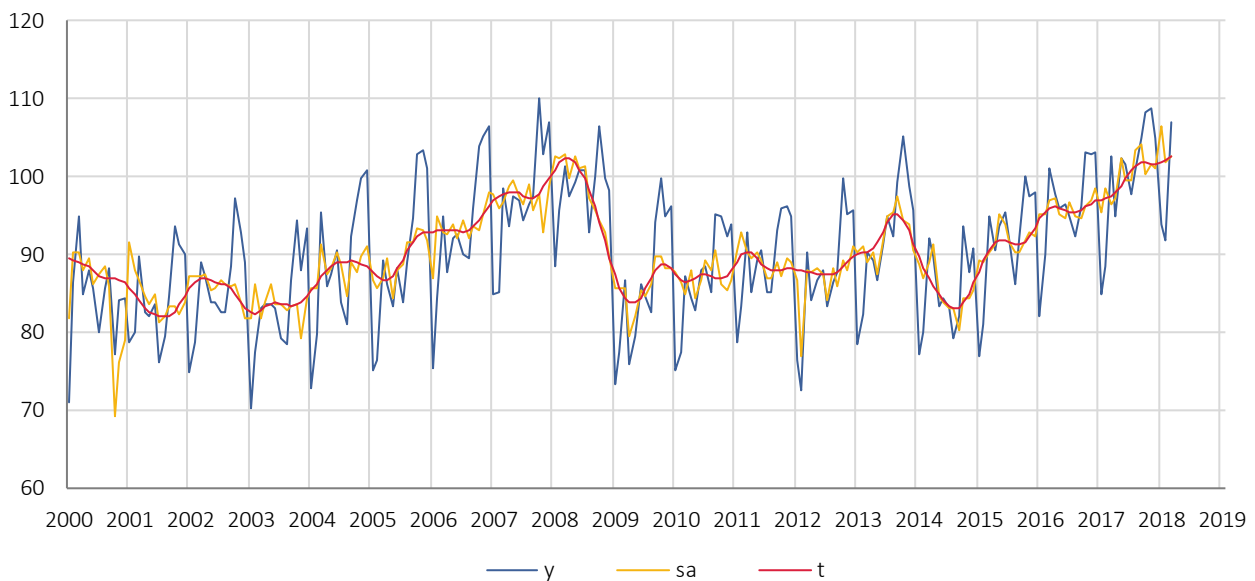


Apart from ordinary seasonal fluctuations characteristic for this section, from the third quarter 2014, trend series of Manufacturing report firm growing trend. Such trend will be continued, but, as already mentioned, with lower growth rates.

## 2. Industrial production

Graph 2.3. Components of Manufacturing time series

(u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2017 = 100)

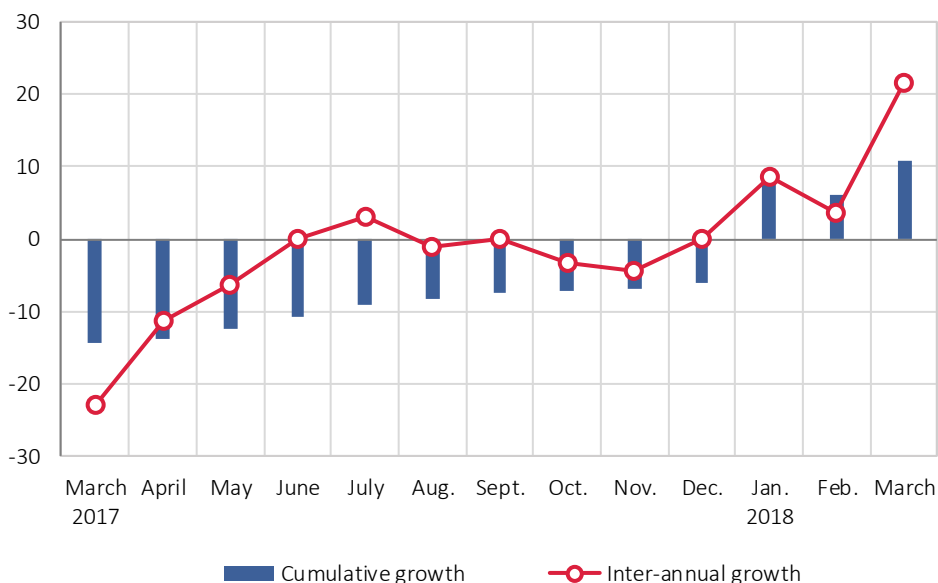


### 2.3. Electricity, gas, steam and air conditioning supply (D)

(share of 16.7% in total Industrial production index)

Graph 2.4. Cumulative and inter – annual growth rates in energy section (%)

(cumulative – January–March 2018, relative to the same period 2017;  
Inter - annual – March 2018, relative to March 2017)



In the first quarter, energy section recorded cumulative growth of 10.9%. Regarding all three months, noted were high inter – annual growth rates: 8.5%, 3.7% and 21.6%.

Such high values are partially the result of very low production in the first three months of 2017.

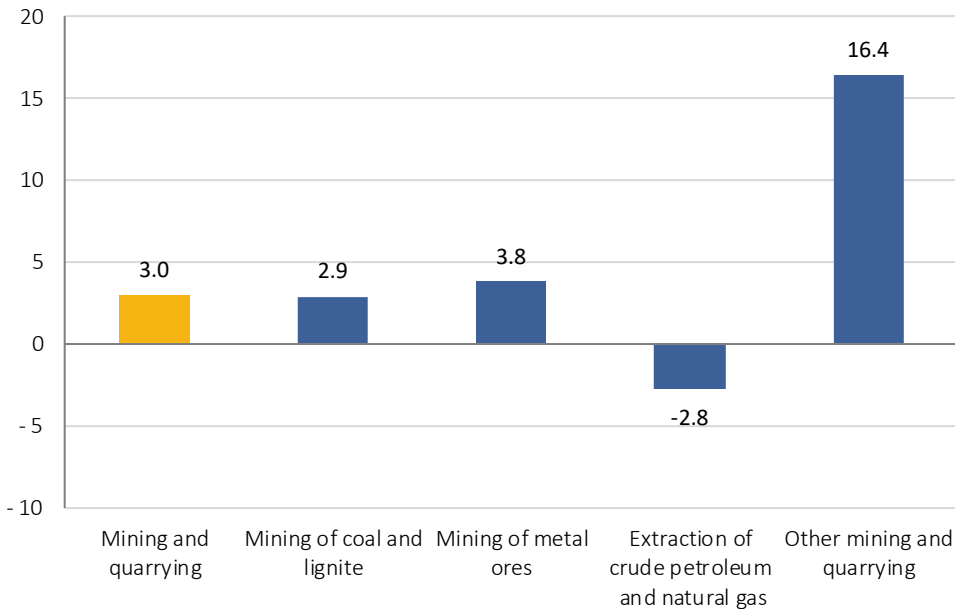


## 2. Industrial production

### 2.4. Mining and quarrying (B)

(share of 7.7% in total Industrial production index)

Graph 2.5. Cumulative growth rates in the section of Mining and quarrying (%)  
(Q1 2018 relative to the same period of the previous year)



Production in the section of Mining and quarrying in the first quarter 2018 noted cumulative growth of 3%.

Short – term trend, measured by seasonally adjusted index, indicates growth in March compared with February, but the trend still remains fluctuating and unstable.

### How to interpret the time series?

Seasonal effects can provoke distortions in time series trend, and in such way camouflaging its “real” nature and significant characteristics necessary for precise and detail analysis of the phenomena. When selecting the indicators that will be used for analysis (original, seasonally adjusted or trend), the nature of the observed series and point of the performed analysis should be taken into account. Three separate components (obtained by series’ disaggregation), together with the original series, describe various aspects of a single phenomenon and are used for versatile analytic purposes – depending on the researcher’s interest. Seasonally adjusted values are used for comparison of the consecutive periods and for estimation of potential value of a series when calendar effects and season effects would not exist, as is the case with industrial production.

## 3. Construction

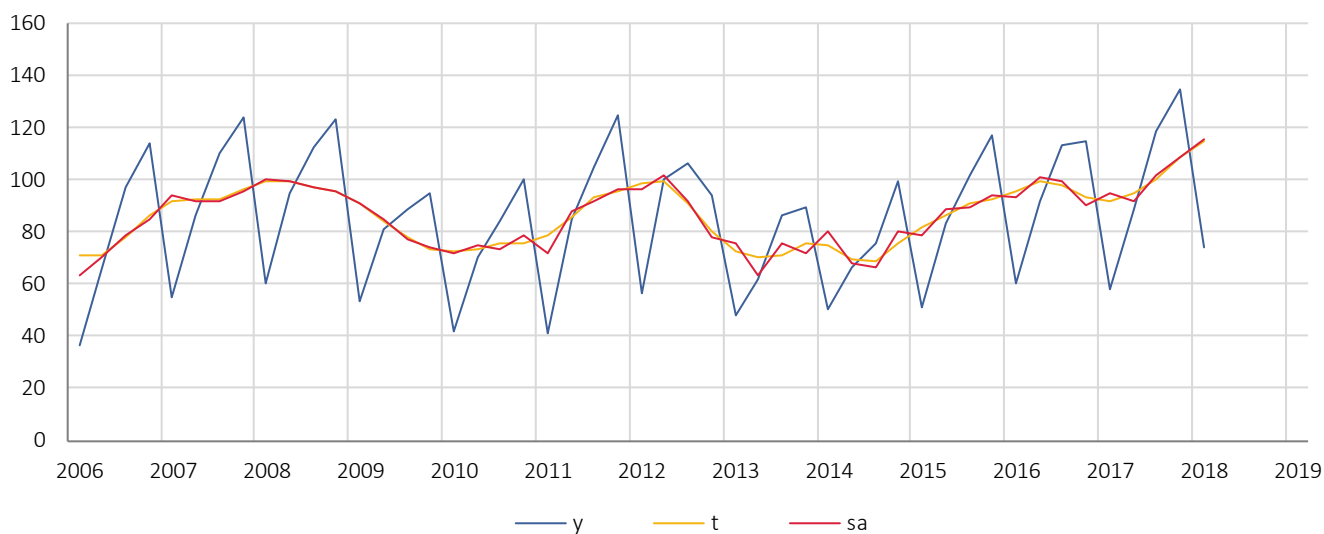
### 3.1. Construction activity

After a short delay in construction activity in the first half of 2017, value indices of the performed works on the territory of the Republic of Serbia in the last three quarters have recorded growth. The stagnation of construction activity in the first half of 2017 was largely due to the decline in the value of performed works in transport infrastructure (roads and railways).

Among the most important projects in 2017 are Corridor 11 (sections Surčin-Obrenovac, Obrenovac-Ub and Lajkovac-Ljig), Corridor 10 (section Grdelička and Sićevačka gorge), modernization of Belgrade-Budapest railway, project "Belgrade waterfront" and several large residential and business projects in Belgrade, Novi Sad and other towns of Serbia.

**Graph 3.1. Components of time series of Indices of performed construction works on the territory of the Republic of Serbia, at constant process**

(u – original series, sa – series with excluded seasonal component, t – trend cycle component  
average 2017 = 100)



In the first quarter 2018, construction activity on the territory of the Republic of Serbia increased by 28.4% at current prices, while at constant prices, the increase amounted to 28.1% relative to the first quarter 2017. Observed by types of constructions, value of performed works was increased regarding buildings, by 16.5%, while increase regarding civil engineering was 35.5%. It is important to note that in the first quarter 2017, which is used as the base for indices computation, construction activity was extremely bad due to unfavourable weather conditions.

