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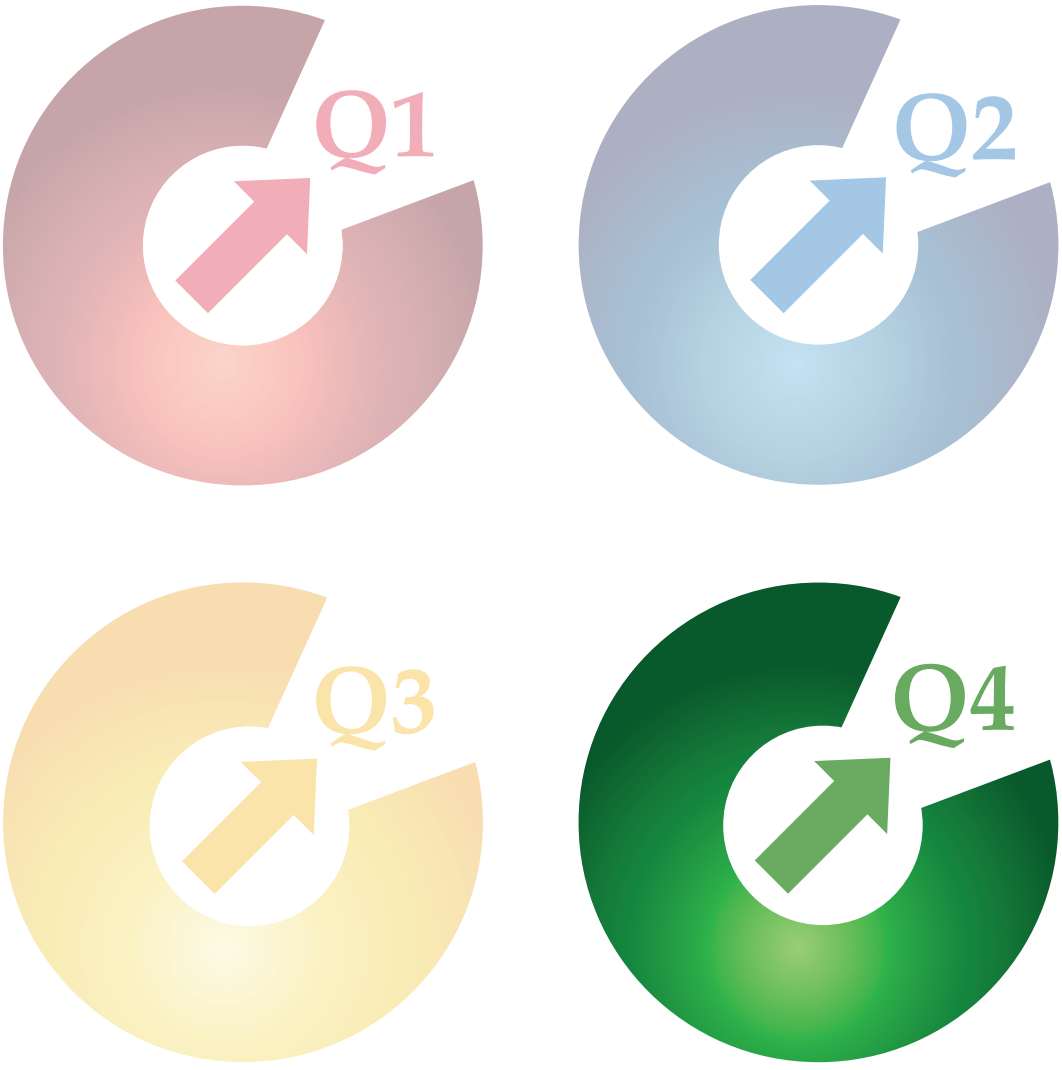

4th quarter 2019

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Introduction

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.

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 redesigned "Trends" brings traditionally quarterly and semi-annual data, but through a new concept of presenting major economic signals by means of modern and advanced graphic solutions of presentation and dissemination.

As usual, this issue presents the movement of major statistical areas in the fourth quarter of 2019 (Gross domestic product, Industrial production, Construction, External trade, Domestic trade, Prices, Labour market, Salaries and wages, Tourism, Household budget survey, Economic Sentiment Indicator and Regional economic asymmetries). Presented are also forecasts of trends in selected areas for the next period, obtained with ARIMA forecast models. A set of composite leading indicators, which can predict with high reliability cyclical trends and be used for short-term forecasts is presented in the section Macroeconomic Forecasts.

The topic of the paper in this issue „Lacks of the Current System of Salaries and Wages in the Public Sector" authored by Dusan Gavrilovic.

Wishing to encourage youth's research work, we invite experts dealing with macroeconomy, mathematics and statistics to send their papers, which will be published (or some parts thereof) according to current 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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Lacks of the current system of salaries and wages in the public sector

Author: Dusan Gavrilovic

The reports obtained from seven large local enterprises[1] indicate a considerable growth of salaries and wages both in 2019 and projected values for 2020, which surpasses the growth of the other components of operating expenditure. Also, they reveal that the growth of labour costs exceed the relatively small increase in the number of employees, i.e. salaries and wages grow considerably faster than the number of employees. In 2019 a labour cost growth of 7.5% was registered with a corresponding growth of the number of employees of only 0.3%. According to the projections for 2020, the number of employees in observed public utility enterprises will almost be unchanged (growth of 0.3%), but those enterprises announce an increase in labour costs of even 13.5%. The reason is, by all accounts (in addition to the increase in salaries and wages in 2020 from 5 to 8%), that the expressed labour costs cover also costs of so-called „contract employees", i.e. persons who do not have an employment agreement for an indefinite time but are engaged on the basis of various contracts. In other words, local public utility enterprises will have more engaged „contract employees", but it is likely that the already engaged „contract employees" will ask for higher remunerations in order to continue working.

The mentioned data on labour costs in public utility enterprises are of special interest because they represent an indicator of a much broader and deeper systemic problem referring to the pay and compensation system for employees in the entire government compensation. The public sector[2] has been rapidly losing competitiveness in relation to the private sector as to attracting skilled, talented and experienced employees, which is additionally worsened by the recruitement ban as well as by growing obvious deficits on the labour market caused by intensified emigration and negative demographic movements. However, the largest problem faced by the managers of public utility enterprises and other public services is the rigid pay system for civil servants and employees in public enterprises and public services. As young and talented staff are impossible to retain with this system of pay scales and the rules of carrier advancement, public enterprises and institutions are forced, within the conditions imposed by the recrucruitement ban, to replace the lacking labour force with persons engaged on contract basis. However, one wonders whether lifting the recruitement ban will allow the managers to pursue an effecient personnel policy. Public utility enterprises as well as other public sector entities are experiencing paradoxical phenomena, being that persons engaged on contract basis refuse offers to sign an employment agreement for an indefinite time because this way they would be „locked" in the pay and pay-based carrier advancement system which would be lower than that they receive on contract basis.

Local public utility enterprises and other government institutions will have more and more trouble to follow economic growth and face challanges of globalization, European integrations and scientific and technological development, which require a modern public utility infrastructure and efficient public services. „Wagner's law" tells us that state spendings, including employees' salaries and wages in government administration grow and increase their share in GDP with the growth of economy, which is a result of a stronger demand for public services, which is generated by the growth itself. However, you cannot imagine a modern and efficient government administration without a policy of personnel development and investment in human capital, which is not consistent with centralised, rigid systems of regulating and managing the pay system and employees' compensations. This is clearly confirmed and pointed out in the IMF study of wages in the public sector[3], which reads: „Government compensation and employment policies are important for the efficient delivery of public services which are crucial for the functioning of economies and the general prosperity of societies… This requires competitive compensation

[1] Those are reports collected by the SORS from public enterprises for the ministerial and expert Council for the Coordination of Activities and Measures for GDP Growth.

[2] The term „public sector" is used in its broad sense, involving besides government administration public enterprises (both Republic and local public utility enterprises). So, those are all entities of the government sector, including public enterprises.

[3] *Managing Government Compensation and Employment – Institutions, Policies and Reform Challenges*, IMF, 2016.

to attract and retain skilled staff and incentivize performance and the flexibility (of government entities) to adjst the level and composition of employment to respond efficiently to demographic and technological developments". According to IMD, the lack of flexibility in level changes and composition of employment is one of the key problems of government administration which limits the capacities to deliver necessary public services and to support economic growth. According to IMF, larger flexibility is one of the main principles that countries should adopt when developing their compensation and employment systems and mechanisms in the public sector.

Linking pay scales, i.e. pay level and carrier advancement to formally attained education is the key lack of the existing pay system and announced amendments to the Law on Pay System in the Public Sector of the Republic of Serbia. The announced amendments to this law are focused on compressing inadequate ranges between wages for selected positions, where the attained formal education and the number of years spent at work (which should not be taken as being the same as the effective and transferable work experience) are taken to be the main principle for compensations and advancement. The slogan of the pay system *„same pay for the same position"* is nothing but the traditional, well known in theory and practice, *Flat-pay System*, which has shown and confirmed all its weaknesses and long-term unsustainability. This slogan is senseless because „the same position" exists only in theory. The announced improvements of the existing *Flat-pay System* in the public sector do not address deeper the problem, instead they simply establish a horizontal „leveling" and alleviate vertical disparities through administratively defined pay scales and bureaucratic implementation mechanisms.

However, the pay system should adjust to concrete circumstances of every employer's business and their development objectives, as well as to the performances of individual employees/executives. Consequently, instead of the *Flat-pay System* it is necessary to apply the *Performance-pay System* for employees in the public sector, which is based on the principle that the same position does not have to imply the same wages. An example often cited by the adherents to the *Flat-pay System* is the work of accountants, who have radically different pays in different ministries and public services, which, according to them, should be „leveled". However, such an approach signifies a superficial, bureaucratic way of seeing things because accountants with the same educational attainment may manage in an institution international transactions of national interest measured in billions of dinars, and in another one routine accounting operations that a secondary school student is able to do. The importance of a position cannot be regulated nor standardised because it represents a dynamic category and depends on concrete business circumstances of an employer, which define the significance of this position, and the wages of an employee should be decided upon her/his formal education and her/his importance and working performances.

The Performance-pay System or pay system based on employee's performances implies that the final pay of an employee is entirely or partially dependant on her/his performances, in which case immediate managers or internal supervisors, as evaluators, measure employee's performances and the importance of a concrete position in given circumstances. One of the main principles of the *Performance-pay* system is to make possible the microdifferenciation of the pay system on the level of individual entities/employers, which secures the stimulation of specialised ranks, talents, scarce occupations or even the stimulation of recruitement in selected undevelopment regions, the recruitment of women, ethnic and other social minority groups, etc. In our circumstance, this system would largely make it easier to retain the existing workers and alleviate the declining competitiveness of the public sector on the labour market. The second principle of the PP system is delegation, i.e. decentralisation in terms of lowering authority and authorisation as to wages and personnel policy to lower levels, up to the entities themselves, i.e. managers of public enterprises and other institutions and organisations of the public sector. Managers are given maximum flexibility in establishing and modifying the systematisation of work posts and in defining customised pay systems and compensations in order to attract, recruit and finally keep staff with profiles, skills and experience they need. In fact, this way managers could manage efficiently human resources, and more importantly their development, creating thus *human capital* on meritocracy principles, not on bureaucratic standards. The mentioned IMF study also recognizes that the cited principles and points out that *„flexibility and delegation of staff management", „individualization of wage determination"* as well as the *Performance-pay System*" have to be integrated in institutional arrangements which regulate employees' wages in the public system.

Even thouth the *PP* system is not broadly accepted by the public audience and in specialised literature (especially by trade unions and workers' associations in the public sector), it is applied more or less or in any form by almost all developed countries as an upgrade of the traditional *Flat-pay System.* As indicated in the IMF study, almost 60% of countries have some forms of special compensations for employees and more than 35% have separate pay scales for certain professions and selected government sectors. One of the examples is Slovakia, where basic employees' wages in the public sector are determined by a similar pay scale system as in Serbia. However, besides this basic wages Slovakia also integrated in the pay system discretionary elements of the PP system so that considerable bonuses and raises can be paid to employees, depending on the performance and importance of their work, which were reaching even up to 100% of the basic wages (until 2019). But, under the pressure of trade unions they were limited to 20%. The manager of an institution and the competent minister decide on the payment of bonuses, and there are no centralised, administratively defined standards and procedures to award those bonuses and raises. Those who criticize the PP system say that this system put the managers of public services into a position of corporate managers in the private sector. However, this is exactly what a new management paradigm should be in public enterprises and services, which have to deal on the principle of efficiency, productivity and competitiveness, requiring a stimulative, development personnel policy as well as *Human Resources Management (HRM),* which are pure fiction with the existing regulation on wages in the public sector.

Contemporary circumstances of running business, which present public enterprises and services with new and more complex tasks, require also a different (fiscal and macroeconomic) perspective in regarding employees' compensations in the public sector, not only as a current expenditure and negative item in the budget but also as long-term investments in human capital, which means that longstanding stable resources of trained, skilled, productive, dedicated and motivated civil servants need to be created along with a corparative loyalty and preserved institutional knowledge that are necessary to develop in the long-run in the public sector, the economy and society as a whole. The old but unfortunately still popular perspective, which considered the public sector as a sore point of the Serbian economy (being literally the words of certain „experts" and „analysts" reported by the media and conveyed in literature) and reduced pay system and human resources management of restrictions, lay offs and early retirement, brought certain short-term fiscal results. However, long-term negative consequences are visible indeed, reflecting in the devastation of public institutions and chronical deficit both of highly-skilled workers and nurses, preschool teachers, drivers in public transport, „public utility" workers, accountants, etc.

So, the announced reforms of the pay system in the public sector that is aimed only at recomposing the existing *Flat-pay* system, relying on formal education and the number of years spent at work, will not render significant results unless this system is complemented by any of the forms of the *Performance-pay* system and enables all possible microindividualisation of wages and delegation of authorities and competences to immediate managers of a public entity in creating flexible systematisations of work positions and in creating pay systems adapted to concrete business conditions and long-term development objectives.

1. Macroeconomic Forecasts

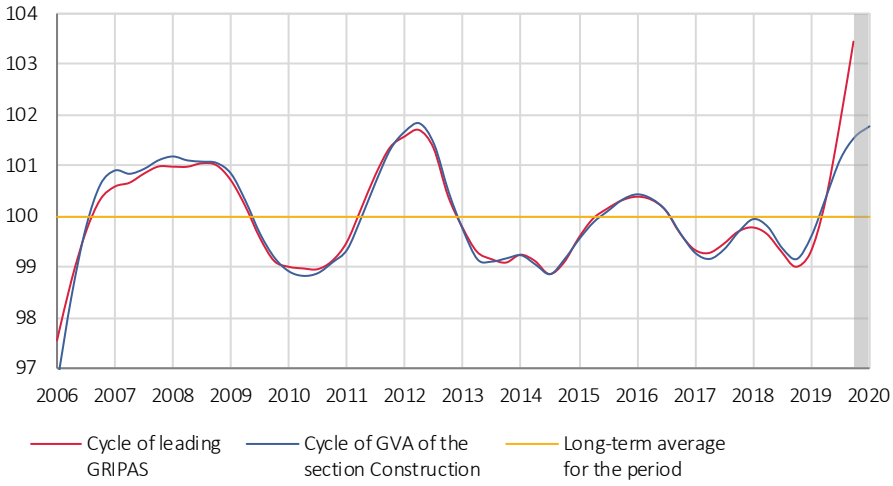
„Without effort no great song can be sung, without effort no sabre can be forged“
Petar II Petrovic Njegos

The developed system of SORS composite leading indicators precedes the cycles of economic activity, on average, by one to at most two quarters, and combined with econometric models enables short-term quantitative evaluation of the annual growth rate of economic activity. A family of leading indicators are presented below by sector and corresponding forecasts.

1.1. Construction indicator of the economic activity of Serbia – GRIPAS[4]

In Q1 2020 (specifically in January and February) a relatively dry and hotter winter benefited the section of Construction, enabling the continuation of the second stage of gasification infrastructure, i.e. building **gas stations under the project „Turkish Stream“**, further construction of buildings (especially the expansion of construction of non-residential buildings that started in Q4 2019), as well as further construction of road infrastructure (of which some began at the end of 2019, primarily the **motorway Belgrade-Sarajevo** (the section Sremska Raca – Kuzmin), **bypass motorway via Belgrade** (section on the bridge over Sava near Ostruznica – Bubanj potok) **and railway network** (modernisation of the railway Belgrade – Stara Pazova – Novi Sad). However, **in March, on account of corona crisis** and state emergency declared, the preliminary analysis by the SORS indicates that the construction activity will see an unexpected slowing down.

Graph 1.1. Cycles of construction GRIPAS and GVA (Q1 2006 – Q1 2020), levelled out and standardized data



Taking into account time of emergency in the world and in Serbia, based on the leading indicator GRIPAS a year-on-year growth of the construction activity of about **18.0%, mostly conditioned by the output in January and February,** is expected **in Q1 2020.** The mentioned projects which are ongoing along with housing building will continue with some difficulties due to the state of emergency in mid-March and thus **the effects of coronavirus will be experienced the most in Q2 2020.**

[4] The leading construction indicator GRIPAS precedes the cycle of the construction gross value added on average by about 1-2 quarters, and its main task is the forecast and detection of cyclical GVA trends in construction in the next period. Highly correlated qith the movement of the total number of building permits, total number of hours of work and number of employees on construction sites, the indicator GRIPAS includes also information on the the production and purchase of building materials and equipment as well as the forecast value of works, reflecting all relevant influences on the construction activity. The coverage of building construction and road infrastructure construction, accounting for over 70% of the total structure of the calculated value of construction works, implied selecting a long list of industrial products used for the construction of residential and non-residential buildings, as well as for the construction of road and railway network, and forming new aggregated physical volumes of production of those products.

In 2019 (starting from the second quarter, when the project began) **the project „Turkish Stream“**, through a of group of pipes, communication and electricity lines, **contributed to the total annual GDP growth rate of 0.8 p. p.** The project „Turkish Stream“ influenced GDP growth in 2019, which was by a fifth higher (19.0%).

Table 1.1. Structure of the contribution to the annual construction GVA growth rate

	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Construction GVA, annual growth rate, %	**26.8**	**20.5**	**10.0**	**2.8**	**9.0**	**17.4**	**36.0**	**48.3**
Buildings, p. p.	**11.4**	**8.5**	**6.3**	**3.0**	**6.8**	**8.9**	**10.0**	**16.7**
Residential buildings, p. p.	*8.6*	*4.1*	*-2.8*	*0.4*	*1.2*	*3.9*	*2.9*	*5.5*
Non-residential buildings, p. p.	*2.8*	*4.3*	*9.1*	*2.6*	*5.6*	*5.0*	*7.1*	*11.2*
Civil engineering, p. p.	**15.3**	**12.0**	**3.7**	**-0.2**	**2.3**	**8.4**	**26.0**	**31.6**
Transport infrastructure, p. p.	*10.9*	*6.9*	*-0.2*	*-2.7*	*-0.3*	*-3.3*	*7.2*	*11.6*
Pipelines, communication and electricity lines, p. p.	*2.0*	*1.0*	*2.3*	*1.6*	*3.3*	*13.8*	*19.6*	*19.9*
Complex construction on industrial sites, p. p.	*1.6*	*3.4*	*1.5*	*0.8*	*-0.3*	*-1.5*	*-0.5*	*0.6*
Other civil engineering not elsewhere classified, p. p.	*0.8*	*0.8*	*0.1*	*0.1*	*-0.4*	*-0.6*	*-0.3*	*-0.4*
Contribution of construction GVA to the annual GDP growth rate, p. p.	0.7	0.8	0.5	0.1	0.3	0.8	1.7	2.4
Contribution of the „Turkish Stream“, through the group of pipelines, communication and electricity lines, to the annual GDP growth rate (the project started in Q2 2019)	**-**	**-**	**-**	**-**	**-**	**0.6**	**0.9**	**1.0**

Table 1.2. Relative deviation of the realised quarterly construction GVA growth rates from the forecast ones of the leading leading indicator GRIPAS[5], %

	2019				2020
	Q1	Q2	Q3	Q4	Q1
Real values	9.0	17.4	36.0	48.3	n/a
Forecast	10.4	13.8	31.3	45.6	18.0
Deviation of real values from the forecast ones, % (absolute values)	(1.3)	(3.2)	(3.6)	(1.8)	-

Remark: Relative deviation of the forecast value from the realised one by (+/-) 5% is considered an interval limit of validity of a given forecast (95-percent interval of reliability of the indicator) and is calculated by reconverting growt rates into indices.

[5] The analysis of the forecast error on the new „matrix“ of GRIPAS is based on the returned sample, i.e. data up to the first quarter of 2019, where a successive forecast was done for only one quarter ahead and compared with real data.

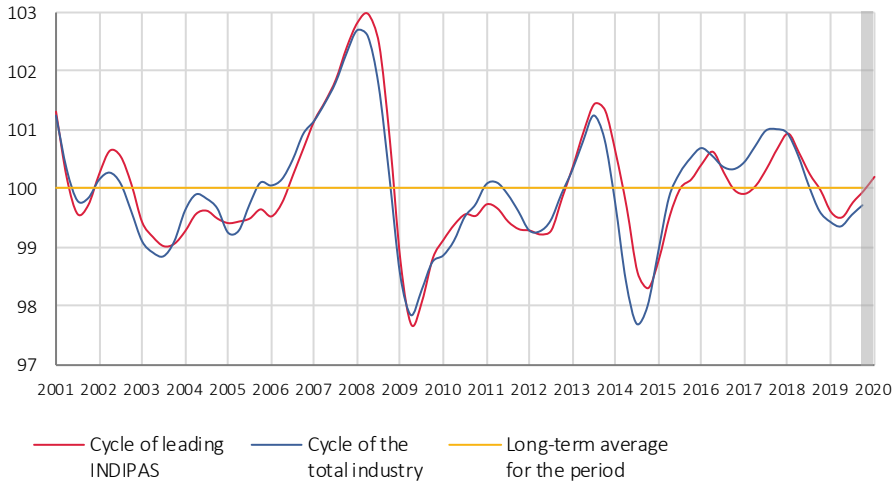
1. Macroeconomic Forecasts

Due to the **corona crisis,** which **was activated in mid-March** in Serbia **after the declaration of the emergency state,** the main problems that are expected are **restricted mobility and availability of labour force, building materials and building equipment** being imported from abroad, on account of closed border crossings.

All of this is accompanied by **transport problems** because drivers entering Serbia are obliged to be in quarantine for 14 to 28 days (if they are coming from countries where coronavirus focal point is pronounced), which requires the involvement of a larger number of drivers who would take over the transport up to the destination, which makes the procedures more complexe, increases transport time and costs up to the destination. According to unofficial information at stocking points of building materials in Serbia, **stocks of building MATERIALS will suffice, on average for about one month and a half, at most, for** construction works. Also, it should be worth mentioning that the currently growing uncertainty can condition **the fall of interested clients** for new dwellings, which can, at best, considerably slow down the market of housing building in Serbia in the forthcoming months, but also lead to its decline.

1.2. Industry indicator of the economic activity of Serbia – INDIPAS

Graph 1.2. Comparison of the cycle of the leading indicator INDIPAS and physical volume of the total industry, levelled out and standardised data (Q1 2001 – Q1 2020)



According to the leading industry indicator INDIPAS, and annual **growth of industry** is expected in **Q1 2020 (about 3.2%),** being mostly a result of the expected larger activity of the **section of intermediate goods without energy** (especially the division of Manufacture of non-metallic products, electrical equipment and mining of metal ores) **and non-durable goods for consumption** (first of all, the divisions of Manufacture of food products and Manufacture of beverages).

Table 1.3. Relative deviation of the realised quarterly annual GDP growth rates of the total industry from the forecast ones, leading indicator INDIPAS, %

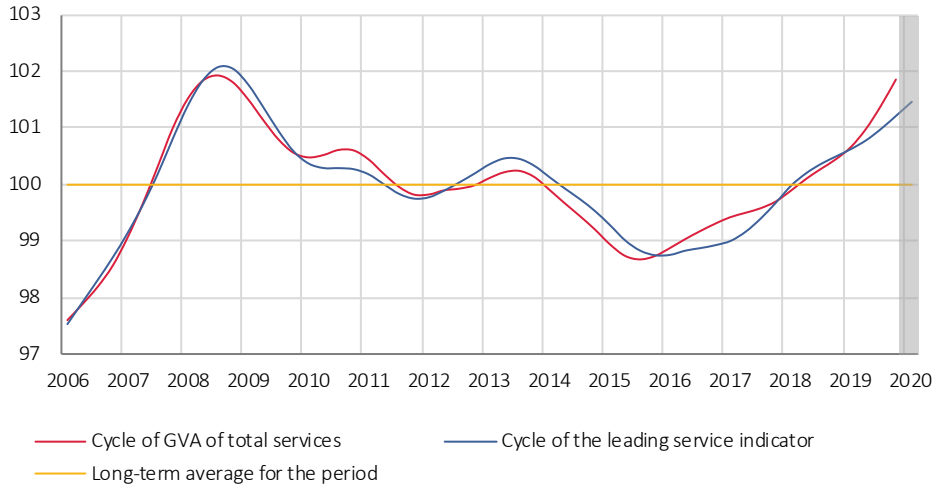
	2019				2020
	Q1	Q2	Q3	Q4	Q1
Real values	-1.5	-2.1	2.1	3.1	n/a
Forecast	-3.9	-2.4	2.3	2.5	3.2
Deviation of real values from forecast ones, % (absolute values)	(2.5)	(0.3)	(0.2)	(0.6)	-

Comment: Considering that the forecasting process has been done on the previously seasonally adjusted real data, the latter can be insignificantly different from original growth rates that are officially published. **The relative deviation of forecast value from the realized one of (+/-) 5% is considered an interval limit of a given forecast (95% interval of reliability of the indicator) and is calculated by converting growth rates into indices.**

Also, **in Q1 2020,** a considerable negative influence of the coronavirus on the physical volume of industrial production is not expected, on the one hand, due to currently sufficient stocks of imported intermediate products of the cited sections of industry which impacted the most the growth of total industry in Q1 2020, and on the other hand, due to extremely low (negative) year-on-year base from March 2019 (-30%), which could certainly alleviate a potential slowing down of production in March 2020 and contribute to the expected GVA year-on-year growth by about 3.2% in Q1 2020.

1.3. Service indicator of Serbia

Graph 1.3. Comparison of the cycle of the service leading indicator and service GVA, levelled out and standardised data
(Q1 2006 – Q1 2020)



Even though an additional fiscal impulse was given owing to salaries and wages growth in Q4 2019 to the section of Services, which first of all continued to stimulate further growth of individual consumption through the growth of Wholesale and retail trade in the first two months of Q1 2020, due to the **corona crisis GVA fell in transport, tourism and catering trades** (especially in March). The forecast increase in Services **in Q1 2020 amounted to about 4.3%** and will mostly be defined by the increase in **Wholesale and retail trade and Professional, scientific, technical and Administratice and support service activities and and in activities of the financial sector**.

