TRENDS

Q1

Q2

Q3

Q4

TRENDS

Trends, Quarter III of 2020

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 third quarter of 2020 (Gross domestic product, Industrial production, Construction, External trade, Domestic trade, Prices, Labour market, Salaries and wages, Tourism, 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

This issue contains an outline of the COVID-19 pandemic influence on the world economy, according to IMF estimations, as well as forecasts of the economic growth of Serbia, with an overview of the budget for 2021. As in the previous issue, we continue to publish labour market indicators that show the influence of the pandemic on this macroeconomic segment.

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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Impact of the COVID-19 pandemic on the world economy – IMF estimations

The world is currently going through the most difficult health crisis and the largest shock ever experienced by humanity since World War II. So far, 1.5 million lives have been lost to Covid-19 and more than 62 million people throughout the world have been infected[1]. Since March 2020, the whole world has stopped. It is expected that 90 million persons will be struck by extreme poverty, and long-term economic consequences of the pandemic impact on the world economy cannot be grasped yet. What is certain is that the global economy will function far under its capacities during 2020 and 2021.

The October issue of the IMF regular semi-annual publication (WEO)[2], entitled "A Long and Difficult Ascent", reports on economic trends in 195 countries, along with the projections of growth, recovery perspectives and measures that should serve as guidelines to countries in the struggle for the preservation of economic fundamentals, devastated by the epidemics. Briefly, in 2020 global economy is expected to fall by -4.4% and to recover in 2021 with a growth of 5.2%. However, negative risks prevail, such as new upsurge of the infection, premature withdrawal of economic support measures, worsening debt conditions, lack of liquidity and insolvency in certain sectors, political tensions and uprisings. Long-term consequences of the pandemic are also worrisome - namely, the stock of the sovereign debt will undoubtedly escalate, negative consequences of online learning will be felt by the entire generation of nowadays students, productivity will be compromised in the long-term due to the aforesaid and lack of investments, and more than 90 million people will fall under the poverty threshold, i.e. end-up with an income below 1.90 dollars a day. The pandemic will stop the progress in the struggle against poverty, which has been lasting since the nineties of the last century, but also the progress in the struggle against the consequences of the 2008 economic crisis. Therefore, it is necessary for decision-makers to define carefully the priorities, imperatives and challenges in the scope of the strategy for combating the virus and its devastating impact on the economy. Although many have been already taken to prevent the world economy from collapsing (EU recovery package of 750 billion euros, but also measures at the level of individual countries), the end of the agony and gradual recovery can be expected only with the arrival of the vaccine that will be available to everyone.

Movements of the main macroeconomic parameters

Based on the indicators obtained so far, the IMF anticipate a contraction of the world economy of -4.4% in 2020, and then a growth of 5.2% in 2021. These forecasts are slightly optimistic in contrast to those provided in June 2020, when a fall of -4.9% (2020) and growth of 5.4% (2021) were predicted. The group of **advanced economies** will go down by about -5.8% in 2020, **developing countries and emerging economies** by -3.3%, and the EU by -8.3%. The October upward correction is linked with the unexpected recovery of China, as well with the considerable resistance of the USA and EU economies to the new crisis. In the medium-term the global growth is expected to slow down at about 3.5% from 2021, with a worsened living standard and increased inequality.

The pandemic has impacted differently world economies. Thus, some present relative stability, ensured by government measures and financial assistance to the population (China, the USA, EU), while others have experienced rather worse results (India, Mexico, Korea, the Philippines) due to the absence of adequate measures, virus intensity and widespread, smaller export and smaller remittances inflow. Greater regional inequalities can be seen in Latin American countries, strongly affected by the virus and lasting economic and political crisis, then in Central Asia, Sub-Saharan Africa and in the Middle East due to production downturn and low oil price.

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[1] The data have been obtained at: https://covid19.rs/ on 10/12/2020.

[2] World Economic Outlook, A Long and Difficult Ascent; October 2020, IMF, Washington DC.

On the other hand, **China**, due to the demand for medical equipment and equipment for distance learning, increased production and export, will succeed to recover and reach a positive growth rate of 1.9% (2020), i.e. 8.2% (2021) in a record time. China success is more obvious when it is compared with the statistics of the projected growth of other advanced and emerging economies: USA -4.3% (2020), i.e. 3.1% (2021); EU -8.3% (2020), i.e. 5.2% (2021); Japan -5.3% (2020) and 2.3% (2021); India even -10.3% in 2020, but with a recovery to 8.8% in 2021.

According to forecasts for **Europe** in 2020, all countries can expect a negative growth, The largest contraction will affect the tourism-dependent countries : Spain, Montenegro, Italy, Croatia and Greece. The GDP fall in Serbia in 2020 will be the smallest in Europe (-1.5%). Similar revenues will be realized by Lithuania (-1.8%) and Norway (-2.8%), while the other countries will have a considerably bigger GDP contraction: from -3% (Belarus and Ireland) to -12.8% (Spain).

Serbian solid economic result - GDP fall of only -1.5% and public debt under 60% of GDP (56.9% on 31/10/2020), deficit of 8.8% of GDP, industrial production at the level of the previous year, etc. were achieved mostly owing to the structure of the economy, where industry, agriculture and construction prevail. In other words, the Serbian economy resisted because it does not depend on the service sector, which has been affected the most by the pandemic.

Graph 1. IMF: Forecasts of GDP growth in 2020, European countries

Analysis: Impact of the COVID-19 pandemic on the world economy – IMF estimations
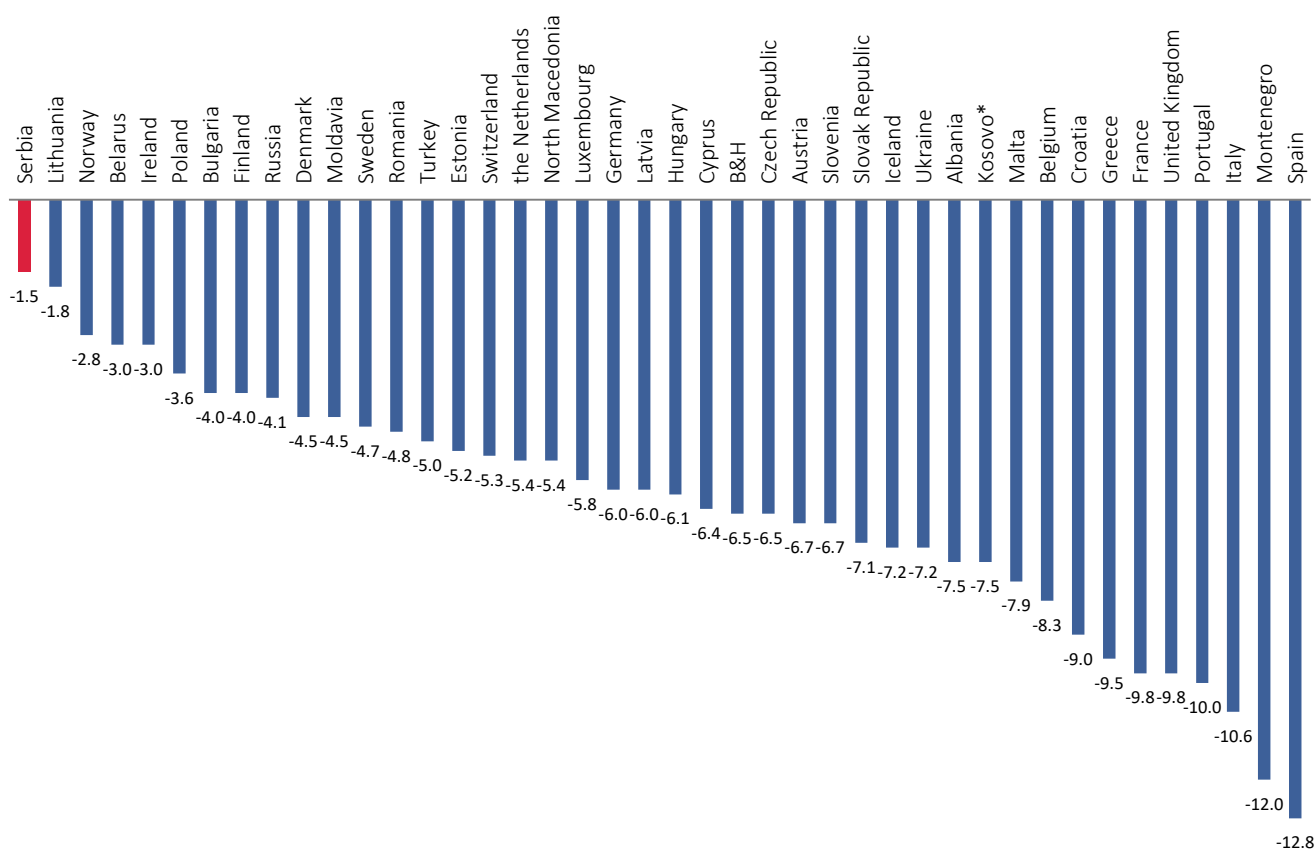
After strict measures, in force during spring, have begun to be eased, industrial production recovered in the USA, EU, China and Brazil, contrary to Korea, India, Japan where stagnation remained. This growth continued in September, while the service sector was slowing down as the virus was spreading more intensely.

Advanced countries received a significant government aid for combating the corona virus – about 9% of GDP, on average, has been spent on discretionary measures as well as additional 11% for capital injections, repurchases, debt buyback, and granting loan guarantees. On the other hand, emerging countries and developing countries have earmarked 3.5% of GDP for discretionary aid and slightly more than 2% for liquidity support. The European Union has deployed a recovery package of 750 billion euros, of which half are grants. In order to avoid the worst scenario, the American Federal Reserves (Fed) have announced a change in the monetary policy management, adjusting the targeted inflation at a flexible level of about 2% in the medium term. Central banks throughout the world have taken different actions to keep monetary stability: decreasing referent interest rates, loan facilities, repurchases, etc. Aggressive monetary measures have assured market confidence, contributed to the improvement of financing conditions, but also to keeping income from bonds at the level of the beginning of the year, considering that the risk premium has remained at a low level owing to government support. As far as **exchange rate fluctuations** are concerned, from April to the end of September the dollar depreciated by 4.5%, reflecting this way the uncertainty of American economic movements. At the same time, the euro appreciated by 4% owing to positive expectations. The Chinese yuan strengthened, while the currencies of Asian economies remained stable during summer. Only certain countries exporters of stock exchange products experienced a stronger depreciation: Russia, Argentina, Brazil and Turkey.

Inflation will most probably remain low in advanced economies, at about 0.8% (2020), with a potential leap to 1.6% in 2021, in case of a significant recovery. Afterwards, it will remain at about 1.9% in the medium term. Inflation is expected to be about 5% in 2020 in emerging economies and developing economies, then to fall to 4.7% in 2021, and stabilize at 4% in the medium term, those being numbers under the historical average. Even in 2022, when the recovery of the global economy is expected, the aggregate demand will remain weak, thus the inflation will be low. In addition, one should bear in mind that inflationary expectations are low and stable, owing to the credibility of monetary measures, but that demand is seriously shaken due to a great uncertainty regarding future movements on the labour market and to forced savings consumers turned to massively because they fear the future. Cyclical growth of prices of medical supplies and basic foodstuffs is the only thing to be expected, but the effects of the weak aggregate demand will exceed those influences.