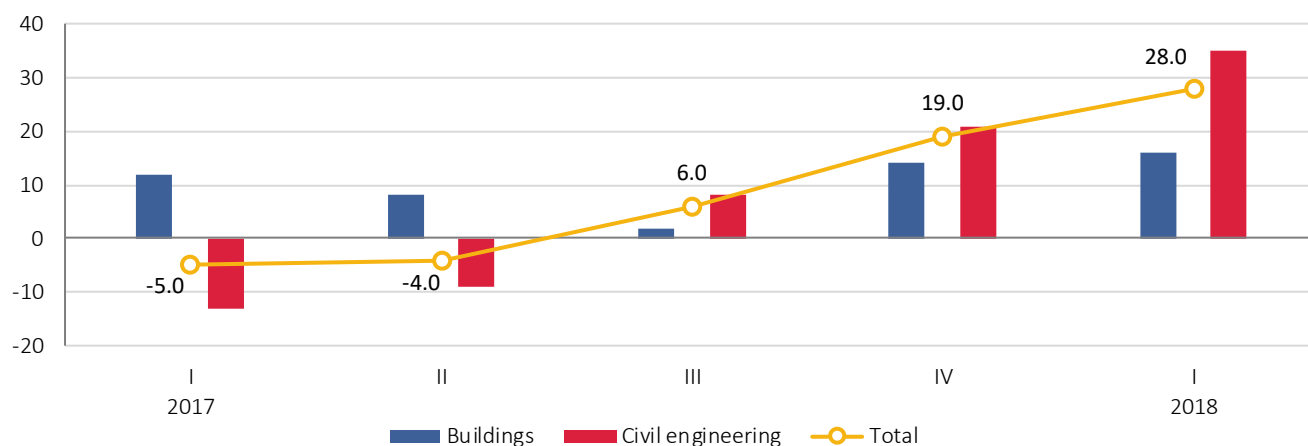
**Table 3.1. Value of performed construction works, quarterly growth (%)**  
(quarter relative to the same quarter of the previous year)

|                 | 2016  |       |       |      | 2017  |       |       |       | 2018  |                     |
|-----------------|-------|-------|-------|------|-------|-------|-------|-------|-------|---------------------|
|                 | Q1    | Q2    | Q3    | Q4   | Q1    | Q2    | Q3    | Q4    | Q1    | Q1+Q2 <sup>1)</sup> |
| Current prices  | 116.0 | 109.0 | 112.1 | 99.8 | 101.3 | 102.2 | 108.9 | 121.1 | 128.4 | <b>117.8</b>        |
| Constant prices | 118.6 | 106.3 | 106.5 | 96.3 | 95.1  | 96.0  | 106.1 | 118.8 | 128.1 | <b>116.9</b>        |

<sup>1)</sup> Prognosis

**Graph 3.2. Value of performed construction works, quarterly growth (%)**

(quarter relative to the same quarter of the previous year)



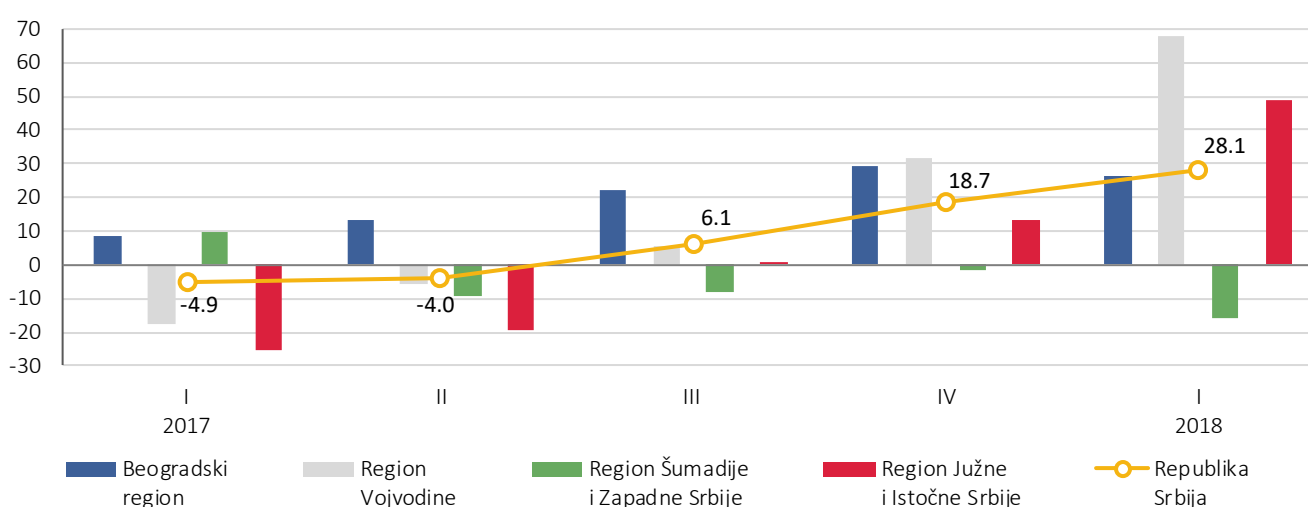
Increase of construction activity in the first quarter was the most noted in Region Vojvodine (67.6%) at constant prices. Value of performed works in Vojvodina was increased by three times regarding transport infrastructure constructions, followed by residential buildings, non-residential buildings, as well as complex industrial structures. In Region Južne i Istočne Srbije, activity was increased by 48.9% at constant prices. Increased value was mostly influenced by value of works performed on Corridor 10 (works are performed on both projects, East and South), and on non-residential buildings.

In Beogradski Region, construction activity increased by 26.3% at constant prices. The most significant works related to transport infrastructure constructions (Corridor 11 and works on recovery and regular roads' maintenance), than on residential buildings (current construction of several huge residential complexes: "Belgrade waterfront", "Zemun gates", "Voždove kapije", "Panorama Voždovac", etc.), as well as works on pipelines (gasolines in the municipalities of Zemun, Rakovica and Surčin).

Observed **by regions**, construction activity decreased only in Region Šumadije i Zapadne Srbije, by 15.6% at constant prices. Decrease of values in this region was recorded regarding transport infrastructure constructions and non-residential buildings constructions.

**Graph 3.3. Value of performed construction works by regions, at constant prices, quarterly growth (%)**

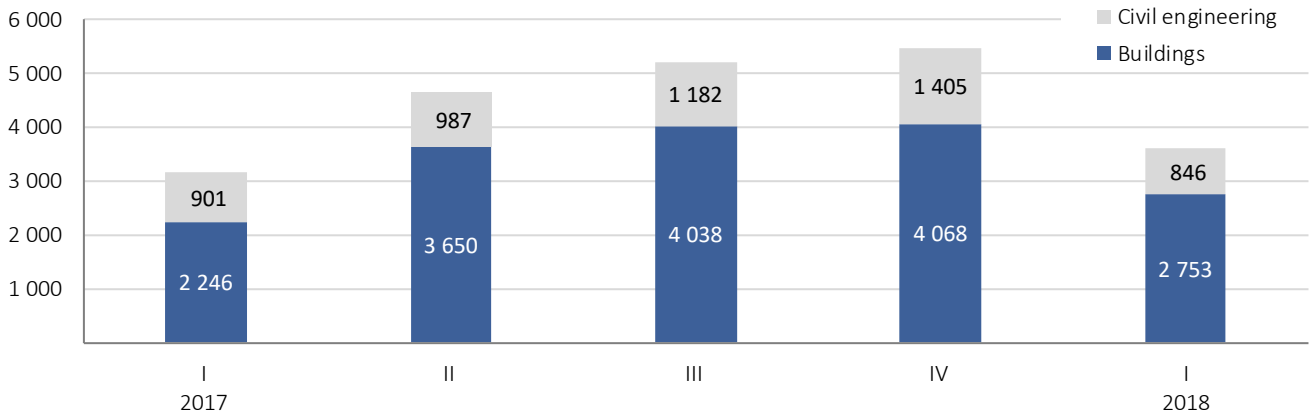
(quarter relative to the same quarter of the previous year)



### 3. Construction

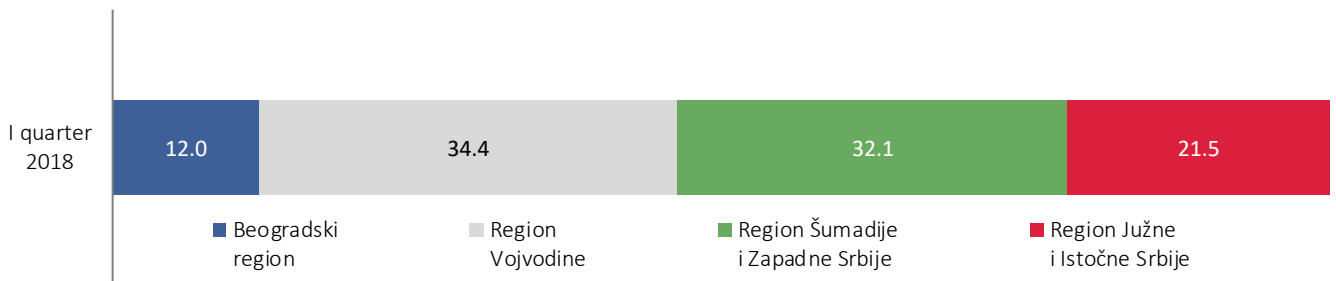
Referring to **building permits**, in the first quarter of 2018, 3 599 building permits were issued (graph 3.3). The greatest part of permits (2 753) related to construction works on buildings, while the rest related to transport infrastructure works, pipelines, complex industrial structures, etc. Building permits/ approvals for works executions are issued for all types of works. Out of total number of issued permits in the first quarter, 50.5% related to new construction, while other permits were issued for adaptation, recovery, reconstruction and maintenance works.

**Graph 3.4. Number of issued building permits for buildings and other civil engineering**



Observed by regions (Graph 3.5), in the first quarter 2018, the greatest number of permits was issued in Region Vojvodine (1 118), followed by Region Šumadije i Zapadne Srbije (1 042), Region Južne i Istočne Srbije (597), while the smallest number of issued permits was recorded in Beogradski Region (390).

**Graph 3.5. Share of issued permits by regions (%)**



#### **i** Glossary

Value of performed construction works – the most significant indicator of construction activity trend in Serbia. It presents the value of performed works on construction that the reporting unit performed with workers directly engaged for execution of works.

Value of performed works includes: value of work, value of built in material and finished products for incorporating, consumed energy commodities and other expenditures related to performing works on construction. Value of performed works excludes: value of subcontractors' works, expenditures of land purchase, design, supervision and VAT.

According to Classification of Types of Constructions, applied since 2004, which is completely harmonized with the same Classification of Eurostat, all constructions can be classified into: buildings and civil engineering.

Value on buildings includes value of performed works, both on residential and non-residential buildings.

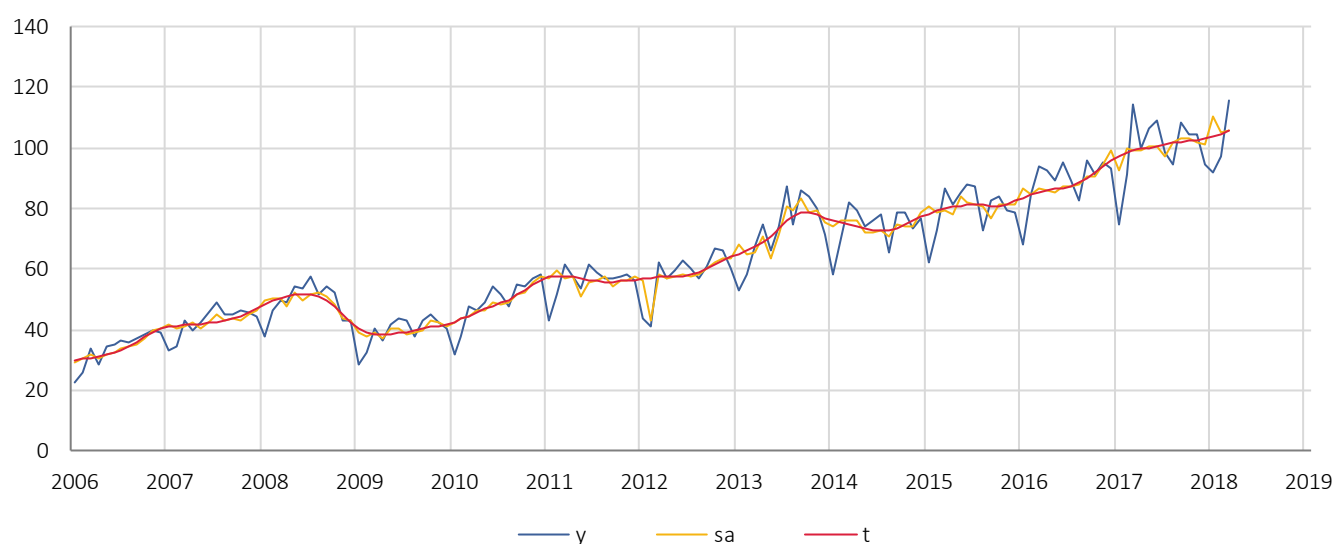
Civil engineering, besides transport infrastructure (roads, railways, bridges, etc.) involves also works carried out on pipelines, complex industrial structures and other civil engineering n.e.c. (e.g. sport constructions).

### 4.1. Total value of goods export<sup>1</sup>

Total value of goods export in Serbia increased by 8.7% in the period January – March 2018, relative to the same period 2017. Observed by time series' components, slightly increasing trend, recorded during the previous years, shows the trend of continuation in the following quarter.

**Graph 4.1. Components of export's time series**

(u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2017 = 100)



Total export results were mostly influenced by manufacturing<sup>2</sup> increase of 12.4%, as it presents 93.4% of total export and decrease of 31.9% in the section of agriculture production, hunting and service activities, which encompassed 4.6% of total export in the first quarter 2018.