Table 1.4. Relative deviation of the realised quarterly annual service GVA growth rate from the forecast ones based on the leading service indicator, %

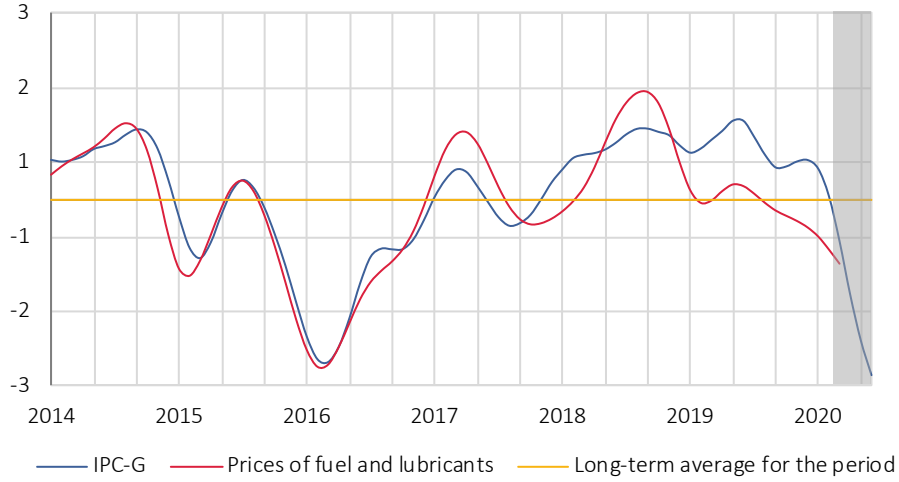
	2019				2020
	Q1	Q2	Q3	Q4	Q1
Real values	3.9	3.8	4.2	5.1	-
Forecast	3.9	3.2	3.5	4.3	43
Deviation of real values from forecast ones, % (absolute values)	0.0	0.6	0.7	0.8	-

Comment: Considering that the forecasting process has been done on the previously seasonally adjusted real data, the latter can be insignificantly different from original growth rates that are officially published. The relative deviation of forecast value from the realized one of (+/-) 5% is considered an interval limit of a given forecast (95% interval of reliability of the indicator) and is calculated by reconverting growth rates into indices.

1.4. Model of forecast of SORS consumer prices

1.4.1. Forecast of fuel prices in Serbia based on the model of the leading indicator (IPC-G)

Graph 1.4. Comparison of the cycle of the leading indicator (IPC-G) [6] and consumer price of fuels and lubricants in Serbia, levelled out and standardised data (January 2014 – June 2020), deviation from the long-term trend for the period (%)



Based on the leading indicator IPC-G, **in Q2 2020** a year-on-year fall of about **-6.7%** of the **retail price of fuels and lubricants** in Serbia is expected. That is, the average price per litre of **eurodiesel** is expected to be about **RSD 152** in Q2 2020 and of europremium **undleaded gasoliine RSD 143.**

[6] IPC-G is a weighted composite leading indicator (developed by the SORS) that contains information on the movement of the most relevant indicators influencing oil price in Serbia, and that in its movement **precedes the price of fuels and lubricants in Serbia by about two months**. The indicator covers: the world price of *BRENT* crude oil, value of *WTI* crude oil futures (type *Cushing Oklahoma*), average price of American *WTI* crude oil in first purchase from oil fields to euro, stocks in the production of crude oil in the territory of Serbia and import of oil, oil refined products in Serbia.

Diagnosis of the balance and expectations in Q2 2020:

- The world of crude oil and oil derivates from the beginning of 2020 has been facing, **expect the tensions in Near East, the trade war between the USA and China, crisis of aggregate demand due to the corona crisis** and the recent meeting of *OPEC* countries and Russia (6 March), where **the agreement on synchronised decrease of production of cured oil,** eatablished at the end of 2019, has been abandonned. **Abandonment of this agreement impacted most strongly the fall of the world price of *BRENT* crude oil**, which went down since March 2020 by about 30% and amounted to 35.3 dollars a barrel. Thus, a sort of price war started between Russia and Saudi Arabia because Russia is abandonning the agreement on reducing the production of cred oil due to lower prices of oil and oil derivates. Such an abrupt fall of the price of crude oil has considerably influenced also financial markets in the world.
- On the other hand, it is expected that the biggest producers of crude oil with such manoeuvres count on the fact that the currently slowed down world largest economies (European Union, China, Japan, etc.) will increase faster their aggregate demand after the corona crisis. Reduced costs for the purchase of oil will help the largest world economies to recover faster, which would finally make the price of oil to go up after several months, bringing benefits to the biggest producers of oil (primarily to Russia and numerous countries of Near East.
- Since January 2020 (as of mid-March), the American dollar has depreciated by 2.3% to the euro. Even though in the first two months of 2020 the year-on-year growth of the price of fuels and lubricants in Serbia amounted to 2.8%, in March the price of fuels dropped abruptly due to the cited factors (which slowed down the global aggregate demand). Therefore, it is expected that the total year-on-year growth in Q1 2020 will be about 1.2%. The year-on-year fall of the retail price of fuels and lubricants (in March) will continue also in the second quarter of 2020.

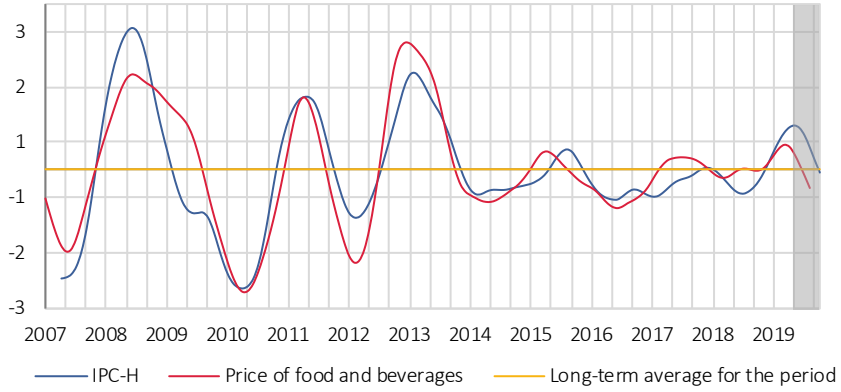
Table 1.5. Deviation of forecast data on the leading indicator of fuel price IPC-G from the realised ones

	Real (X) / forecast (X`) value	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Fuels and lubricants — total, annual rate, %	X	2.2	-2.1	-2.0	1.2
	X`	1.6	0.2	-2.3	2.5
Eurodiesel, din.	X	164	161	162	160
	X`	167	165	161	161
Europremium BMB 95, din.	X	152	151	150	148
	X`	152	153	151	150
Relative deviation (X)/(X`), % (absolute values)	Fuels and lubricants - total	(0.6)	(2.3)	(0.3)	(1.3)
	Eurodiesel	(1.9)	(2.7)	(0.7)	(0.6)
	Europremium BMB 95	(0.3)	(1.5)	(0.7)	(1.3)

Comment: The leading indicator IPC-G has started to be used since the second quarter of 2019. The results are published in previous issues of TRENDS, except for data for the fourth quarter, which are not published officially for technical reasons, but have been prepared unofficially in an internal report. Relative deviation of the forecast value from the realized one by (+/-) 5% is considered an interval limit of a given forecast (95-percent interval of indicator reliability). The reliability of the forecasting indicator under 95% is not considered valid in forecasts.

1.4.2. Forecast of food price in Serbia based on the model of the leading indicator (IPC-H)

Graph 1.5. Comparison of the cycle of the leading indicator (IPC-H[7]) and price of food and non-alcoholic beverages in Serbia, levelled out and standardised data (Q1 2007 – Q2 2020), deviation from the long-term trend (%)

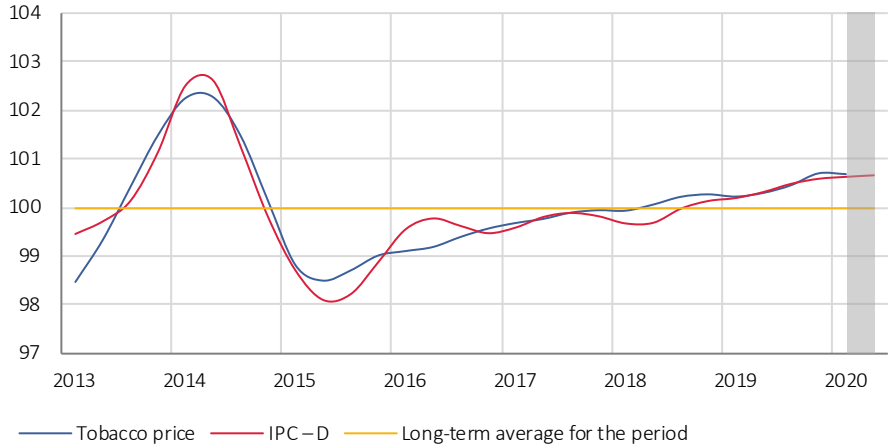


Taking into account the time of emergency based on the leading indicator IPC-H, the year-oon-year growth of consumer prices for food and non-alcoholic beverages in 2020 is:
Q1 – 1.7%
Q2 – 1.3%
Due to the state of emergency the Government of Serbia decided in mid-March to restrict the prices of basic foodstuffs, protective equipment and disinfecting agents.

Products, classified into 36 categories, cannot have a price higher than that on 5 March 2020. As for food price, the decision refers to bread, wheat flour, white sugar, sunflower oil, salt, fruit, vegetables, pasta, milk, yogurt, eggs, children's food, water, fresh meat, meat preparations and fish. Prices are limited for 30 days.

1.4.3. Forecast of tobacco price in Serbia based on the leading indicator (IPC-D)

Graph 1.6. Leading indicator (IPC-D)[8] and tobacco price in Serbia, standardised data (Q1 2013 – Q2 2020), deviation from the long-term average for the period (%)



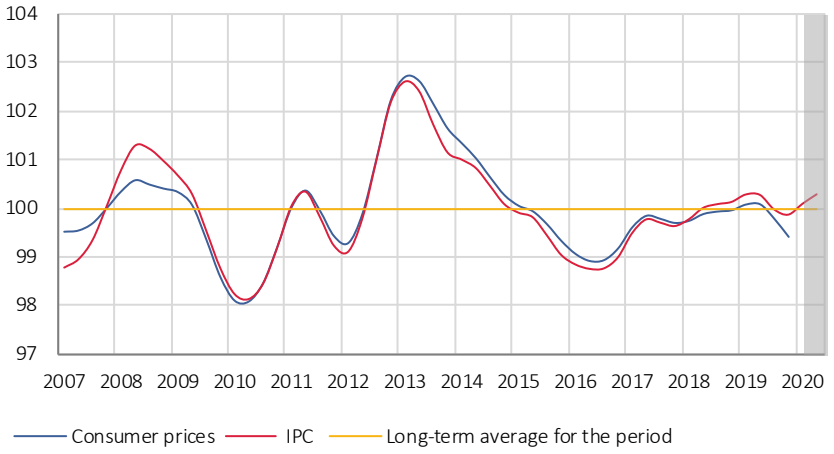
Since January 2020, the excise per pack of cigarettes amounts to RSD 73.3. A year-on-year growth of 7.4% for tobacco is expected in the first quarter of 2020. Based on the movement of the leading indicator tobacco prices (IPC-D) it is expected, according to January excise and trends in producers' prices and producers' costs on domestic market, that the **price of tobacco** will see a year-on-year **growth of about 7.2%,** compared with the second quarter of 2019.

[7] To further conduct the survey and develop the forecast leading indicators in the field of CPI trends, the SORS has conducted a survey on food prices trends in Serbia. The analysis led in the creation of a composite leading indicator of food price (indicated CPI-X), which main objective is to forecast food prices in the next three months. Detailed analysis of a large number of variables of which some with the best leading forecast characteristics for food prices in Serbia have been singled out : harmonised index of food price in Hungary, average purchase price of products of crop producers, import in the section of manufacturing food, import of milk, dairy products and eggs, stocks of fresh beef and veal meat, retail price index of the entire basket of vegetables.

[8] Two factors are taken into consideration as to toobacco prices: excises on tobacco and producers' prices of tobacco for domestic market, which trends have proved to be the best in deriving the total variability of the prices of tobacco and tobacco products in Serbia.

1.4.4. Forecast of total retail consumer prices in Serbia based on the leading indicator (IPC)

Graph 1.7. Comaprison of the cycle of the leading indicator (ИПЦ)[9] and total consumer prices (Q1 2007 – Q2 2020), standardised and levelled out data, deviation from the long-term average (%)



Based on the leading indicator IPC, **the year-on-year growth of consumer prices** in 2020 is expected to be about:
Q1 – 1.9%
Q2 – 1.2%
Total consumer prices in Q2 2020 will be primarily under the largest negative influence of the price of fuels and lubricants which is expected, as mentioned, to fall considerably by about -6.7%.

1.5. Summary of obtained results of the forecast of the leading indicators by GVA sector for Q1 2020

Table 1.6. Forecast of GVA of selected sectors and their estimated contributions to GDP for Q1 2020

Q1 2020	Agriculture	Taxes and contributions	Industry	Construction	Services
Quarterly growth rates, %	0.0	3.4	3.2	18.0	4.3
Contribution to GDP growth rate (p. p.)	0.0	0.6	0.7	0.6	2.3

[1] As agriculture GVA for 2020 is still unknown due to early expectations relative to the amount of precipitations in the second and third quarters of 2020, thus due to the start of the model of agriculture (AGRIPAS) (at least not before the end of April 2020), and taking into account the dry winter of 2020 as well as high last year yields, the value of agriculture GVA for Q1 2020 is targetted to zero value. The absence of a larger amount of precipitations in the pre-sowing period (in the fourth quarter of 2019) and the dry and hot winter were not favourable to crops in the automn sowing, fruit and vegetables.

[9] The forecast of retail consumer prices in the final phase is the integration of the previously obtained results of the leading indicators of retail consumer prices of the analysed groups of products: fuels (IPC-G), food and non-alcoholic beverages (IPC-H) and tobacco (IPC-D).The second-stage, composite and weighted aggregation of the above obtained leading indicators, is used to derive a new composite leading indicator (IPC) which is aimed at forecasting retail consumer prices for one quarter ahead.

2. Gross Domestic Product

2.1. GDP trend

In the fourth quarter of 2019, GDP increase of 6.2% was recorded relative to the same period last year. Apart from the service section, that is still dominant growth carrier (2.6 p. p.), significant contribution to GDP growth was provided by construction activity (2.4 p. p.).

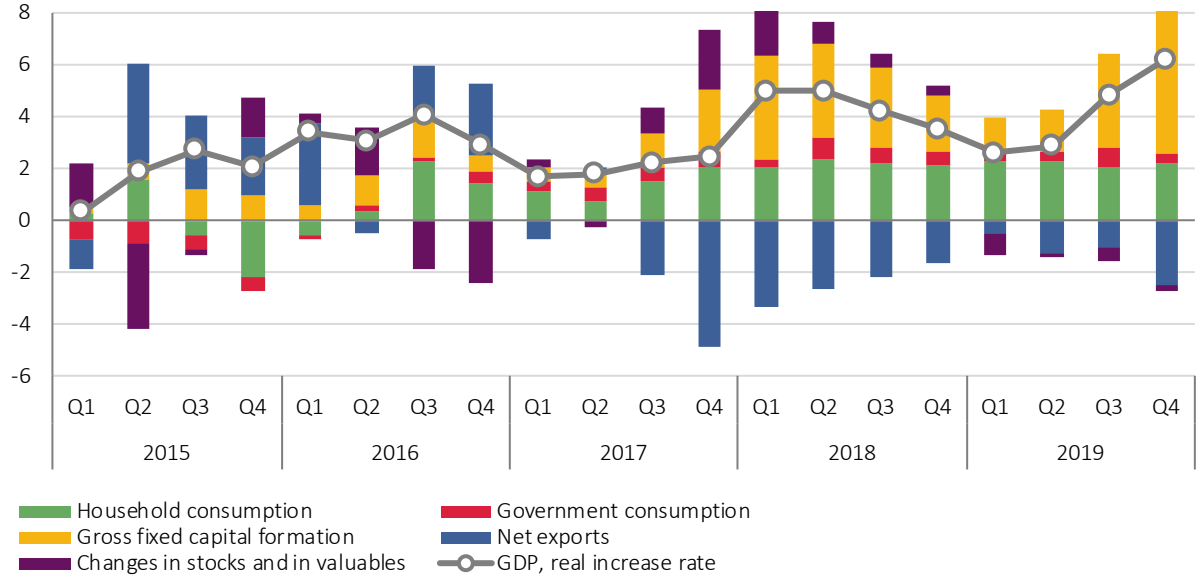
Real annual GDP growth in 2019, calculated on the basis of quarterly dynamics, amounted to increase of 4.2%.

Observed by expenditure aggregates, GDP increase in the fourth quarter of 2019 was, relative to the same period last year, mostly contributed by gross fixed capital formation with the impressive growth of 29.6 %, still carrying the role of the dominant factor of economic growth, with contribution of 6.3 p. p. to real GDP growth. Dynamics of export and import, with growth rates of 8.7% and 11.4%, respectively, resulted in negative contribution of net exports to GDP growth (-2.5 p. p.). Tendency of continuous decreasing of negative contribution of net exports to GDP increase from the previous period was stopped in the fourth quarter 2019, mostly due to intensified import of the components necessary for realization of infrastructure projects. Household consumption, with realized real increase of 3.1% continuously contributes to positive GDP trend (2.2 p. p.) (Table 2.1).

Table 2.1. GDP – expenditure aggregates, real inter-annual growth rates, Q1 2017 – Q4 2019 (%)
(comparison with the same period of the previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	1.7	1.8	2.2	2.4	5.0	5.0	4.2	3.5	2.6	2.9	4.8	6.2
Household consumption	1.7	1.0	2.1	2.9	2.9	3.3	3.1	3.0	3.3	3.2	3.0	3.1
Government consumption	2.3	3.6	3.5	3.6	2.3	4.9	4.1	3.2	2.4	2.2	4.7	2.5
Gross fixed capital formation	3.1	3.8	7.5	13.5	26.0	20.6	16.7	11.1	7.2	8.2	17.5	29.6
Exports	7.8	9.3	9.9	5.7	8.6	6.0	8.7	10.0	8.1	8.0	9.0	8.7
Imports	8.4	8.2	13.4	14.4	13.7	9.9	11.8	11.3	7.8	9.0	9.6	11.4

Graph 2.1. Contributions to inter-annual GDP growth rate – expenditure aggregates



Observed from the **production side**, the greatest positive contribution to GDP increase in Q4 2019 still resulted from increased activity in service sections (excluding trade), 1.5 p. p., and trade 1.1 p. p.

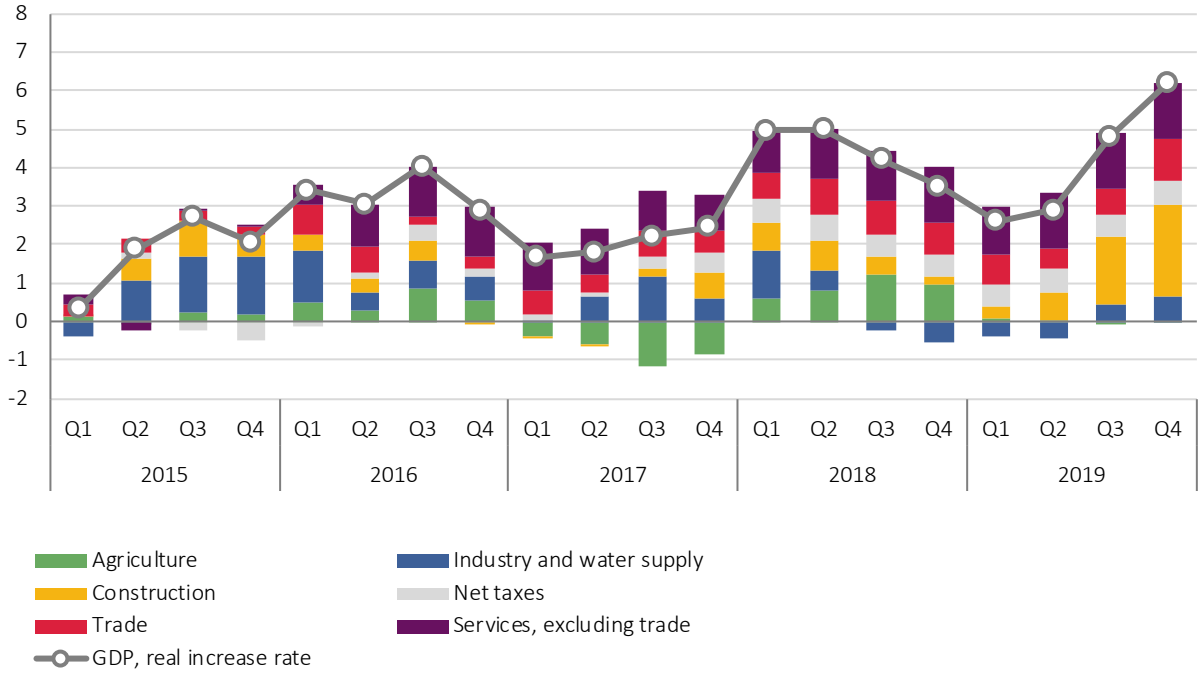
Beside services, construction activity, with impressive growth of 48.3%, remained the main initiator of GDP increase (2.4 p. p.). Industry and water supply also recorded increase of 3.1% in the fourth quarter 2019, positively contributing to GDP dynamics with 0.6 p. p. (Table 2.2).

Table 2.2. GDP – production side, real inter-annual growth rates, Q1 2017 – Q4 2019 (%)

(changes, relative to the same period of the previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	1.7	1.8	2.2	2.4	5.0	5.0	4.2	3.5	2.6	2.9	4.8	6.2
Agriculture	-7.7	-10.6	-13.7	-11.4	12.3	15.6	16.8	15.2	0.2	-0.4	-0.1	0.4
Industry and water supply	0.1	2.9	5.6	2.8	5.5	2.4	-1.0	-2.5	-1.5	-2.1	2.1	3.1
Construction	-0.5	-0.4	4.1	16.0	26.8	20.5	10.0	2.8	9.0	17.4	36.0	48.3
Trade	5.4	3.8	6.4	5.2	6.5	8.2	7.5	7.1	7.0	4.7	5.9	9.2
Services, excl. trade	3.2	3.1	2.6	2.4	2.6	3.2	3.3	3.9	3.0	3.5	3.7	3.8
Net taxes	1.2	0.6	1.9	2.9	3.5	3.8	3.5	3.4	3.4	3.4	3.3	3.4

Graph 2.2. Contributions to inter – annual GDP growth rate – production side

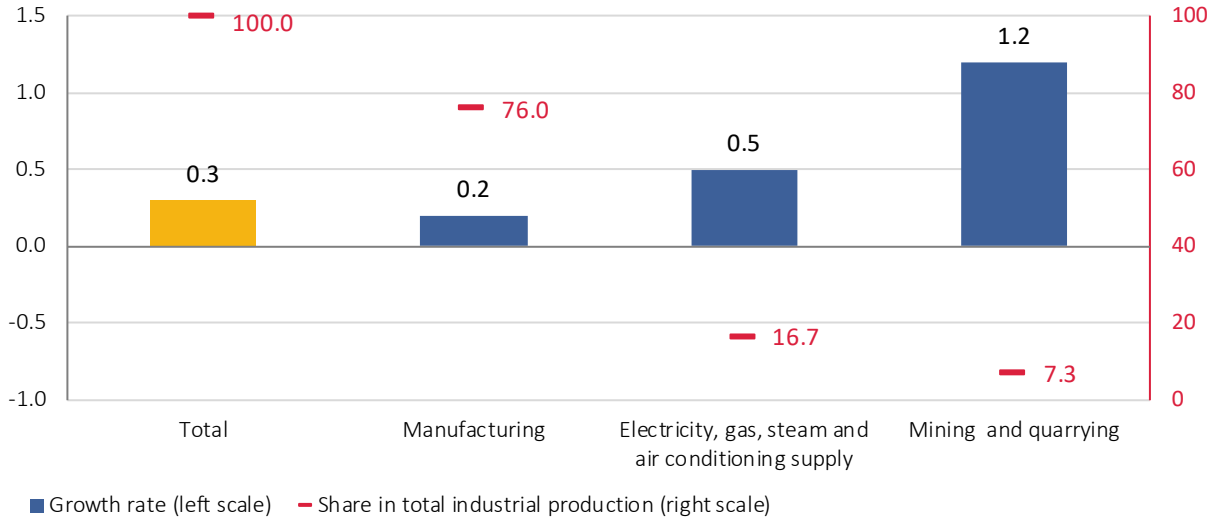


3. Industrial Production

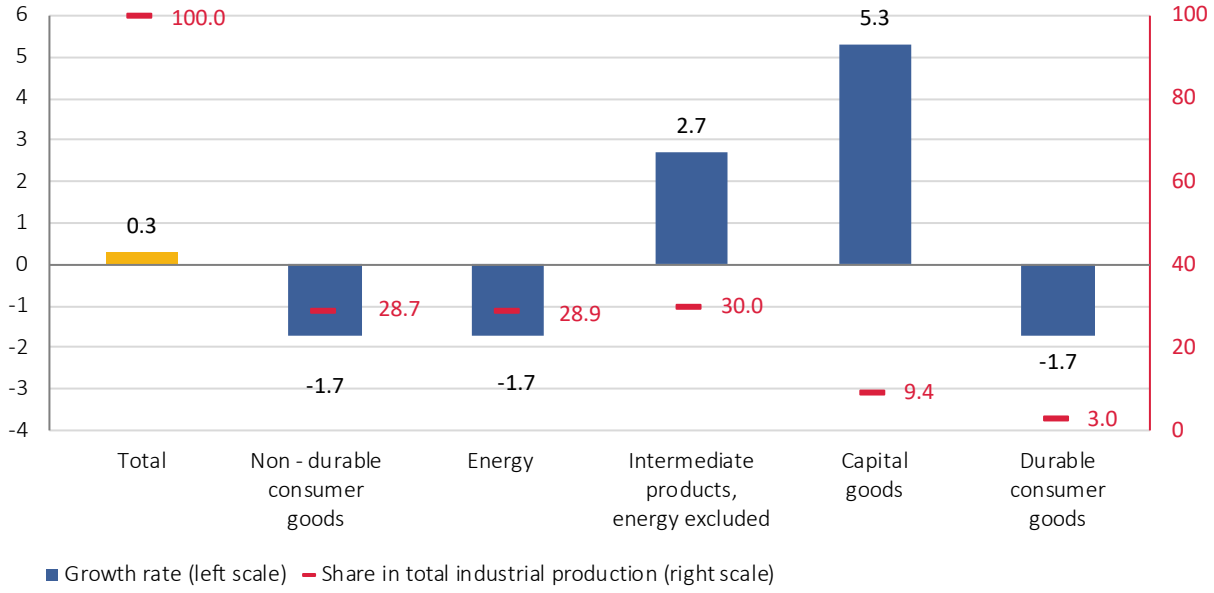
3.1. Total industrial production

Total industrial production in Serbia, in 2019 increased by 0.3% relative to 2018. Cumulative growth in 2019 was noted in all three sections: Manufacturing (0.2%), Electricity, gas, steam and air conditioning supply (0.5%), and Mining and quarrying (1.2%).

Graph 3.1. Cumulative trends of total industry and its sections (%)
(2019 relative to 2018)



Graph 3.2. Industrial production growth rates, by MIGS (%)
(2019 relative to 2018)



Manufacturing, with growth of 0.2% mostly contributed to total increase of industrial production: 0.15 p. p.

Joint contribution of the sections Electricity, gas, steam and air conditioning supply and Mining and quarrying was somewhat less than 0.2 p. p.