Prices of stock exchange products, despite the initial volatility immediately after the epidemic outbreak (when they fell on average by 24%), remained relatively stable. Between April and August they increased by 31%, but considerable divergent trends were present in selected products. The price of oil fell initially by 60% between February and April, after what OPEC+ cut the production by 9.7 million barrels a day in May and June. Further reduction of production, by additional 7.7 million barrels a day till December 2020 is planned, and by 5.8 million barrels a day till April 2022. Thanks to those cuts, the price of oil was kept at about 40 dollars, and will most probably remain at this level till the end of the year. Afterwards, it is expected to reach 48 dollars, by 25% lower than the average price in 2029. The largest obstacle to the recovery of oil price is the contraction of tourism, i.e. transport.

Labour market will be the macroeconomic segment that will probably suffer the largest consequences of the pandemic. Employment is at a much more lower level than before the pandemic, and the longer the pandemic is the more there will be unemployed persons. The ILO data indicate that the number of hours of work in the second quarter of 2020 would be smaller by 400 million than in the fourth quarter of 2019. This year recession that affected the world is also made unique by the fact that the **service sector** has suffered a bigger shock than industrial production. Tourism is the branch that has been most affected, which is reflected in high unemployment rates in tourism-oriented countries, such as Greece (19.9%), Spain (16.8%), Italy (11%) and Turkey (14.6%). During the period of economy closing, a strong contraction of remittances inflow has been recorded, although the situation has improved later. Remittances inflow have also decreased, which may seriously shake individual consumption, particularly in countries such as Egypt, Bangladesh, Guatemala and Pakistan, where remittances are an important item of the balance of payment.

As far as **labour market** is concerned, the most affected employees are those in the informal sector and with low income. Informally employed women with lower educational level are disproportionately the most impacted, accompanied by the younger population employed for a definite time, on seasonal and temporary jobs. As for gender discrepancies, even 42% of women, versus 32% of men, work in the sectors that are the most affected by the pandemic.

World trade experienced this year a contraction of -10%, although it has started to recover since June owing to China, which economic activity has rebounded sooner than expected. Such a fall of the world trade is comparable only with the situation that resulted after the outbreak of the 2009 economic crisis. Generally, after the upsurge of the pandemic, demand for capital and consumer goods experienced downfall, which slowed down trade flows. As it is positively correlated with tourism and transportation, trade will see the largest growth in tourism-depended economies. Slight recovery of the world trade is expected in 2021 (8%), then a moderate growth of about 4% in the following years.

Forecast of the **movement of the sovereign debt** and its sustainability are also pessimistic. Namely, it is expected that in advanced economies the share of debt in GDP will reach 125% (with the current 100%), and in emerging ones 65% (currently 55%). Considering that a smaller potential output has been projected in the years to come, fiscal revenues will also be smaller, making the servicing of debts difficult. Smaller amount of funds will be available for social consumption, and at the same time reduced production and the fall of external demand and export will lead to the decrease in foreign currency inflows and pressures on national currencies. The financial sentiment, which has been so far controllable, could decline abruptly, because of what the emission of new loans would be considerably reduced, and countries needing those funds the most could find themselves in a hopeless situation. For the time being, low interest rates have been projected in the medium term, and if the expected economic recovery would happen in 2021, the burden of servicing the debt would be under control. Nevertheless, in the long term, for the debt level to be at a sustainable level, countries will have probably to increase the taxes or to introduce a larger progressiveness of taxation, and on the other hand to eliminate unnecessary costs.

Measures on national level

In situations such as the current crisis caused by the global pandemic, pressures on government fiscal spending are enormous. Expenditures for health, social allowances and other countercyclical measures, will, on the one hand, prevent the economic disaster, and on the hand they will burden public finances. The role of automatic stabilizers in such times come into prominence, but certainly, having in mind the delicacy of the situation, various discretionary measures are inevitable. Some of the IMF guidelines are:

- Prioritization of countercyclical measures, with the elimination of unauthorized spending (such as bad targeted social aid and various subsidies). The regulatory body that would implement deeper control of debt management could be one of the options that would enable adequate debt servicing with a quality resources allocation for suppressing the consequences of the crisis.
- Progressive taxation, both of the rich and those who are less affected by the crisis, will enable a larger inflow of budgetary funds and stability of public finances. At the same time, those who are most affected by the crisis should be granted loan guarantees and debt restructuring, at least until they overcome the liquidity crisis.
- Stronger fiscal stimulus could be realized also through public infrastructure projects. Having in mind the priorities, the IMF recommends investing into energy sources, e-commerce, green investments, research and development, medicine and biotechnology, etc.
- Investing in productivity, which has been on a downward path for 15 years and will be additionally weakened by this crisis. The government could, in this scope, provide aid in debt repayment in order to free as soon as possible funds for investments, as well as to reduce the rigidity on the labour market in order to ensure more easily labour force fluctuation.

Projections of the economic growth of Serbia for 2020 and the budget for the next year

From 5 October to 16 October 2020, a IMF mission (virtual) was held in Serbia in the scope of the fifth final revision of the program Instrument for Policy Coordination (IPC), started on 18 July 2028. The IMF report[3], published after the mission, says that programme implementation is going as planned although the Serbian economy in the second quarter experienced a sharp contraction, after which recovery has taken place. An exhaustive package of fiscal measures contributed the most to that, amounting to about 8.5% of the estimated GDP for 2020, implemented with the aim to prevent the collapse of the economy and boost faster economic recovery. These measures includes more expenditures for health, one-time aid for retired persons, delay of tax collection, new loans to micro and medium enterprises, etc.

According to available indicators, which undoubtedly indicate the revival of the economy after spring "lock down", the IMF predicted GDP to fall by -1.5% in 2020, a then the recovery and growth of 5% in 2021. As far as the most important economic indicators are concerned, they indicated in certain circumstances a certain resistance and adaptiveness of the crisis. The stability of the monetary system is preserved, which low inflation is indicative of (1.8% in September and October), but also a liquid and well capitalized banking system. This year fiscal spending will be higher than the expected one, but the budget deficit is expected not to exceed 9%, and the public debt 60% of GDP. As for plans and projections for 2021, IMF recommends to cut the debt and deficit with the planned budget by limited increase in salaries and wages in the public sector, increase in pensions according to the Swiss formula and by controlling public enterprises (i.e. restriction of warranties and further implementation of reforms). On the expenditures side, IMF recommends to increase expenditure for public institutions, particularly for "green institutions", which will not only accelerate the economic recovery but will augment also the potential growth in the next period.

Based on the **budget proposal for 2021**, the deficit is projected at 3% of GDP, a considerable improvement in contrast with 2020. Namely, according to the second budget revision, the deficit is projected at 8.8% in 2020, which is the result of unplanned fiscal spending that came as a support to the recovering economy from the epidemic consequences. To reach a fiscal result of -3% of GDP, for 2021 expenditures are planned to be cut by 14.6% and revenues up by 3.5% than anticipated in the revised budget for 2020.

On the expenditures side, **current expenditures** are planned to be decreased by 20.5% relative to the second budget revision in 2020, of which, the largest cut is foreseen for **subsidies** (-54.2%), **transfers** to organizations of compulsory insurance (-29.9%) and for **other current expenditure** (-75.5%)

Namely, in 2020 the most important increase in expenditures referred exactly to these three items: subsidies, transfers to organizations of social insurance and other current expenditure. The largest raise was for *subsidies* (by 190.3% relative to the initially planned budget), and their largest part (52.3%) was oriented to *subsidies for the economy* (quarterly payment of full minimal salaries, as well as two additional months of payment of 60% of minimal salaries for each employee in enterprises that applied for aid). Such a raise of subsidies came as a result of the entire situation in 2020 and efforts to alleviate negative effects of the pandemic on the economy. *Transfers to organizations of compulsory social insurance* according to the revised budget for 2020 were increased by 83% to the initial budget. This increase should compensate the decrease in revenues from paid contributions, which is in compliance with the government decision on postponing payment of taxes and contributions borne by employers, as one of the measures of support to the economy for the purpose of easing negative consequences of the epidemic. *Other current expenditures* in 2020 were scaled up by 230.6% on account of the payment of direct aid to the population.

In 2021, the largest portion of subsidies (32.9%) was intended for agriculture, then the economy (18.8%) and other subsidies (21.2%). Transfers were mostly intended for the payment of lacking funds for pensions and other beneficiaries' rights (64.1%).

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[3] https://www.imf.org/en/News/Articles/2020/10/16/pr20317-serbia-imf-staff-completes-a-virtual-review-mission-to-serbia

A part of transfers, amounting to 7 632 million dinars was for the construction, reconstruction and equipment of health institutions, investments and maintenance of premises, non-medical and medical supplies, etc.

As for revenues, an increase of 3.5% is planned for 2021, relative to the second revision of the budget for 2020. The planned growth of all items of budget revenues, except income tax will contribute to higher receipts. Namely, this item is expected to be increased by 12.3% relative to the revised budget for 2020, which is due to expectations that profitability of business subjects will saw a fall because of unfavourable business conditions caused by the epidemiological situation. On the other hand, a considerable increase in **value added tax** (by 9.6%) and **excises** (by 5.4%) due to individual consumption recovery, but also in **citizens' income tax** as a portion of debts that were postponed in 2020 were collected.

The distinctive feature of the budget for 2021 is that it is *development-oriented* as approximately 270 billion euros were earmarked for public investments (in 2020, 202 billion euros), the largest sum so far. In that sense it is worth mentioning that, considering the structure of expenditures, the budget complies with the IMF recommendations on implementing countercyclical measures as long as need be, eliminating excessive expenditures and controlling salaries increase in the public sector and pensions.Their main goal is to install control over public finances with putting the public debt on a descending path.

The realization of the budget is certainly conditioned by epidemiological situation developments in Serbia, but also in the neighboring countries. For the time being, it is realistic to expect the stagnation of the number infected persons to stagnate, which switch to a slight regression till the end of the year. Afterwards, provided that population immunization starts, and further recovery of the the economic activity can also be expected. Otherwise, the budget will suffer a lack of tax revenues, which will disrupt the planned budget execution.

The developed system of SORS composite leading indicators is, on average, one to two quarters at most ahead of economic activity, and combined with econometric models it allows to make a quantitative evaluation of the dynamics of the annual growth rate of economic activity in the short term. The family of leading indicators by sections and corresponding forecasts are described below.