**Table 4.1. Export of goods by CA (2010) sections, quarterly growth (%)**

(quarter relative to the same quarter of the previous year)

|                                   | 2016  |       |       |       | 2017  |       |       |       | 2018  |                     |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
|                                   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q1+Q2 <sup>1)</sup> |
| Export – total                    | 111.5 | 108.8 | 110.2 | 115.9 | 113.7 | 113.7 | 112.9 | 108.1 | 108.7 | <b>107.0</b>        |
| Manufacturing                     | 112.2 | 110.6 | 110.3 | 113.3 | 113.6 | 112.7 | 114.3 | 113.7 | 112.4 | ...                 |
| Agriculture, forestry and fishing | 93.7  | 98.8  | 113.9 | 153.6 | 124.1 | 126.1 | 90.5  | 43.4  | 69.1  | ...                 |
| Mining and quarrying              | 121.4 | 121.8 | 115.7 | 126.4 | 137.1 | 137.7 | 137.0 | 133.5 | 117.9 | ...                 |

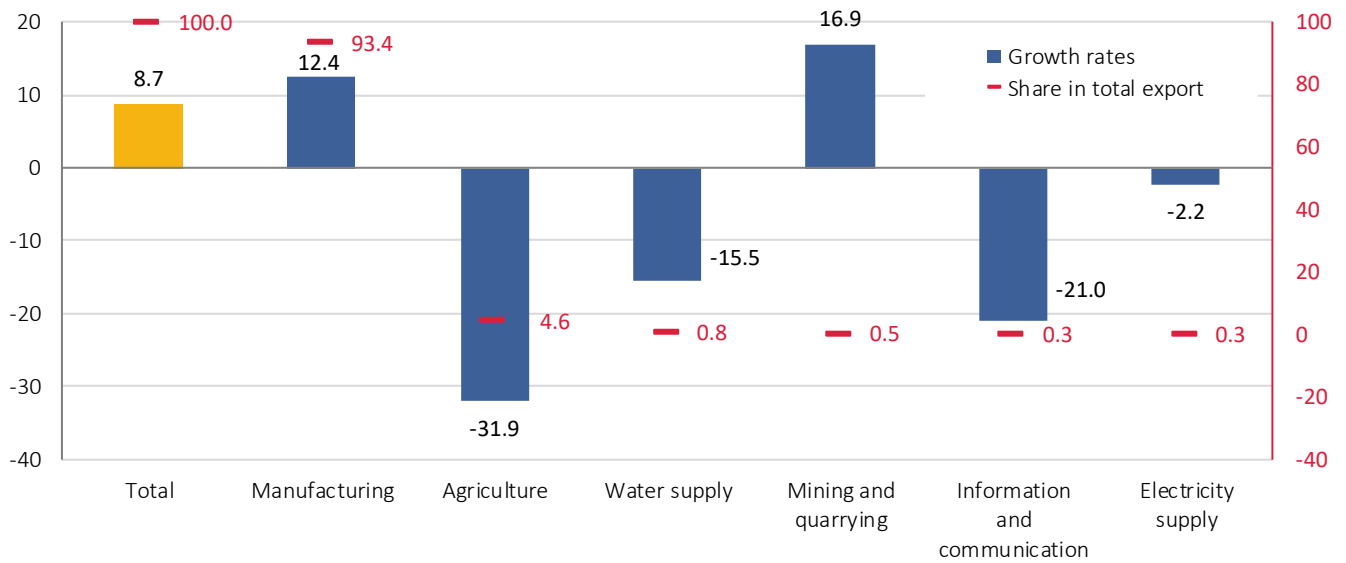
<sup>1)</sup> Prognosis

<sup>1</sup> At the current exchange rate, EUR

<sup>2</sup> According to the classification of the business (2010)

## 4. External trade

Graph 4.2. Cumulative growth rates of export by CA (2010) sections and sections' share in export (%)  
(Q1 2018 relative to the same period of the previous year)

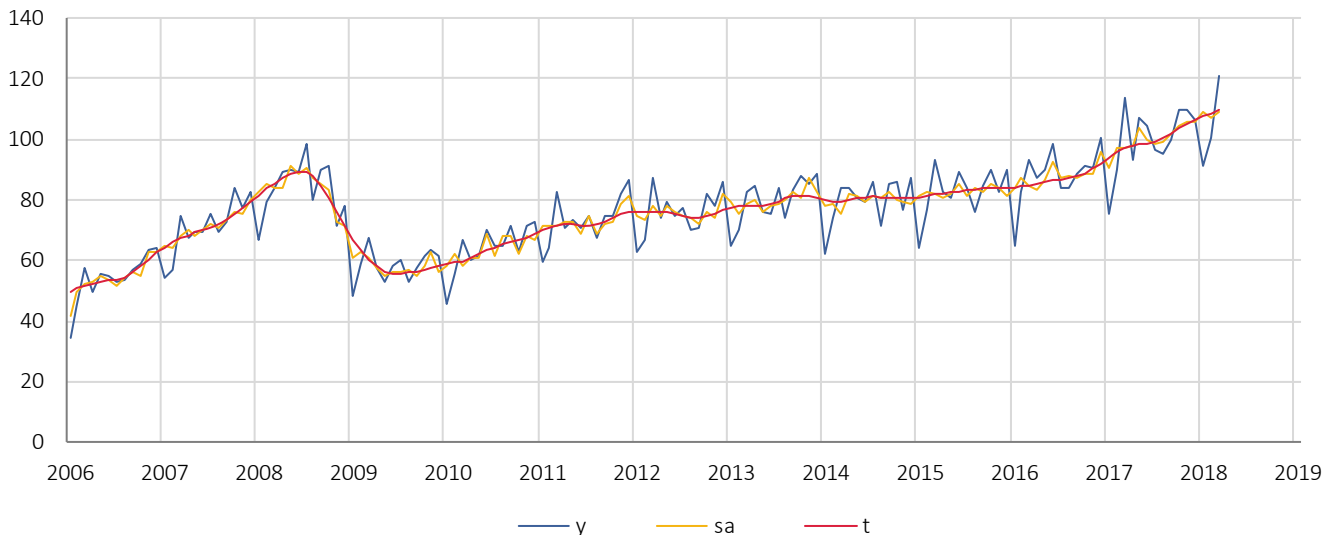


### 4.2. Total value of goods import<sup>3</sup>

Total value of goods import in Serbia in the period January – March 2018 increased by 12.3% relative to the same period 2017.

Graph 4.3. Components of import's time series

(u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2017 = 100)



Total import results were mostly influenced by manufacturing increase of 16%, as it presents 74.7% of total import and increase of 13.6% in the section of unclassified goods, which encompassed 12.4% of total import in the first quarter 2018.

<sup>3</sup> At the current exchange rate, EUR

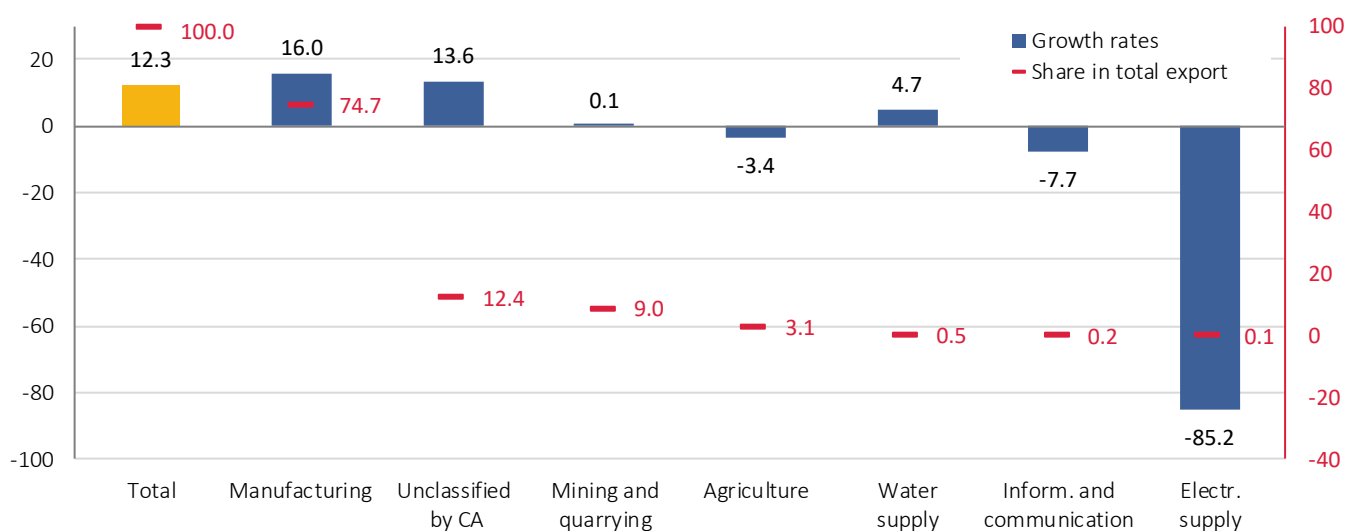
## 4. External trade

**Table 4.2. Import of goods by CA (2010) sections, quarterly growth (%)**  
(quarter relative to the same quarter of the previous year)

|                                   | 2016  |       |       |       | 2017  |       |       |       | 2018  |                     |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
|                                   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q1+Q2 <sup>1)</sup> |
| Import – total                    | 102.6 | 108.8 | 105.3 | 107.4 | 115.5 | 110.6 | 113.6 | 115.6 | 112.3 | <b>111.0</b>        |
| Manufacturing                     | 98.0  | 98.1  | 98.8  | 100.6 | 112.6 | 100.0 | 116.6 | 113.3 | 116.0 | ...                 |
| Agriculture, forestry and fishing | 100.6 | 90.8  | 89.1  | 85.5  | 113.4 | 108.9 | 129.3 | 123.5 | 96.6  | ...                 |
| Mining and quarrying              | 77.0  | 96.1  | 83.6  | 90.2  | 153.7 | 122.6 | 133.8 | 128.4 | 100.1 | ...                 |

<sup>1)</sup> Prognosis

**Graph 4.4. Cumulative growth rates of import by CA (2010) sections and sections' share in import (%)**  
(Q1 2018 relative to the same period of the previous year)



### 4.3. The most significant external trade partners

The most significant external trade partners in the first quarter 2018 were the countries with which Serbia has signed agreements on free trade. European Union member countries account for 64.5% of total external trade and the second major partner refers to the CEFTA countries. The major external trade partners are separately presented in table 4.3.

**Table 4.3 The major external trade partners**

| Export                 | EUR mill. | Import             | EUR mill. |
|------------------------|-----------|--------------------|-----------|
| Italy                  | 550.5     | Germany            | 668.9     |
| Germany                | 480.8     | Italy              | 479.3     |
| Bosnia and Herzegovina | 293.9     | Russian Federation | 453.0     |
| Russian Federation     | 228.1     | China              | 431.2     |
| Romania                | 170.0     | Hungary            | 270.3     |

## 4. External trade

### 4.4. Manufacturing (C)

(share of 93.4% in total export and 74.7% in total import)

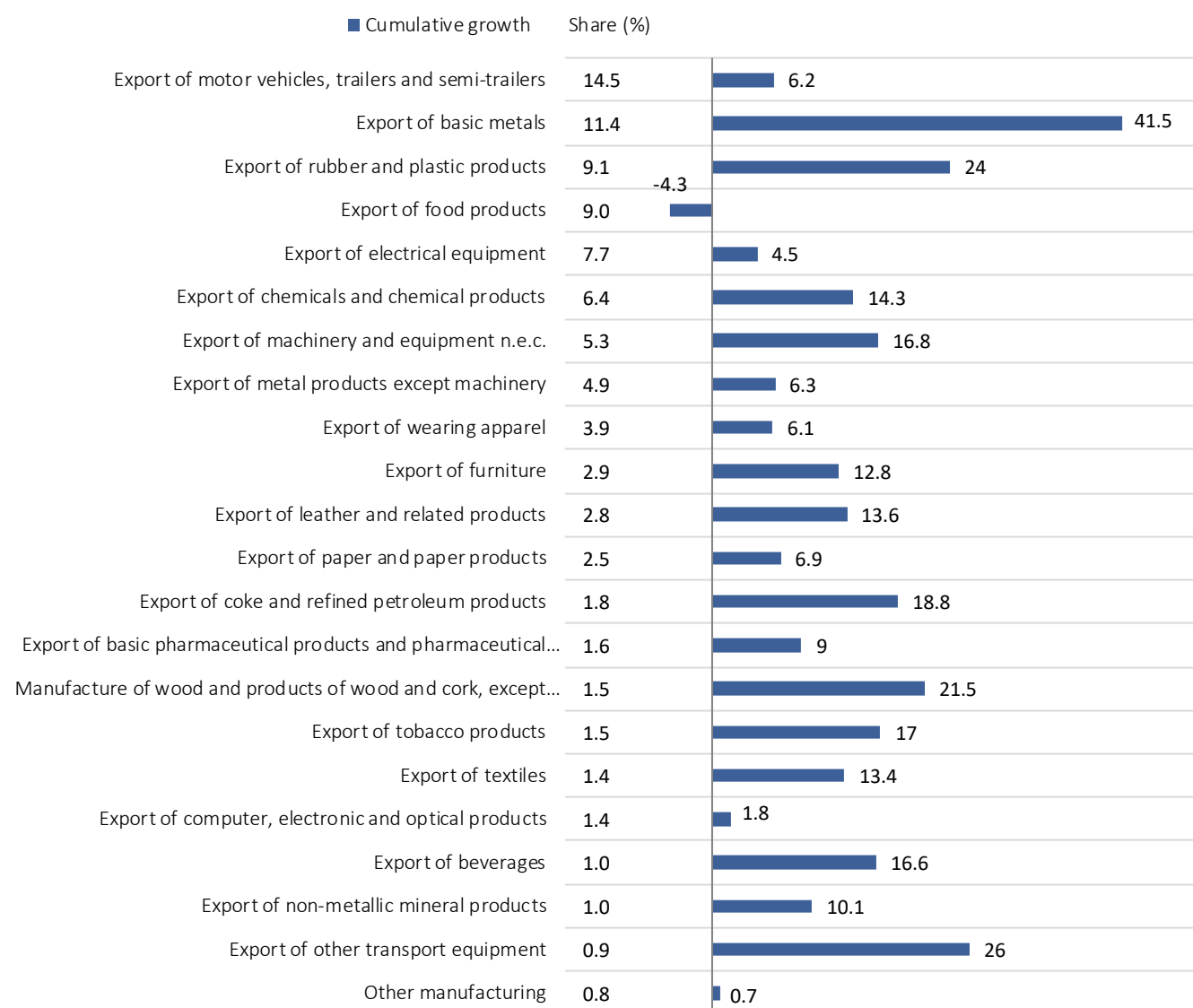
Export of manufacturing recorded growth of 12.5% if compared with the first quarter 2017, presenting the increase in all divisions, excluding export of food products.