Table 3.1. Industrial production, quarterly indices (%)
(comparison relative to the same period of the previous year)

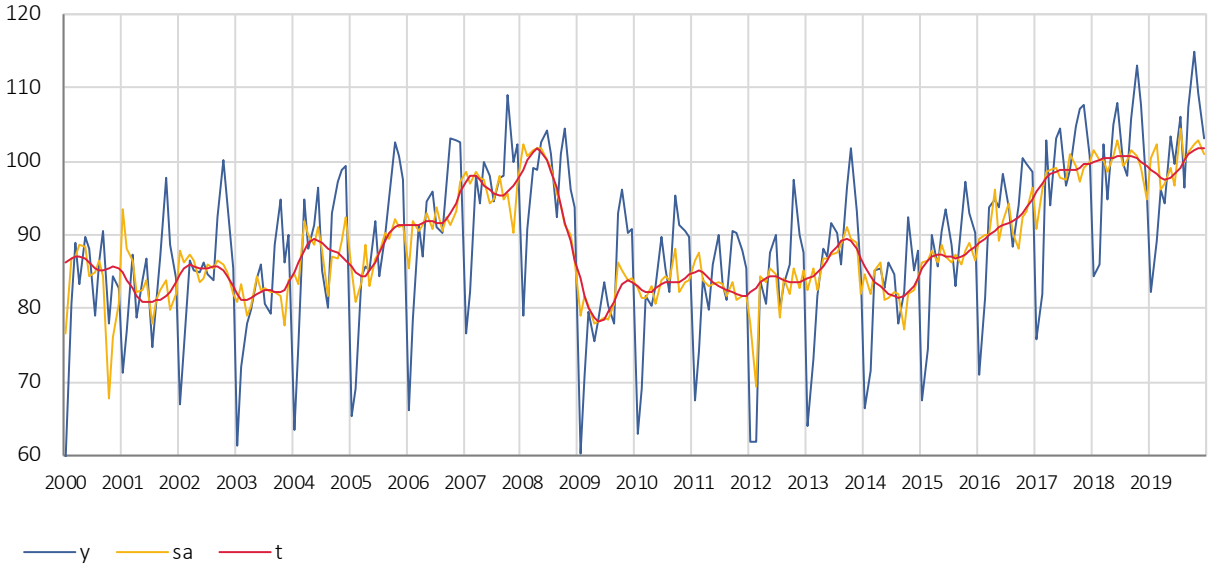
	2017				2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]
Industrial production – total	101.1	103.1	107.0	104.1	105.9	102.3	98.6	98.9	98.5	97.5	102.0	103.2	**101.5**
Manufacturing	105.9	105.0	108.7	105.7	104.7	102.0	101.2	100.1	98.2	96.6	102.1	103.6	**102.0**
Electricity, gas, steam and air conditioning supply	85.8	93.8	100.5	97.3	111.4	105.5	92.2	95.1	100.2	100.0	99.9	101.8	...
Mining and quarrying	94.2	105.4	105.1	104.3	103.0	97.8	86.9	94.6	96.8	101.3	105.2	101.5	...

[1] Prognoses.

3.2. Manufacturing (C)

(share of 76.01% in total Industrial production index)

Graph 3.3. Components of Manufacturing time series, indices
(u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2018 = 100)



Manufacturing trend, presented in trend-cycle components, in the fourth quarter 2019 was stabilized on the level of about 2% above the average of 2018. Stabilization followed the declining phase that started at the end of 2018 and was afterwards followed by recovery that started in the middle of 2019 (graph 3.3).

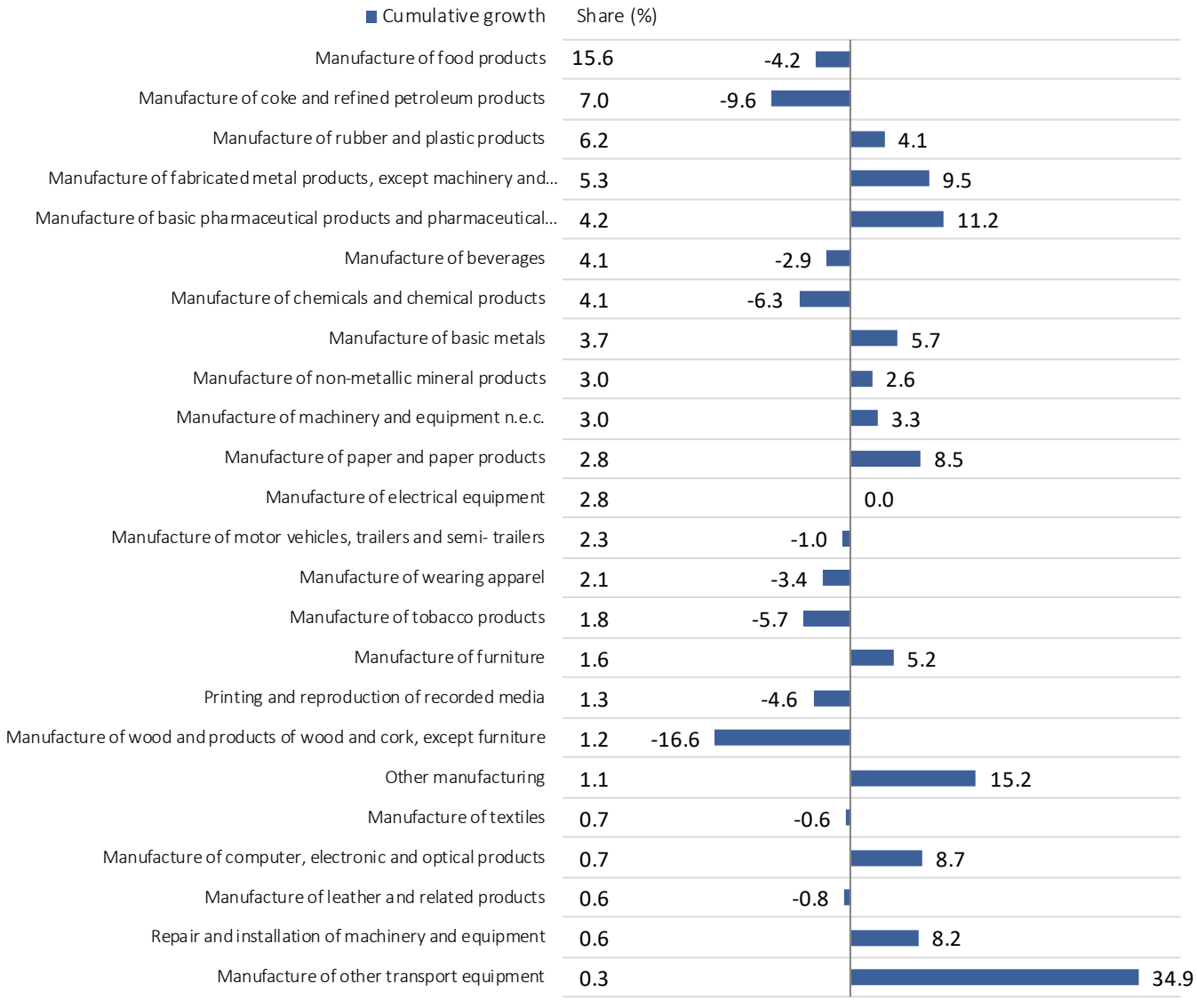
3. Industrial Production

Observed by divisions, Manufacturing **significantly increased** in 12 out of 24 divisions, if compared with the previous year. Decrease was recorded in 11 divisions, out of which six do not have significant share in total industrial production index (Manufacture of wood, tobacco, textile, wearing apparel, printing and reproduction of recorded media – together participate with 7.7% in total industrial production). In one division- Manufacture of electrical equipment, the production remained on the same level as in 2018 (index = 100.0).

Five divisions with high weight (participating together with 33%) in total industry recorded cumulative **decrease in 2019** relative to 2018 and they are the following: Manufacture of food products (fall of 4.2%), Manufacture of coke and refined petroleum products (fall of 9.6%), Manufacture of beverages (fall of 2.9%), Manufacture of chemicals and chemical products (fall of 6.3%), and Manufacture of motor vehicles, and trailers and semi-trailers (fall of 1%).

Graph 3.4. Manufacturing by divisions, cumulative growth rates (%)

(2019 relative to 2018; divisions presented in descending order according to shares in total industrial production)

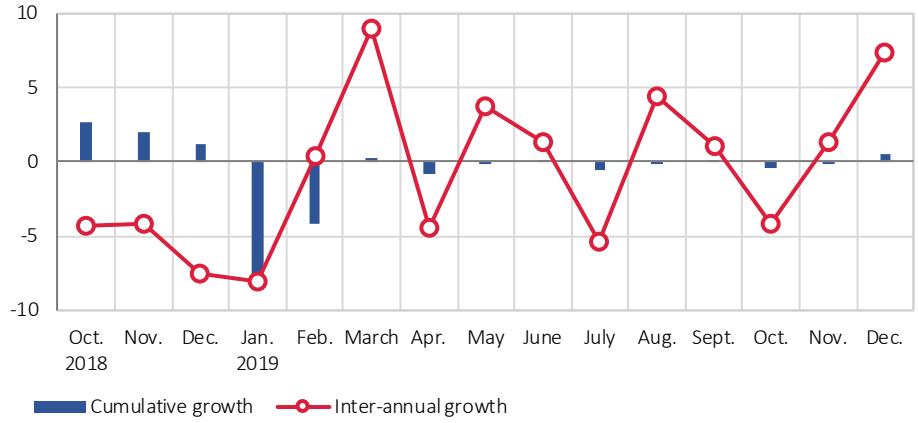


3.3. Electricity, gas, steam and air conditioning supply (D)

(share of 16.7% in total Industrial production index)

Graph 3.5. Cumulative and inter – annual growth rates in energy section (%)

(cumulative – 2019, relative to 2018; Inter - annual – month 2019, relative to the same month 2018)



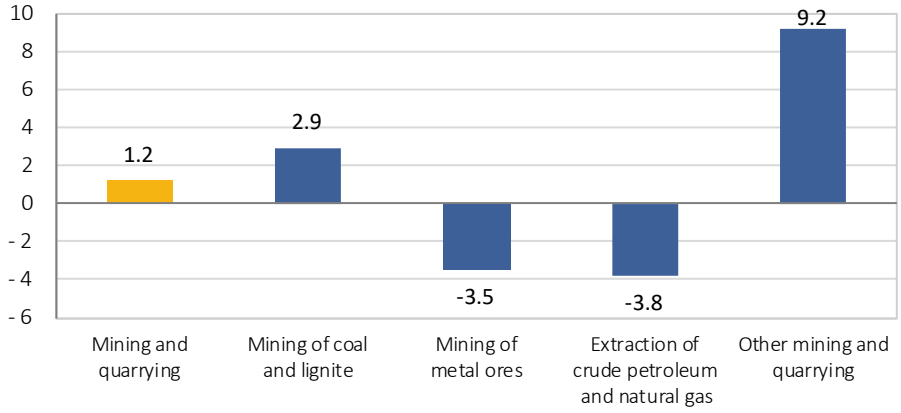
Section of electricity, gas, steam and air conditioning supply in 2019 recorded growth of 0.5% relative to 2018.Observed by months, in the fourth quarter, noted was the contraction in October (-4.2%), while in November and in December, growth was positive: 1.3% and 7.4%, respectively.

3.4. Mining and quarrying (B)

(share of 7.28% in total Industrial production index)

Graph 3.6. Cumulative growth rates in the section of Mining and quarrying (%)

(2019 relative to 2018)



Production in the section of Mining and quarrying in 2019 noted growth of 1.2%. Observed by months of the fourth quarter, noted was contraction in October (-1.6%), and in November (-2.9), while in December, increase was positive (9.6%).

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.

4. Construction

4.1. Construction activity

After a short delay of construction activity in the first half of 2017, value indices of the performed works on the territory of the Republic of Serbia in the second half of 2017, during 2018 and in 2019 have recorded growth.

Construction activity in the Republic of Serbia in 2019 increased by 35% at constant prices, relative to 2018.
In Q1, increase of, increase of 10.3% was recorded, in Q2 increase of 19.6% in Q3 increase of 41.1%, and Q4, increase of 56.3% relative to the same period 2018. Significant increase of construction activity in 2019 was mostly contributed by works on buildings and civil engineering. In scope of works on buildings, intensified was construction of residential and non-residential buildings on the whole territory of the Republic of Serbia. In scope of civil engineering works, apart from Magistral gas pipeline (Turkish stream), significant contribution to construction activity growth was provided by works on Corridor 11 and final works on Corridor 10), as well as works on railways.

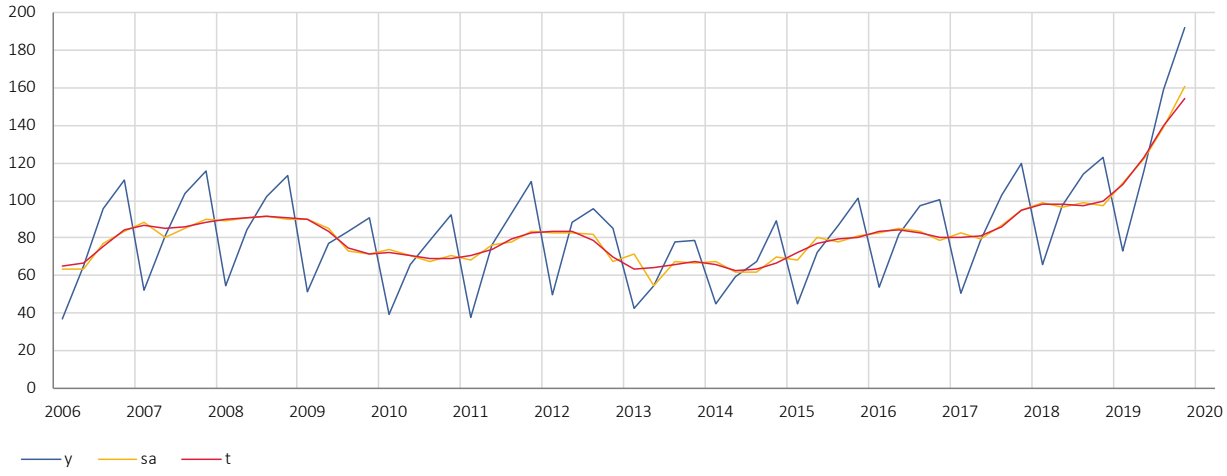
4.2. Trend in 2019

Construction activity in the Republic of Serbia in 2019 increased by 35% at constant prices, relative to the same period 2018.

Observed by types of construction, value of performed works on buildings increased by 26.8%, while increase related to civil engineering amounted to 39.3%.

Graph 4.1. Components of time series of Indices of performed construction works on the territory of the Republic of Serbia, at constant process, indices

(y – original series, sa – series with excluded seasonal component, t – trend cycle component average 2018 = 100)



Regional indicators show that value of performed works in Beogradski region and Region Vojvodine was constantly increasing in whole 2018 and is obvious in all four quarters of 2019. In Region Južne i Istočne Srbije in the first three quarters of 2018 recorded was increase of construction activity, while in the fourth quarter, as well as in the first two quarters 2019, decreasing trend was noted. In the second half of 2019, significant increase was recorded. In Region Šumadije i Zapadne Srbije, during whole 2018, decreasing trend was also noted, while during 2019, value of performed construction activity significantly increased.

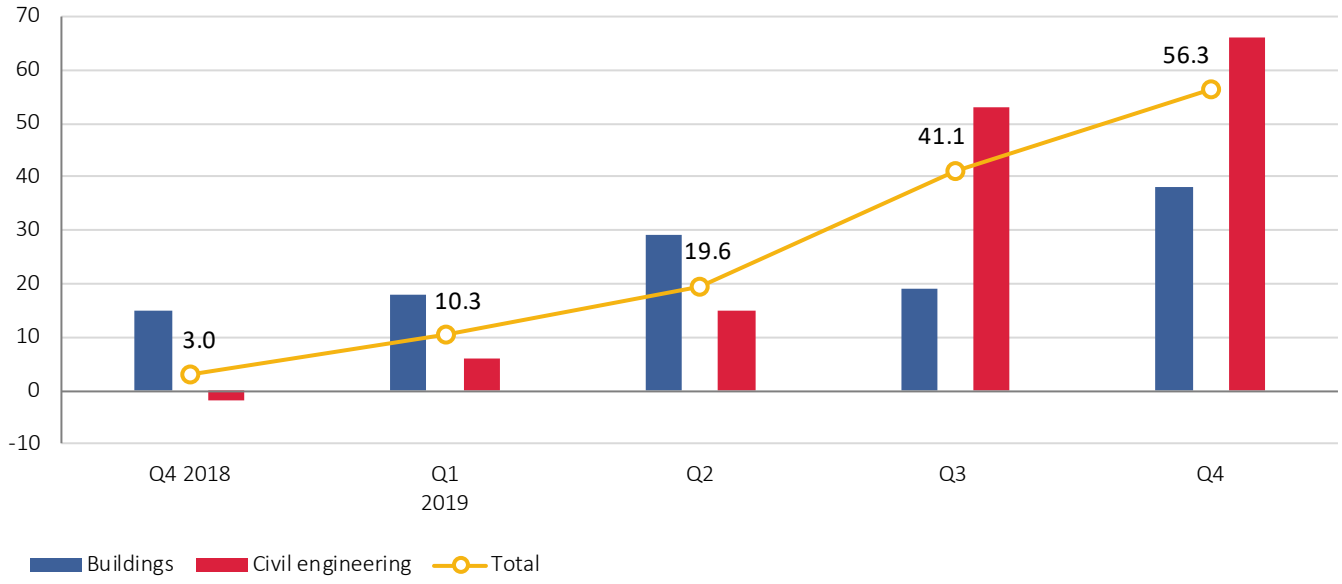
4.3. Trend in the fourth quarter 2019

Table 4.1. Value of performed construction works, quarterly indices (%)
(comparison with the same period of the previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current prices	104.4	105.7	112.8	124.8	140.6	133.9	122.1	118.4	114.3	122.9	140.8	154.1
Constant prices	95.1	96.0	106.1	118.7	129.4	122.7	110.4	103.0	110.3	119.6	141.1	156.3

In Q4, construction activity increased by 54.1%, relative to the same quarter 2018, at current prices, while at constant prices, the increase amounted to 56.3%. Observed by types of constructions, value of performed works on buildings increased by 38.5%, and regarding civil engineering (transport, pipelines, complex industrial constructions, etc.), by 66.2% at constant prices.

Graph 4.2. Value of performed construction works at constant prices, quarterly growth (%)
(quarter relative to the same quarter of the previous year)



In the fourth quarter 2019, in all regions, recorded were extremely high growth rates of construction activity. The greatest growth rate was noted in Region Vojvodine, amounting to 63.8%. Increased value of performed works was mostly influenced by works on construction of magisterial gas pipeline, border of Bulgaria – border of Hungary (Turkish flow), as well as modernization of the railway line Stara Pazova – Novi Sad.

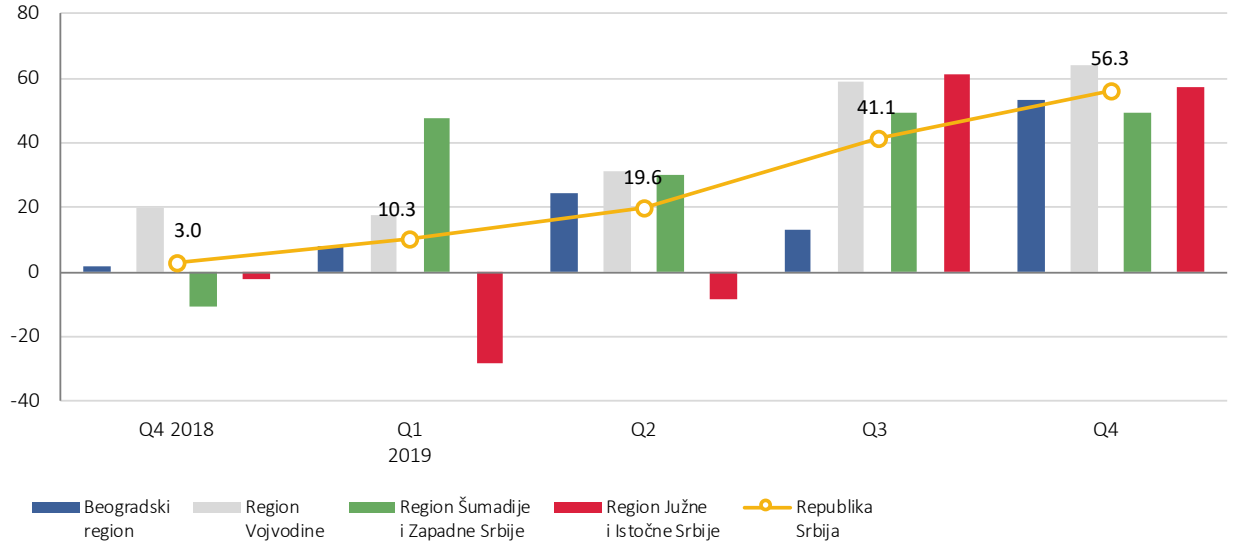
Construction activity rate in Region Južne i Istočne Srbije amounted to 57.1% at constant prices. Works were performed on construction of the mentioned gas pipeline (Turkish flow).

In Beogradski region, construction activity increased by 53.4%. The most significant works were performed on final construction of the highway section Surcin – Obrenovac, works performed on railway section Beograd – Stara Pazova, complex named Belgrade waterfront, etc.

4. Construction

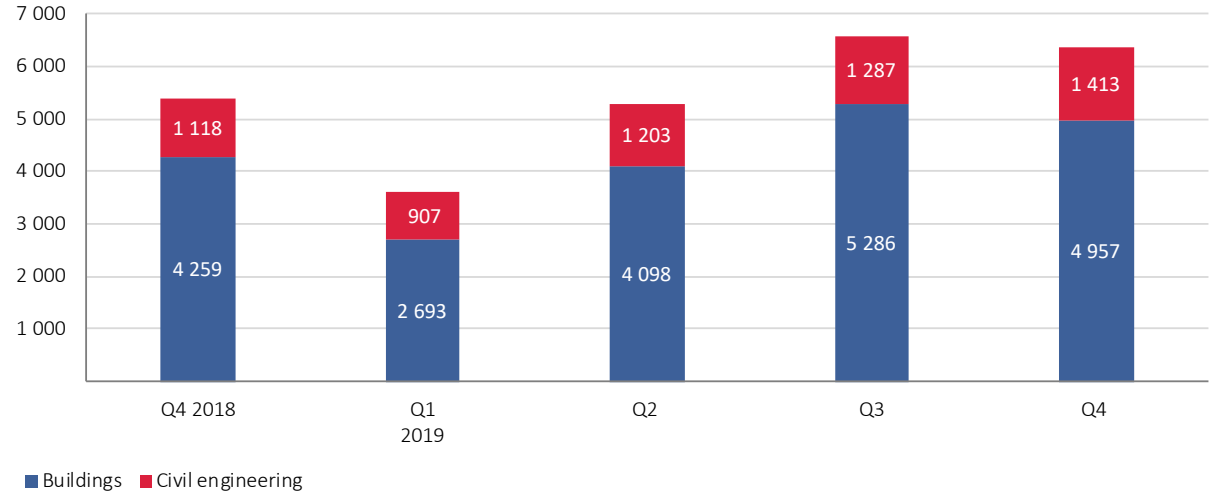
In Region Šumadije i Zapadne Srbije, construction activity increased by 49.4% at constant prices. Increased value of performed construction works was mostly influenced by construction of highway Lajkovac – Ljig, Batocina – Kragujevac, as well as construction of transformer cable lines in the whole region.

Graph 4.3. Value of performed construction works by regions, at constant prices, quarterly growth (%)
(quarter relative to the same quarter of the previous year)



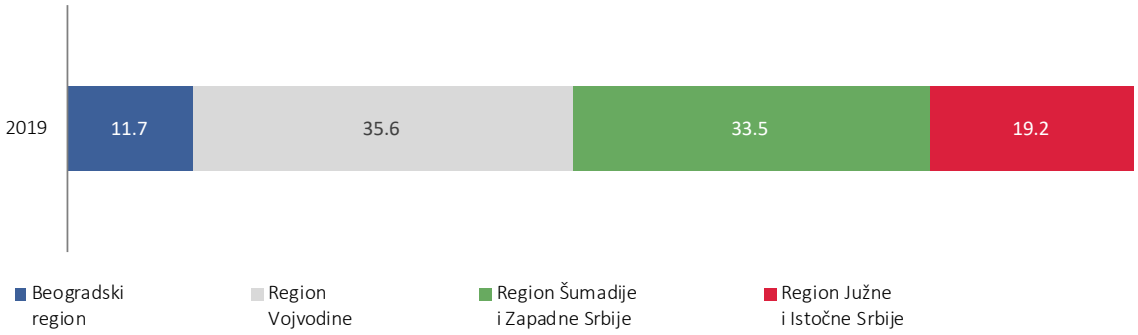
In **the fourth quarter 2019,** 6 370 building permits were issued. The greatest part of permits (4 957) related to construction works on buildings, while the rest related to transport infrastructure works, pipelines, complex industrial structures, etc. Out of total number of issued permits in the fourth quarter 2019, 44.8% related to new construction, while other permits were issued for adaptation, recovery, reconstruction and maintenance works.

Graph 4.4 Number of issued building permits for buildings and civil engineering in Q4 2019



Observed by regions, in all four quarters 2019, the greatest number of permits was issued in Region Vojvodine (7 778), followed by Region Šumadije i Zapadne Srbije (7 316), Region Južne i Istočne Srbije (4 188), while the smallest number of issued permits was recorded in Beogradski Region (2 562).

Graph 4.5. Share of issued permits by regions, 2019 (%)



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).

5. External Trade

5.1. Total value of goods export[10]

Total value of goods export from Serbia increased by 7.7% in 2019, relative to 2018. Observed by time series' components, slightly increasing trend, recorded during the previous years, shows the trend of continuation in the following period.

Total export results were mostly influenced by manufacturing[11] increase of 7.2%, as it presents 91.9% of total export, and increase of 20.6% in the section of agriculture, forestry and fishing, which presented 6.1% of total export in 2019.