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

95.5%
LIKELIHOOD

Graph 1.1. Cycles of construction GRIPAS and GVA, detrended, leveled out and standardised data, deviations of the average for the period (%)

— Cycle of leading GRIPAS   — Cycle of GVA of the section Construction   — Long-term average for the period
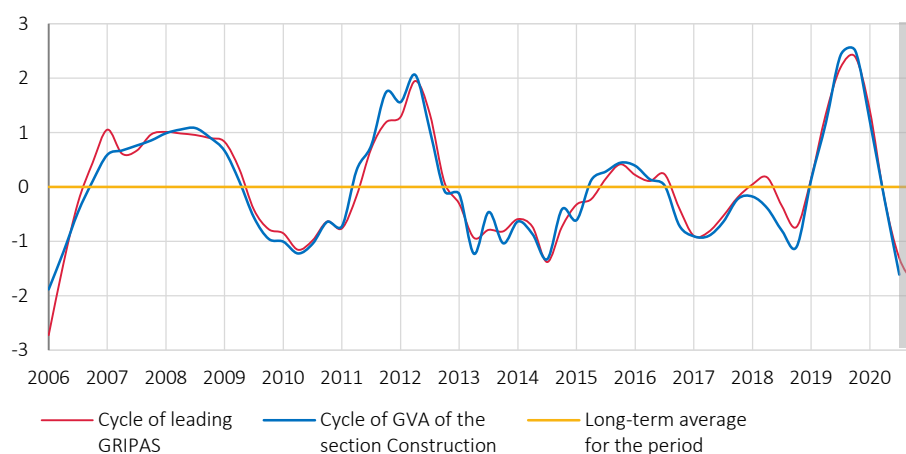
Having in mind the structure of the projects that began in the previous quarters, the psychological crisis in Q3 (occurred in November) as well as the high construction GVA base in Q4 2019 (growth of 52.3%),   a year-on-year fall of construction GVA of about -20.7% is expected in Q4 2020, based on the leading GRIPAS indicator

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

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Construction GVA, annual growth rate, %	26.3	20.1	9.6	2,4	11.9	20.5	39.6	52.3	20.9	-3.7	-18.0
Buildings, p.p.	11.2	8.3	6.1	2,6	6.4	9.2	6.2	15.2	6.4	-0.2	0.1
Residential buildings	8.5	4.0	-2.7	0,3	2.5	5.1	1.9	5.9	0.7	4.2	4.7
Non-residential buildings	2.7	4.2	8.8	2,3	3.9	4.1	4.3	9.3	5.8	-4.3	-4.6
Civil engineering, p.p.	15.1	11.8	3.6	-0,2	5.5	11.3	33.4	37.1	14.5	-3.5	-18.1
Transport infrastructure, pp.	10.7	6.8	-0.2	-2.4	2.4	-0.2	13.3	17.6	1.6	-4.2	-9.2
Pipelines, communication and electricity lines, pp.	2.0	0.9	2.2	1.4	2.5	12.6	19.9	18.8	10.4	-3.7	-12.9
Complex construction on industrial sites, pp.	1.6	3.3	1.4	0.7	0.7	-0.7	0.1	0.5	0.4	0.7	0.4
Other civil engineering not elsewhere classified, pp.	0.8	0.8	0.1	0.1	-0.2	-0.3	0.0	0.1	2.1	3.8	3.6
Contribution of construction GVA to the annual GDP growth rate, pp.	0.7	0.8	0.5	0.1	0.4	0.9	1.9	2.6	0.8	-0.2	-1.2

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[4] The leading composite construction indicator GRIPAS is on average about 1-2 quarters ahead of the cycle of construction gross value added. its main task is the forecast and detection of cyclical GVA trends in construction for the next period. Highly correlated with 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 of the value of works, reflecting all relevant influences on the construction activity.

1. Macroeconomic forecasts

Works that began in the previous quarter with a somehow lower dynamics continued also in Q3. The only contribution to construction was only that of the construction of residential buildings and civil engineering (construction of the eco-friendly landfill "Vinca"), while fall was mostly caused by lower dynamics of the construction works on the "Turkish Stream" (due to finishing works), through the group of Pipeline, communication and electricity lines, and by the dynamics of construction of the transport infrastructure, in contrast with the high dynamics of these construction activities of the previous year.

Table 1.2. Relative deviation of the forecast values of the leading construction GRIPAS from realised quarterly construction GVA growth rates (%)

	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real values	11.9	20.5	39.6	52.3	20.9	-3.7	-18.0	-
Forecast values	10.4	13.8	31.3	45.6	18.0	-9.5	-5.6	-20.7
Deviation of the real values from the forecast ones, % (absolute values)	1.3	3.2	3.6	1.8	2.4	6.4	13.1	-

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). The forecast values indicated in the table were published in the previous issues of *Trends*. Even though in 2019 the real values were upward up-dated, the deviations of real data to the realised one were kept, which were measured at the moment of the forecasts, knowing that the previous forecasts cannot be revised.

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

98.7%
LIKELIHOOD

Graph 1.2. Comparison of the cycle of the INDIPAS indicator and physical volume of the total industry, leveled out and standardized data, deviation from the average for the period (%)

Cycle of leading INDIPAS — Cycle of total industry — Long-term average for the period
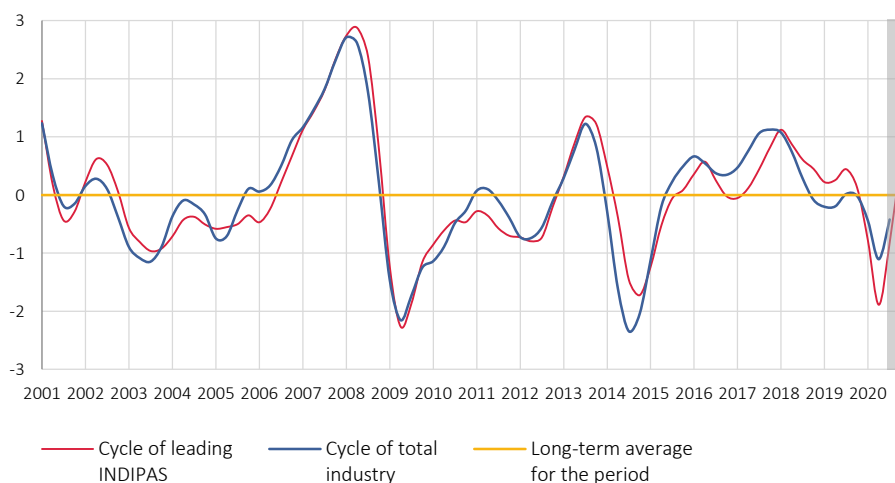
Based on the leading INDIPAS indicator, a year-on-year growth of industrial production is expected in Q4, amounting to about 2.0%. This growth will be primarily generated by larger production in the sections of Electricity, gas, steam and air conditioning supply, Manufacture of electrical equipment, Manufacture of food products, Manufacture of rubber and plastic products, and Manufacture of fabricated metal products, except machinery and equipment.

Table 1.3. Relative deviation of forecast values of the leading INDIPAS indicator from realised quarterly industry GVA growth rates (%)

|	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real values	-1.6	-2.1	2.2	3.1	4.2	-7.6	3.2	-
Forecast values	-3.9	-2.4	2.3	2.5	3.2	-10.0	1.0	2.0
Deviation of the real values from the forecast ones, % (absolute values)	2.5	0.3	0.2	0.6	1.1	2.3	2.2	-

Remark: Considering that the forecasting process has been done on the previously seasonally adjusted 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 validity of a given forecast (95% interval of reliability of the indicator). The forecast values indicated in the table were published in the previous issues of *Trends*

1.3. Service leading indicator of Serbia

99.2%

LIKELIHOOD

Graph 1.3. Comparison of the cycle of the leading service indicator and GVA, detrended, leveled out and standardized data, deviation from the average for the period (%)

Cycle of service GVA
Cycle of the leading service indicator
Long-term average for the period
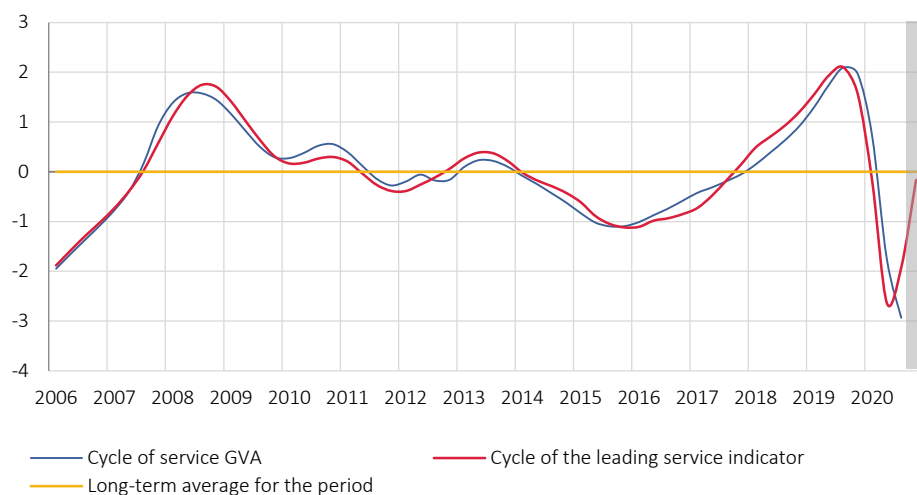
By applying the leading service indicator, a year-on-year fall of service GVA of about -2.0% is expected in Q4. This fall is primarily due to the psychological crisis that occurred in the third wave of the COVID-19 epidemics and is expected to be determined by the fall of the activity in tourism and catering trades, scientific and administrative services, and in arts and recreation.

Table 1.4. Relative deviation of forecast values of the leading service indicator and realized quarterly service GVA growth rates (%)

	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real values	3.9	3.8	4.2	5.0	4.9	-7.0	-1.9	-
Forecast values	3.9	3.2	3.5	4.3	4.3	-5.0	-0.5	-2.0
Deviation of the real values from the forecast ones, % (absolute values)	0.0	0.6	0.7	0.8	0.6	2.1	1.0	-

Remark: Considering that the forecasting process has been done on the previously seasonally adjusted data, the latter can be insignificantly different from original growth rates that are officially published. The relative deviation of the forecast value from the realized one of (+/-) 5% is considered an interval limit of validity of a given forecast (95% interval of reliability of the indicator). The forecast values indicated in the table were published in the previous issues of *Trends.*

1. Macroeconomic forecasts

1.4. Model of forecast of SORS consumer prices

Graph 1.4. Comparison of the cycle of the composite leading consumer price indicator (CPI) and total retail consumer prices in Serbia, leveled out and standardised data, deviation from the average for the period (%)
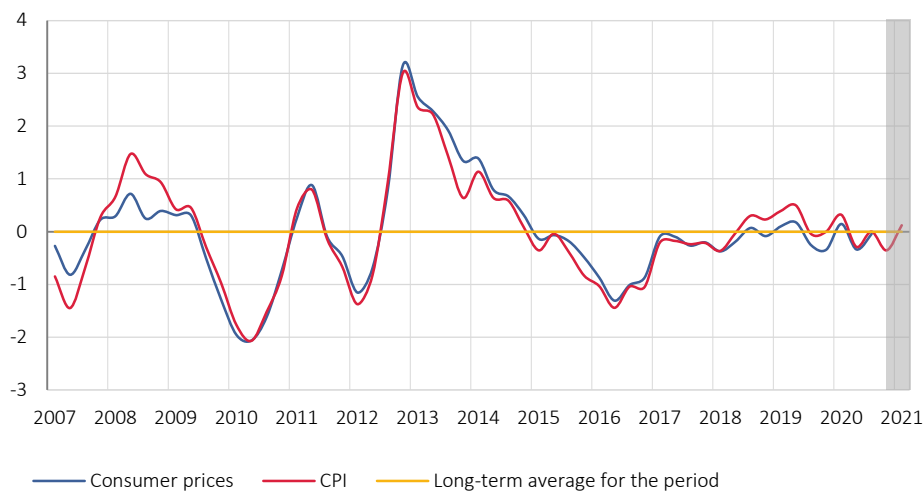
Based on the composite consumer price indicator CPI, a year-on-year growth of about 1.7% is expected in Q4 2020 and of 2.0% in Q1 2021, conditioned by the dynamics of the prices of food and non-alcoholic beverages.