Export of motor vehicles and trailers and semi-trailers noted increase of 6.2%, relative to the period January – March 2017, presenting the highest separate value in export of EUR 555.9 million. Apart from this division, particularly good results were noticed in export of basic metals (increase of 41.5%), rubber and plastic products (increase of 24%), electrical equipment (increase of 4.5%) and chemicals and chemical products (increase of 14.3%).

Export of food products shows the decreasing trend since August 2017. Relative to the first quarter of the previous year, the decrease of 4.3% was recorded. Somewhat worse results are mostly the consequence of decreased export of sugar and oils and fats (cumulative fall of sugar export of 66% and fall of 40% regarding export of oils and fats). Such fall of export coincided with decreased production in the mentioned classes. Somewhat smaller fall of export of mill products and meat processing and preserving products (about 10% in each group) was also recorded.

#### Graph 4.5. Export of manufacturing by divisions, quarterly growth (%)

(Q1 2018 relative to the same period of the previous year, by descending share in total export)



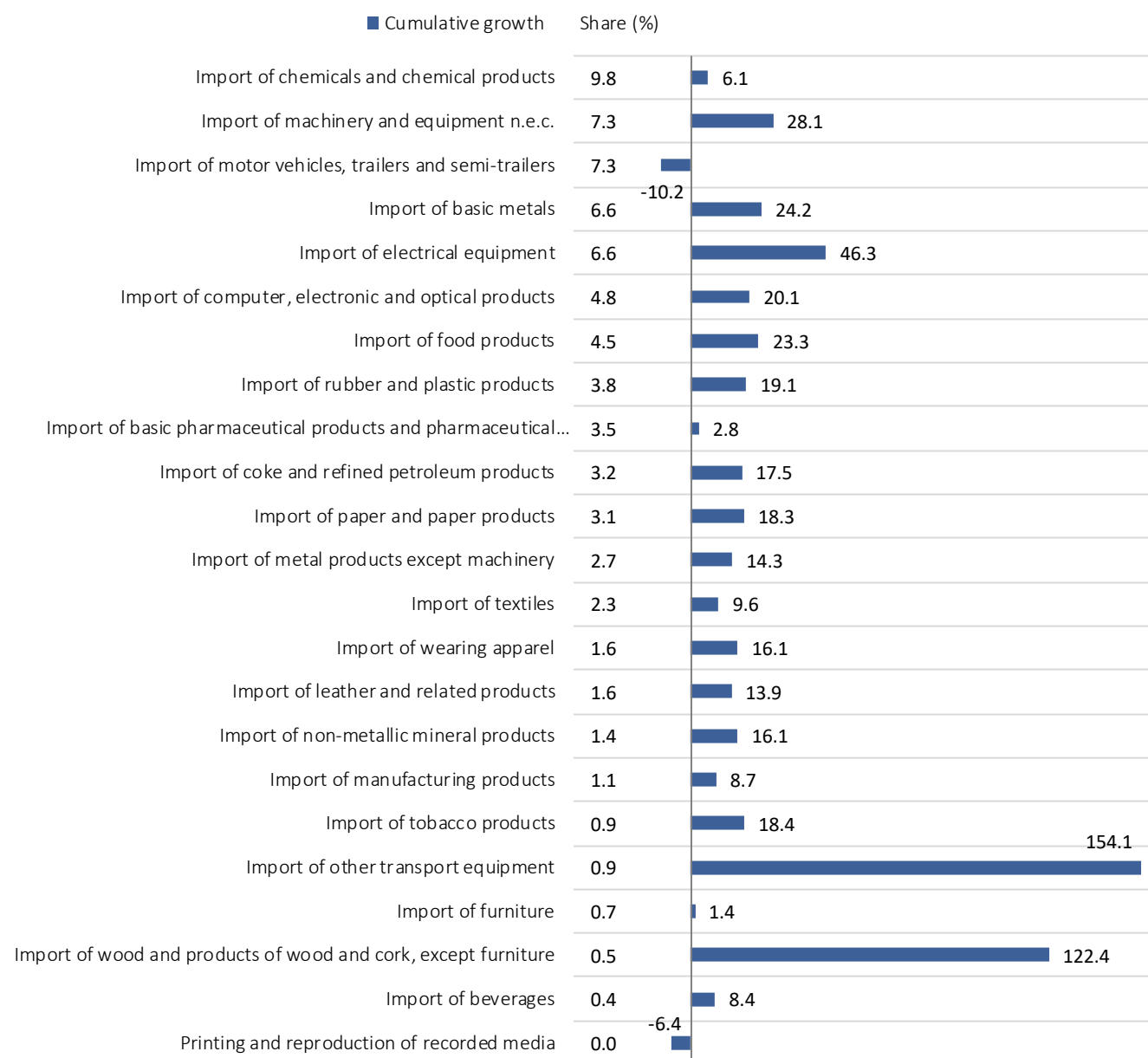


## 4. External trade

Import of manufacturing recorded increase of 16% relative to the first quarter 2017. Such result was mostly influenced by increased import of chemicals and chemical products (6.1%), machinery and equipment, n.e.c. (28.2%), basic metals (24.1%) and electrical equipment (46.3%). On the other hand, import of motor vehicles and trailers recorded decrease of 10.2% and the share in total import decreased from 9.1% in the same quarter 2017 to 7.3%.

**Graph 4.6. Import of manufacturing by divisions, quarterly growth (%)**

(Q1 2018 relative to the same period of the previous year, by descending share in total import)



## 4. External trade

### 4.5. Agriculture, forestry and fishing (A)

(share of 4.6% in total export and 3.1% in total import)

Export in this section realized decreased value of 31.9%, as well as decreased share in export from 7.4% to 4.6% relative to the period January – March 2017. The most significant division of this section, Crop and animal production, hunting and service activities, participating with the share of 96.8% in total export of the whole section, noted the decrease of 33.2%.

Since, according to the available indicators, crop and animal production noted serious fall in 2017, it will certainly influence export results in 2018. Currently, the greatest export decrease in the first quarter of 2017 was recorded in export of cereals (except rice), leguminous crops and oil seeds (decrease of 43%) and in export of pome and stone fruit (decrease of 26%), that is, the two CA classes which make 76% of total export of the whole section.

On the other hand, import recorded decrease of 3.4%. Registered was significant increase of cereals import (except rice), leguminous crops and oil seeds of 20.2% and citrus fruits of 33.2%, and also decreased import of vegetables, roots and tubers (6.3%) and tobacco (8.9%). As these classes of CA make about 60% of total import of the whole section, it can be said that structure of import in this section has been significantly changed relative to the same period last year.

### 4.6. Mining and quarrying (B)

(share of 0.5% in total export and 9% in total import)

The section of Mining and quarrying (share of 0.5% in total export) noticed cumulative import increase of 16.8% relative to the period January – March 2017 and inter-annual growth of 4.3% relative to March 2017. Trend values are in slight continuous decrease in the previous five-month period. Increased export in mining and quarrying was mainly caused by cumulative increase of metal ores' export (20.6%) that presents 80% of export of the whole section.

Import in this section is almost unchanged if compared with the same quarter of the previous year. Insignificant increase of 0.1% was recorded.

#### Glossary

Unclassified goods by CA (2010), involves storage goods, goods in free zone, as well as goods for which customs tariff is not entered/ filled.

## 5.1. Retail trade turnover

(Division 47 of the Classification of Activities)

Retail trade turnover in the period January – March 2018, relative to the same period 2017, increased by 4.7% at current and by 3.2% at constant prices.

**Table 5.1 Retail trade turnover, quarterly growth (%)**

(quarter relative to the same quarter of the previous year)

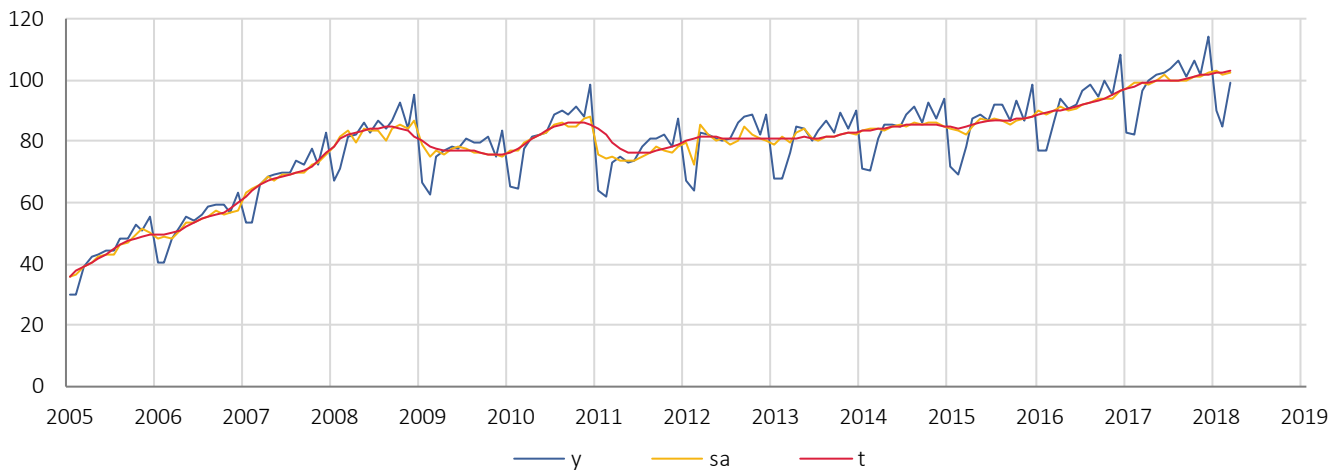
|                 | 2016  |       |       |       | 2017  |       |       |       | 2018  |                     |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
|                 | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q1+Q2 <sup>1)</sup> |
| Current process | 109.6 | 105.6 | 106.8 | 108.6 | 108.7 | 109.8 | 107.5 | 106.5 | 104.7 | <b>105.5</b>        |
| Constant prices | 109.9 | 107.2 | 106.9 | 106.9 | 104.0 | 104.7 | 104.0 | 103.0 | 103.2 | <b>103.5</b>        |

<sup>1)</sup> Prognosis

Compared with 2017 average, in the first three months of 2018, an expected seasonal decrease in retail trade turnover was observed, both at current and at constant prices. However, the trend is constant and slightly increasing and during the first quarter 2018, it was above the last year's average (on average, 2.6% at current and 1.4% at constant prices).

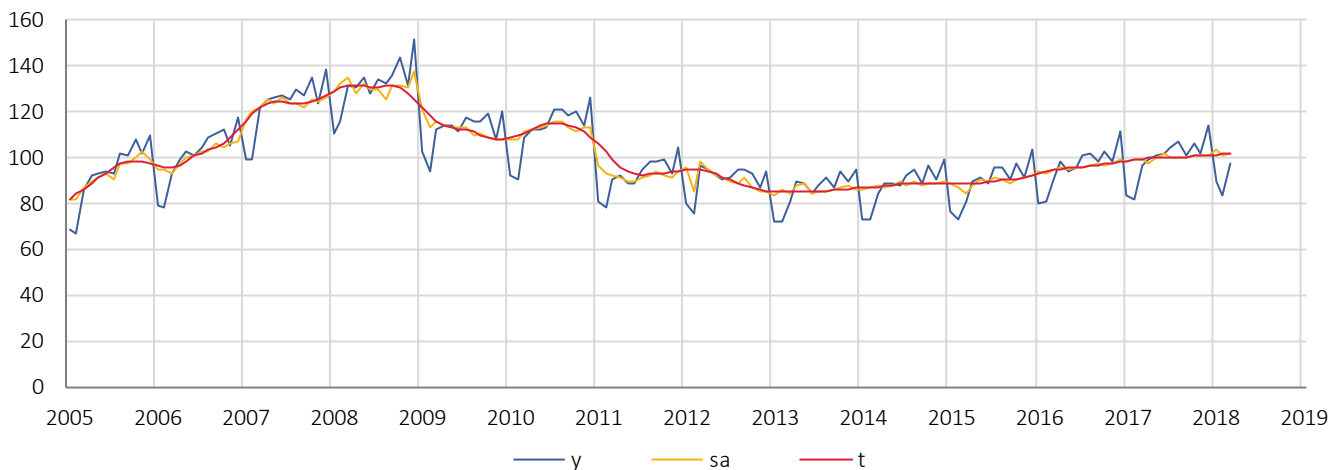
**Graph 5.1 Components of time series of retail trade turnover at current prices**

(u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2017 = 100)



**Graph 5.2 Components of time series of retail trade turnover at constant prices**

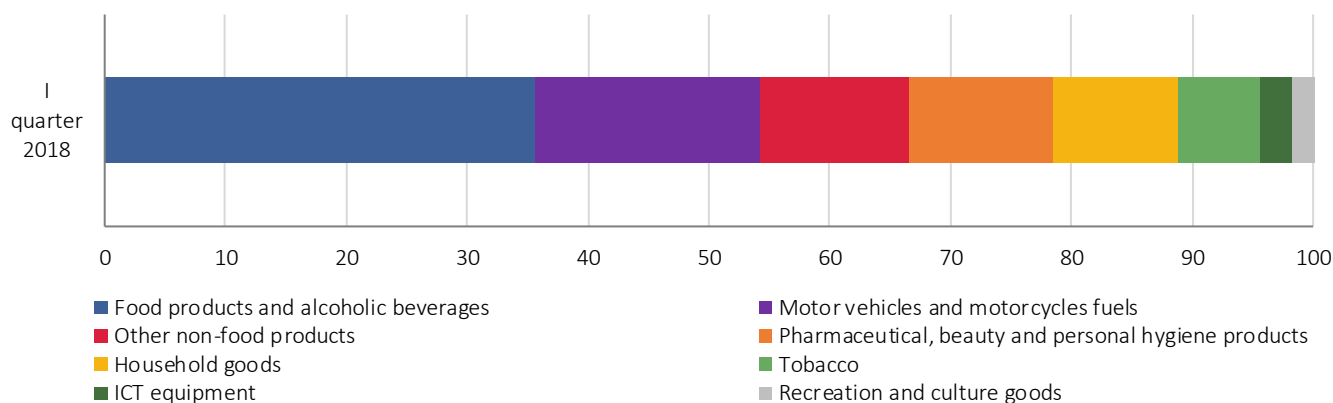
(u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2017 = 100)



## 5. Domestic trade

Observed by **trade divisions and commodity groups**, in retail trade turnover in the first quarter 2018, the most notable were food products and alcoholic beverages (35.7%), followed by motor vehicles and motorcycles fuels (18.5%) and pharmaceutical, beauty and personal hygiene products (12.0%).