Graph 5.1. Components of export's time series, indices

(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2018 = 100)

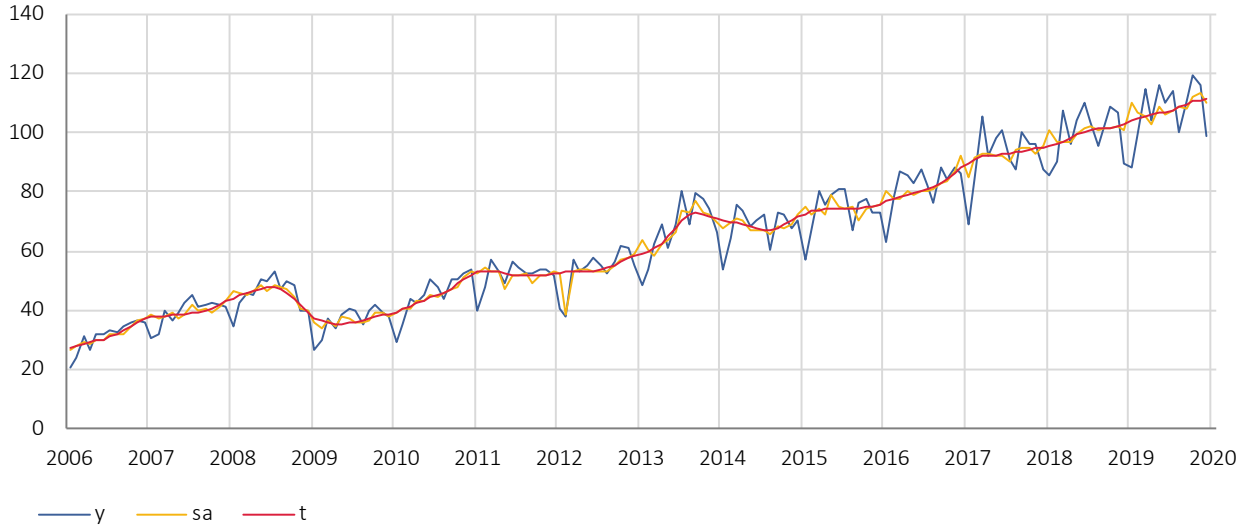


Table 5.1. Export of goods by CA (2010) sections, quarterly indices (%)

(comparison with the same period of the previous year)

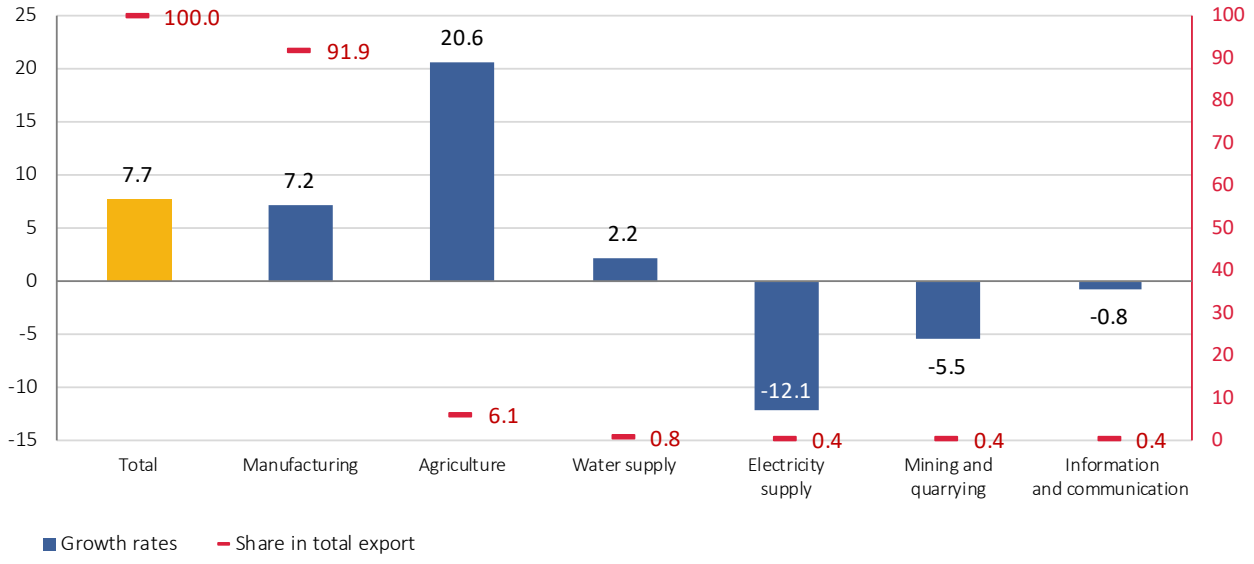
	2017				2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]
Export – total	113.6	113.7	112.9	108.2	109.1	106.6	108.1	109.0	106.9	106.6	107.7	109.5	**110.0**
Manufacturing	113.7	112.8	114.3	113.8	112.5	109.2	107.8	107.1	104.5	106.1	108.7	109.4	...
Agriculture, forestry and fishing	123.4	125.9	90.5	43.4	70.0	78.6	118.8	180.6	151.2	117.2	103.4	118.7	...
Mining and quarrying	137.1	137.7	137.0	133.5	121.9	91.2	91.0	90.2	88.3	93.8	100.2	96.3	...

[1] Prognosis.

[10] By current exchange rate, EUR

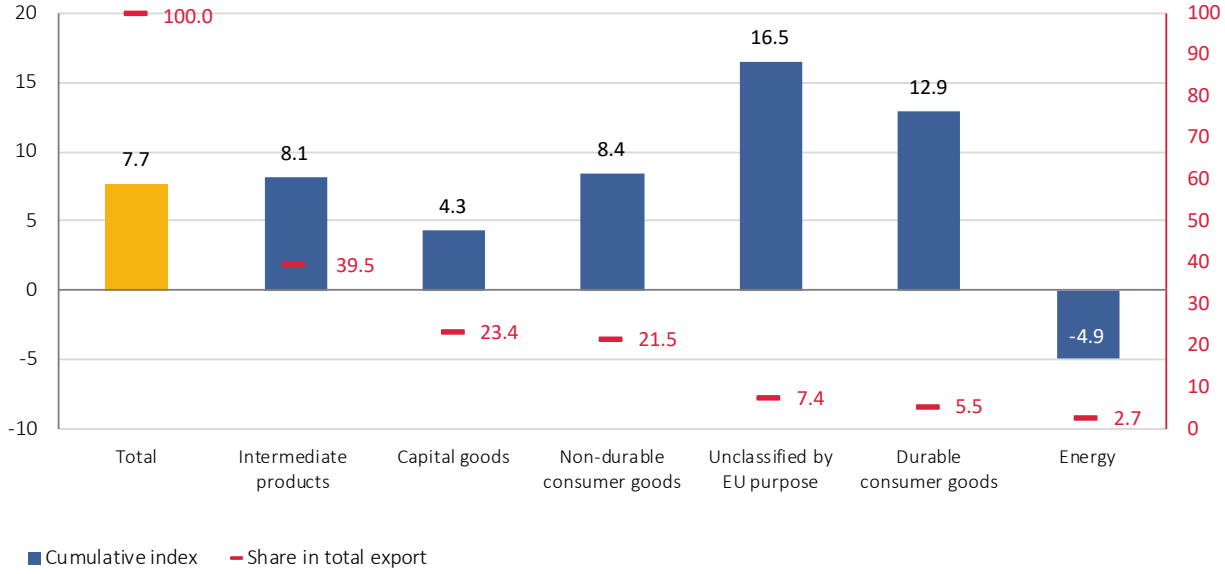
[11] According to CA 2010

Graph 5.2. Cumulative growth rates of export by CA (2010) sections and sections' share in export (%)
(2019 relative to 2018)



Observed by economic purpose, total export results in 2019 were mostly influenced by intermediate products (increase of 8.1%, and share of 39.5%).

Graph 5.3. Cumulative growth rates of exports according to the economic purpose of the European Union (%)
(2019 relative to 2018)



5. External Trade

5.2. Total value of goods import [12]

Total value of goods import in Serbia in 2019 increased by 8.9% relative to 2018. Import results were mostly influenced by the section of manufacturing (increase of 10.6%), as it presents 76.0% of total imports, then 2.5% increase in import of non-classified goods, presenting 10.9% of total import, and 5.6% increase in the section of mining and quarrying (9.6% of total imports in 2019).

Graph 5.4 Components of import's time series, indices

(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2018 = 100)

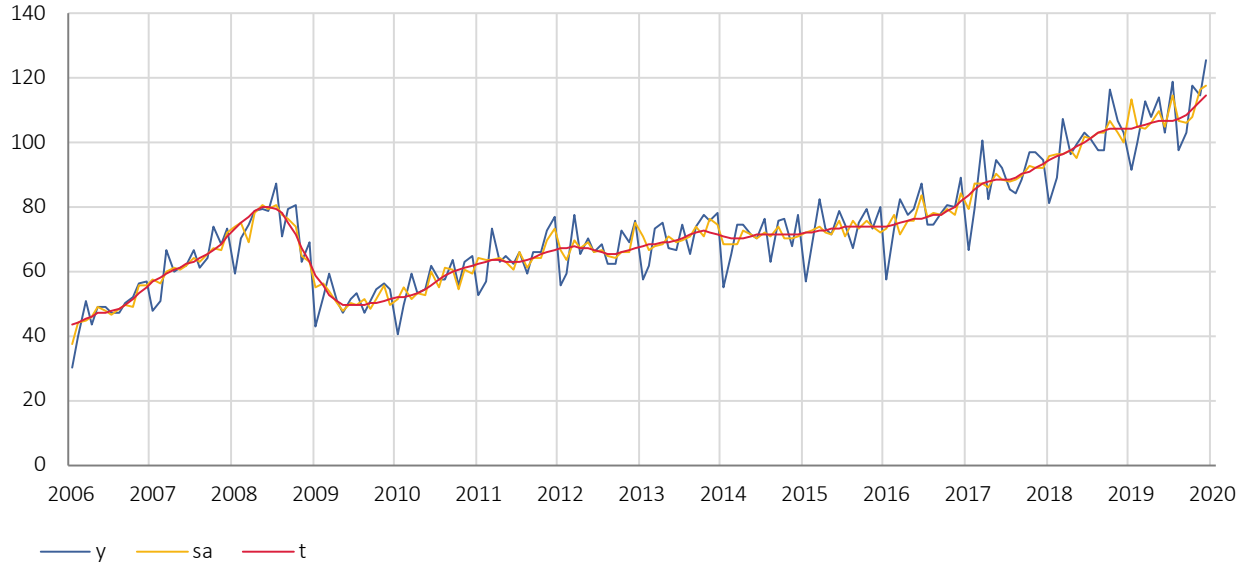


Table 5.2. Import of goods by CA (2010) sections, quarterly indices (%)

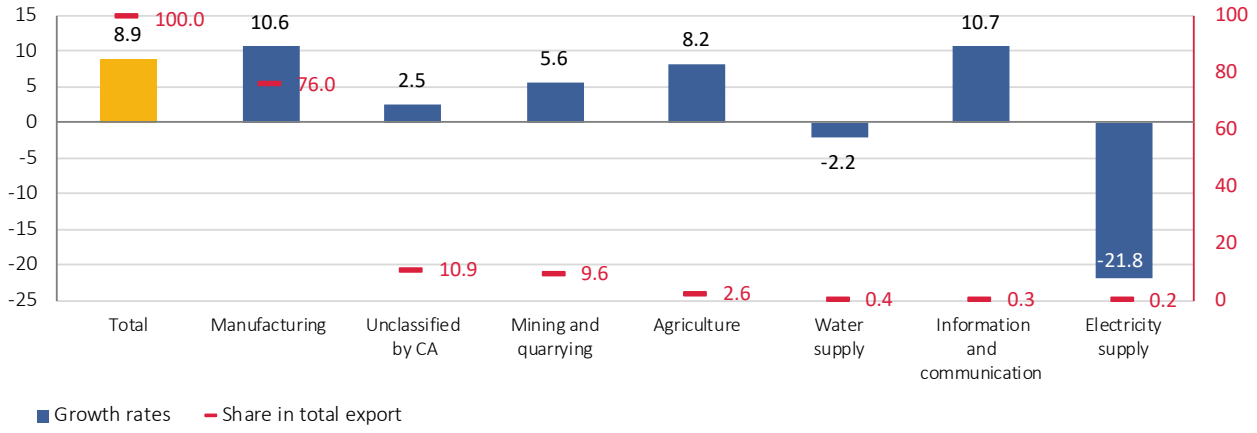
(comparison with the same period of the previous year)

	2017				2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]
Import – total	115.6	110.3	113.4	115.4	112.6	111.0	115.1	113.4	109.5	108.9	107.8	109.5	**108.0**
Manufacturing	110.1	108.5	111.3	114.8	118.6	109.9	110.6	109.3	107.0	109.9	111.9	113.1	...
Agriculture, forestry and fishing	108.6	121.4	125.7	126.1	99.7	90.9	85.1	78.2	110.5	121.2	95.8	101.3	...
Mining and quarrying	154.6	123.0	133.5	127.8	100.9	118.2	141.3	147.2	112.8	104.9	98.9	107.0	...

[1] Prognosis

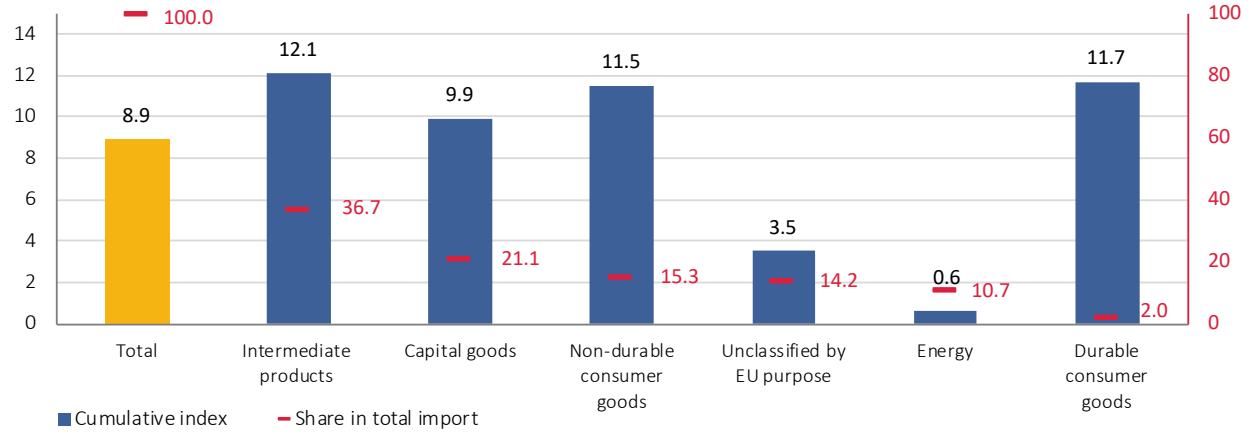
[12] Current exchange rate, EUR

Graph 5.5. Cumulative growth rates of import by CA (2010) sections and sections' share in import (%)
(2019 relative to 2018)



Observed by MIGs, the greatest influence on total import increase in 2019 related to intermediate products (share of 36.7%, increase of 12.1%).

Graph 5.6. Cumulative growth rates of imports according to the economic purpose of the European Union
(2019 relative to 2018)



5.3. The most significant external trade partners

Table 5.3 The major external trade partners

Export	EUR mill.
Germany	2 212.7
Italy	1 769.4
Bosnia and Herzegovina	1 351.3
Romania	1 026.4
Russian Federation	872.5

Import	EUR mill.
Germany	3 080.2
Russian Federation	2 307.0
China	2 241.1
Italy	2 074.7
Hungary	1 019.4

The most significant external trade partners in 2019 were the countries with which Serbia has signed agreements on free trade. The EU member countries account for 61.8% of total external trade, followed by CEFTA countries. The major external trade partners are separately presented in Table 5.3.

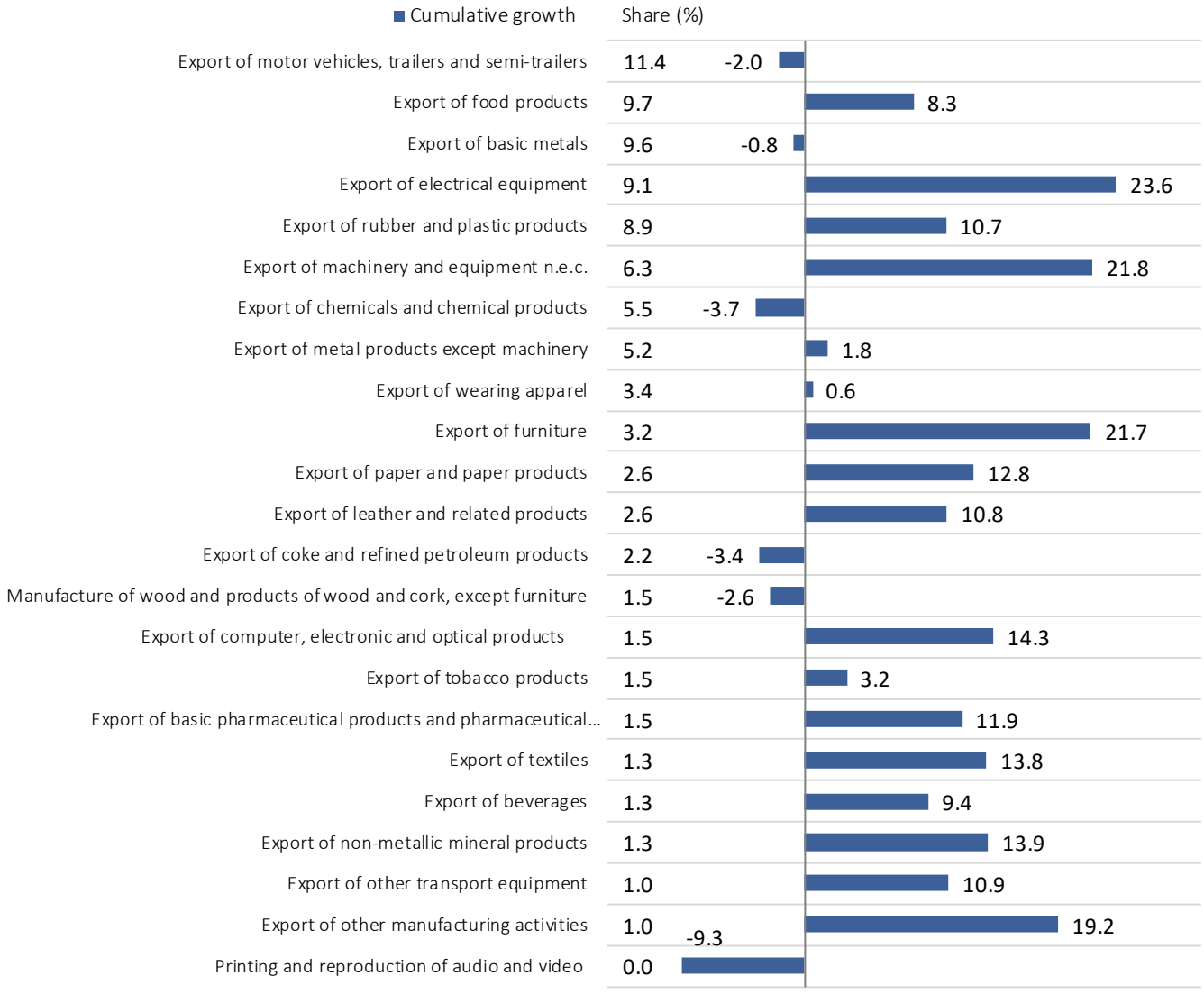
5.4. Manufacturing (C)

(share of 91.9% in total export and 76.0% in total import)

Export of manufacturing recorded growth of 7.2%, relative to 2018. Out of 23 divisions, cumulative decrease was noted in 6 divisions, including the one with the highest share - export of motor vehicles and trailers and semi-trailers. Export of motor vehicles, with the highest separate export value (EUR 2 bill), but with decreased share in total export, recorded cumulative fall of 2%, from 12.5% in the same period of the previous year, to 11.4%. Export of food products, division with the export value of EUR 1.7 bill (increase by 130.7 million relative to 2018), recorded cumulative growth of 8.3% and share in total export of 9.7%.

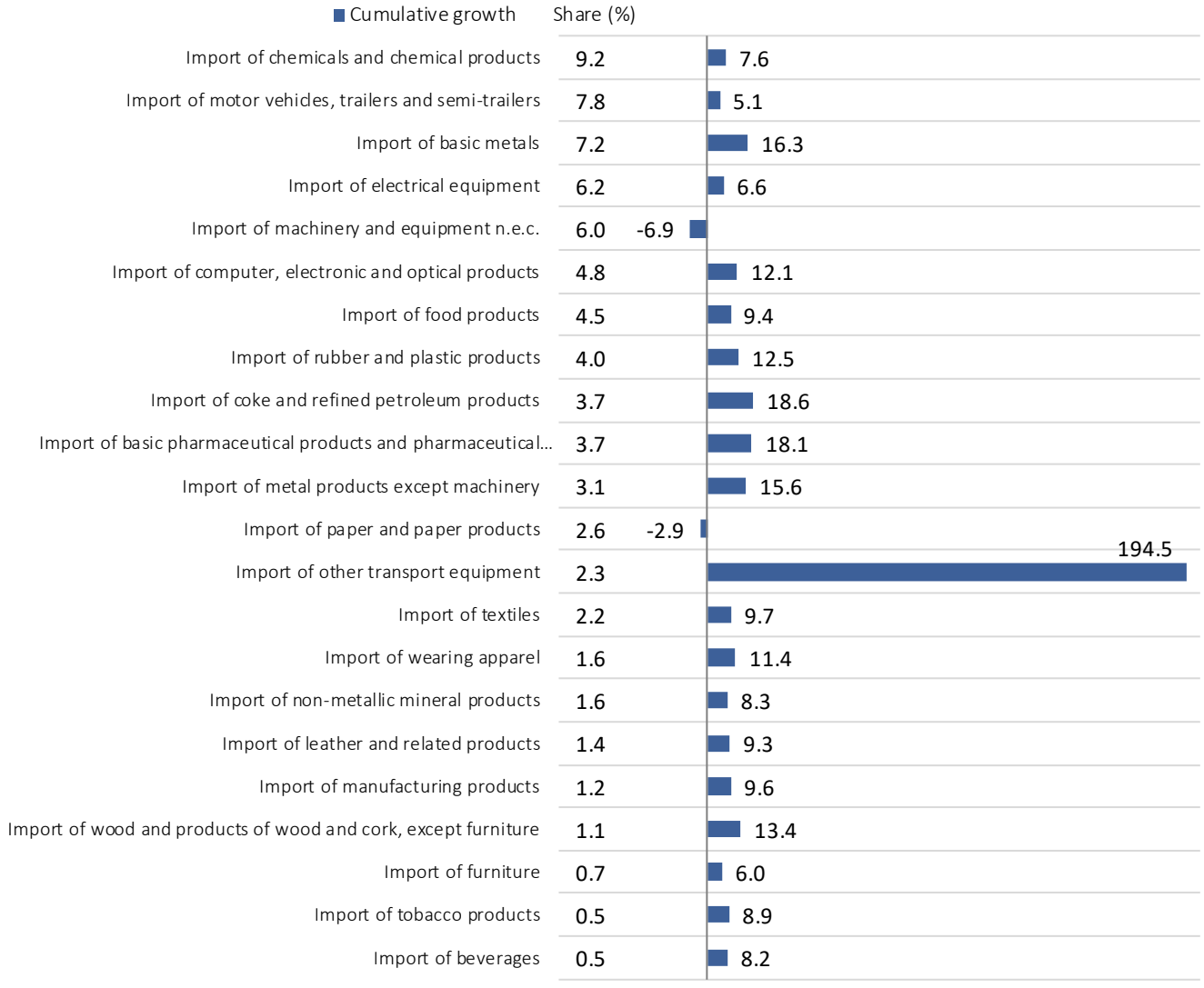
Graph 5.7. Export of manufacturing by divisions, cumulative growth (%)

(2019 relative to 2018, by descending share in total export)



Import of manufacturing in 2019 relative to 2018 recorded increase of 10.6%. Such result was mostly influenced by increased import of other transport equipment (increase of 194.5%, share of 2.3%), caused by increase in the class of air and spacecraft machinery, that presents about three quarters of this division's import. On the other hand, import of motor vehicles, trailers and semi-trailers noted fall of 6.9% and decreased share in total imports, from 7% in 2018 to 6%.

Graph 5.8. Import of manufacturing by divisions, cumulative growth (%)
(2019 relative to 2018, by descending share in total import)



5.5. Agriculture, forestry and fishing (A)

(share of 6.2% in total export and 2.7% in total import)

Export in this section in 2019 realized increase of 20.6%, as well as increased share in export from 5.4% to 6.1% relative to 2018. The most significant division of this sector, Agriculture production, hunting and service related activities, participating with 98.4% in total export of the section, noted increase of 21.7%. This result was mostly influenced by cumulative growth of 26.8% regarding cereals (except rice), leguminous crops and oil seeds, and export of pome and stone fruits (cumulative growth of 10.4%), i.e. two classes of CA that present 80.3% of export of the whole section.

Import recorded increase of 8.2%, while the share in total import remained on the same level (2.6%) relative to the previous year. Registered was increase in tobacco imports of 41.1%, vegetables, root and carotid plants' imports of 31.8% and citrus imports of 9.3%, as well as decreased cereals import (except rice), leguminous crops and oil seeds of 9.1%. As these classes of CA (2010) make 55.1% 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 previous year.

5.6. Mining and quarrying (B)

(share of 0.4% in total export and 9.6% in total import)

The section of Mining and quarrying noticed cumulative export decrease of 5.5% relative to 2018. Decreased export in this section was mostly caused by decreased export of metal ores (8.1%) as it presents 74.9% of export of the whole section of Mining and quarrying. Trend values are in slightly decreasing trend from September 2019, but further results in this section cannot be definitely predicted.

Import of this section recorded growth of 5.6%, mostly caused by increased import (57.3%) of metal ores.

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.

6.1. Retail trade turnover

(Division 47 of the Classification of Activities)

Retail trade turnover in 2019, relative to 2018, increased by 11.1% at current and by 9.7% at constant prices.

Table 6.1. Retail trade turnover, quarterly indices (%)

(comparison with the same period of the previous year)

	2017				2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]
Current prices	108.8	109.8	107.6	106.6	104.7	105.8	108.6	107.9	112.4	110.7	109.5	112.9	**112.0**
Constant prices[2]	104.0	104.7	104.0	103.0	103.5	103.6	105.1	105.0	109.7	108.3	108.8	111.2	**110.0**

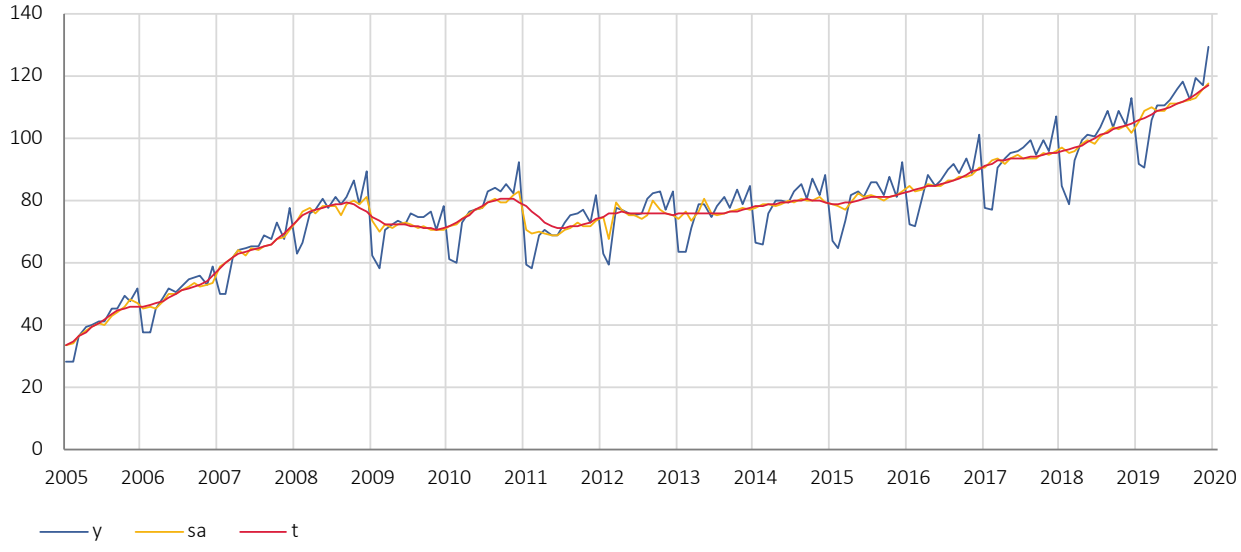
[1] Prognosis

[2] Indices are recalculated through monthly indices at constant prices.