— Consumer prices — CPI — Long-term average for the period

Table 1.5. Leading composite indicator of the forecast of total consumer prices for Q4 2020 and Q1 2020 (%)

Year-on-year growth rate	Indicator of fuel price (CPI–G)[1]	Indicator of the price of food and non-alcoholic beverages (CPI-H)[2]	Indicator of tobacco price (CPI-D)[3]	Total consumer prices (CPI)[4]
Q4 2020	-11.7	2.8	7.0	**1.9**
Q1 2021	-6.9	2.2	7.1	**2.0**

[1] CPI-G is a weighted composite leading indicator 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) dollar to euro, stocks in the production of crude oil in the territory of Serbia and import of oil, oil refined products in Serbia.

[2] An analysis of food price trends in Serbia has allowed to obtain the composite leading indicator of food price (IPC-H), which main goal is the forecast of food price for the next three months. After having analyzed a large number of variables, several ones with the best leading forecast characteristics for food price have been in Serbia have been singled out: harmonized food price index in Hungary, average purchase price of products of crop producers, import of the section Manufacture of food products, import of milk, dairy products and eggs, stocks of beef and veal, retail price index of the total basket of vegetables.

[3] The indicator of tobacco price is formed based on the trend of excise on tobacco and producers' tobacco prices for domestic market, which proved to be the best for forecasting the variability of the price of tobacco and tobacco products in Serbia.

[4] The forecast of retail prices trends in the final phase represents the integration of previously obtained results of the leading indicators of retail prices of the analyzed groups of products: (CPI-G), food and non-alcoholic beverages (CPI-H) and tobacco (IPC-D). The second-stage, composite and weighted aggregation of the above described indicators has allowed to derive a new composite leading indicator (abbreviated IPC), which aim is to forecast retail consumer prices for one quarter ahead.

2.1. GDP trend

In the third quarter of 2020, GDP real decrease of 1.4% was recorded relative to the same period last year. The construction section was the leading factor of GDP negative trend in this quarter (-1.2 p.p), followed by the service sector with -1.0 p.p. Significant positive contribution to GDP trend was provided by industry (0.6 p.p.).

In the period from the first to the third quarter 2020, realized was GDP fall of 0.9%.

Observed by expenditure aggregates, in the third quarter of 2020, relative to the same period last year, Household consumption, with realized fall of 1.0%, most significantly influenced negative GDP trend (-0.7 p.p.). Investment activity was decreased by 5.5% relative to the same period last year (contribution to GDP was -1.3 p.p.). Dynamics of export and import, with negative rates of 8.5% and 2.7%, respectively, resulted in negative contribution to GDP (-4.4 p.p. and -1.6 p.p. (Table 2.1).

Table 2.1. GDP – expenditure aggregates, real inter-annual growth rates, Q1 2018 – Q3 2020 (%)
(comparison with the same period of the previous year)

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP	**5.1**	**5.1**	**4.3**	**3.6**	**2.6**	**2.9**	**4.9**	**6.3**	**5.2**	**-6.3**	**-1.4**
Household consumption	2.9	3.4	3.1	3.0	3.7	3.9	3.2	3.5	3.0	-8.1	-1.0
Government consumption	2.4	5.0	4.2	3.3	2.1	1.3	3.7	1.0	11.4	8.5	-1.0
Gross fixed capital formation	25.9	20.3	16.2	10.8	7.6	9.0	18.7	30.4	11.8	-12.9	-5.5
Exports	7.8	5.2	7.9	9.1	7.2	7.4	8.0	8.1	3.3	-20.5	-8.5
Imports	12.7	9.0	11.1	10.5	9.0	10.2	10.7	12.5	7.8	-19.6	-2.7

Graph 2.1 Contributions to inter-annual GDP growth rate – expenditure aggregates (p.p.)
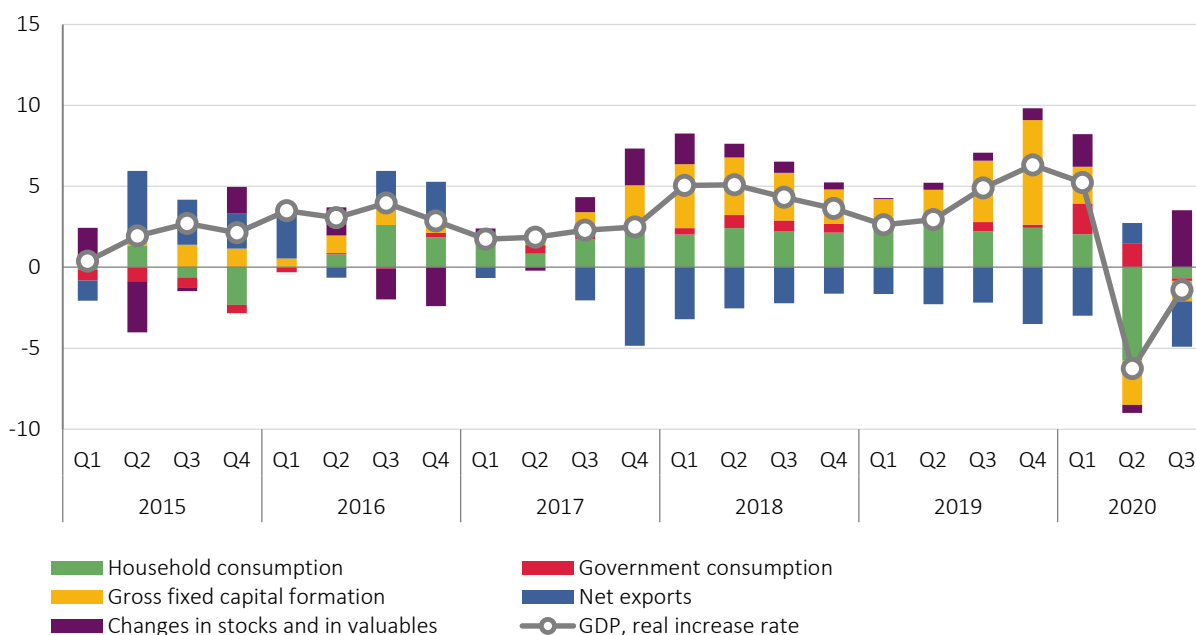
2. Gross domestic product

Observed from the **production side**, the negative contribution to GDP increase in Q3 2020 resulted from decreased activity in construction section with -1.2 p.p. and service section (-1.0 p.p.).

Significant positive contribution to GDP trend as provided by industry and water supply (0.6 p.p.). Besides industry, positive trends were achieved in agriculture (growth rate, relative to the same period last year was 4.5%).

Table 2.2. GDP – production side, real inter-annual growth rates, Q1 2018 – Q3 2020 (%)
 (changes to the same period of the previous year)

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP	**5.1**	**5.1**	**4.3**	**3.6**	**2.6**	**2.9**	**4.9**	**6.3**	**5.2**	**-6.3**	**-1.4**
Agriculture	12.2	15.5	16.7	15.2	-1.4	-2.0	-1.8	-1.3	4.2	4.7	4.5
Industry and water supply	5.3	2.2	-1.1	-2.5	-1.6	-2.1	2.2	3.1	4.2	-7.6	3.2
Construction	26.3	20.1	9.6	2.4	11.9	20.5	39.6	52.3	20.9	-3.7	-18.0
Trade	5.8	7.4	6.7	6.4	6.5	4.3	5.3	8.7	4.2	-8.1	2.4
Services, excl. trade	2.4	3.0	3.1	3.6	3.1	3.7	3.9	4.0	5.1	-6.7	-3.2
Net taxes	5.4	5.7	5.5	5.4	3.5	3.5	3.5	3.5	4.3	-6.8	-1.1

Graph 2.2. Contributions to inter – annual GDP growth rate – production side (p.p.)
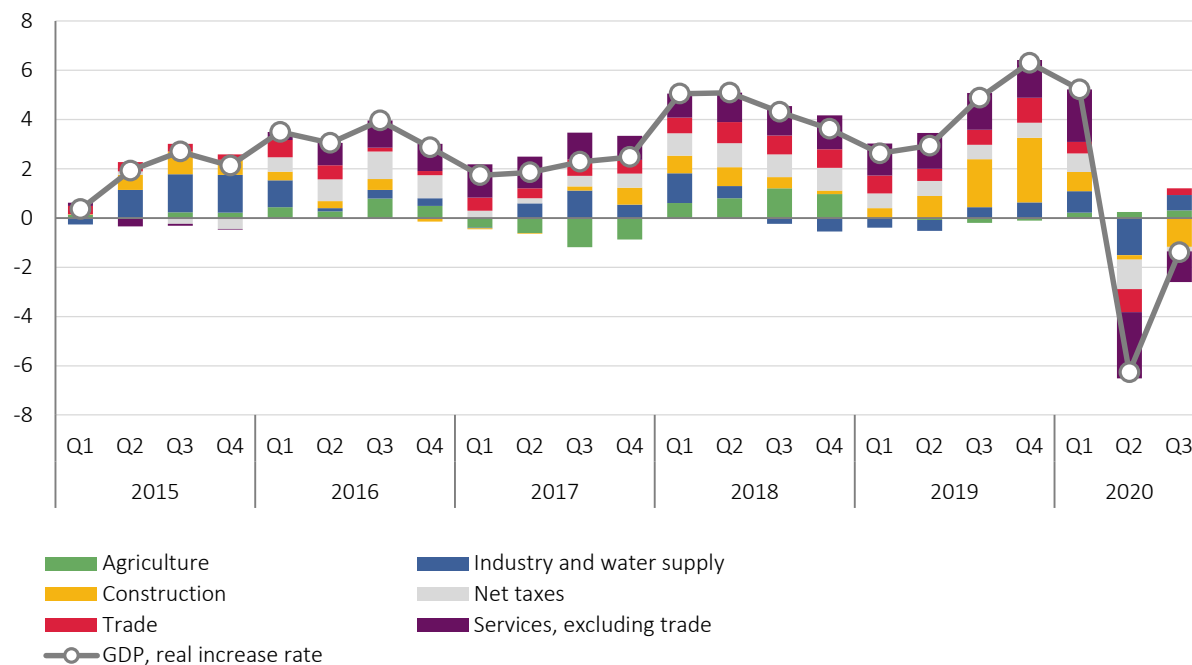
3.1. Total industrial production

Total industrial production in Serbia, in the period January - September 2020 decreased by 0.2% relative to the same period 2019.