Graph 5.3 Structure of retail trade turnover by trade divisions and commodity groups (%)



### 5.2. Wholesale trade turnover

(Division 46 of the Classification of Activities)

Wholesale trade turnover in the first quarter 2018, compared with the same quarter 2017 noted increase by 4.3% at current prices.

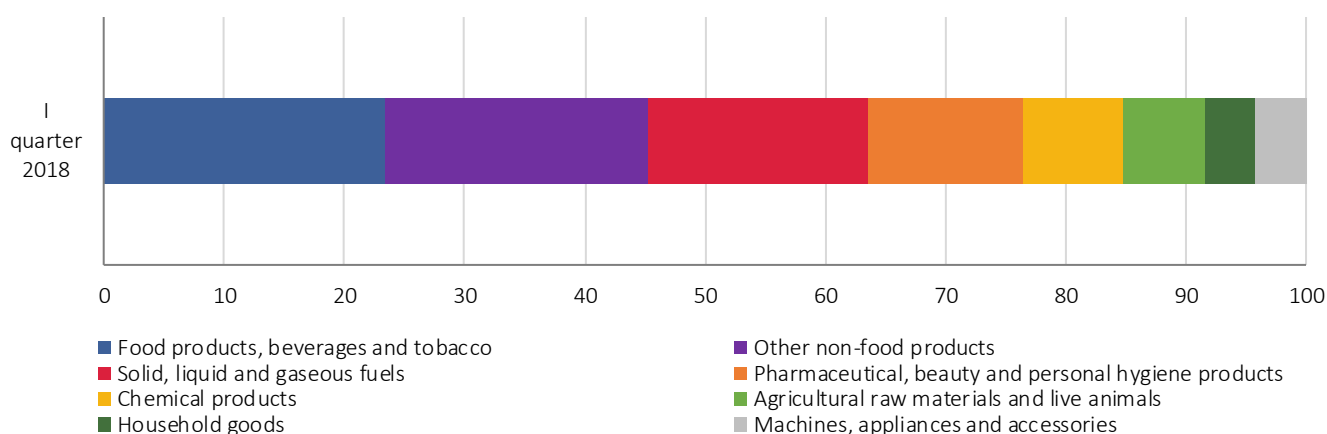
Table 5.2 Wholesale trade turnover, quarterly growth (%)

(quarter relative to the same quarter of the previous year)

|                | 2016  |       |      |       | 2017  |       |       |       | 2018         |
|----------------|-------|-------|------|-------|-------|-------|-------|-------|--------------|
|                | Q1    | Q2    | Q3   | Q4    | Q1    | Q2    | Q3    | Q4    | Q1           |
| Current prices | 102.6 | 100.9 | 99.0 | 100.9 | 109.7 | 106.1 | 108.2 | 107.7 | <b>104.3</b> |

Observed by **trade divisions and commodity groups**, in wholesale trade turnover in the first quarter 2018, the most notable were food products, beverages and tobacco (23.3%), followed by solid, liquid and gaseous fuels (18.3%) and pharmaceutical, beauty and personal hygiene products (12.9%).

Graph 5.4 Structure of wholesale trade turnover by trade divisions and commodity groups (%)



## 5.3. Turnover in wholesale and retail trade and motor vehicles repair (Division 45 of the Classification of Activities)

Turnover of goods in wholesale and retail trade and repair of motor vehicles in the first quarter 2018, relative to the same quarter 2017 recorded increase of 4.1% at current prices.

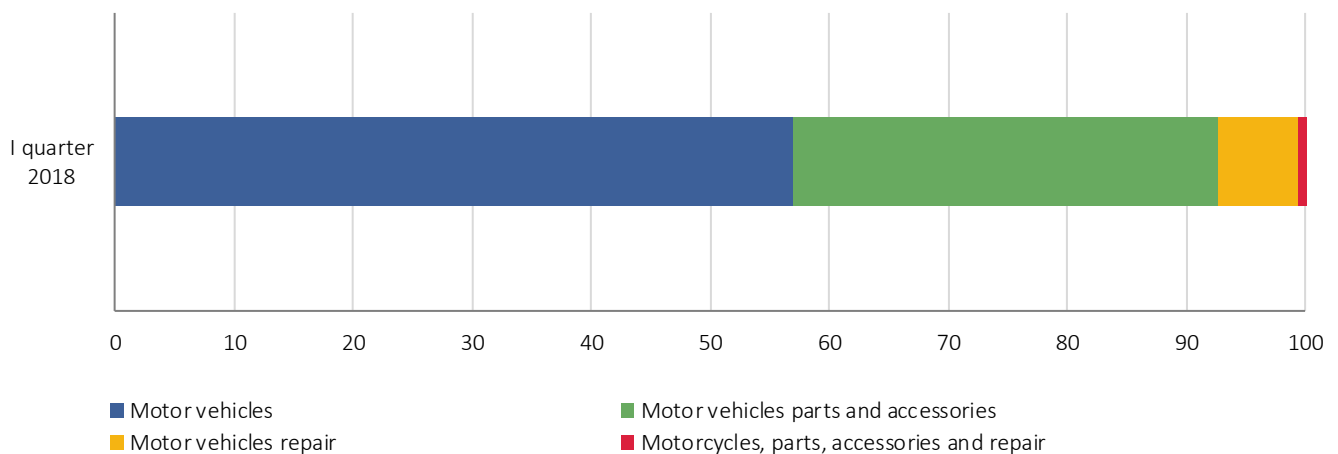
**Table 5.3 Turnover in wholesale and retail trade and motor vehicles repair, quarterly growth (%)**  
(quarter relative to the same quarter of the previous year)

|                | 2016  |       |       |       | 2017  |       |       |       | 2018         |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
|                | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1           |
| Current prices | 124.5 | 129.4 | 114.4 | 115.7 | 121.3 | 113.2 | 114.2 | 109.5 | <b>104.1</b> |

<sup>1)</sup> Prognosis

Observed by **trade divisions and commodity groups**, regarding wholesale and retail trade turnover and motor vehicles repair in the first quarter 2018, the most notable were motor vehicles (57%), followed by motor vehicles parts and accessories (35.6%).

**Graph 5.5 Structure of wholesale and retail trade turnover and motor vehicles repair by trade divisions and commodity groups (%)**



### **i** Note:

Goods turnover indices of retail trade at constant prices are obtained by deflating the indices at current prices with appropriate consumer price indices, which exclude: water (from public utilities systems), electricity and motor vehicles, motorcycles and parts thereof.

## 6. Prices

### 6.1. Inflation trend

In the **first six months** of 2018, compared with the same period of the previous year, a cumulative inter-annual growth of consumer prices of 1.7% was registered. This result is slightly above the lowest limit of the targeted inflation by the National Bank of Serbia for 2018, being 3.0±1.5%.

In **June** of the current year, consumer prices increased inter-annually by 2.3%, being the highest inter-annual growth from the beginning of the year.

According to SORS forecasts, a progressive growth of consumer prices is expected in the forthcoming period as a result of a faster increase of domestic demand, favourable trends in labour market and earnings, as well as of weakening effects of the base. In the first three quarters of 2018, price growth is forecast to be 2.0% inter-annually (table 6.1).

Graph 6.1. Inflation rate measured by consumer price indices, June 2017 – June 2018

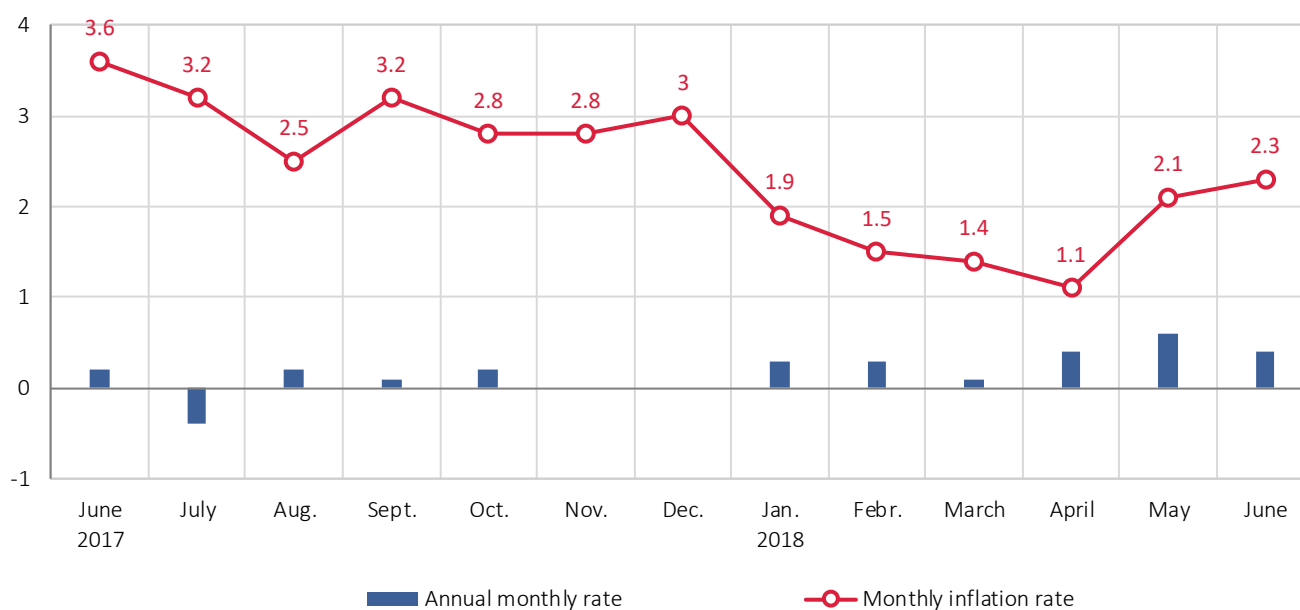


Table 6.1. Inter-annual growth rates, 2016 – Q2 2018. (%)  
(Quarter to the same quarter of the previous year)

|                       | 2016 |     |     |     | 2017 |     |     |     | 2018 |     |                        |
|-----------------------|------|-----|-----|-----|------|-----|-----|-----|------|-----|------------------------|
|                       | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q1+Q2+Q3 <sup>1)</sup> |
| Consumer prices (CPI) | 1.5  | 0.5 | 1.0 | 1.5 | 3.1  | 3.7 | 3.0 | 2.9 | 1.6  | 1.7 | 2.0                    |

<sup>1)</sup> Forecast

### Glossary

Annual inflation rate – price change in the current month, compared with the same month of the previous year, in %.

Monthly inflation rate – price change in the current month, compared with the previous month, in %.

Observed by **main divisions of consumption** in terms of the consumer price index, the cumulative inter-annual growth of 1.7% in the first two quarters of 2018 was mostly due to the contribution of the increase in the following divisions of products:

- **Food and non-alcoholic beverages (contribution of 0.6 p.p.)**

Having in mind the high share of this division in the total consumption structure (31.7%), it is clear that CPI growth is mostly determined by the increase of its prices. Within this division the largest contribution to the cumulative index was that of the following products: fruit (0.2 p.p.), vegetables (0.2 p.p.), non-alcoholic beverages (0.1 p.p.) and bread and cereals (0.1 p.p.).

The analysis of the seasonal component **fruit and vegetables** (starting from the first quarter 2007) shows that the influence of this division on the growth of total consumer prices after the second quarter, on average, began to go down – in the third quarter it was actually negative, but it was only in the fourth quarter that the increase of food prices was significantly influenced, on average, by vegetable prices.