Observed relative to 2018 average, in 2019, expected seasonal fluctuations in retail trade were observed, both at current and at constant prices. However, the long-term trend is constant and slightly increasing and during 2019, it was above the last year's average (on average, by 10.9% at current and by 9.6% at constant prices).

Graph 6.1. Components of time series of retail trade turnover at current prices, indices

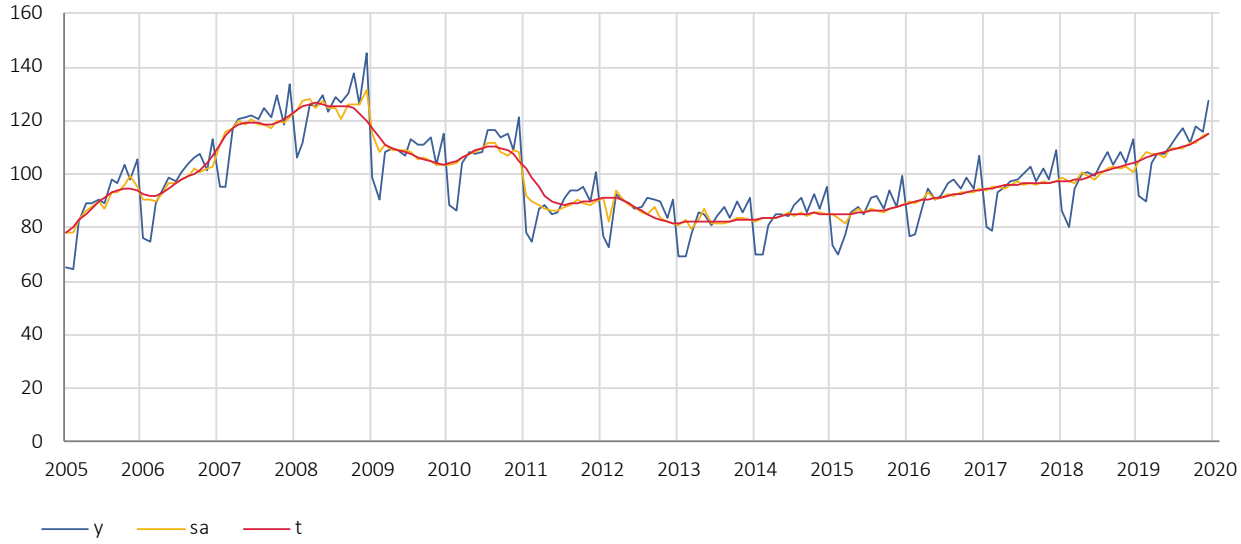
(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2018 = 100)



6. Domestic Trade

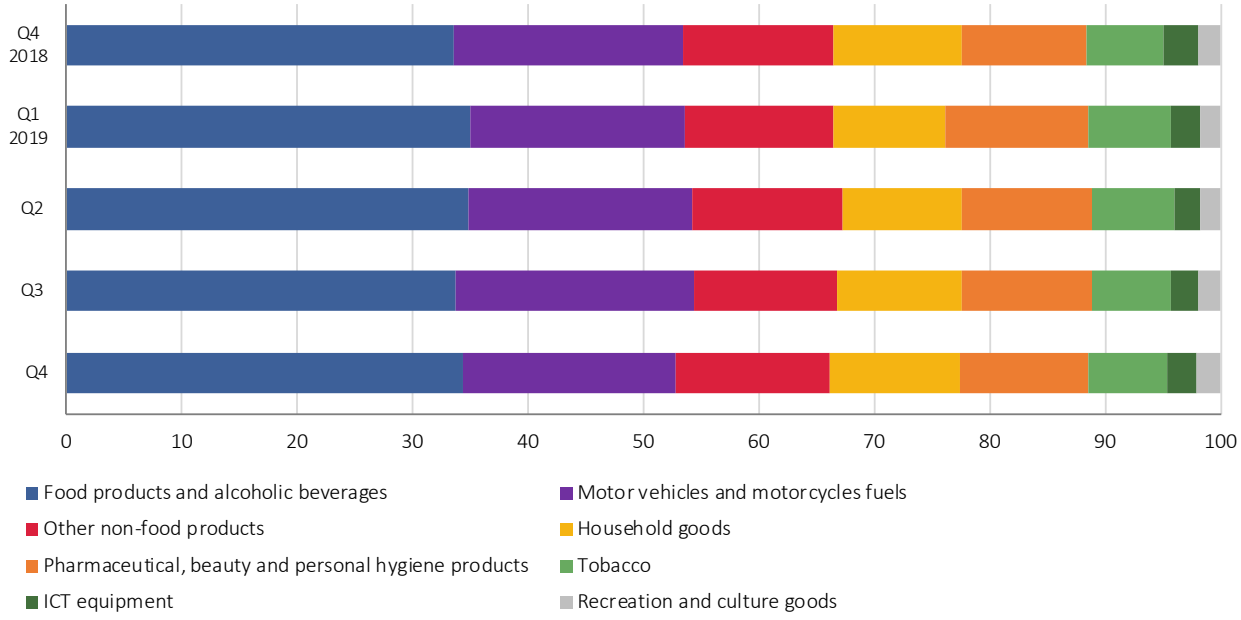
Graph 6.2. Components of time series of retail trade turnover at constant prices, indices

(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2018 = 100)



Observed by **trade divisions and commodity groups**, in the fourth quarter 2019, relative to the third quarter, there were no significant changes in retail trade turnover structure. The most notable were food products and alcoholic beverages (34.3%), followed by motor vehicles and motorcycles fuels (18.5%) and other non-food products (13.4%).

Graph 6.3. Structure of retail trade turnover by trade divisions and commodity groups (%)



6.2. Wholesale trade turnover

(Division 46 of the Classification of Activities)

Wholesale trade turnover in 2019, compared with 2018 noted increase of 5.6% at current prices.

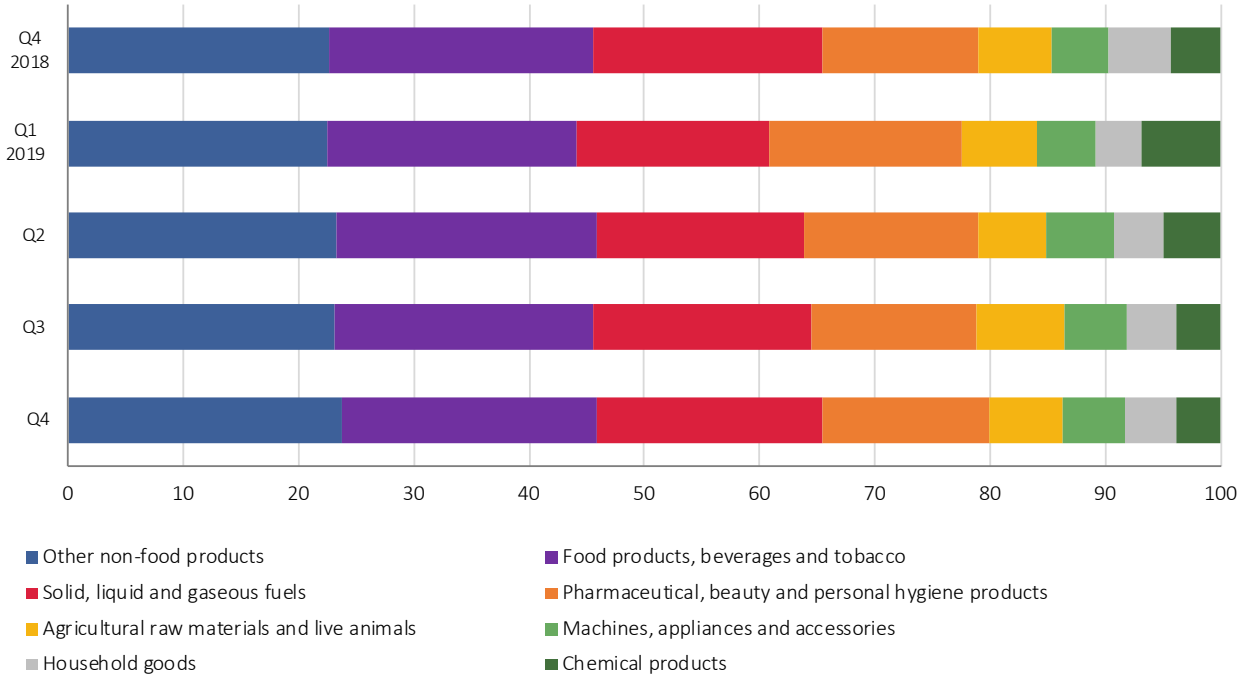
Table 6.2. Wholesale trade turnover, quarterly indices (%)

(comparison with the same period of the previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current prices	109.7	106.1	108.2	107.7	104.3	110.2	111.5	107.6	107.8	104.1	103.8	107.1

Observed by **trade divisions and commodity groups**, in wholesale trade turnover, in the fourth quarter of 2019, the most notable were other non - food products (23.7%), followed by food products, beverages and tobacco (22.2%), solid, liquid and gaseous fuels (19.6%) and pharmaceutical, beauty and personal hygiene products (14.4%).

Graph 6.4. Structure of wholesale trade turnover by trade divisions and commodity groups (%)



6.3. 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 2019, relative to 2018 recorded increase of 11.1% at current prices.

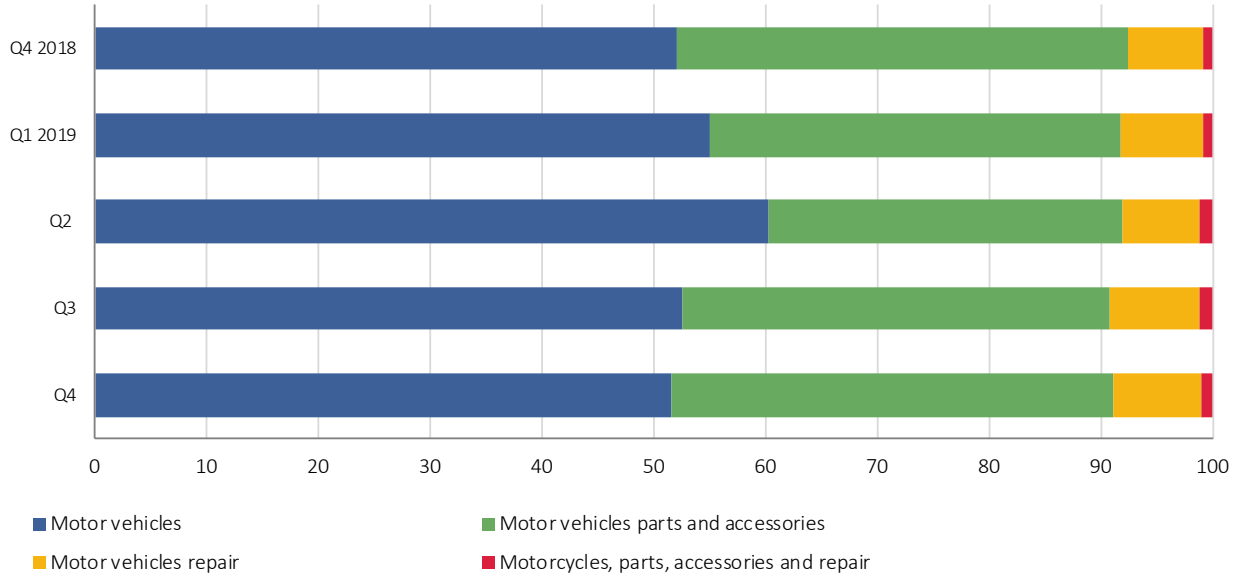
Table 6.3. Turnover in wholesale and retail trade and motor vehicles repair, quarterly indices (%)

(comparison with the same period of the previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current prices	121.3	113.2	114.2	109.5	104.1	108.4	113.4	112.2	113.3	111.8	108.8	111.0

Observed by **trade divisions and commodity groups,** similarly to the previous quarters, regarding wholesale and retail trade turnover and motor vehicles repair, in the fourth quarter 2019 the most notable were motor vehicles (51.6%), followed by motor vehicles parts and accessories (39.5%).

Graph 6.5. Structure of wholesale and retail trade turnover and motor vehicles repair by trade divisions and commodity groups (%)



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.

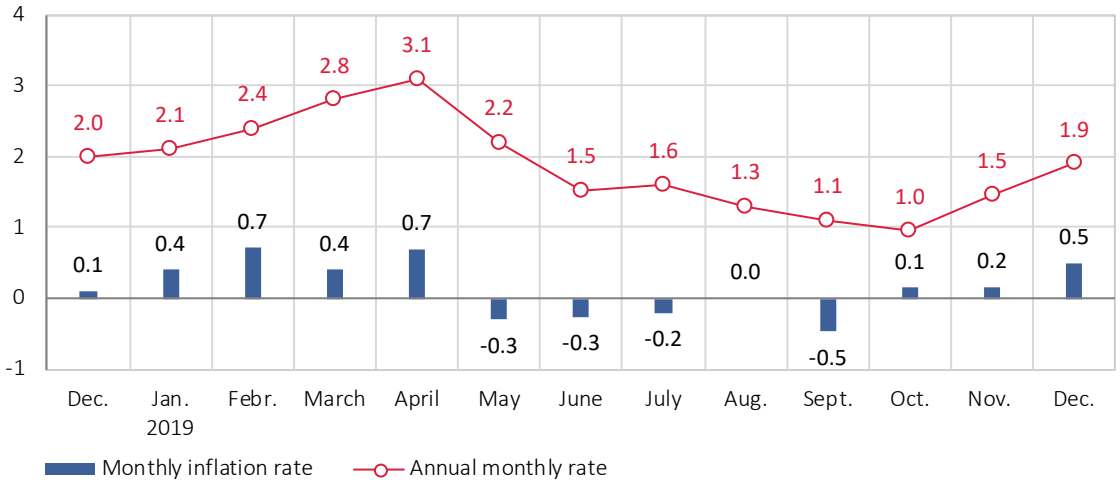
In 2019 (as of December) consumer prices saw a year-on-year growth of 1.9%, while the average year-on-year growth of prices amounted to 1.7%, being in the scope of the interval targeted by the National Bank of Serbia for 2019, amounting to 3% ± 1,5 p. p.

Table 7.1. Consumer prices, quarterly inflation rate (%)
(quarter to the same quarter of the previous year)

	2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]
Consumer prices (IPC)	1.6	1.8	2.4	2.0	2.4	2.3	1.3	1.4	**1.9**

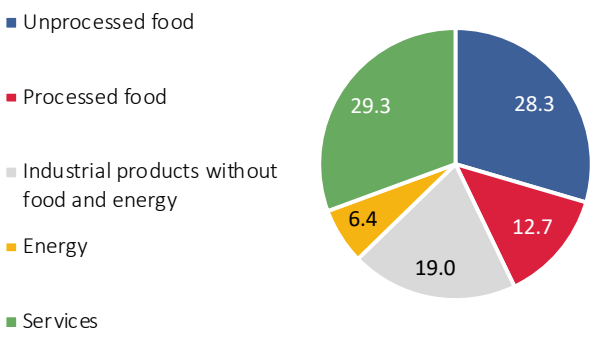
[1] Forecast based on the leading indicator of consumer prices - IPC.

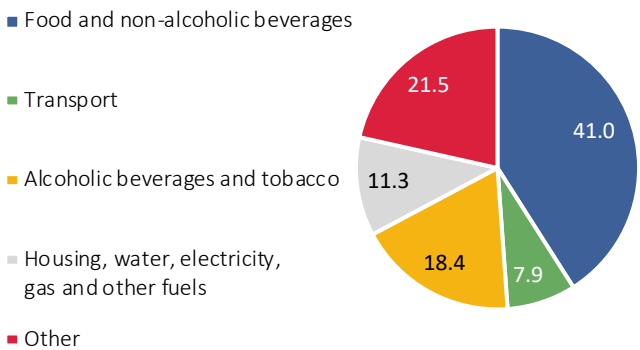
Graph 7.1. Inflation rate measured by consumer indices, December 2018 – December 2019 (%)
(monthly – month to the previous month; annual – month to the same month of the previous year)



Observed **by purpose**, the largest influence on the total consumer price growth in 2019 was that of prices of unprocessed food and prices of services. Observed by main divisions of consumption, the largest contribution was that of prices of food and non-alcoholic beverages, alcoholic beverages and tobacco.

Graph 7.2. Structure of the average year-on-year growth rate of consumer prices in 2019 by purpose and main divisions of products, %



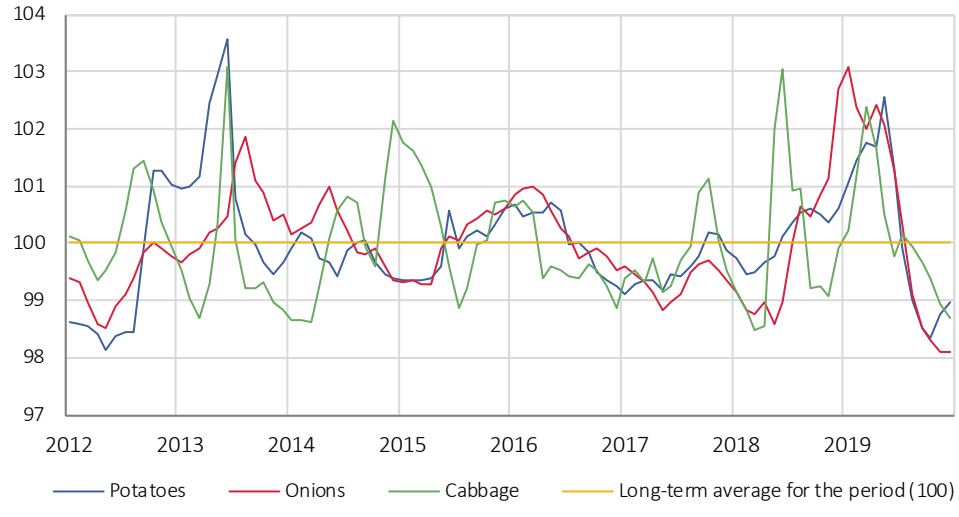


7. Prices

7.1. Food and non-alcoholic beverages (contribution to the year-on-year growth rate of 0.8 p. p.)

Vegetables

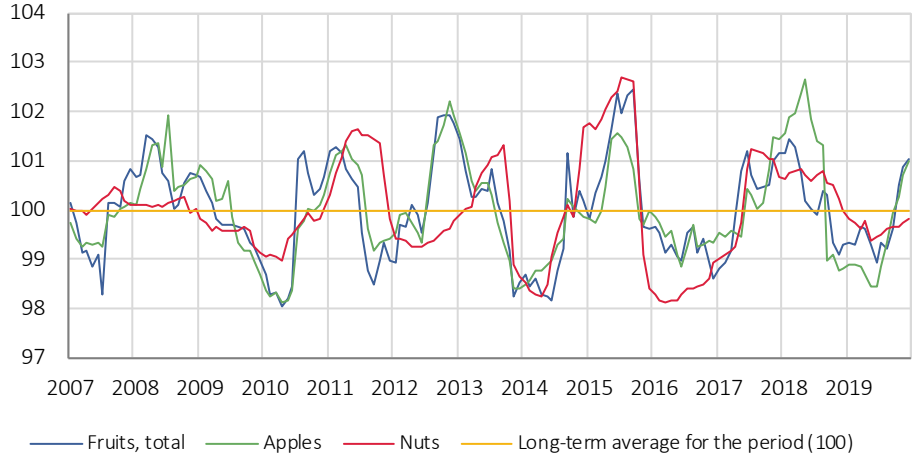
Graph 7.3. Retail price of potatoes, onion and paprika, index of deviation from the average for the period (100), standardised data



In 2019 the **price of vegetables** saw an average year-on-year increase of 9.5%, accounting for 62.5% in structure of the year-on-year increase in consumer prices of food and non-alcoholic beverages. In the strucrture of the annual growth of **the prices of vegetables** the largest share was that of the growth of the price of potatoes (28.9%), onions (20.6%) and cabbage (14.0%). **The index of the price of vegetable producers** follows fully the cyclical trend of average retail prices of vegetables, which increased by 53.7% in 2019.

Fruit

Graph 7.4. Movement of prices of the total basket of fruits[13] (total), apples and nuts; index of deviation from the average for the period (100), standardised data

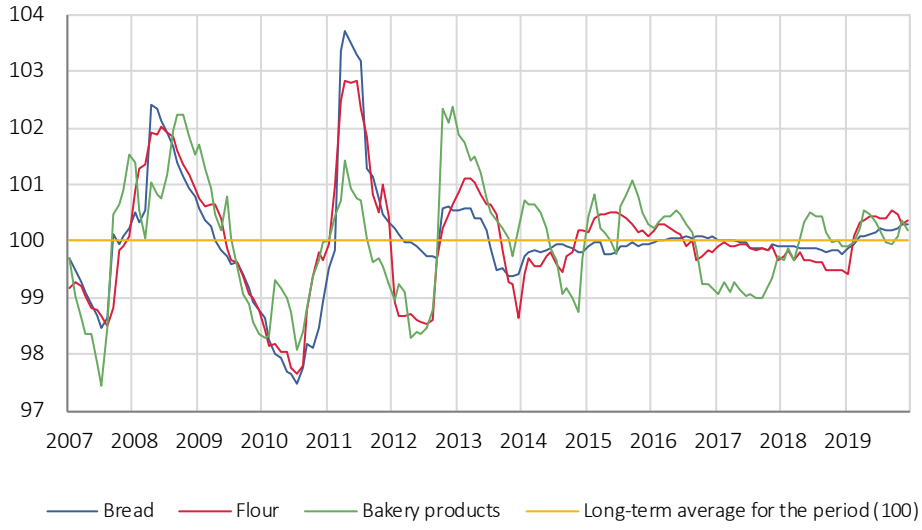


In the total structure of the annual growth of the price of food and non-alcoholic beverages in 2019, **the fall of the price of fruits of -3.2%,** with oils and fats, was the only deflationary element. The largest influence on this deflationary trend was that of lower prices of **apples and nuts**.

[13] Even though in the structure of the price of the total basket of fruits the largest is that of bananas, apples, nuts and oranges, the most representative indicators of the total price of fruits are apples and nuts, which cycles of retail prices are highly correlated with the average price of the total basket of fruits, during the whole period starting from 2007.

Bread and cereals

Graph 7.5. Movement of prices of bread, wheat flour and bakery products, index of deviation from the average for the period (100), standardised data



The growth of the price of the group of products of bread and cereals (3.2%) had the largest influence on the year-on-year growth rate of total consumer prices in 2019, behind the growth of fruit price. **The largest influence** on the growth of this group of products was that of the price of wheat flour (0.7 p. p.), white bread (1.3 p. p.), bakery products (0.6%) and pasta (0.3 p. p.).

17.2. Alcoholic beverages and tobacco (contribution to the year-on-year growth rate of 0.3 p. p.)

The movement of the price of the division of products alcoholic beverages and tobacco is dominantly determined by **the price of tobacco**.

First of all, tobacco price is a consequence of a harmonized excise policy according to which, by the excise calendar 2018–2020, every January and June the specific excise on cigarettes is to be increased by RSD 1.5 with a charged and proportional excise of 33% on cigarettes and added VAT of 20%. This way, government levies, from 1 July to 31 December 2019, based on the specific excise, for one pack of cigarettes increased by 1.5% dinars and amounted to RSD 72.2. Consequently, the year-on-year increase **in tobacco price** in 2019 amounted to 7.6% and accounted for 17.6% of the total consumer prices growth. As described in the previous issue of *Trends* and as shown in table 7.2, in 2019, there was a slight increase in the share of non-government levies in the total tobacco price, which is a result of higher margins of merchants and production costs for producers of tobacco for domestic market (year-on-year increse in 2019 of 11.5%).

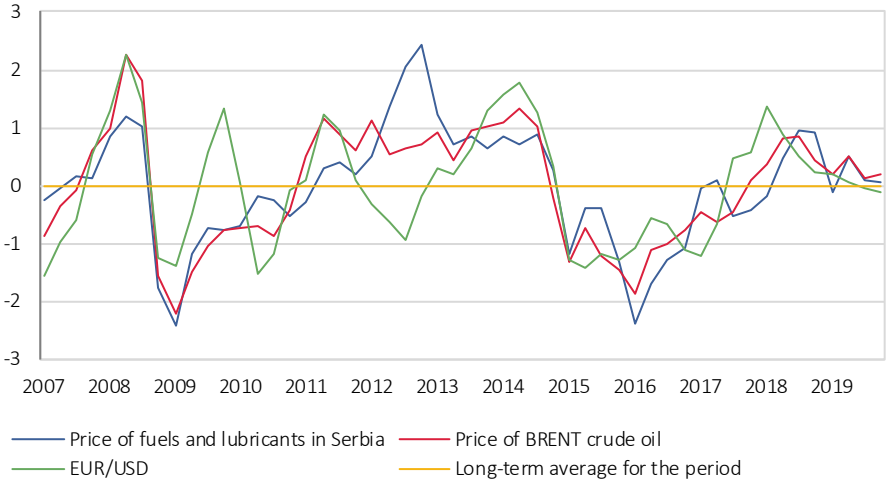
It is worth mentioning that the price of tobacco products in the structure of total prices (4.3%) over the last several years has been constantly and slightly decreasing, which is a consequence of smaller consumption, i.e. money earmarked by consumers. When compared with 2018, the share of tobacco in the structure of total consumer prices fell by 0.1 p. p.

Table 7.2. Tax structure of contributions to the year-on-year growth rate of tobacco price

		2018				2019			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobacco price, growth rate, %		7.2	8.6	8.2	8.2	8.0	7.9	6.9	7.6
Contribution to the annual tobacco price growth rate, percentage points	**Fiscal levies**	5.1	6.1	5.9	5.9	5.7	5.4	4.8	5.2
	Specific excise	1.3	1.5	1.5	1.5	1.4	1.2	1.1	1.1
	Proportional excise (33%)	2.4	2.9	2.7	2.7	2.7	2.6	2.3	2.5
	VAT (20%)	1.4	1.7	1.6	1.6	1.6	1.6	1.4	1.5
	Other levies (merchant margins and produers' costs)	2.1	2.5	2.3	2.3	2.3	2.5	2.1	2.4
Ratio of fiscal levies to Other levies		2.5	2.5	2.5	2.5	2.4	2.1	2.3	2.1
Share in the annual tobacco price growth price	Fiscal levies, %	71.5	71.2	71.4	71.4	70.9	68.2	69.6	68.2
	Other levies, %	28.5	28.8	28.6	28.6	29.1	31.8	30.4	31.8

7.3. Transport (contribution to the year-on-year growth rate of 0.1 p. p.)

Graph 7.6. Movement of prices of fuels and lubricants to the price of *BRENT* crude oil and EUR/USD exchange rate, deviations from the average for the period (%)



The average price of **BRENT** crude oil in 2019 was USD 64.4 per barrel, by 9.4% lower. At the end of Q4 2019, the retail price of **eurodiesel**, compared with the same period of 2018 was approximately at the same level (RSD 162.3 per litre). The price of **unleaded gasoline** relative to the same period of 2018 was up by 2.2 dinars per litre. **The price of fuels and lubricants,** which influences the most the prices of the group Transport, in 2019 remained at the same level as in 2018, while the whole group **Transport** saw an increase of 0.9%. From January to December 2019, the American dollar strenghtened to the euro by 2.8%.