Observed by sections, in this period, fall was noted in Manufacturing (0.1%), and in Electricity, gas, steam and air conditioning supply (1.4%), while in Mining and quarrying, growth of 2.9% was recorded.

Graph 3.1. Cumulative trends of total industry and its sections (%)
(January – September 2020 relative to the same period 2019)

Growth rate (left scale)   Share in total industrial production (right scale)
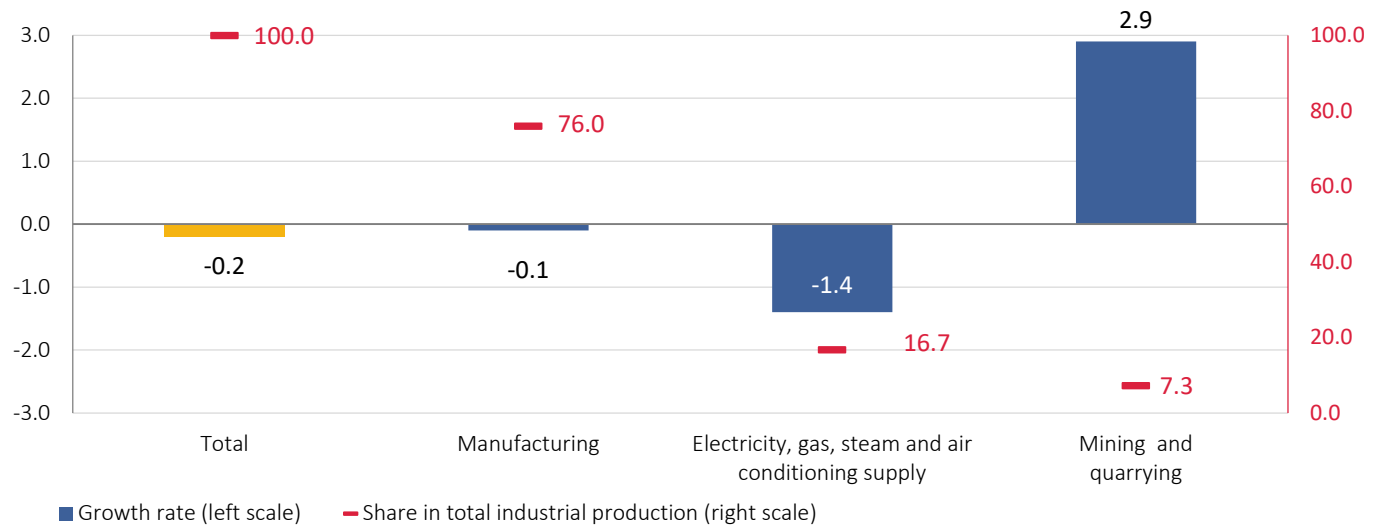
Graph 3.2. Industrial production growth rates, by MIGS (%)
(January – September 2020 relative to the same period 2019)

Growth rate (left scale)   Share in total industrial production (right scale)
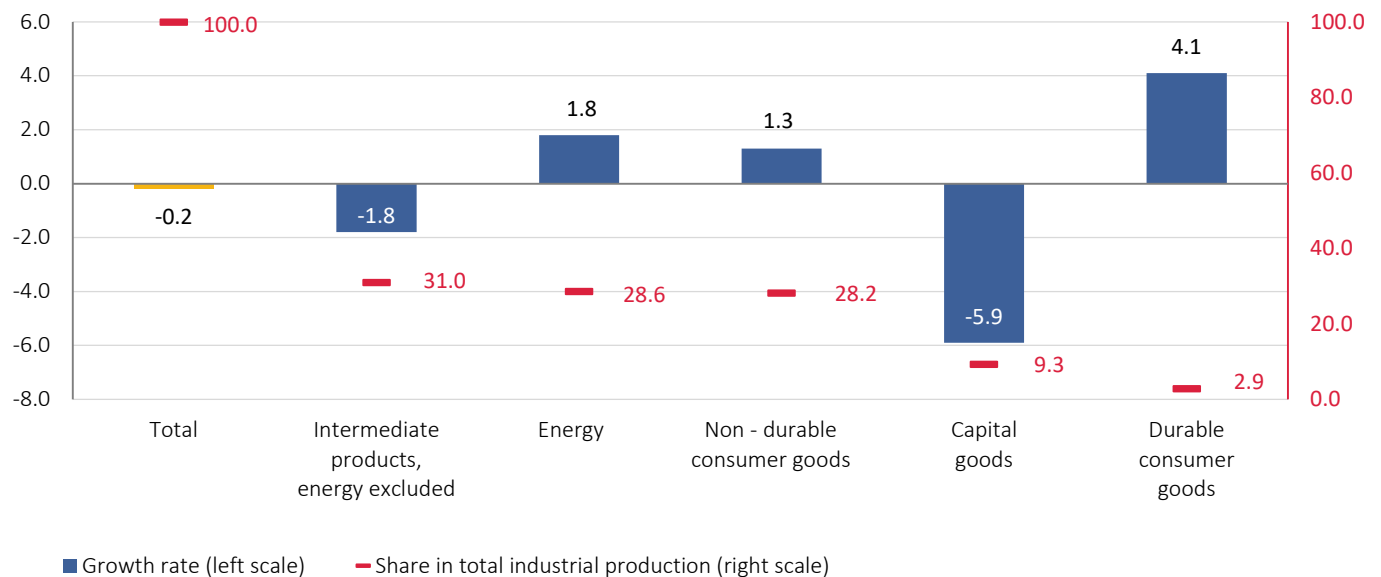
3. Industrial production

The only section that provided positive contribution to nine-month industry trend was Mining and Quarrying (0.2 p.p.). The sections of Manufacturing and Electricity, gas, steam and air conditioning supply contributed to negative increase of industrial production with -0.2 p.p. and -0.1 p.p., respectively.

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

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1+ Q2+ Q3+Q4[1]
Industrial production – total	105.9	102.3	98.6	98.9	98.1	97.4	102.2	103.4	104.4	92.3	103.0	**0.5**
Manufacturing	104.7	102.0	101.2	100.1	97.7	96.5	102.3	103.9	106.1	91.9	102.1	**0.0**
Electricity, gas, steam and air conditioning supply	111.4	105.5	92.2	95.1	100.2	100.0	99.9	101.8	96.9	91.3	109.1	…
Mining and quarrying	103.0	97.8	86.9	94.6	96.8	101.3	105.2	101.5	108.9	98.5	101.3	…

[1]Prognoses.

3.2. Manufacturing (C)
(share of 76% 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 2019 = 100)
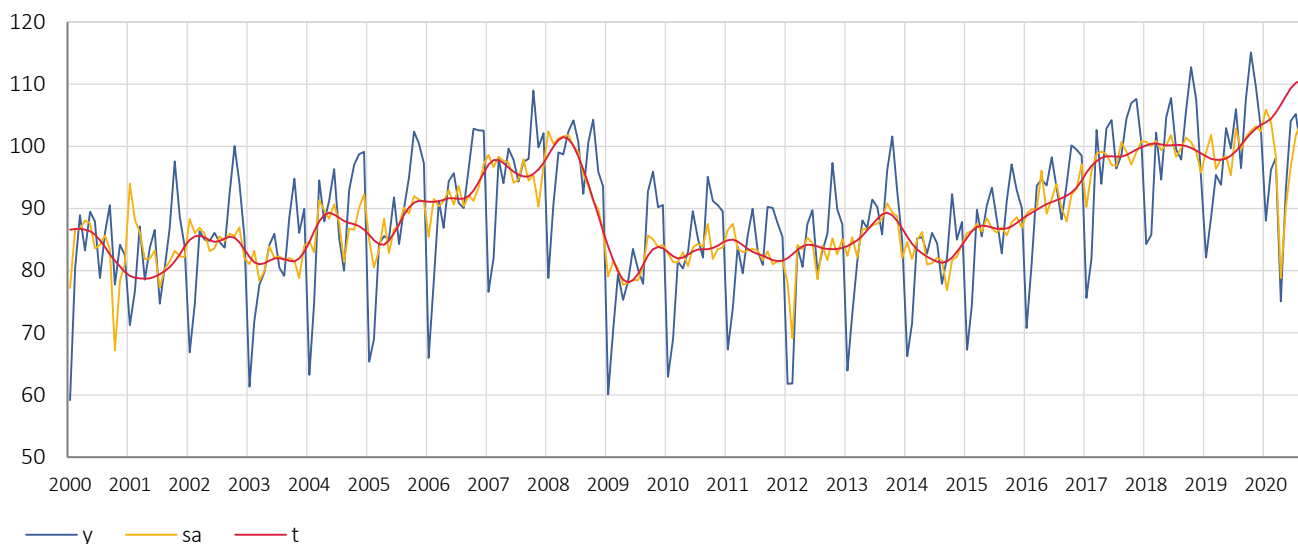
Manufacturing trend, after the fall in April 2020 currently shows increasing trend. In Q3 2020, values of trend-cycle components are on the level of about 3.8% above the average of 2019 (graph 3.3).