As far as the influence of the prices of **bread and cereals** is concerned, it is worth mentioning that, despite the favourable agricultural and meteorological situation and expected higher yields in Serbia, a considerably low yield of wheat and cereals is expected in this agricultural season on the European market and in the Black Sea Region. As the prices of cereals on the Serbian market are greatly affected by the prices of these international markets, the prices of cereals have consequently gone up on the Serbian stock exchange, which was a good sign for domestic farmers but not for product consumers. Therefore, the slight increase of the prices of bread and cereals recorded in the second quarter is a result of wheat price expectations on world stock exchanges, while, on the other hand, wheat stocks are low because of the bad previous season in Serbia.

Observed by grouped products, in the structure of the prices of food and non-alcoholic beverages the growth was most affected by **non-processed food** (0.4 p.p.) and less by **non-processed food** (0.2 p.p.)

- **Alcoholic beverages and tobacco (contribution of 0.4 p.p.)**

Within this division, the largest contribution is from the growth of **tobacco** prices (0.4 p.p.). In fact, this is a direct consequence of the harmonized excise policy according to which, respecting the excise calendar 2018-2020, every January and June a specific excise duty on cigarettes rises by 1.5 dinars, including the charged proportional excise duty on cigarettes of 33.0% and the added VAT. These tendencies will bring, in a few years, the price of cigarettes in Serbia to the level that is paid, on average, in EU countries.

It is also worth mentioning that the share of tobacco prices in the total consumer prices over the last few years has been continuously falling due to smaller consumption, i.e. smaller amount of earmarked money by consumers. For this reason, despite the rise of cigarette prices, their contribution in the first two quarters of 2018 also recorded a slight decreasing tendency, when compared with the same periods of the previous years.

- **Housing, water, electricity, gas and other fuels (contribution of 0.2 p.p.)**

The total cumulative increase in prices of this division of products in the first two quarters of 2018 was due to the growth of the prices of solid fuels and electricity for households.

At the end of the second quarter, because of the increase in the prices of coal and wood on the markets of neighbouring countries and speculative fluctuations on the domestic market, the prices of **solid fuels** rose by 5.1%, thus contributing to the total cumulative growth of consumer prices from the beginning of the year by 0.1 p.p.

The increase in the prices of **electricity for households** was a result of the growth of electricity prices of 2.1%. Its total contribution to the total growth rate of consumer prices at the end the second quarter was 0.1 p.p.

- **Recreation and culture (contribution of 0.2 p.p.)**

With a cumulative growth of 18.6%, the most positive contribution in this division of products was that of the prices of **package holidays**, accounting for 0.1 p.p. of the total consumer price growth. Cultural services contributed to the growth with 0.1 p.p.

## 6. Prices

- **Transport (contribution of 0.1 p.p.)**

In the structure of this division of products, the six-month increase of 2.4% in the prices of **fuels and lubricants for personal transport equipment** annulled the six-month fall of 3.2% in the prices of personal transport equipment. Actually, since the beginning of the year, great fluctuations on the world market have brought about constant slight increase in oil prices, which has reflected on the increase in fuel prices. Government appropriations, for reason of excise duties increase (consequently of a higher GDP, because of a higher base) in the first two quarters, amounted to 2.63 dinars per litre of petrol and to 3.07 dinars per litre of diesel, at average retail price.

As a result of such tendencies, the total cumulative growth in the prices of fuels and lubricants for passenger cars accounted for 0.1 p.p. of the total six-month growth rate of consumer prices.

Graph 6.2. Contributions to the cumulative growth rate of consumer prices by components, p.p.



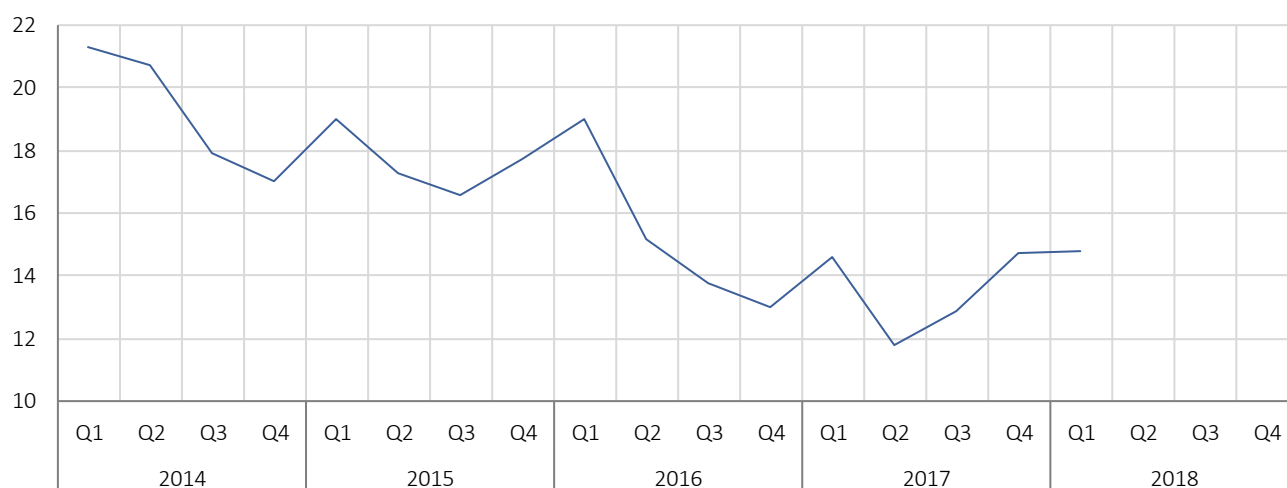


## 7. Labour market

In Serbia in the first quarter of 2018 there were 2.688 million employed persons and 468.7 thousand unemployed persons<sup>4</sup>.

In this period, the unemployment rate was slightly up – from 14.7% in Q4 2017 to 14.8% in Q1 2018. Even though the unemployed persons were fewer than in Q4, the unemployment rate grew because of a decrease in the contingent of labour force. Although unemployment rate movements had a falling tendency, they contained a seasonal component which, due to the insufficiently long series, cannot be eliminated for the moment being.

**Graph 7.1. Unemployment rate movements over 2014 – Q1 2018, quarterly frequency; Persons aged 15 and over**



When compared with **the same quarter of the previous year**, the number of unemployed persons increased by 3.5% (from 452.8 thousand to 468.7 thousand). At the same time, the number of employed persons grew by 1.4% (from 2.652 million in Q1 2017 to 2.688 million in Q1 2018).

When compared with **the previous quarter**, Q4 2017, the number of unemployed persons decreased by 6.9 thousand, and the number of employed persons by 75.3 thousand.

**Table 7.1. Labour market, quarterly data**

|                    | Current quarter | Previous quarter |           | The same quarter of the previous year |           |
|--------------------|-----------------|------------------|-----------|---------------------------------------|-----------|
|                    | Q1 2018         | Q4 2017          | change, % | Q1 2017                               | change, % |
| Unemployed persons | 468.7           | 475.6            | -1.5      | 452.8                                 | 3.5       |
| Employed persons   | 2 688.3         | 2 763.6          | -2.7      | 2 652.2                               | 1.4       |
|                    | share, %        | share, %         | change, % | share, %                              | change, % |
| Unemployment rate  | 14.8            | 14.7             | 0.7       | 14.6                                  | 1.4       |
| Employment rate    | 45.1            | 46.3             | -2.6      | 44.2                                  | 2.0       |

The **youth** unemployment rate (persons aged 15-24) in Q1 2018 was 34.6%, which was more than in the previous quarter (when it was 33.3%), but lower compared with Q1 2017 (at that time 37.1%). The highest youth unemployment rate were recorded in the Region Južne i Istočne Srbije (44.7%) and the lowest in Vojvodina (27%).

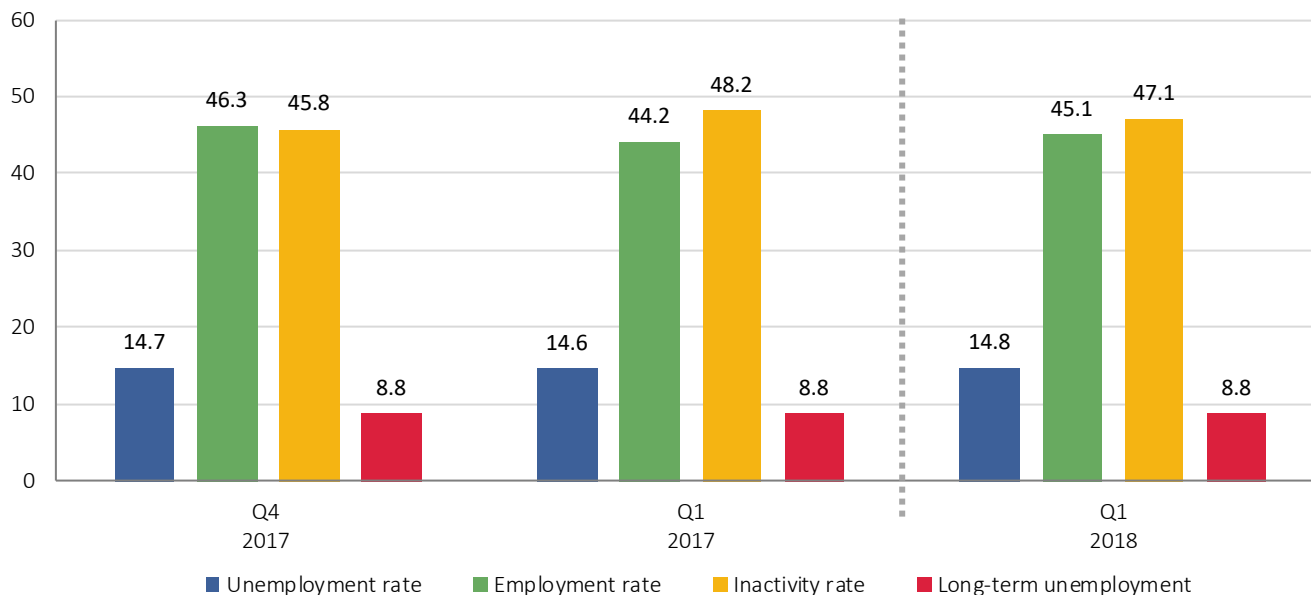
**Long-term unemployment** (share of persons being unemployed more than a year in the total active population aged 15 and over) is at the same level as in Q4 2017 and Q1 2017, being 8.8%.

<sup>4</sup> All the data are retrieved from the Labour Force Survey.

## 7. Labour market

With occasional oscillations, compared both with Q4 2017 and Q1 2018 – the most important contingents of labour market remained at stable levels.

Graph 7.2. Labour market – current quarter, previous quarter and the same quarter of the previous year



Observed by **sex**, unemployment in Q1 2018 was smaller among men than women: 14.1% of active men and 15.8% of active women were employed in this period. When compared with Q4 2017, the unemployment rate among men remained the same level but was up by 0.4 p.p. among women. Men unemployment decreased in the Beogradski region (from 15.5% to 12.2%) and in the Region Šumadije i Zapadne Srbije (from 14.4% to 13.6%), while it increased in Vojvodina (from 12.5% to 12.7%) and in the Region Južne i Istočne Srbije (from 14.2% to 18.65%).

Contrary to these movements, women unemployment decreased in the region Vojvodina (from 14.2% to 13.2%) and Južna and Istočna Srbija (from 19.4% to 17.8%), but increased in the Beogradski region (from 13.1% to 14.5%) and Region Šumadije i Zapadne Srbije (from 16.1% to 18.2%).

Observed by **status**, compared with the previous quarter, a fall was recorded in the number of employed persons in all categories: the highest fall was registered among the self-employed and contributing family workers (8.1% and 10.2% respectively).

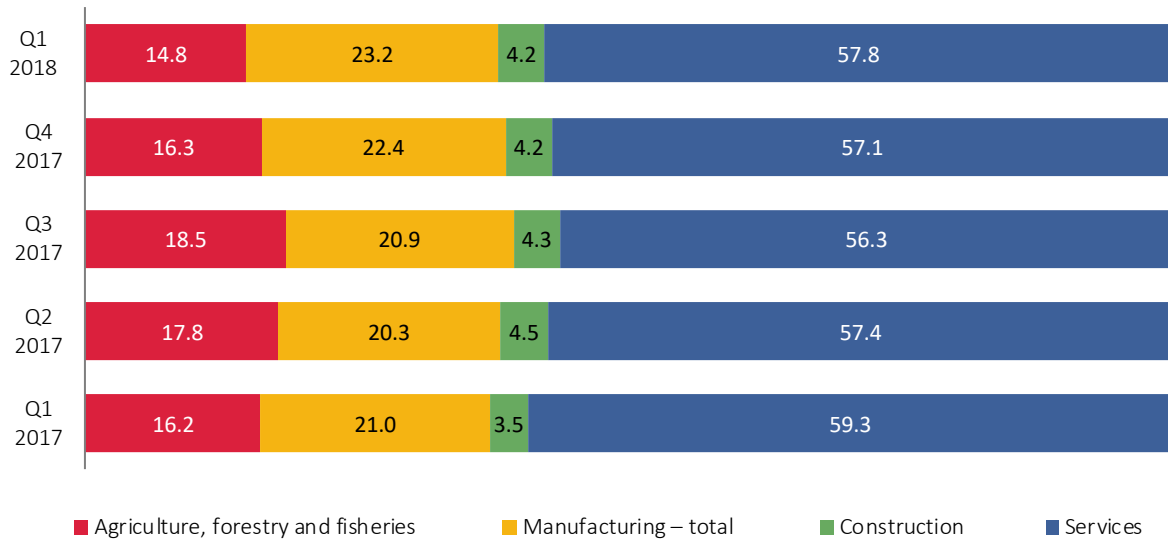
Table 7.2. Employment by status, comparison Q1 2018 – Q4 2017.

|                             | Q4 2017 | Q1 2018 | Change in % |
|-----------------------------|---------|---------|-------------|
| Employed persons – total    | 2 763.6 | 2 688.3 | -2.7        |
| Self-employed persons       | 642.6   | 590.3   | -8.1        |
| Employed workers            | 1 964.9 | 1 957.7 | -0.4        |
| Contributing family workers | 156.1   | 140.2   | -10.2       |

## 7. Labour market

The largest number of employed persons was recorded in services (58%), then in manufacturing (23%), agriculture (15%) and in construction (4%). These tendencies – increase in the number of employed persons in services and decrease in other sections – exist both in the global economy and in our country, and in conformity with ten-year trends.