8. Labour market

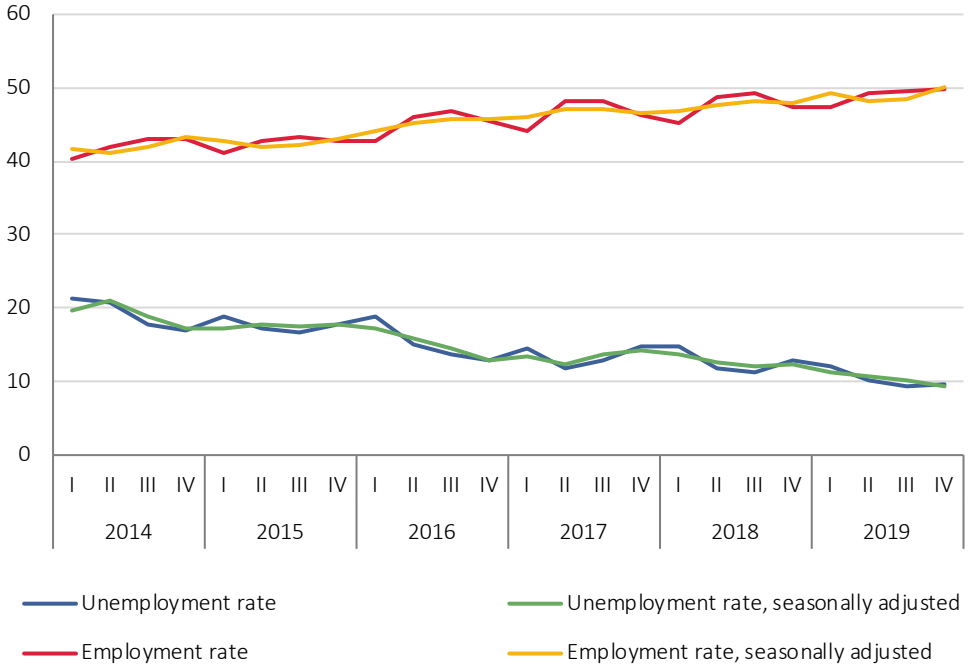
In Serbia in the fourth quarter of 2019 there were 2.9 million employed persons and 314.1 thousand unemployed persons aged over 15[14].

When compared with the previous, third quarter of 2019 the unemployment rate was higher and was 9.7% (after 9.5% in the third quarter of 2019), and the number of unemployed persons grew by 5.7 thousand.

The unemployment rate, when compared with the third quarter of 2019 fell in Vojvodina from 8.2 to 7.9%, and grew in the Region Šumadije i Zapadne Srbije from 10.6 to 10.8% and in the Region Južne i Istočne Srbije from 12.0 to 12.8%. The unemployment rate in the Beogradski region was the same as in the previous quarter, amounting to 7.6%.

Graph 8.1. Movement of employment and unemployment rates for persons aged 15 and over, Q1 2014 – Q4 2019

(quarterly frequency)



Unemployment rate in the fourth quarter amounts to 9.7%, and after the seasonal component has been eliminated to 9.3%.

Employment rate in the fourth quarter amounts to 49.7%, after the seasonal component has been eliminated to 50.1%.

Table 8.1. Activity, employment and unemployment rates – non-seasonally adjusted and seasonally adjusted values

	2019			
	Q1	Q2	Q3	Q4
Activity rate, %	**53.9**	**54.8**	**54.8**	**55.0**
Seasonally adjusted values	54.8	54.3	54.3	55.1
Employment rate, %	**47.4**	**49.2**	**49.6**	**49.7**
Seasonally adjusted values	49.2	48.2	48.4	50.1
Unemployment rate, %	**12.1**	**10.3**	**9.5**	**9.7**
Seasonally adjusted values	11.3	10.8	10.1	9.3

[14] All data are taken from the Labour Force Survey.

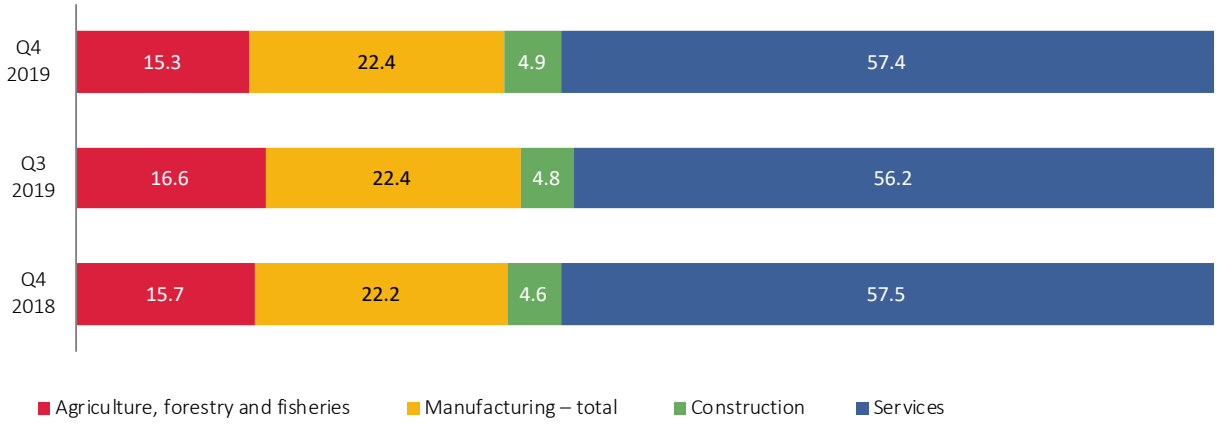
8. Labour market

Table 8.2. Labour market – persons aged 15 and over
(quarterly data)

	Current quarter	Previous quarter		Same quarter of the previous year	
	Q4 2019 (in thous.)	Q3 2019 (in thous.)	Change, %	Q4 2018 (in thous.)	Change, %
Unemployment	314.1	308.4	1.84	416.6	-24.6
Employment	2 938.2	2 938.7	-0.02	2 817.4	4.3
	%	%	Change, %	%	Chnage, %
Unemployment rate	9.7	9.5	0.2	12.9	-3.2
Employment rate	49.7	49.6	0.1	47.4	2.3

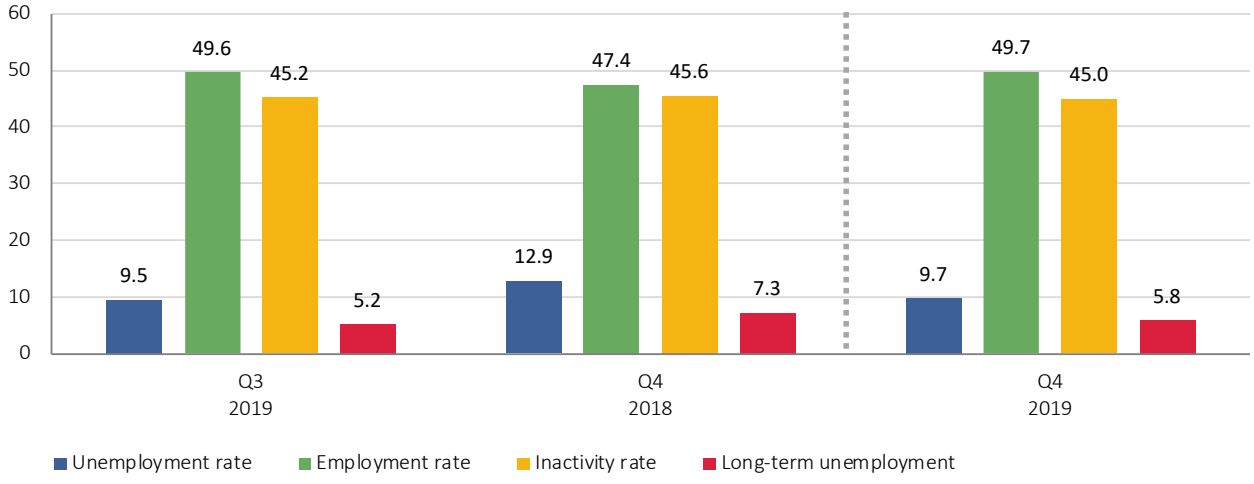
Observed by sections, the largest number of the employed in the fourth quarter of 2019 was recorded in the service section (57.4%), then in industry (22.4%), agriculture (15.3%) and the smallest in construction (4.9%). Such tendencies – increase of the employed in service section, and fall in the other sections – are present also in the global economy and in our country, according to ten-year trends in labour market.

Graph 8.2. Share of employed by sections (%)



Even though fluctuating and under the influence of seasonal movements, labour market indicators indicate a decreasing tendency of unemployment and increase of employment and activity.

Graph 8.3. Labour market – major indicators for the previous quarter, the same quarter of the previous year and current quarter (%)



8.1. Comparison with the same quarter of the previous year

When compared with the same quarter of the previous year, the number of the **unemployed** fell by 24.6% (from 416.6 to 314.1 thousand). At the same time, the number of the **employed** grew by 4.3% (from 2 817.4 in the fourth quarter of 2018 to 2 938.2 in the fourth quarter of 2019).

The **youth** unemployment rate (aged from 15 to 24) in the fourth quarter of 2019 amounted to 29.1%, by 2 percentage points (p. p.) lower than in the fourth quarter of 2018, when it was 32%. The highest youth unemployment rate was recorded in the Region Šumadije i Zapadne Srbije (36.6%), and the lowest in the Region Vojvodine (23.6%).

The **long-term unemployment** rate (share of persons unemployed more than one year in the active population aged 15 and over) amounted to 5.8%, by 1.5 p. p. less than in the fourth quarter of 2018 (when it was 7.3%).

Observed **by sex** , in the fourth quarter of 2019, unemployment rates of 10.3% for women and 9.1% for men were registered. Compared with the same quarter of 2018, the unemployment rates were lower for both sexes: for women by 3.9 p. p. and for men by 2.7 p. p. Observed **by region**, the unemployment rate for **men** fell in all the regions: in the Beogradski region, from 9.5 to 5.9%, Region Vojvodine, from 10 to 8.5%, Region Zapadne Srbije Šumadije, from 13.2 to 10.1%, and in Region Južne i Istočne Srbije, from 15 to 12.2%

Similar trends were recorded with the **female population**: the unemployment rate fell in the Beogradski region, from 10.6 to 9.5%, Region Vojvodine, from 12.8 to 7.1%, Region Južne i Istočne Srbije, from 17 to 13.6%, and in Region Šumadije i Zapadne Srbije from 16.8 to 11.7%.

Observed by **professional status**, compared with the same quarter of 2018, the number of employed persons fell only in the category of contributing family members (12.4%), while the category of the self-employed and employed saw an increase in the number of employed persons by 7.3 and 4.6%.

Table 8.3. Employment by professional status, comparison Q4 2018 – Q4 2019

	Q4 2018 (in thous.)	Q4 2019 (in thous.)	Change, %
Employed persons – total	**2 817**	**2 938**	**4.3**
Self-employed	638	685	7.3
Employed	2 026	2 119	4.6
Contributing family members	153	134	-12.4

8.2. Comparison with the previous quarter

When compared with the previous, third quarter of 2019 the number of unemployed persons grew by 5.7 thousand and the number of employed persons fell by 500 persons.

The **youth** unemployment rate (aged from 15 to 24) in the fourth quarter of 2019 amounted to 29.1%, by3.2 p. p. more than in the previous quarter (when it was 26%). **Long-term unemployment** rate (5.8%) was by 0.5 p. p. higher than in the previous quarter, when it was 5.2%.

Observed by **sex** the unemployment rate for men grew by 0.7 p. p. and fell for women by 0.5 p. p. in the fourth quarter to the third quarter of 2019. The uemployment rate among **men** increased in three regions: in the Region Vojvodine, from 6.6 to 8.5%, in the Region Šumadije i Zapadne Srbije, from 9.9 to 10.1%, and in the Region Južne i Istočne Srbije, from 10.8 to 12.2%. In the Beogradski region the unemployment rate among men fell from 6.8 to 5.9%.

Among **women** the unemployment rate fell in the Region Vojvodine from 10.3 to 7.1%. In the remaining three regions it went up: in the Region Šumadije i Zapadne Srbije, from 11.4 to 11.7, in the Region Južne Srbije i Istočne Srbije, from 13.5 to 13.6% and in the Beogradski region, from 8.5 to 9.5%.

Observed by **professional status**, when compared with the previous quarter, the number of employed persons grew only in the category of the self-employed (by 0.9%, contributing family members and the employed saw a fall in the number of employed persons, from 0.7 and 0.3%.

Table 8.4. Employment by professional status, comparison Q3 2019 – Q4 2019

	Q3 2019 (in thous.)	Q4 2019 (in thous.)	Change in %
Employed persons – total	**2 938**	**2 938**	**0.0**
Self-employed	679	685	0.9
Employed	2 125	2 119	-0.3
Contributing family members	135	134	-0.7

Glossary

Unemployed persons are persons aged 15 and over who did not perform any paid job in the reference week, sought actively a job during four weeks preceding the reference week, and who were ready to start working within two weeks after the reference week.

Employed persons are persons aged 15 and over who performed a paid job for at least one hour 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.

9. Salaries and wages

Average net salaries and wages calculated in the Republic of Serbia for the **fourth quarter of 2019** amounted to RSD 57 058. Compared with the same period of the previous year, they were nominally up by 12%, and in real terms by 10.4%.

Comapred with the previous quarter, i.e. the third quarter of 2019, there saw an increase of 5.1% in nominal terms and of 5% in real terms.

Average net salaries and wages **in 2019** amounted to RSD 54 919 and compared with the previous year there were up by 10.6% in nominal terma and by 8.5% in real terms.

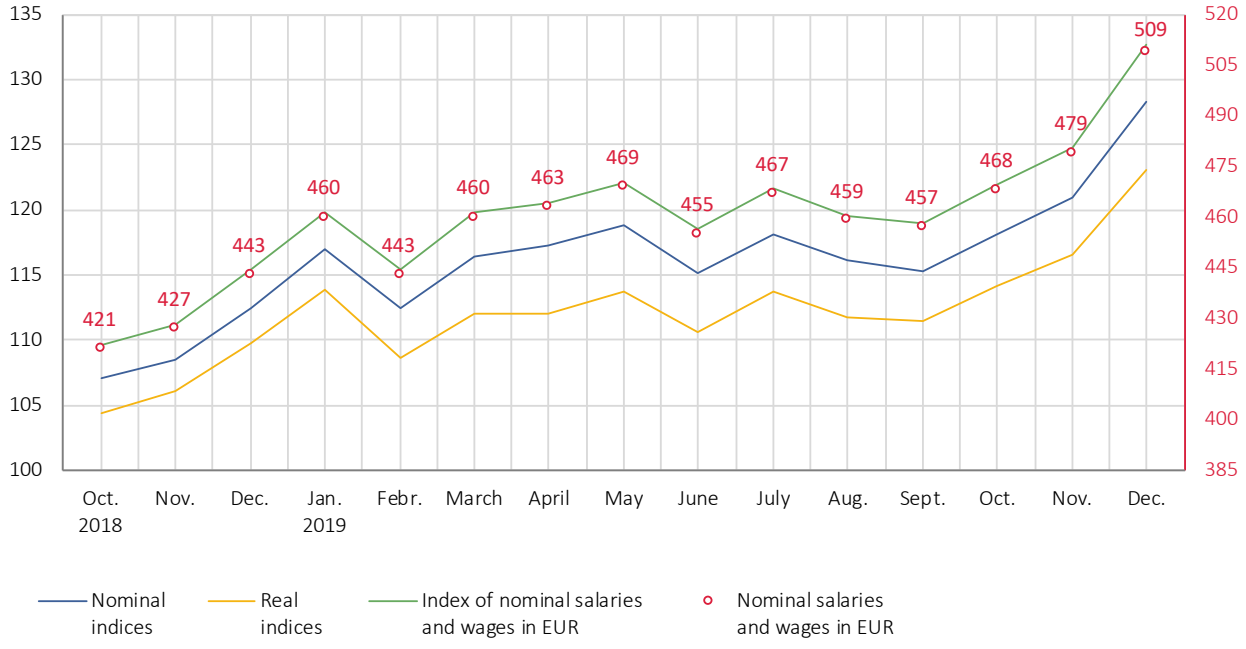
Table 9.1. Salaries and wages – real and nominal indices

(comparison with the same period of the previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real indices	101.1	100.8	100.9	100.1	103.8	104.5	104.2	105.3	106.9	107.6	109.5	110.4
Nominal indices	104.2	104.6	103.9	103.0	105.5	106.4	106.7	107.5	109.5	110.0	110.9	112.0

Graph 9.1. Net salaraies and wages, movement of nominal and real indices

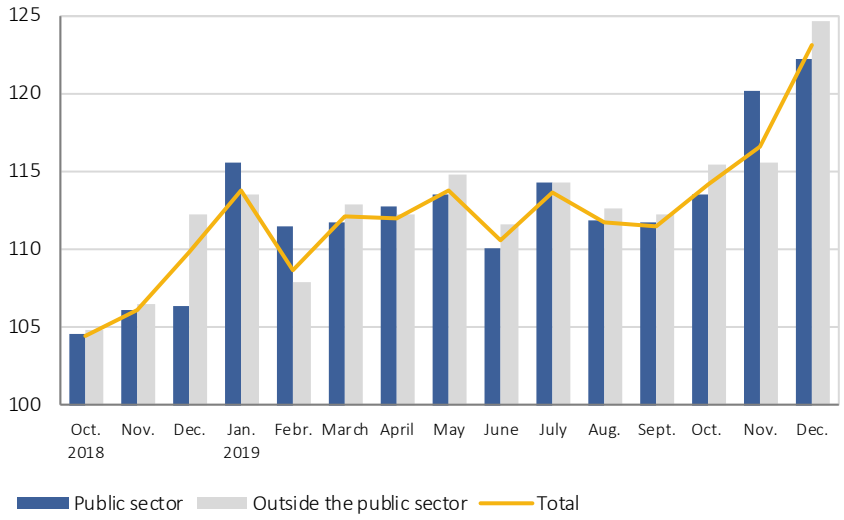
(average 2017 = 100)



In the observed period, from the fourth quarter of 2018, nominal salaries and wages follow the trends in the real economy and budget, adapting themselves at the same time to market indicators, i.e. offer and demand for labour force.

After having exceeded for the first time EUR 400 in December 2017, average net salaries and wages were, during the whole 2018, above EUR 400. In December 2019, they reached EUR 509, which was at the same time the highest value recorded in the observed period.

Graph 9.2. Net salaries and wages in and outside the public sector, and total
(real indices, average 2017 = 100)



Average net salaries and wages calculated for the fourth quarter of 2019 amounted to RSD 63 830 in the public sector and to RSD 53 979 outside the private sector.

Even though salaries and wages in the public sector were above those outside the public sector, this ratio is for the moment relative. Namely, a successive growth in salaries and wages in the public sector led to their increase outside the public sector, resulting in the increase of total salaries and wages. The policy of salaries and wages management in the public sector proved this way to be the trigger of the impulse of internal demand and regulator of fluctuations on the market.

Graph 9.3. Average net salaries and wages per employee in the public sector
(January - December 2019)

Public sector – total	RSD 61 392
Public state-owned enterprises	RSD 75 221
Public local enterprises	RSD 52 068
Administration – all levels	RSD 65 304
Government level	RSD 67 920
Level of the autonomous province	RSD 69 120
Level of local authorities	RSD 52 294
Health professionals and social work	RSD 56 195
Education and culture	RSD 58 220

9. Salaries and wages

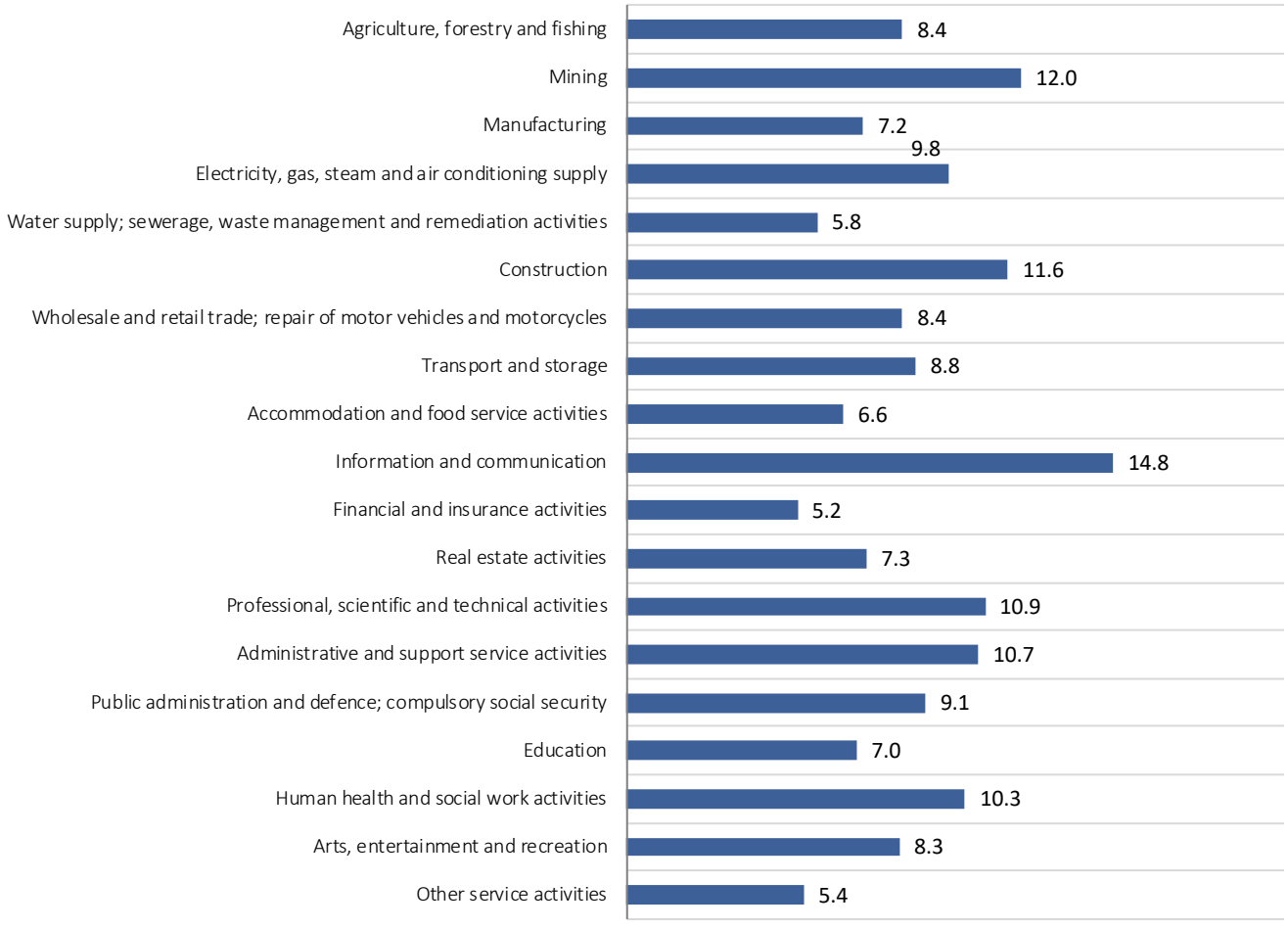
When comparing net salaries and wages **by sections of CA (2010),** the largest real increase in 2019, compared with 2018 is evident in the sections Information and communications (14.8%), Mining and quarrying (12%), Construction (11.6%), Professional, scientific and technical activities (10.9%), Administrative and support service activities (10.7%) and Human health and social work activities (10.3%).

The highest net salaries and wages in 2019 was paid in the following **divisions**: Air transport (RSD 176 938), Mining support sevice activities (RSD 135 490), Extraction of crude petroleum and natural gas (RSD 130 649), Computer programming, consultancy and related activities (RSD 127 487), Financial service activities, except insurance and pension funding (RSD 108 625), Manufacture of tobacco products (RSD 108 589), Scientific and research development (RSD 104 481) and Manufacture of coke and refined petroleum products (RSD 102 175).

In all other divisions, salaries and wages were under RSD 100 000 and ranged from RSD 31 419 (Food and beverage service activities) to RSD 99 057 (Manufacture of basic pharmaceutical products and pharmaceutical preparations).

Observed **by regions**, the highest average net salaries and wages in 2019 were paid in Beogradski region, RSD 68 140. In Region Vojvodine salaries and wages totaled RSD 51 965, while in the other regions they were under RSD 50 000 – in Region Južne i Istočne Srbije, RSD 48 260, and in Region Šumadije i Zapadne Srbije, RSD 46 826.

Graph 9.4. Movement of real net wages and salaries by sections of CA (2010)
(2019 to 2018)



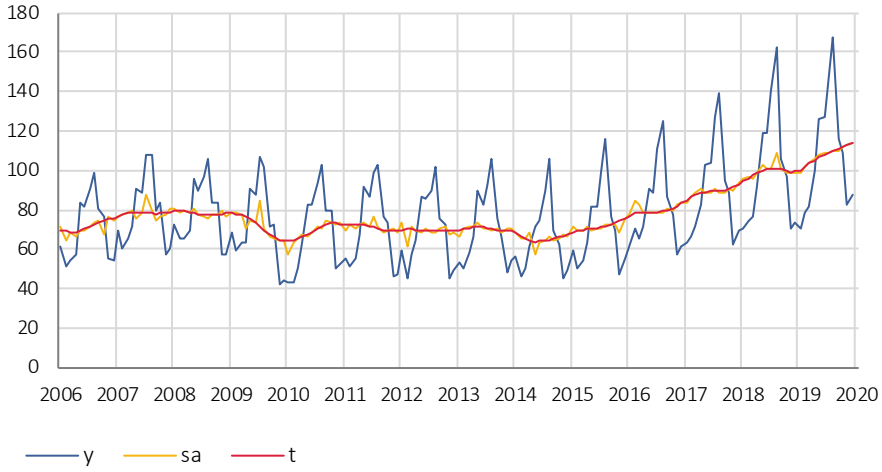
10.1. Tourist overnight stays

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 in the 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 an expansive growth of the tourism activity in Serbia started.

The time series of tourist overnight stays contains very marked seasonal fluctuations, reaching the highest values in summer and the period of winter holidays.

Graph 10.1. Componenets of the time series of total tourist overnight stays, indices

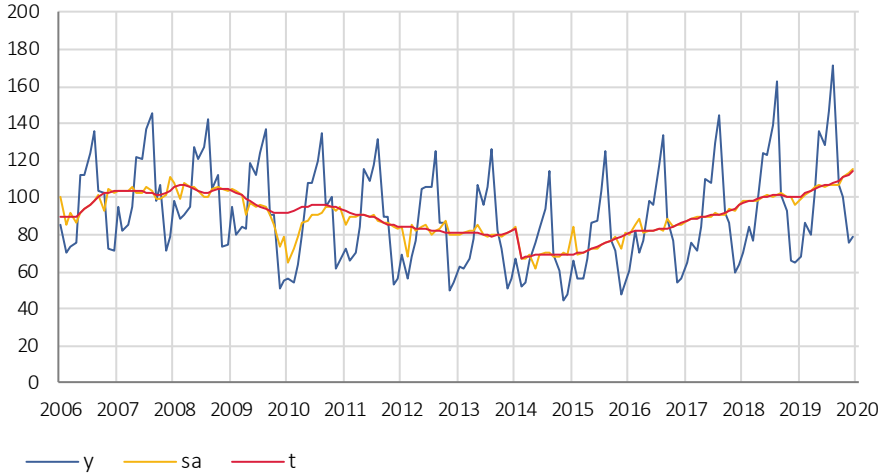
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component, average 2018 = 100)



In 2019, there were 10.1 million overniht stays, by 7.9% more than in 2018.
The increase is stable from mid-2014, thus good results are expected also in the next period.