Observed by divisions, Manufacturing in the period January - September 2020 **increased** in 11 out of 24 divisions, if compared with the same period of the previous year. Decrease was recorded in 13 divisions, out of which six do not have significant share in total industrial production index (Manufacture of other transport vehicles, wood, textile, leather and leather products, printing and reproduction of recorded media and repair and Installation of machinery and equipment– together participate with 4.6% in total industrial production).
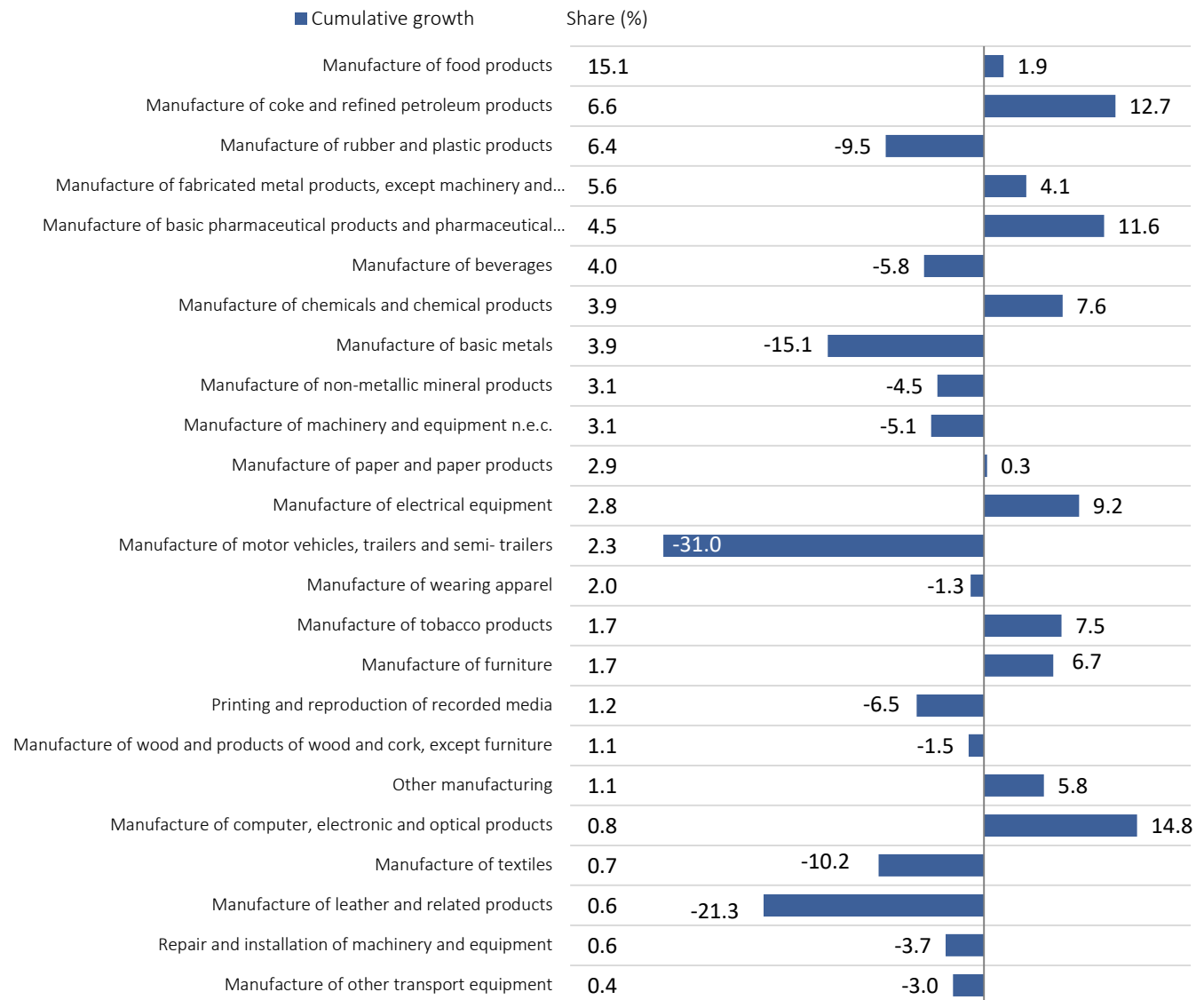
Seven divisions with high weight (participating together with 24.8%) in total industry recorded cumulative **decrease in the period January - September 2020** relative to the same period 2019 and they are the following: Manufacture of rubber and plastic products (fall of 9.5%), Manufacture of beverages (fall of 5.8%), Manufacture of basic metals (fall of 15.1%), Manufacture of non – metallic mineral products (fall of 4.5%), Manufacture of machinery and equipment, n.e.c. (fall of 5.1%), Manufacture of motor vehicles, trailers and semi-trailers (fall of 31.0%) and Manufacture of wearing apparel (fall of 1.3%).

**Graph 3.4. Manufacturing by divisions, cumulative growth rates (%)**
(January - September 2020 relative to the same period 2019; divisions presented in descending order according to shares in total industrial production)

Division	Share (%)	Cumulative growth
Manufacture of food products	15.1	1.9
Manufacture of coke and refined petroleum products	6.6	12.7
Manufacture of rubber and plastic products	6.4	-9.5
Manufacture of fabricated metal products, except machinery and…	5.6	4.1
Manufacture of basic pharmaceutical products and pharmaceutical…	4.5	11.6
Manufacture of beverages	4.0	-5.8
Manufacture of chemicals and chemical products	3.9	7.6
Manufacture of basic metals	3.9	-15.1
Manufacture of non-metallic mineral products	3.1	-4.5
Manufacture of machinery and equipment n.e.c.	3.1	-5.1
Manufacture of paper and paper products	2.9	0.3
Manufacture of electrical equipment	2.8	9.2
Manufacture of motor vehicles, trailers and semi- trailers	2.3	-31.0
Manufacture of wearing apparel	2.0	-1.3
Manufacture of tobacco products	1.7	7.5
Manufacture of furniture	1.7	6.7
Printing and reproduction of recorded media	1.2	-6.5
Manufacture of wood and products of wood and cork, except furniture	1.1	-1.5
Other manufacturing	1.1	5.8
Manufacture of computer, electronic and optical products	0.8	14.8
Manufacture of textiles	0.7	-10.2
Manufacture of leather and related products	0.6	-21.3
Repair and installation of machinery and equipment	0.6	-3.7
Manufacture of other transport equipment	0.4	-3.0

3. 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 – January - September 2020 relative to the same period of the previous year;
Inter - annual – month relative to the same month of the previous year)
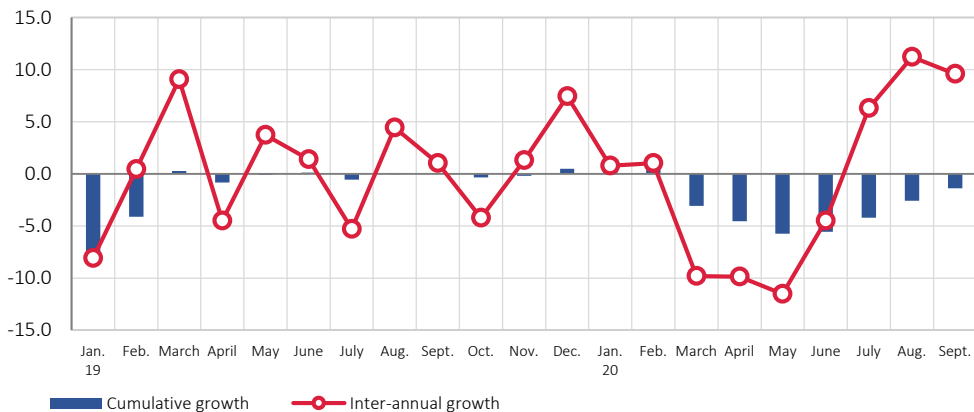
Section of electricity, gas, steam and air conditioning supply in the period January – September 2020 recorded fall of 1.4% relative to the same period of the previous year. Observed by months, in the third quarter 2020, noted was the increase in July (6.3%), August (11.2%), and in September (9.6%).

3.4. Mining and quarrying (B)
(share of 7.3% in total Industrial production index)

Graph 3.6. Cumulative growth rates in the section of Mining and quarrying (%)
(January - September 2020 relative to the same period 2019)
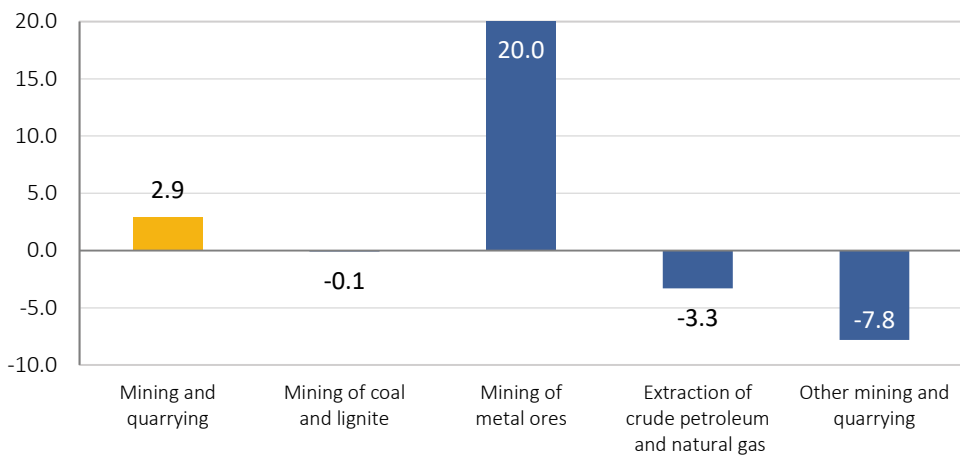
Production in the section of Mining and quarrying in the period January - September 2020 noted growth of 2.9% relative to the same period 2019. Observed by months, in the third quarter 2020, noted was increase of 1.7% in July, 1.8% in August and 0.5% in September.

ⓘ 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.

4.1. Construction activity

Value indices of the performed construction works on the territory of the Republic of Serbia from the second half of 2017 have been recording growth. Such positive trend has also been continued in the second and in the third quarter 2020, when a decline in construction activity is recorded due to delays in starting the planned projects, caused by the corona virus epidemic.

In the period January - September 2020, construction activity on the territory of the Republic of Serbia decreased by 4.8% at current prices, compared to the same period last year, while at constant prices, the decrease amounted to 3.3%. In the first quarter, growth of 26.1% was achieved, while in the second and third quarter, the value of performed works on the territory of the Republic of Serbia decreased by 2.1%, i.e. 17.2% at constant prices compared to the same period of 2019. Value of works most decreased regarding pipelines and transport infrastructure, as such huge projects, current during 2019 are competed or in final phase of realization.

4.2. Trend in the first nine months 2020

Construction activity on the territory of the Republic of Serbia in the period January – September 2020 decreased by 3.3% at constant prices compared to the same period last year.

Observed by type of constructions, the value of performed works on buildings increased by 5.2%, and on civil engineering (transport infrastructure, pipelines, complex industrial structures, etc.), decreased by 7.8%.