Graph 7.3. Share of employed persons by sections (%)



### Glossary

Unemployed persons are persons aged 15 and over who did not perform any paid job in the reference week nor held a job from which they were absent and to which they could return after the absence.

Employed persons are persons aged 15 and over who performed a paid job in the reference week (in cash or in kind), as well as persons who had an employment but who were absent from work in that week.

Active population (labour force) includes employed and unemployed persons aged 15 and over.

Employment rate is the share of employed persons in the total population aged 15 and over.

Unemployment rate is the share of unemployed persons in the total number of active population aged 15 and over.

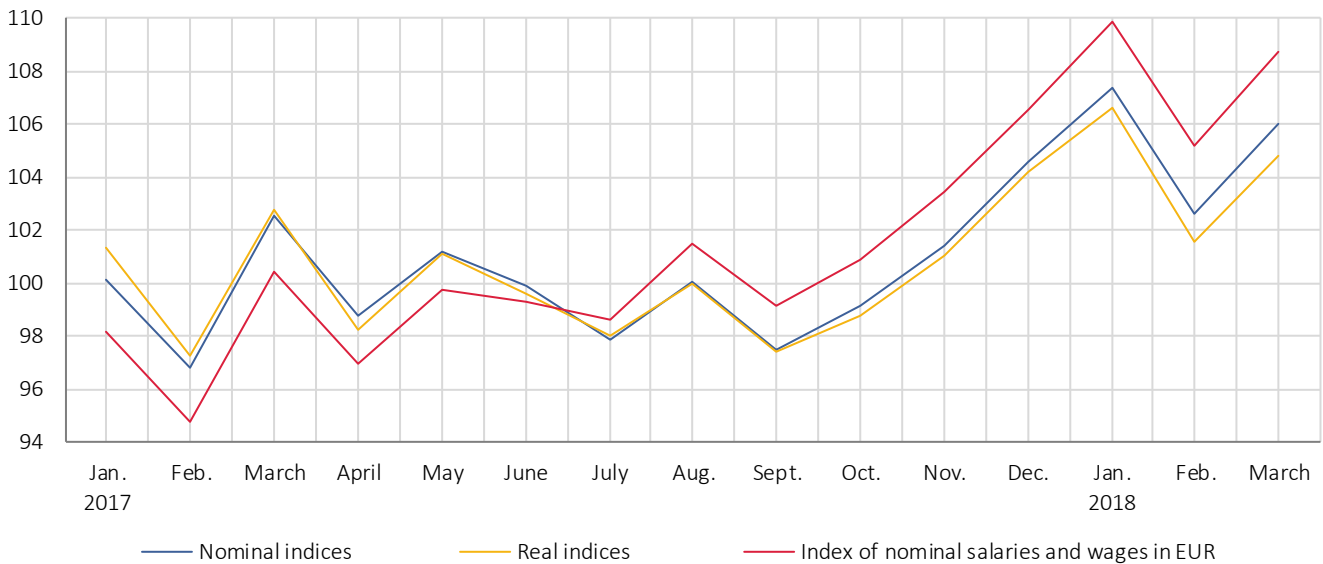
Activity rate is the share of active population in the total population aged 15 and over.

# 8. Salaries and wages

## 8.1. Average net salaries and wages

Average net salaries and wages paid in Serbia in the first quarter 2018 amounted to RSD 49 088. Compared with the same period of the previous year, they were nominally up by 5.5%, and in real terms by 3.8%. Compared with the previous quarter, i.e. Q4 2017, they saw a nominal and real increase of 3.6% and 2.9% respectively.

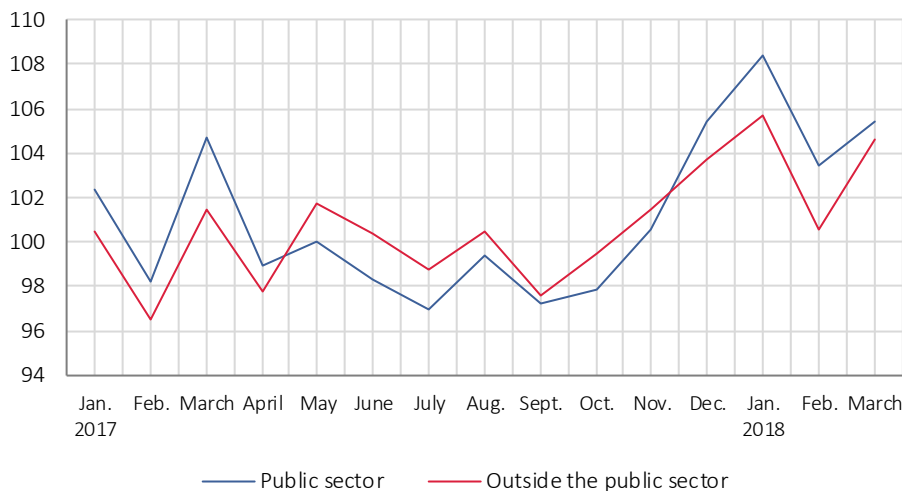
**Graph 8.1. Net salaries and wages, movement of nominal and real indices**  
(average 2017=100)



Looking at the salaries and wages trends from the beginning of 2017, a somehow higher level of nominal and real salaries and wages expressed in RSD has been noted, when compared with those shown in EUR. However, as the national currency has grown stronger, since June 2017 salaries and wages in EUR have started to go up faster than those in RSD. Afterwards, salaries and wages trends in dinars and euros remained balanced and stabilised till the end of the reference period (i.e. till the first quarter 2018).

Also, owing to a stable inflation, balanced trends of nominal and real salaries and wages were observed during the whole reference period. It was only in the first quarter of 2018 that a minor discrepancy was evident in the movement of the nominal and real index (due to a somehow faster growth of consumer prices in the first three months of 2018).

**Graph 8.2. Net salaries and wages in and outside the public sector, real indices**  
(average 2017=100)



Average net salaries and wages in Q1 2018 amounted to RSD 55 345 in the public sector and to RSD 45 880 outside it. In the reference period of 15 months, the level of salaries and wages in the public sector was higher than that in the first four months of 2017 as well as in the period from December 2017 to March 2018.

## 8. Salaries and wages

Chart 8.3. Average net salaries and wages, per employee, in the public sector, January-March 2018

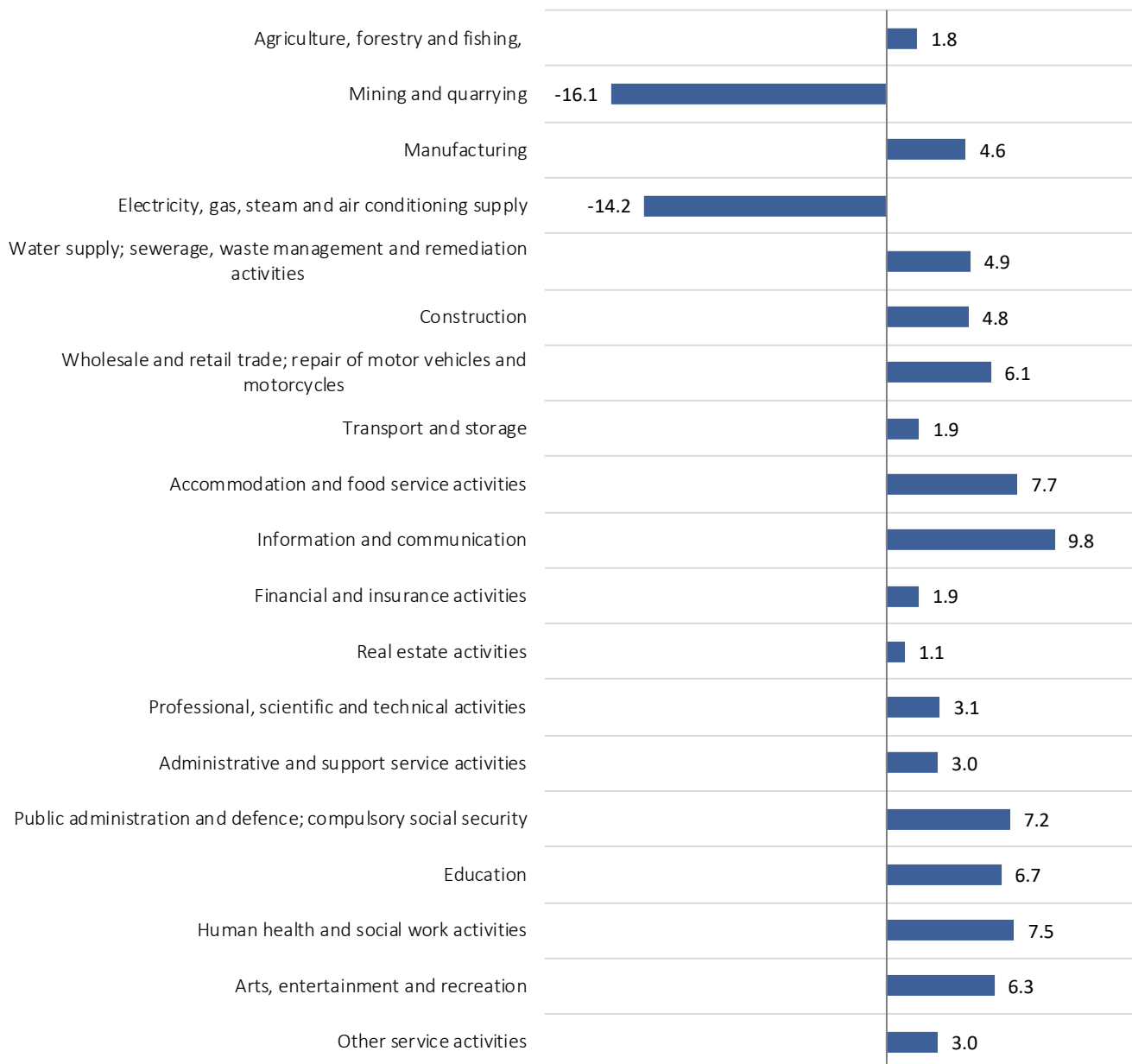
|   |            |
|---|------------|
| Public sector – total                   | RSD 55 345 |
| Public State-owned enterprises          | RSD 67 725 |
| Public local enterprises                | RSD 47 350 |
| Administration – all levels             | RSD 58 767 |
| Government level                        | RSD 61 009 |
| Level of the autonomous province        | RSD 61 636 |
| Local authorities level                 | RSD 47 602 |
| Human health and social work activities | RSD 50 197 |
| Education and culture                   | RSD 52 331 |

When comparing net salaries and wages by **sections of activities**, the largest real increase in the first quarter of 2018, compared with the same period of 2017, is evident in the section Information and communication (9.8%), then in the sections Accommodation and food service activities (7.7%) and Human health and social work activities (7.5%). A fall was recorded in two sections – Mining and quarrying (16.2%) and Electricity, gas, steam and air conditioning (14.2%).

The highest net salaries and wages in the first quarter of 2018 was paid in the sections Financial and insurance activities RSD 91 294, Information and communication RSD 84 660, Electricity, gas, steam and air conditioning RSD 78 625, and Mining and quarrying RSD 74 253. In all other sections, salaries ranged from RSD 31 673 (Accommodation and food service activities) to RSD 58 886 (Professional, scientific and technical activities).

## 8. Salaries and wages

Graph 8.4. Movement of real net salaries and wages, sections of the Classification of Activities  
(Q1 2018 to the same period of 2017)



Observed by **regions**, the highest net salaries and wages in Q1 2018 were paid in the Beogradski region, amounting to RSD 59 873. In all other regions the salaries and wages were under RSD 50 000 – in Vojvodina they totaled RSD 46 499, in the Region Šumadije i Zapadne Srbije RSD 42 531, and in the Region Južne i Istočne Srbije RSD 43 694.

From mid-2014, the tourist activity in Serbia recorded a growth; this positive movement persisted in the first quarter of 2018.