Graph 10.2. Components of the time seires of domestic tourist overnight stays, indices

(y – original series, sa – series with seasonal component excluded, t – trend-cycle component, average 2018 = 100)

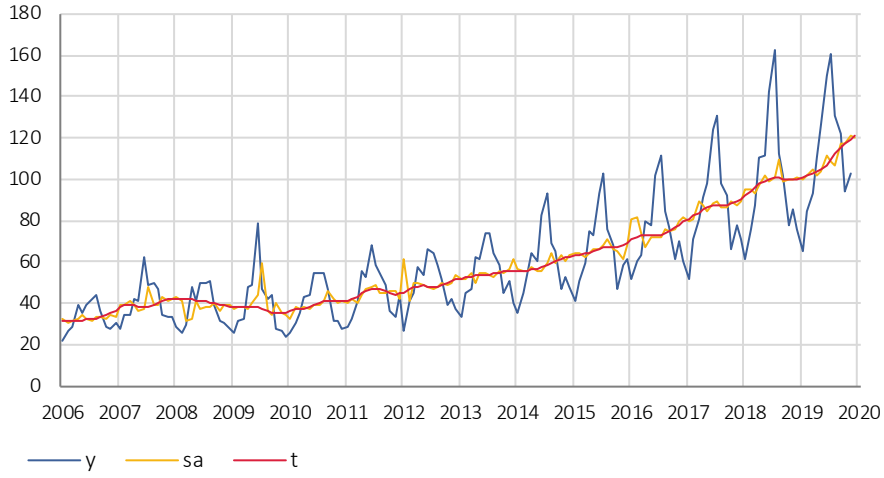


In 2019, domestic tourists spent 6.1 million nigths, by 6.8% more than in the previous year. This group of tourists still represents the majority of visitors in Serbia, i.e. 60.2% of the total number of overnight stays.
As domestic tourist had a dominant influence on the whole tourist activity, their movement is similar to that of the total number of overnight stays.

10. Tourism

Graph 10.3. Components of the time series of foreign tourist overnight stays, indices

(y – original series, sa – series with seasonal component excluded, t – trend-cycle component, average 2018 = 100)



The number of foreign tourist overnight stays saw an increase of 9.6% in relation to 2018, i.e. four million overnight stays in 2019. The increasing trend has been existing since 2000 and is becoming stronger, which indicate that foreign tourists will have in the next period a growing influence on the total results of tourism in Serbia.

Table 10.1. Tourist overnight stays, quarterly indices (%)

(comparison with the same period of the previous year)

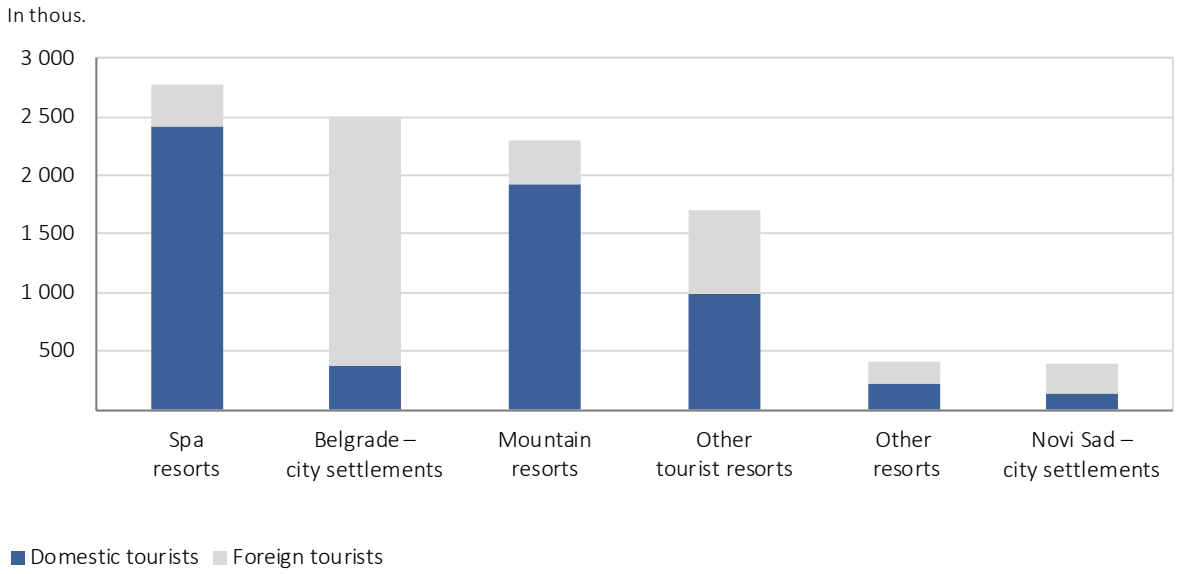
	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	101.6	115.0	111.5	112.0	110.7	113.9	113.4	109.1	103.9	107.2	105.6	116.6
Domestic tourists	99.4	110.8	107.5	111.3	109.2	113.6	110.2	106.7	101.3	107.6	105.4	113.6
Foreign tourists	105.8	123.1	118.6	113.0	113.5	114.5	118.6	112.3	108.3	106.4	105.8	120.6

10.2. Major tourist resorts

Expressed in number of tourist overnight stays, the most frequently visited tourist resorts in 2019 were **spa resorts**, with about 2.8 million thousand nights spent, accounting for 27.6% of total overnight stays in the Republic of Serbia, of which 1.5 million nights were spent in Vrnjačka Banja and Sokobanja. Visitors of spas were mostly domestic tourists (87,3% overnight stays).

According to the frequency of visits to tourist resorts, **the City of Belgrade** and **mountain resorts** are the next most visited destinations with 2.5 i.e. 2.3 million overnights stays. In mountain resorts most visitors are domestic tourists (83.4% of the total number of overnight stays), while 84.8% nights were spent in Belgrade by foreign tourists. The most visited mountains were Zlatibor (777 thousand overnight stays) and Kopaonik (566 thousand overnight stays).

Graph 10.4. Tourist overnight stays by selected tourist resorts, 2019

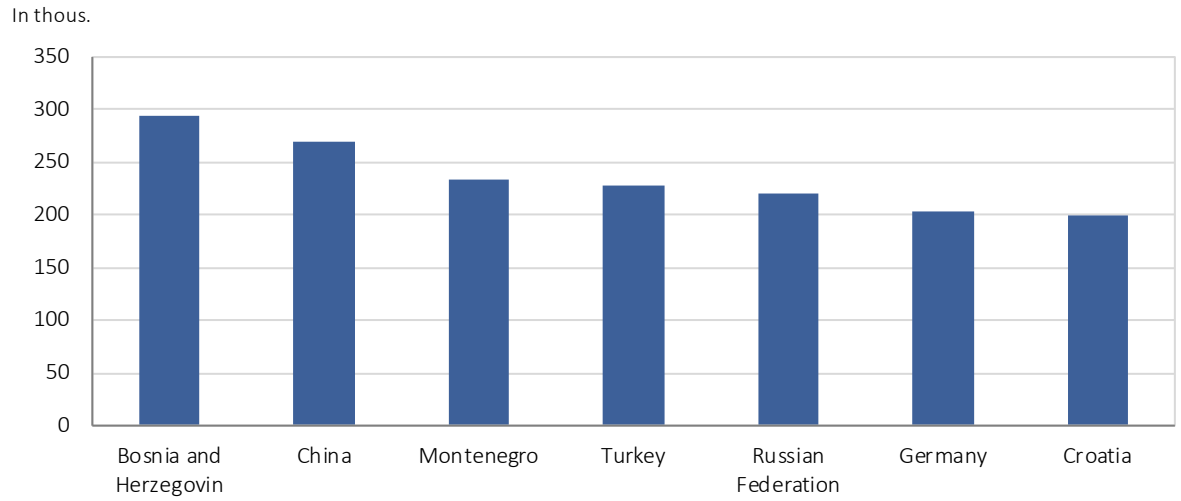


10.3. Country of origin of foreign tourists

In 2019, foreign tourists from about fifty different countries visited Serbia.

Most nights were spent by visitors from the following countries – Bosnia and Herzegovina, China, Montenegro, Turkey, Russian Federation, Germany and Croatia. The visitors from these countries spent 41.4% nights of the total number of foreign tourist overnight stays in 2019.

Graph 10.5. Foreign overnight stays by countries from which they came, 2019



11. Household Budget Survey

Total income in cash and in kind, and total individual consumption in the fourth quarter of 2010 grew by 4.0%, when compared with the same quarter of the previous year.

Compared with the previous, third quarter of 2019, total income in cash and in kind, as well as total individual consumption grew by 2.3%.

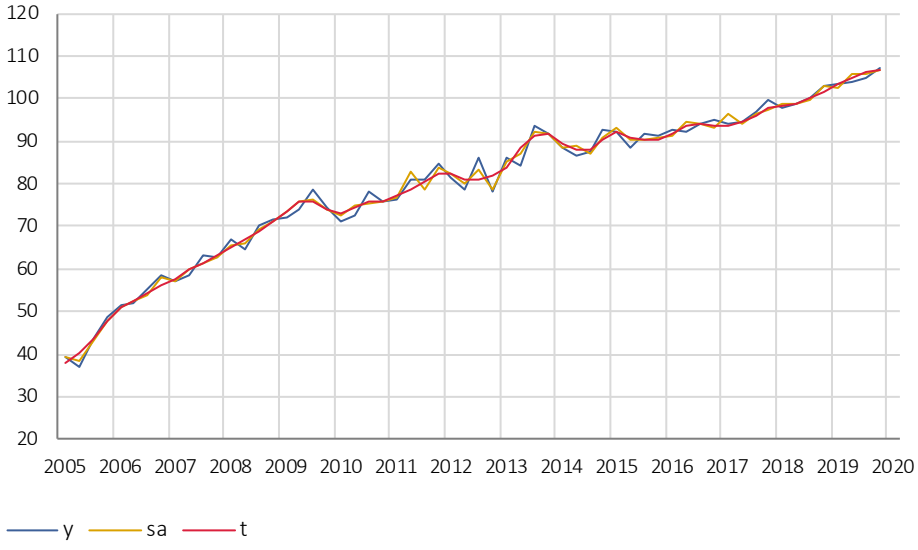
Table 11.1. Value of income in cash and in kind, and individual consumption of households, quarterly indices (%)
(comparison with the same previous year)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income in cash and in kind	101.5	102.6	102.9	105.0	104.0	104.4	103.4	103.3	105.4	105.6	104.8	104.0
Individual consumption	101.2	102.2	102.6	104.3	103.7	104.2	103.3	103.0	103.8	103.9	104.5	104.0

11.1. Income in cash and in kind

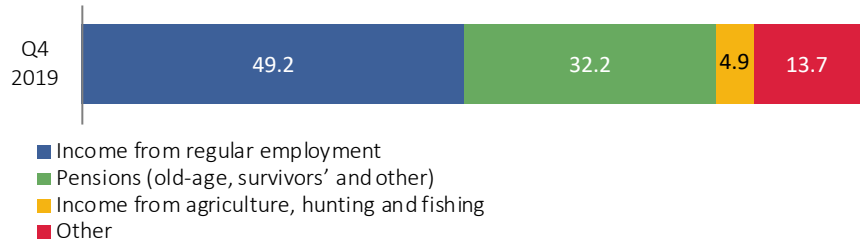
In the fourth quarter of 2019, average monthly income in cash and in kind per household amounted to RSD 68 446 and when compared with the previous quarter (third quarter of 2019), they grew nominally by 2.3% in nominal terms, while in relation with the same quarter of the previous year (fourth quarter of 2019) they grew nominally by 4.0%.

Graph 11.1. Components of the time series of income in cash and in kind, indices
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component, average 2018 = 100)



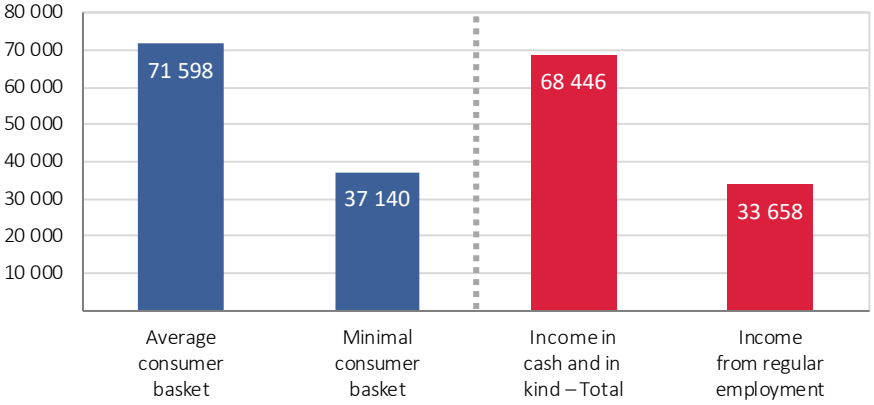
Income in cash and in kind indicate an increasing tendency – in quarter IV of 2019 the trend component was at the level of about 7%, above the average of the previous year. In the short-term, an increase of 0.9% of the seasonally adjusted indices is registered, compared with the same quarter.

Graph 11.2. Structure of income of households, (%)



In the structure of income that households had available in Q 4 2019, the largest share (49.2%) is that of income from regular employment, followed by income from pensions, accounting for 32.%, and income from agriculture (4.9%). The other categories (eight) participated together with 13.7%

Graph 11.3. Ratio of the average and minimum consumer basket and income in cash and in kind (RSD)



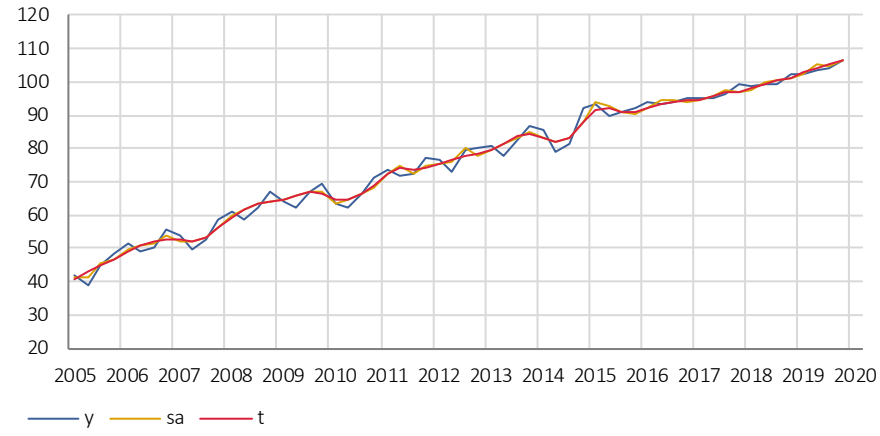
Realised average income in cash and in kind in Q 4 2019 (RSD 68 446) covers the minimal consumer basket with 184.3%, and the average consumer basket with 95.6%.
As for income from regular employment (RSD 33 658), which a household had available, it covers the minimal consumer basket with 90.6% and the average one with 47.0%.

11.2. Expenditure for individual household consumption

Expenditure for individual household consumption in the fourth quarter of 2019 amounted to RSD 68 658, and compared with the previous quarter, the third quarter of 2019, grew nominally by 2.3%, and relative to the same quarter of the previous year, the fourth quarter of 2018, grew nominally by 4.0%.

Graph 11.4. Components of the time series of individual household consumption, indices

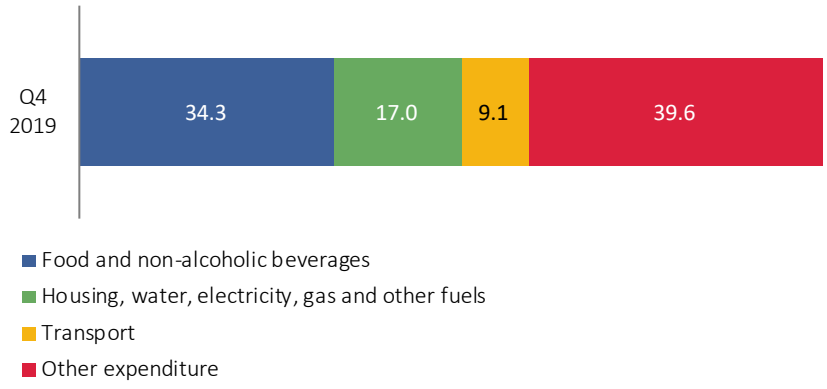
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component, average 2018 = 100)



With an increasing tendency, at the level of about 6% above the average of the previous year, individual household consumption in Q 4 2019 keeps going up. In addition to the increasing long-term trend, a short-term increase of the seasonally adjusted index of 1.5% is registered, relative to the previous quarter.

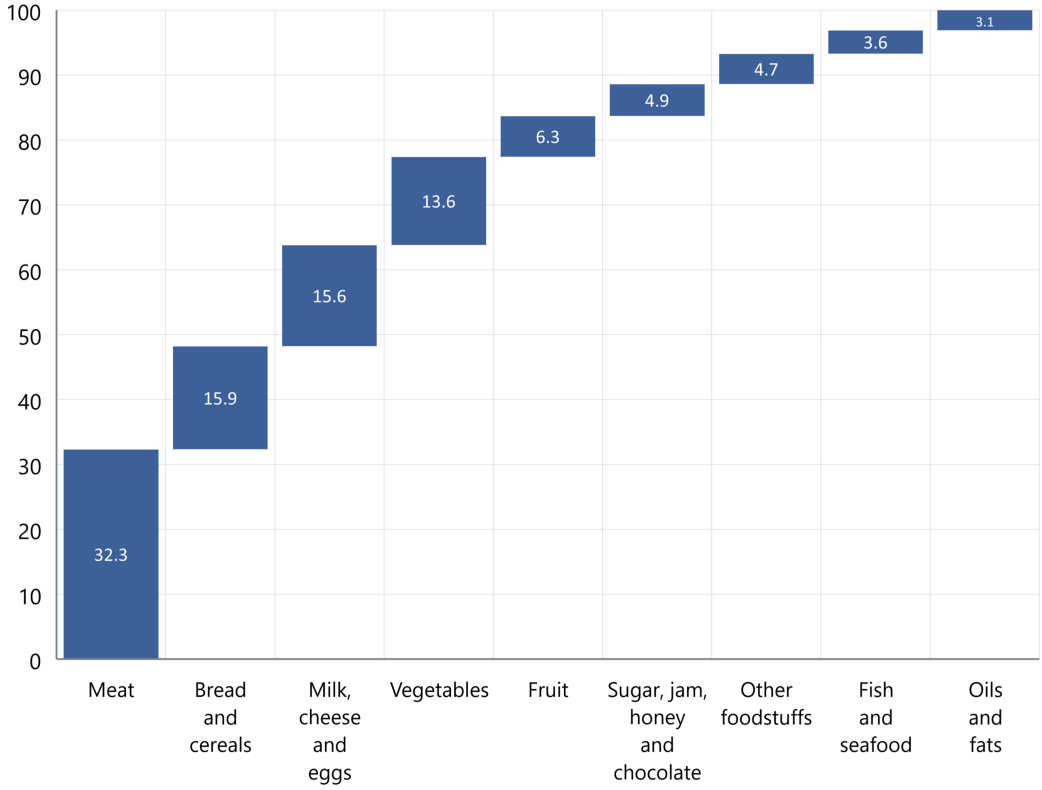
11. Household Budget Survey

Graph 11.5. Structure of the individual household consumption (%)



In the structure of individual consumption in Q 4 2019 the largest portion of household expenditure is that of expenditure for food and non-alcoholic beverages (34.3% of family budget), followed by expenditure for housing, water, electricity, gas and other fuels, with a share of 17.0%, and expenditure for transport, 9.1%. Other categories (nine) account for 39.6% of the consumption and individually participate with 10% in the total household consumption.

Graph 11.6. Structure of household expenditure for food (%)



Within the group Food and non-alcoholic beverages, an average household spends most for meat (32.3%), bread and cereals (15.9%) and milk, cheese and eggs (15.6%).

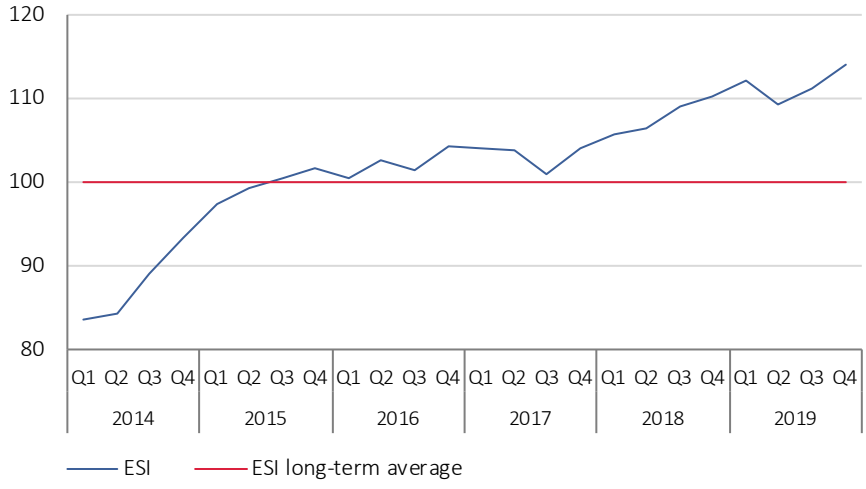
12.1. Economic Sentiment Indicator – ESI

Economic Sentiment Indicator – *ESI*[15] is a composite indicator which purpose is to present producers' and consumers' perceptions about economic movements and economic stability. This indicator is used to assess economic situation, make flash estimates, for scientific and analytical use, as well as for international comparisons. Consequently, economic subjects' expectations are indicative of changes in economic movements, which contribute considerably to creating economic policies.

ESI has been developed by the General Directorate for Economic and Financial Affairs of the European Commission. It is obtained through five different surveys of producers and consumers, which attitudes provide a reliable indication of economic movements, based on which confidence indicators are created. Confidence indicators of the analyzed sections are weighted in order to reflect the best way possible their influence on economic activity – manufacturing 40%, service activities 30%, household consumption 20%, construction 5% and retail trade 5%. A value of *ESI* index exceeding 100 indicates improvement or economic activity, while that below 100 suggests decline.[16]

Graph 12.1. Economic Sentiment Indicator[17] (%)

(seasonally adjusted data)



Economic Sentiment Indicator in Serbia in the fourth quarter of 2019 reached a maximal value of 114, representing an increase of 2.7 percentage points (p. p.) relative to the previous quarter. The value of the indicator reflects optimistic expectations in almost all sections – the most in retail trade, where a considerable increase of 2.5 p. p. was registered, then in Manufacturing, with a growth of 1.5 p. p., Consumption, 0.4 p. p. and in Construction, 0.1 p. p. Expectations became worst only in Service activities (-1.9 p. p.).

Table 12.1. Confidence indicator by sections and Economic Sentiment Indicator – growth in relation to long-term average (%)[18]

Confidence indicator	Minimum		Average	Maximum		2018				2019			
	Date	Value		Date	Value	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	Q1 2014	0.3	4.6	Q1 2015	7.6	5.7	6.9	7.3	7.1	5.9	6.3	5.1	6.6
Services	Q4 2013	-4.8	10.0	Q2 2016	16.5	13.1	11.8	10.9	12.3	15.2	12.8	14.9	13.0
Retail trade	Q2 2014	2.0	9.5	Q3 2019	14.3	10.7	14.1	12.8	12.5	13.0	11.0	14.3	16.8
Construction	Q3 2013	-41.4	-14.7	Q3 2019	6.7	-4.4	0.3	0.7	4.8	5.8	4.3	6.7	6.8
Consumption	Q4 2014	-19.7	-8.2	Q3 2019	8.4	-0.7	-1.1	3.6	3.1	4.8	4.4	8.4	8.8
Economic Sentiment Indicator	Q4 2013	81.0	100.0	Q4 2019	114.0	105.7	106.5	109.0	110.3	112.2	109.3	111.3	114.0

[15] Source: European Commission, processing: Statistical Office of the Republic of Serbia.

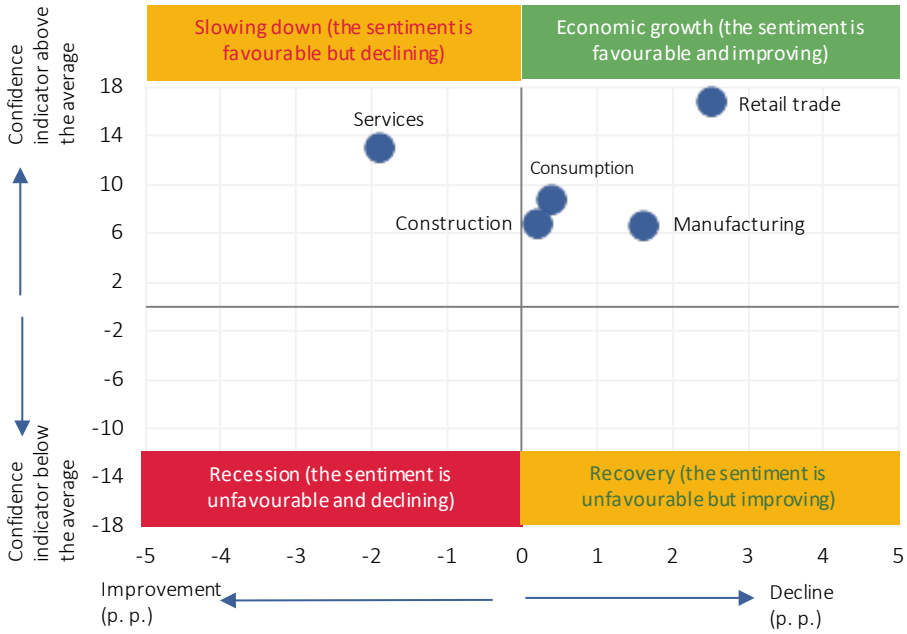
[16] More on the methodology on: https://ec.europa.eu/info/sites/info/files/bcs_user_guide_en_0.pdf

[17] The data for the Economic Sentiment Indicator (ESI) have been revised according to regular annual methodological adaptations.

[18] Quarterly data represent quarterly average.