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

(u – original series, sa – series with excluded seasonal component, t – trend cycle component average 2019 = 100)
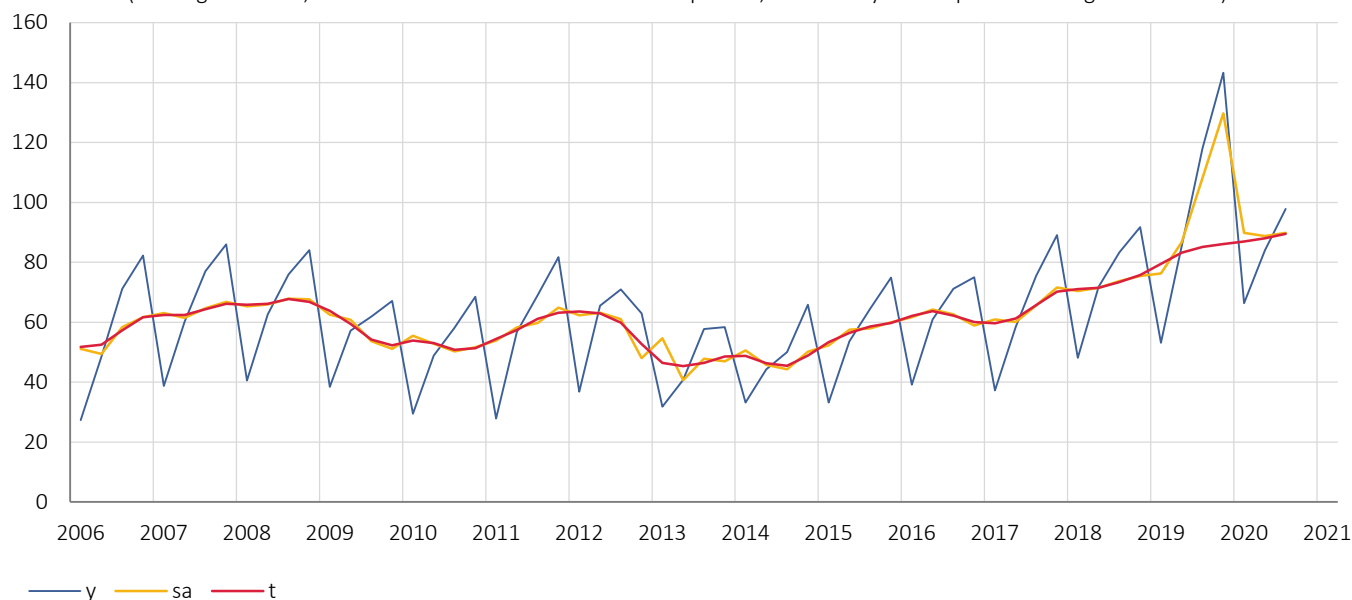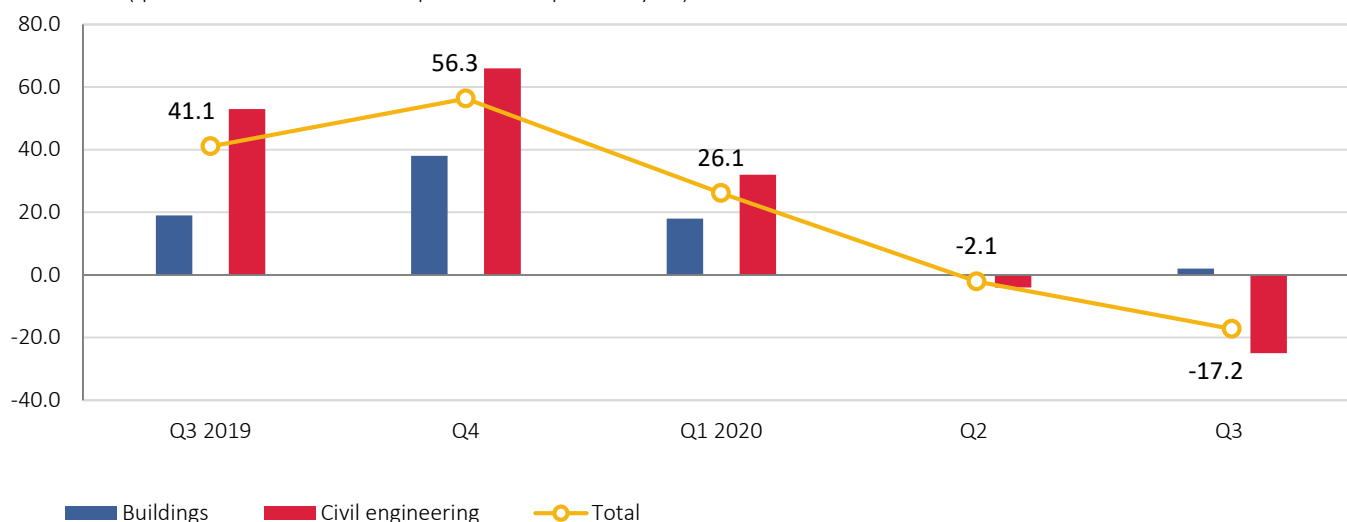
4. Construction

4.3. Trend in the third quarter 2020

In the third quarter of 2020, the value of performed works on the territory of the Republic of Serbia decreased by 18.9% at current prices, while at constant prices, the decrease of 17.2% was recorded compared to the same quarter of the previous year. Observed according to the structure of performed works, the value of works on buildings increased by 2%, while the value of works on civil engineering decreased by 25.4% at constant prices.

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

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	140.6	133.9	122.1	118.4	116.7	126.2	144.8	159.3	125.3	96.1	81.1
Constant prices	129.4	122.7	110.4	103.0	110.3	119.6	141.1	156.3	126.1	97.9	82.8

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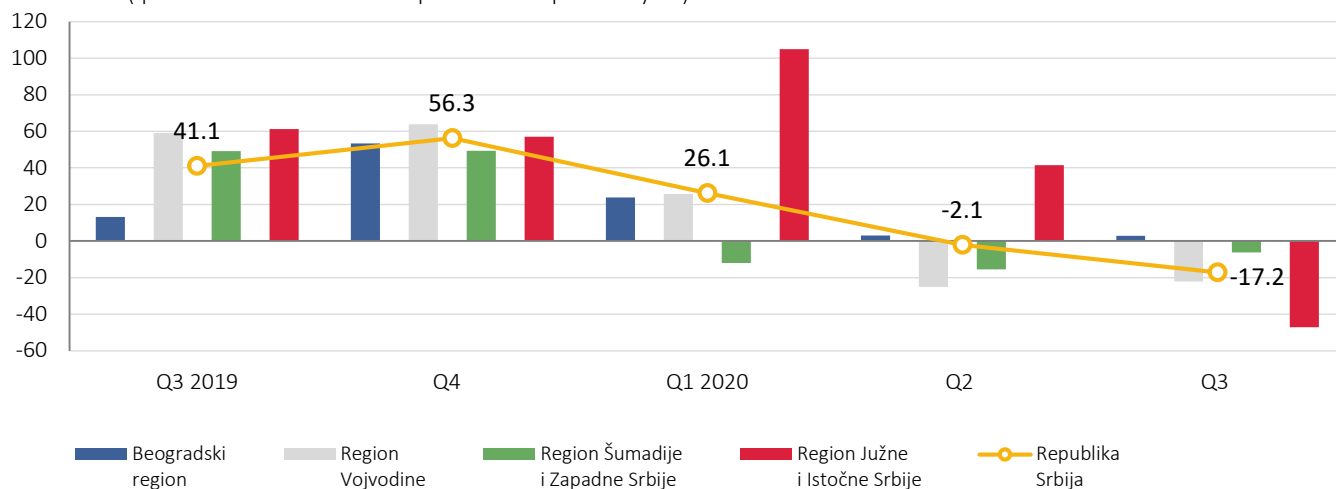(quarter relative to the same quarter of the previous year)

Observed by regions, the increase of construction activity was noted only in Beogradski region (2.8% at constant prices). Increased values of performed works were most influenced by works performed on railway section construction Beograd – Stara Pazova, Bypass around Belgrade, complex named "Belgrade waterfront" and Vinca landfill.

in Region Juzne i Istocne Srbije noted was the greatest fall of construction activity -47.1%. Decreased values of performed works were most influenced by works performed on pipelines, (decreased activities related to construction of Turkish flow), as well as constructions of transport infrastructure (Corridor 10 was completed).

Negative increase of construction activity was also noted in Region Vojvodine, amounting to -22.1% at constant prices. The increased value was realized only on residential buildings, while regarding civil engineering, decreased value of pipelines' construction was recorded (works on the construction of the Main Gas Pipeline are in the final phase).

Construction activity also decreased in Region Sumadije I Zapadne Srbije, by 6.3% at constant prices. Decreased value is most evident on the construction of traffic infrastructure facilities, because in the same period last year, high activity was recorded on the construction of the highway, the section Lajkovac – Ljig. The value of performed works increased only on residential buildings.

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)

| Beogradski region | Region Vojvodine | Region Šumadije i Zapadne Srbije | Region Južne i Istočne Srbije | Republika Srbija |

4.4. Building permits

In **the third quarter 2020,** 6 524 building permits were issued. The greatest part of permits (5 432) 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 third quarter 2020, 42.9% 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

■ Buildings   ■ Civil engineering
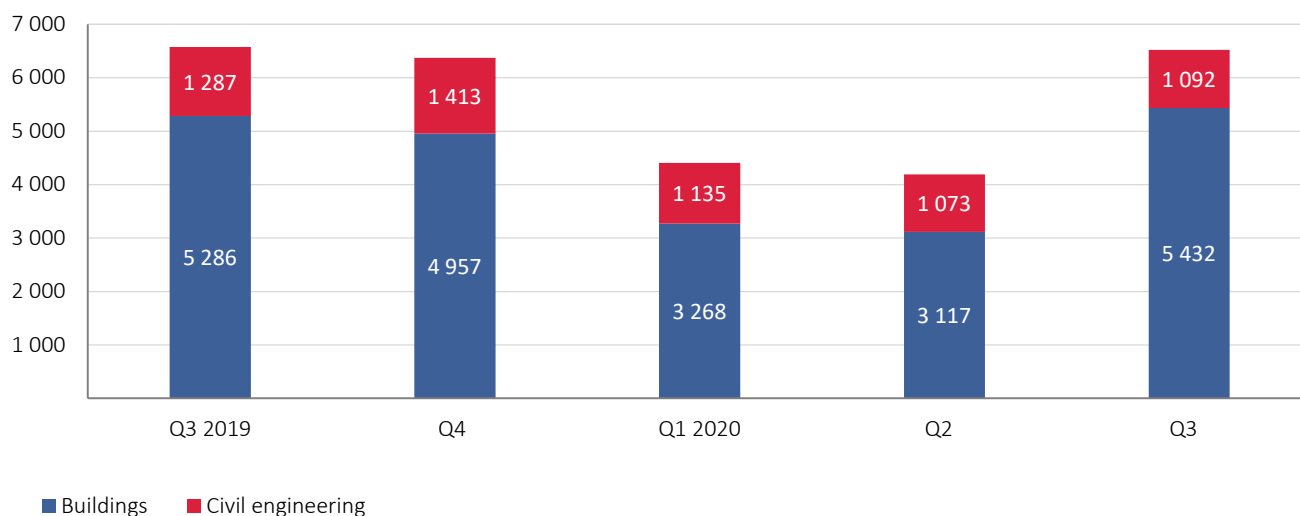
4. Construction

Observed by regions, in the first three quarters 2020, the greatest number of permits was issued in Region Vojvodine (5 791), followed by Region Šumadije i Zapadne Srbije (4 918), Region Južne i Istočne Srbije (2 585), while the smallest number of issued permits was recorded in Beogradski Region (1 823).