## 9.1. Tourist overnight stays

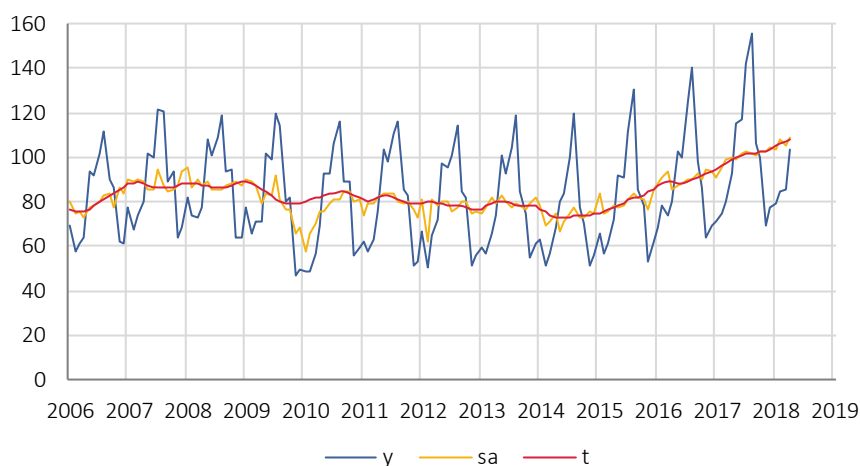
The key indicator of tourism statistics – **total number of overnight stays** – reflects both the number of tourists and the length of their stay at a destination.

Measured by the number of overnight stays, tourism in Serbia first went through the phase of turnover growth over 2005–2008. The year 2009 brought a phase of contraction, which persisted also the in following year, and from 2011 to 2013 there was a period of stagnation, when the average number of tourist overnight stays was about 6.6 million per year. In 2014, due to natural disasters in May, as the number of overnight stays fell by 7.3%, compared with 2013, tourism turnover experienced another strong contraction. However, in spite of bad meteorological conditions at the very beginning of the season, 2014 was the year when the expansive growth of the tourism activity in Serbia started.

The following charts present the components of the times series of tourist overnight stays (total, domestic and foreign tourists). The number of overnight stays is shown as index, 2017 being the base year (average 2017 = 100). The seasonal fluctuations of these series are very marked, reaching the highest values in summer. A growth of activity is also noticeable in January of every year, as a result of New Year and Christmas holidays.

**Graph 9.1. Components of times series of total tourist overnight stays**

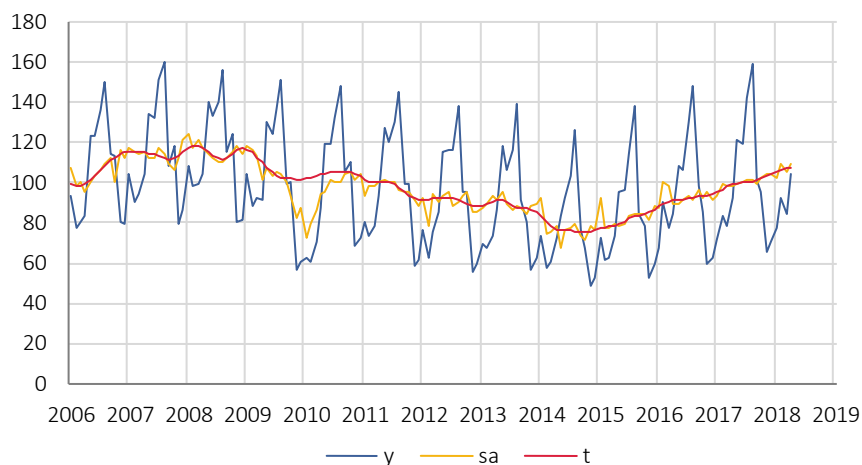
(y – original series, sa – series where seasonal component is excluded, t – trend-cycle component, average 2017 = 100)



Over January-March 2018, 1.7 million overnight stays were registered, which is by 10.7% more than in the same period of 2017. The growth is stable from mid-2014, so good results are expected also in the following period.

**Graph 9.2. Components of time series of domestic tourist overnight stays**

(y – original series, sa – series where seasonal component is excluded, t – trend-cycle component, average 2017 = 100)

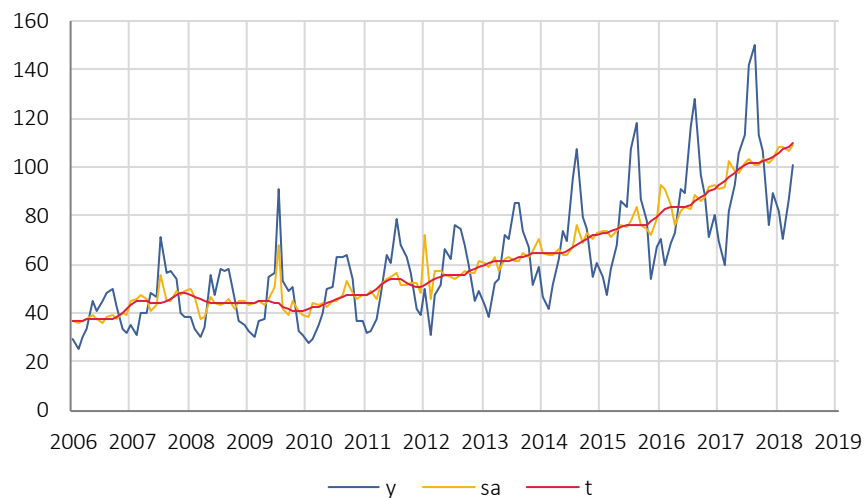


In the first quarter of 2018, domestic tourists spent 1.1 million nights, by 9.2% more than in the first quarter of the previous year. This group of tourists still represents the majority of visitors in Serbia, i.e. 63% of the total number of overnights stays. As domestic tourists had a dominant influence on the whole tourism activity in the past, their movement is similar to the movement of the total number of overnight stays.

## 9. Tourism

**Graph 9.3. Components of time series of foreign tourist overnight stays**

(y – original series, sa – series where seasonal component is excluded, t – trend-cycle component, average, 2017 = 100)



On the other hand, the number of foreign tourist overnight stays recorded stronger growth, 13.5%, compared with the same quarter of 2017, i.e. 633 thousand overnight stays in this period.

Growth trend has been present since 2000 and has been becoming stronger, which is indicative of a greater influence of foreign tourists on the total results of tourism in the forthcoming period in Serbia. On account of comparison, the share of foreign tourist overnight stays in the total number of overnight stays in the first quarter of 2008 was 26.8%, while it reached 37% in the first quarter of 2018.

**Table 9.1. Tourist overnight stays, quarterly growth (%)**

(Quarter to the same quarter of the previous year)

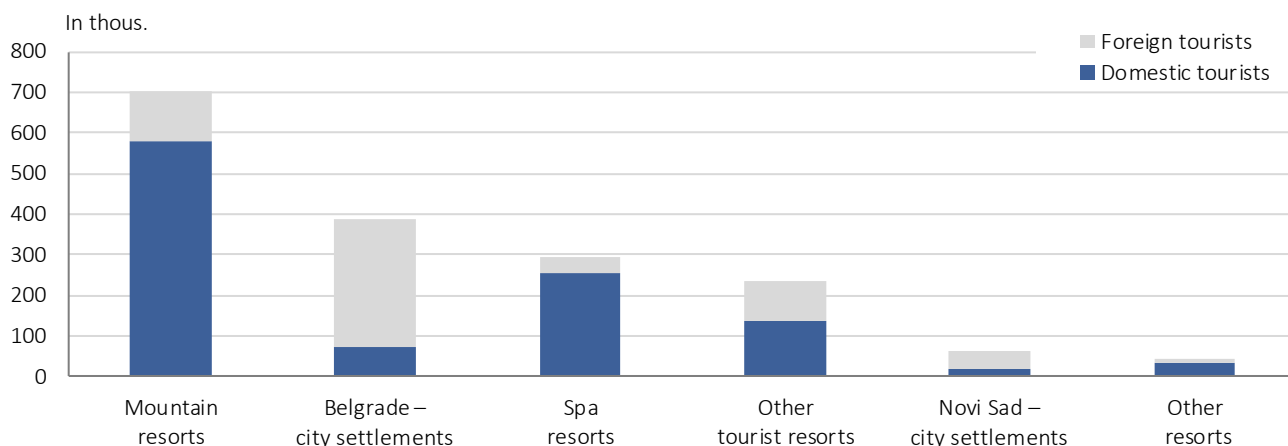
|                   | 2016  |       |       |       | 2017  |       |       |       | 2018  |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    |
| Total             | 120.6 | 110.7 | 110.8 | 113.8 | 101.6 | 115.0 | 111.5 | 112.0 | 110.7 |
| Domestic tourists | 118.9 | 113.0 | 111.6 | 109.4 | 99.4  | 110.8 | 107.5 | 111.3 | 109.2 |
| Foreign tourists  | 124.0 | 106.6 | 109.4 | 120.5 | 105.8 | 123.1 | 118.6 | 113.0 | 113.5 |

### 9.2. Major tourist resorts

In terms of the number of tourist overnight stays, the most frequently visited tourist resorts in Q1 2018 were **mountain resorts**, with about 702 thousand nights spent, accounting for 40.1% of the total of overnight stays in the Republic of Serbia, of which 423 thousand nights were spent in the largest ski tourist centres – Kopaonik and Zlatibor. Visitors of mountains were mostly domestic tourists (82.1% overnight stays).

The following most-visited tourist resorts are the **City of Belgrade** with about 385 thousand overnight stays and **spa resorts** with 294 overnight stays. The most-visited spa centres were Vrnjačka Banja (73 thousand overnight stays) and Sokobanja (37 overnight stays).

**Graph 9.4. Tourist overnight stays by selected tourist resorts, Q1 2018**



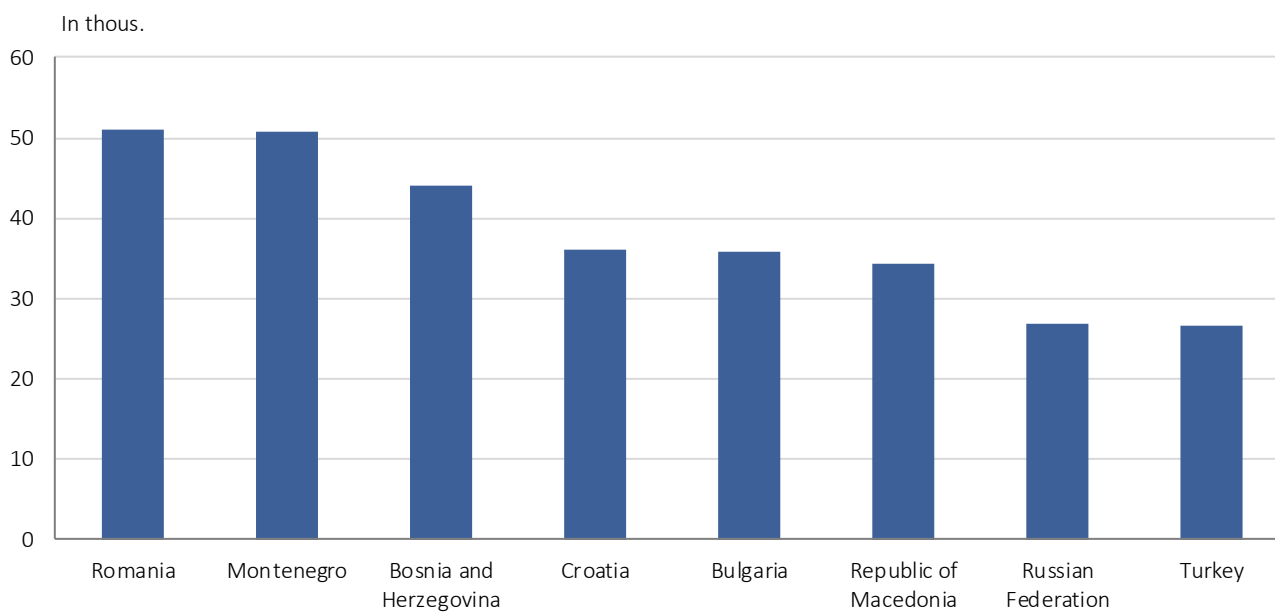


### 9.3. Countries of origin of foreign tourists

In the first quarter of 2018, foreign tourists from over fifty different countries visited Serbia.

Observed by countries from which they came, most nights were spent by visitors from the neighbouring countries – Romania, Montenegro, Bosnia and Herzegovina, Croatia, Bulgaria and FYRM, then from Russia and Turkey. The visitors from these countries spent 48.3% nights, out of the total number of foreign tourist overnight stays in the first three months of 2018.

Graph 9.5. Foreign tourist overnight stays by countries from which they came, Q1 2018



Dissemination and public relations group  
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Pages: 39

**CIP** – Каталогизација у публикацији  
Народна библиотека Србије, Београд

311

ТРЕНДОВИ = *Trends* / Република Србија.  
Републички завод за статистику ; за издавача  
Миладин Ковачевић . - 2004 (март) - . -  
Београд (Милана Ракића 5) : Републички  
завод за статистику , 2004- (Београд :  
Републички завод за статистику) . - 29 *cm*

**ISSN** 1820-1148 = Трендови - Република  
Србија. Републички завод за статистику  
**COBISS. SR-ID** 114642700





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