12. Economic Sentiment Indicator

Graph 12.2. Economic Climate Tracer



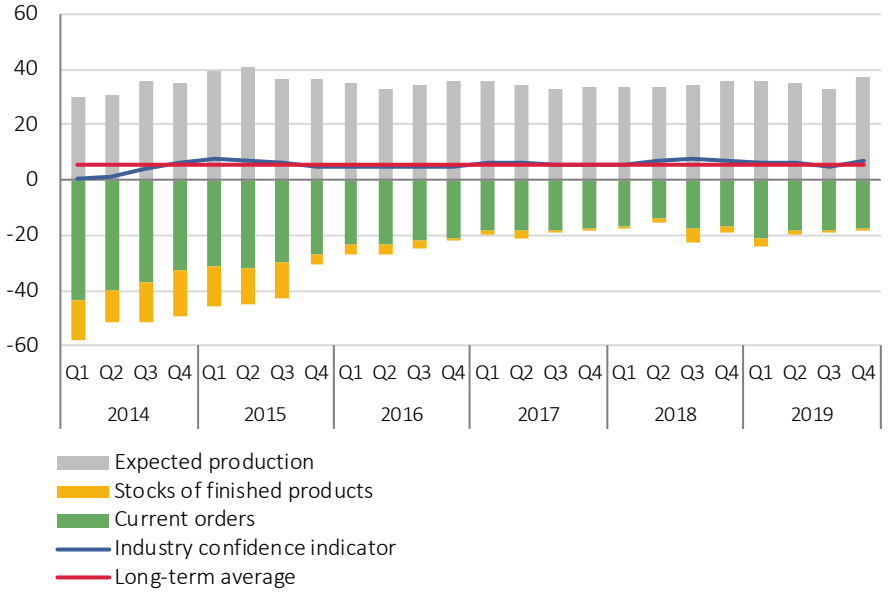
The Economic Climate Tracer, created on the basis of seasonally adjusted confidence indicators, indicates that, except the section of services, which is in the phase of slowing down and where the climate is favourable but with a declining tendency, the other sections register economic growth (expansion), with an economic climate above the average and improving tendency.

12.2. Industry confidence indicator

The industry confidence indicator includes the responses of economic subjects on contracted orders, expected production and stocks of finished products.

Graph 12.3. Industry confidence indicator (%)

(seasonally adjusted data)

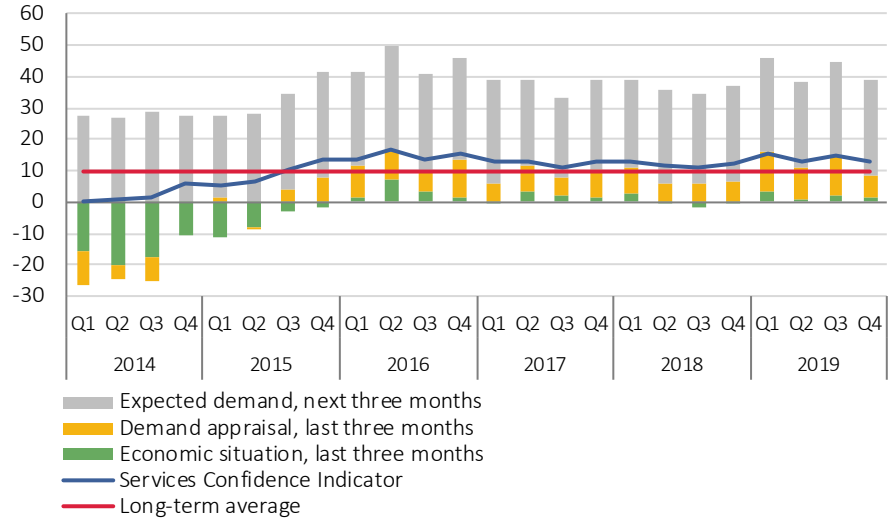


Industry confidence indicator (ICI) in the fourth quarter of 2019 amounted to 6.6% or 1.5 p. p. more than in the previous quarter and 2 p. p. above the long-term average. The increase of this indicator is a result of positive expectations of businesses as regard the movement of expected production (+5 p. p.), despite a negative appraisal of the growth of stocks of finished products and current orders.

12.3. Service confidence indicator

The survey in services is made of questions about the economic situation, current and expected demand for services.

Graph 12.4. Service confidence indicator (%)
(seasonally adjusted data)

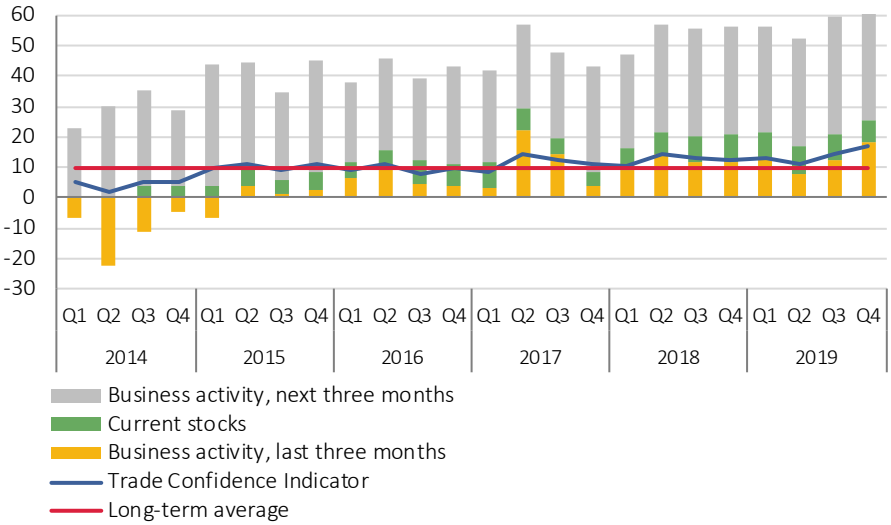


Services confidence indicator (SCI), with a value of 13% in the fourth quarter of 2019, is lower by 1.9 p. p. than in the previous quarter, but still above the long-term average by 3 p. p.
The declining trend of this indicator may be assigned to smaller expectations as to the movement of the economic situation (-0.8 p. p.), as well as the appraisal of demand in the last three months (-5.2 p. p.)

12.4. Trade confidence indicator

The survey in retail trade is made of questions about the current and future business activity of enterprises and stock balance.

Graph 12.5. Trade confidence indicator (%)
(seasonally adjusted data)



Trade confidence indicator (TCI) in the fourth quarter of 2019 recorded a growth of 2.5 p. p. Relative to the previous quarter, by 7.5 p. p. above the long-term average. While the attitudes are optimistic as to the business activity in the previous and next three months (the growth in relation to the previous quarter amounted to 5.8 and 0.6 pp, respectively). The appraisal of current stocks saw a slight fall (-1 p. p.).

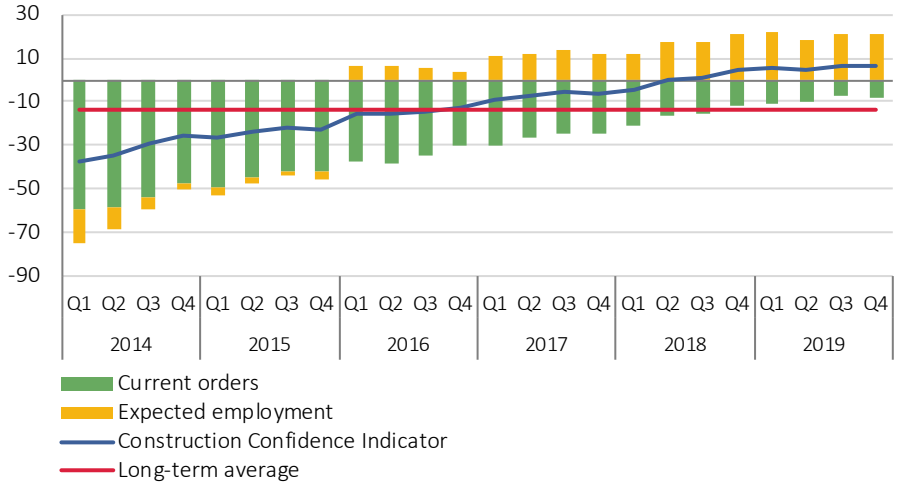
12. Economic Sentiment Indicator

12.5. Construction confidence indicator

The survey in construction is made of questions about contracted orders and expected employment.

Graph 12.6. Construction confidence indicator (%)

(seasonally adjusted data)



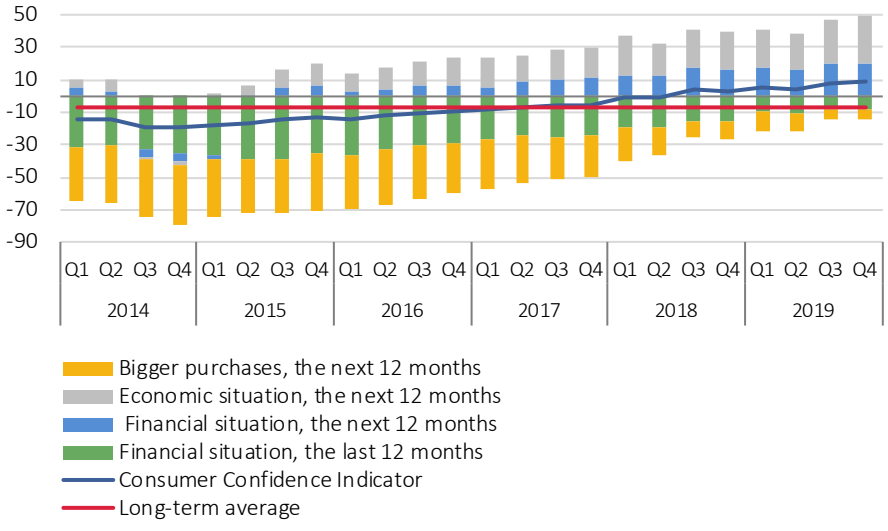
Construction confidence indicator (CCI) in the fourth quarter of 2019 continued growingfor two quarters consecutively (+0.1 p. p.), exceeding thus the long-term average by even 21.5 p. p. Contrary to optimistic expectations as to employment (growth of 0.7 p. p.), current orders records, with constant negative appraisals, an additional fall of 0.4 p. p.

12.6. Consumer confidence indicator[19]

The survey of household consumption is made of questions about household financial situation, general economic situation and expectations relative to bigger purchases.

Graph 12.7. Consumer confidence indicator (%)

(seasonally adjusted data)



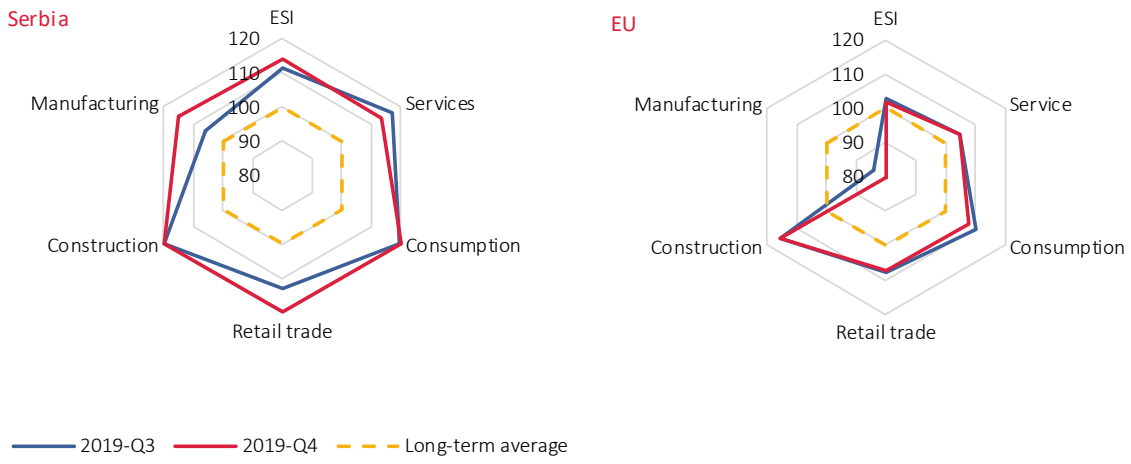
Consumer confidence indicator (CCI) in the fourth quarter of 2019 grew by 0.4 p. p. Compared with the previous quarter, exceeding by 17 p. p. The long-term average. The largest increase was recorded in economic situation (+1.1 p. p.), and then in financial situation in the next 12 months (+0.8 p. p.), while the expectations as to the financial situation in the last 12 months and planned bigger purchases in the next year with slight variations are still negative.

[19] The methodology of calculating the consumer confidence indicator has been modified by the European Commission, thus the data have been revised.

12.7. Economic sentiment indicator in the European Union

Most of the EU countries recorded a decline of the economic sentiment in the fourth quarter of 2019 (relative to the previous quarter), which made ESI go down by 1.4 p. p. (from 102.9 to 101.5). The largest fall in expectations in the EU was recorded in Manufacturing (-1.8 p. p.), consumption (-0.8 p. p.) and retail trade (-0.2 p. p.).

Graph 12.7. Economic sentiment indicators



How to interprete the tracer?

The tracer scale of the graph ranges from 80 to 120 (average = 100). The most recent quarterly outcomes (Q4 2019) are compared with the previous quarterly outcomes (Q3 2019) and long-term average (= 100) of the corresponding series of confidence indicators. Developments far from the centre reflect confidence indicator improvement, and close to the centre a decline.

13. Regional economic asymmetries

The starting point in realizing various aspects of regional asymmetries is the status of cities and municipalities of Serbia according to Regulation on establishing *List of Regional Development and Local Government Units for 2014* (Official Gazette of RS, no 104/2014). In compliance with the Regulation, excluding Beogradski region that comprises no municipality with the status of undeveloped area, in other three regions, number and size of undeveloped municipalities varies – Region Vojvodine has only one municipality in the group of extremely underdeveloped (out of 46 municipalities), Region Južne i Istočne Srbije has even 30 (out of total of 53), and in Region Šumadije i Zapadne Srbije, such status is recorded in 13, out of 53 municipalities. On the other hand, there is no municipality in Region Vojvodine with the status of devastated municipality (devastated means that development level is below 50% of the Republic average – see Glossary), while in Region Šumadije i Zapadne Srbije, the mentioned status is recorded in three municipalities, and in Region Južne i Istočne Srbije, even 16 municipalities.

Unequal economic development in Serbia in the last several decades has contributed to deeper, already existing territorial inequalities. Regional polarization is apparent at several levels – undeveloped area, developed centre and insufficiently developed periphery. Regional disproportions – expressed in economic, social, demographic and infrastructure indicators – reflect characteristics of economic and social system of the country.

• Gross domestic product

Regional gross domestic product presents primary statistical indicator for estimating economic performances of the region and effectiveness of regional policies and programs directed to decreasing the gap among the regions. Out of total GDP in 2018[20], observed by level of NSTU 2 regions, the greatest realized GDP was in Beogradski region (41%), followed by Region Vojvodine (26%), Region Šumadije i Zapadne Srbije (19%) and Region Južne i Istočne Srbije (14%).

Knowing that Beogradski region covers 3.7% of the area inhabited by 24% of the population of Serbia, it is clear that it is also the region with the highest GDP per capita (1 240 000 RSD / per capita, i.e. 70.8 % above the republic average or almost three times higher than in Region Južne i Istočne Srbije). Other regions record GDP per capita under the average, i.e. Region Vojvodine -2.9%, Region Šumadije i Zapadne Srbije -32.7% and Region Južne i Istočne Srbije -34.4%.

• Average salaries and wages

Level of regions' development, measured by average net salaries and wages varies in ratio 1.5:1, i.e. the highest salaries and wages are recorded in Beogradski region, and lowest ones in Region Šumadije i Zapadne Srbije. Average net salaries and wages in 2019 in Beogradski region amounted to RSD 68 140, or 124% of RS average (RSD 54 919), in Region Vojvodine, they were insignificantly below RS average (RSD 51 965, or 94.6% of RS average), while in Region Južne i Istočne Srbije and Region Šumadije i Zapadne Srbije, they were about 87% of the Republic average (RSD 46 826 and RSD 48 260, respectively). In all regions, average salaries and wages recorded growth relative to the previous year, and the greatest absolute and relative increase was noted in Beogradski region (RSD 7 451, or 12.3%).

In 59 municipalities, average net salaries and wages were below 80% of the Republic average, i.e. in particular Belgrade municipalities, average salaries and wages were more than double relative to municipality of Svrljig (with the lowest average salaries and wages of RSD 36 359).

• Labour market

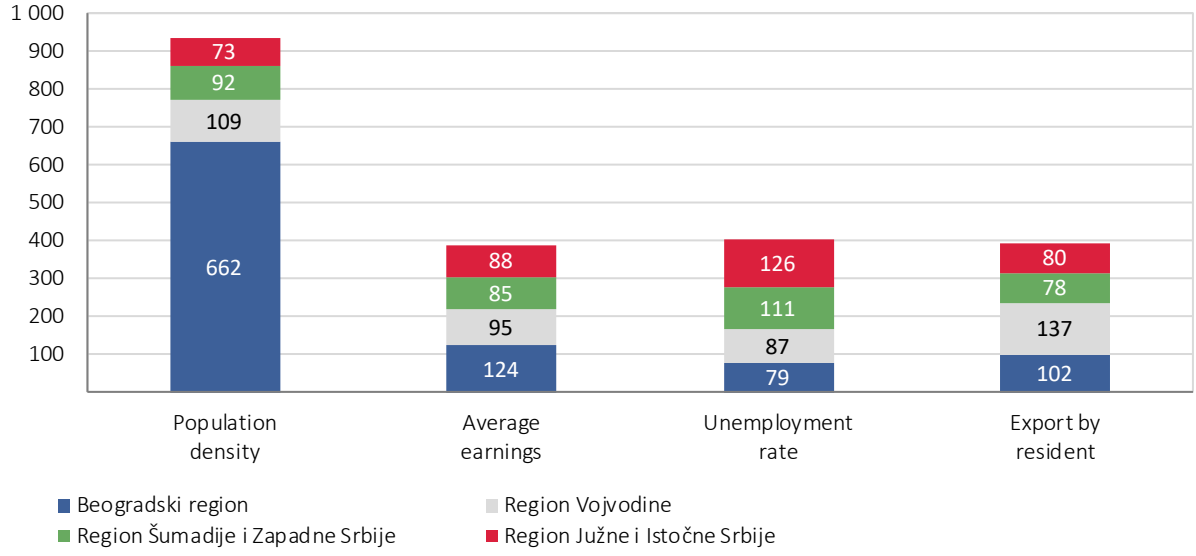
The correlation of unemployment rate and development level of the region is very high, and in accordance with the mentioned, Region Južne i Istočne Srbije, with unemployment rate of 13.1% in 2019, by 26% exceeds the average of Serbia (10.4%). On the other hand, in Beogradski Region, unemployment rate was the lowest, 8.2%, i.e. 21% below the national average. Referring to employment rate, it is the highest in Beogradski region (51.5% or 5.2% above the average of Serbia), while in Region Južne i Istočne Srbije, noted was the lowest employment rate of 46.1%, or 6% below the Republic average.

[20] According to preliminary results of GDP calculation for 2018.

13. Regional economic asymmetries

In 2019, Region Vojvodine and Beogradski Region participated with 26% and 27%, respectively, in total employment and regarding total unemployment, Region Vojvodine is on the first place with 23%, followed by 20% of total unemployment in Beogradski Region (according to Labour Force Survey). In Region Šumadije i Zapadne Srbije, there was about 28% of employed in total number of the employed, also recording almost a third part of total unemployed population. Region Južne i Istočne Srbije participated with 20% in total employment of Serbia and with almost 26% in total unemployment.

Graph 13.1. Disproportions at the level of regions in Serbia, 2019 (%)
(level of RS = 100%)



• Export activity

In contrast to other indicators, in the 2019, Beogradski region was not on the first place regarding total export of Serbia (share of 25%), primarily due to dominant services in Belgrade economy (most of services is provided for domestic and not for foreign markets). Region Vojvodine is on the first place with the share of 36.5% in export, followed by Region Šumadije i Zapadne Srbije (21.6%) and region Južne i Istočne Srbije (17%). Export per capita reflects regional asymmetries – Region Vojvodine records the export of EUR 890 per capita and it is by 37% above the Republic average and it is almost double value if compared with the export value per capita in region Južne i Istočne Srbije (EUR 517), which is by 20% below the average of the Republic.

• Demographic structure[21]

According to the last available data, population density in Beogradski region is by 6.6 times greater than average population density in Serbia, while in Region Južne i Istočne Srbije, population density was the lowest – 27% below the Republic average. Although all regions participate relatively equally in total population of Serbia, interregional differences are particularly apparent. For example, in eight towns in Region Vojvodine, lives even over a half of total population of Vojvodina. However, the most obvious population inequality is in other two regions: Region Šumadije i Zapadne Srbije comprises 8 towns in that 45% of total population of the Region lives, while in 13 undeveloped municipalities, only 13 % of population lives. This ratio is even more noticeable in Region Južne i Istočne Srbije, as 56% of population lives in 9 cities, and only 31% of population lives in even 30 undeveloped municipalities. Additionally, due to economic migrations, number of population in Beogradski region is constantly increasing (by 1.9% between 2011 and 2018), while the number of population in other three regions is constantly decreasing. Simultaneously, it means that differences in population density will be even greater as population in Region Južne i Istočne Srbije is becoming more and more fragmented, while population density in Beogradski region becomes increasingly denser.

[21] Based on estimated population number for 2018.

13. Regional economic asymmetries

• Transport infrastructure

In the Republic of Serbia, there are huge regional and interregional differences regarding infrastructure equipment (transport, telecommunication and water management, i.e., accompanying supra structures). In roads' quality, telecommunication and modern living conditions, differences are, first of all, manifested in underdeveloped south area and more developed north area of Serbia. The unsatisfactory condition of the road network is particularly evident in the municipal (local) roads, necessary for the daily functioning, development and activation of municipalities and settlements. This is clearly indicated by the fact that 38 municipalities[22] have an out-of-band participation of local roads with a modern roadway, while 7 municipalities account for less than 30%, which are actually undeveloped and devastated areas facing the biggest developmental problems. Also, *the car renewal rate* (the number of cars registered for the first time in relation to the total number of registered cars) as an indicator of socio-economic inequalities at the regional level varies in 2019 from 7.4 in Region Južne i Istočne Srbije to 10.3 in Beogradski region. The number of first-time registered cars compared to the number of inhabitants in 2019 reflects a similar ratio, with Beogradski region leading up to 33% above the average of the Republic of Serbia versus Region Južne i Istočne Srbije, with only 77% of the national average.

Regional asymmetry is seen through the relation between the extreme (the highest and the lowest) values of the key indicators. For example, the highest density of population is recorded in Belgrade and exceeds 9 times the population density in Region Južne i Istočne Srbije, where it is the lowest (Table 13.1).

Table 13.1 Extreme values of regional asymmetry indicators

Indicators	Population density km^2, 2018	GDP/per capita 2018	Average net salaries and wages, 2019	Unemployment rate, 2019	Export per capita, 2019	Demographic emptying 2011–2018
Extreme values (the highest : the lowest)	9:1	2.6 : 1	1.5 :1	1.6:1	1.7:1	(-6.6):(+1.9)
	Beogradski region: Region Južne i Istočne Srbije	Beogradski region : Region Južne i Istočne Srbije	Beogradski region : Region Šumadije i Zapadne Srbije	Region Južne i Istočne Srbije : Beogradski region	Region Vojvodine : Region Šumadije i Zapadne Srbije	Region Južne i Istočne Srbije : Beogradski region

Table 13.2 Indicators of regional development of Serbia (NSTU-2), level of RS=100%

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Beogradski region												
Average salaries and wages, RSD	126.5	125.5	125.7	124.7	122.0	121.6	122.3	123.1	124.5	124.0	123.9	124.0
Employment rate	105.4	103.1	101.7	104.3	106.0	106.0	103.3	106.1	106.1	106.7	102.8	105.2
Unemployment rate	90.4	102.5	105.4	97.3	89.9	84.9	90.3	77.5	82.6	74.8	80.0	78.4
Exports per capita, EUR	108.0	111.4	110.2	109.0	109.7	111.0	110.8	110.1	110.2	111.0	106.7	102.1
Number of first time registered passengers cars per 1000 inhabitants	123.1	146.3	131.7	133.3	133.5	146.5	132.3	132.2	135.5	148.8	136.0	133.0
Region Vojvodine												
Average salaries and wages, RSD	94.6	96.9	96.1	98.2	94.7	94.8	94.9	94.9	94.1	94.5	94.7	95.2
Employment rate	98.4	98.8	99.0	98.5	99.1	99.0	99.6	99.8	100.0	96.7	99.6	99.2
Unemployment rate	93.2	86.4	90.7	89.8	87.2	84.0	69.9	86.8	85.1	95.1	86.3	81.4
Exports per capita, EUR	126.4	122.5	123.6	123.7	125.3	127.0	131.9	136.3	131.1	125.5	131.5	136.9
Number of first time registered passengers cars per 1000 inhabitants	109.7	95.9	95.3	98.5	96.8	91.9	94.1	98.3	97.6	88.9	89.9	94.4

[22] Data relate to 2018.

Table 13.2 Indicators of regional development of Serbia (NSTU-2), level of RS=100% (continued)

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Region Šumadije i Zapadne Srbije												
Average salaries and wages, RSD	84.2	83.0	83.7	83.3	86.6	86.9	86.6	86.0	85.0	85.2	85.5	85.3
Employment rate	103.4	102.1	103.1	102.8	101.3	101.0	103.7	100.4	99.4	101.6	102.2	101.0
Unemployment rate	100.7	100.0	98.4	102.7	105.4	105.9	110.6	114.7	114.0	107.8	111.6	111.3
Exports per capita, EUR	93.9	90.8	85.3	86.4	85.0	87.0	79.3	76.7	77.7	81.2	77.1	78.2
Number of first time registered passengers cars per 1000 inhabitants	89.7	87.9	106.4	94.6	94.3	88.7	94.0	92.6	91.7	88.3	94.7	93.3
Region Južne i Istočne Srbije												
Average salaries and wages, RSD	86.9	86.7	87.0	85.3	89.0	89.5	88.8	88.2	87.9	88.2	88.0	87.3
Employment rate	92.1	95.6	95.2	93.1	92.0	93.2	92.3	92.8	93.5	94.3	94.8	93.8
Unemployment rate	117.8	112.7	109.3	111.6	123.6	131.1	134.5	123.3	122.3	123.3	126.3	132.0
Exports per capita, EUR	66.1	71.1	78.2	77.9	76.9	70.5	74.7	73.2	78.2	79.7	82.6	79.5
Number of first time registered passengers cars per 1000 inhabitants	74.4	68.1	61.1	70.5	72.3	71.0	77.9	72.8	72.2	72.8	77.5	77.1

Glossary

Classification of regions and local government units (municipalities) – according to the Regulation. The Regulation establishes the unique list of *regions*' development (that are by development levels classified as developed and insufficiently developed regions) and *municipalities,* classified in four groups and devastated areas. In the first group are municipalities with the development level above the Republic average; in the second group are municipalities with the development level of 80% - 100% of the Republic average, the third group comprises insufficiently developed municipalities with the level of development of 60% - 80% of the average, while in the fourth group are extremely insufficiently developed municipalities, with the development level below 60% of the Republic average.

Devastated areas are municipalities from the fourth group with the development level below 50% of the Republic average (according to the data of the authority competent for statistics and finances tasks). Classification of the regions is performed on the basis of GDP value per capita in the observed region compared to Republic average, for the referent period. Developed regions are the regions that realize gross domestic product value above the Republic average, (Beogradski Region and Region Vojvodine). Insufficiently developed regions are the ones in which GDP value is below the Republic average, (Region Šumadije i Zapadne Srbije and Region Južne i Istočne Srbije). Additionally, status of insufficiently developed region refers to Region Kosovo i Metohija.

Demographic emptying is the term that depicts natural and mechanical population outflow in the specific geographic and administrative area.

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