Graph 4.5. Share of issued permits by regions, Q1+Q2+ Q3 2020 (%)

Q1+Q2+Q3 2020	12.1	38.3	32.5	17.1

- Beogradski region
- Region Vojvodine
- Region Šumadije i Zapadne Srbije
- Region Južne i Istočne Srbije
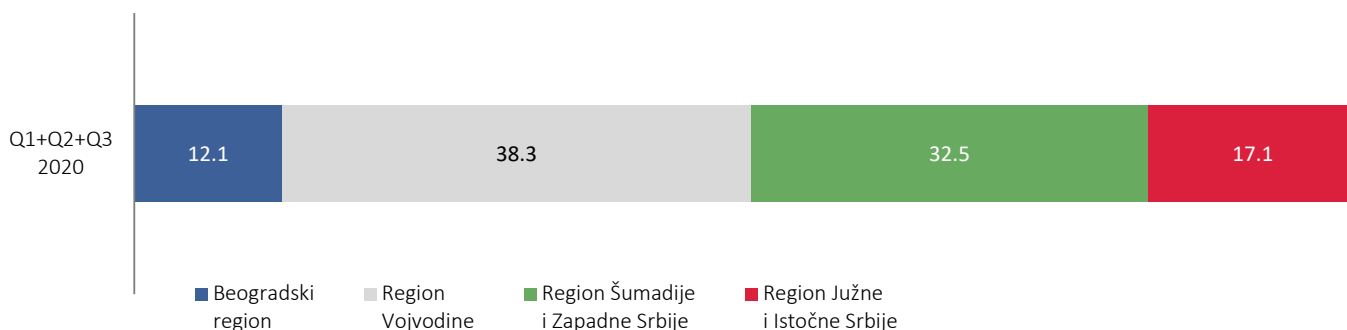
ℹ️ Glossary

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).

5.1. Total value of goods export [5]

Total value of goods export from Serbia in the period January - September 2020 decreased by 6.1%, relative to the same period 2019.

Total export results were mostly influenced by manufacturing [6] decrease of 7.4%, as it presents 90.5% of total export, and increase of 12.3% in the section of agriculture, forestry and fishing, which presented 7.4% of total export in the period January - September 2020.

Graph 5.1. Components of export's time series, indices
(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2019 = 100)
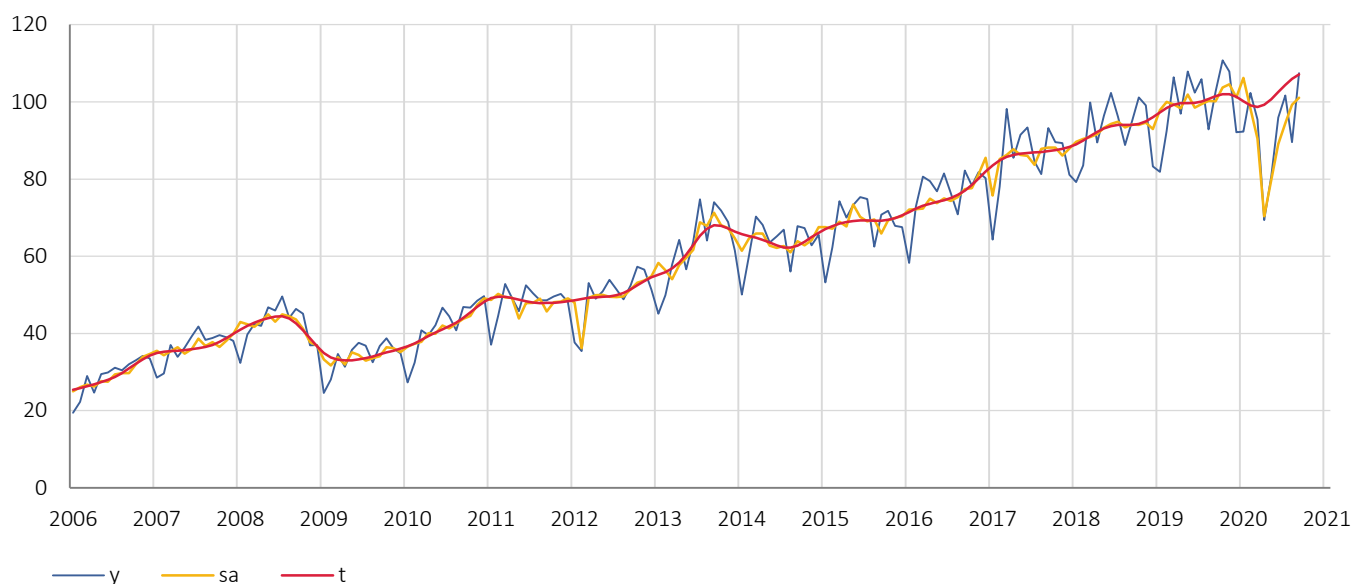

Table 5.1. Export of goods by CA (2010) sections, quarterly indices (%)
(comparison with the same period of the previous year)

|	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1+ Q2+Q3+ Q4[1]
Export – total	109.1	106.6	108.1	109.0	106.9	106.6	107.7	109.6	103.3	80.1	99.1	**96.0**
Manufacturing	112.5	109.2	107.8	107.1	104.5	106.1	108.7	109.4	103.2	78.2	97.3	…
Agriculture, forestry and fishing	70.0	78.6	118.8	180.6	151.2	117.2	103.4	119.6	109.1	113.0	114.9	…
Mining and quarrying	121.9	91.2	91.0	90.2	88.3	93.8	100.2	96.4	98.1	89.2	102.2	…

[1] Prognosis

[5] By current exchange rate, EUR.
[6] According to CA 2010.

5. External trade

Graph 5.2. Cumulative growth rates of export by CA (2010) sections and sections' share in export (%)
(January – September 2020 relative to the same period 2019)

■ Growth rates   ━ Share in total export
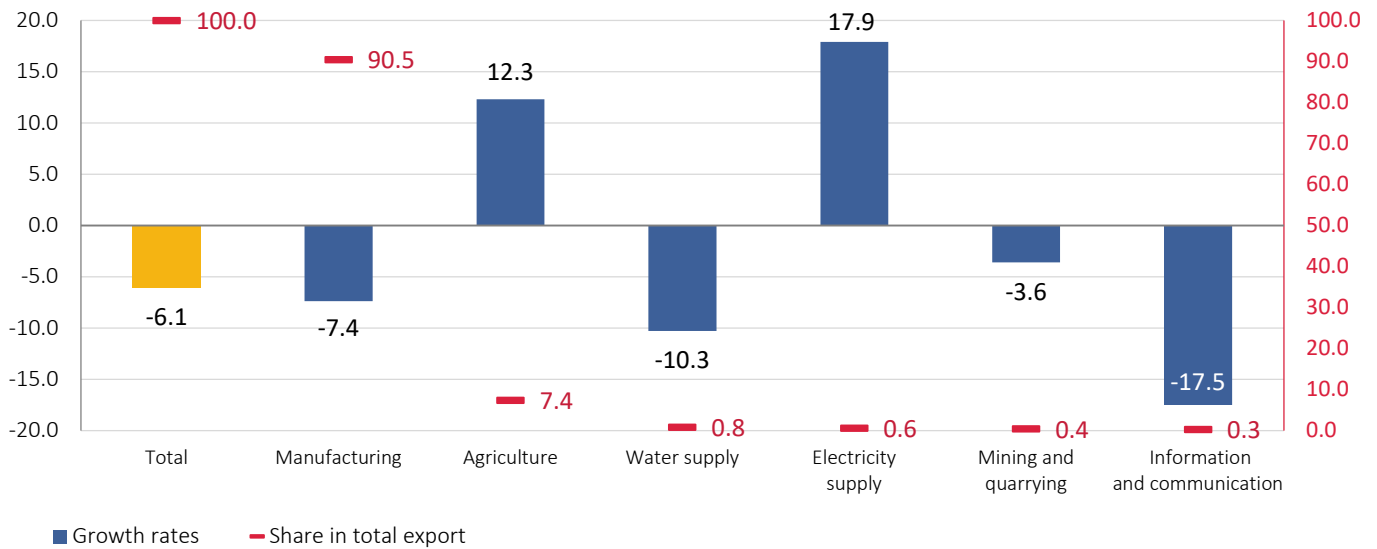
Observed by economic purpose, total export results in the period January - September 2020 were mostly influenced by decreased exports of intermediate products (decrease of 13.2%, and share of 39%) and capital goods (share of 21.3% and decrease of 14.1%).

Graph 5.3. Cumulative growth rates of exports according to the economic purpose of the European Union (%)
(January – September 2020 relative to the same period 2019)

■ Cumulative index   ━ Share in total export
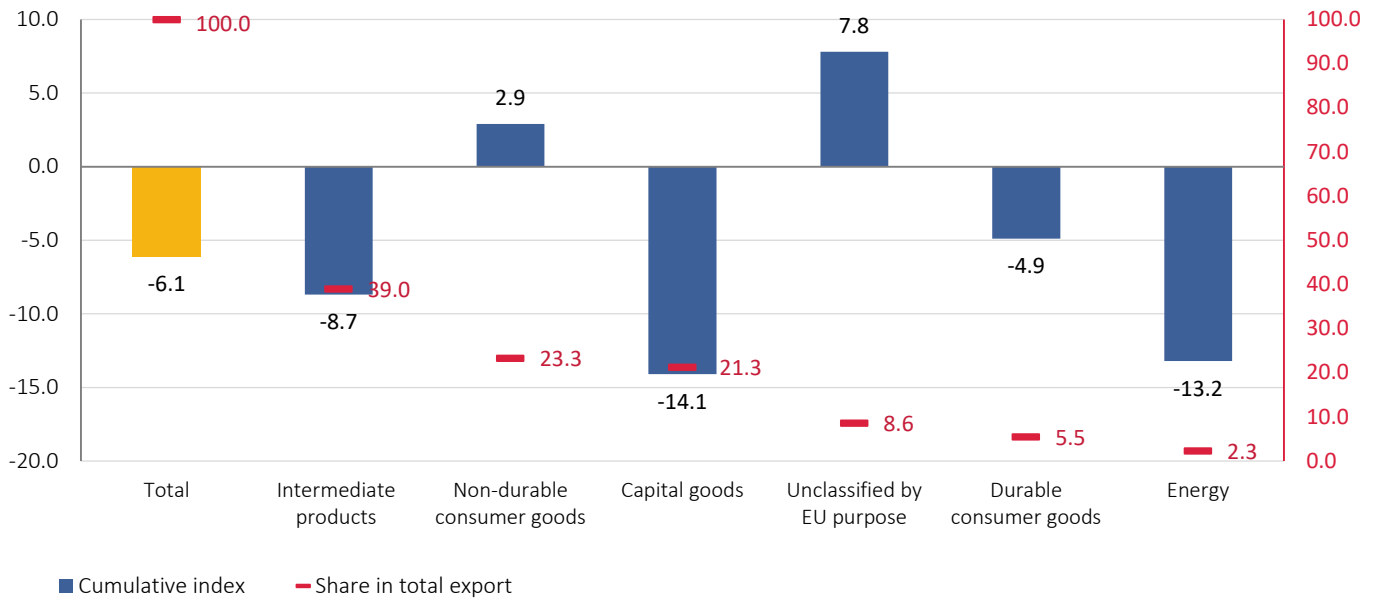
5.2. Total value of goods import [7]

Total value of goods import in Serbia in the period January - September 2020 decreased by 4.8% relative to the same period 2019. Import results were mostly influenced by the section of manufacturing (decrease of 3.1%), as it presents 77.5% of total imports, and 24.8% decrease in the section of mining and quarrying (7.3% of total imports in the period January - September 2020).

Graph 5.4. Components of import's time series, indices
(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2019 = 100)
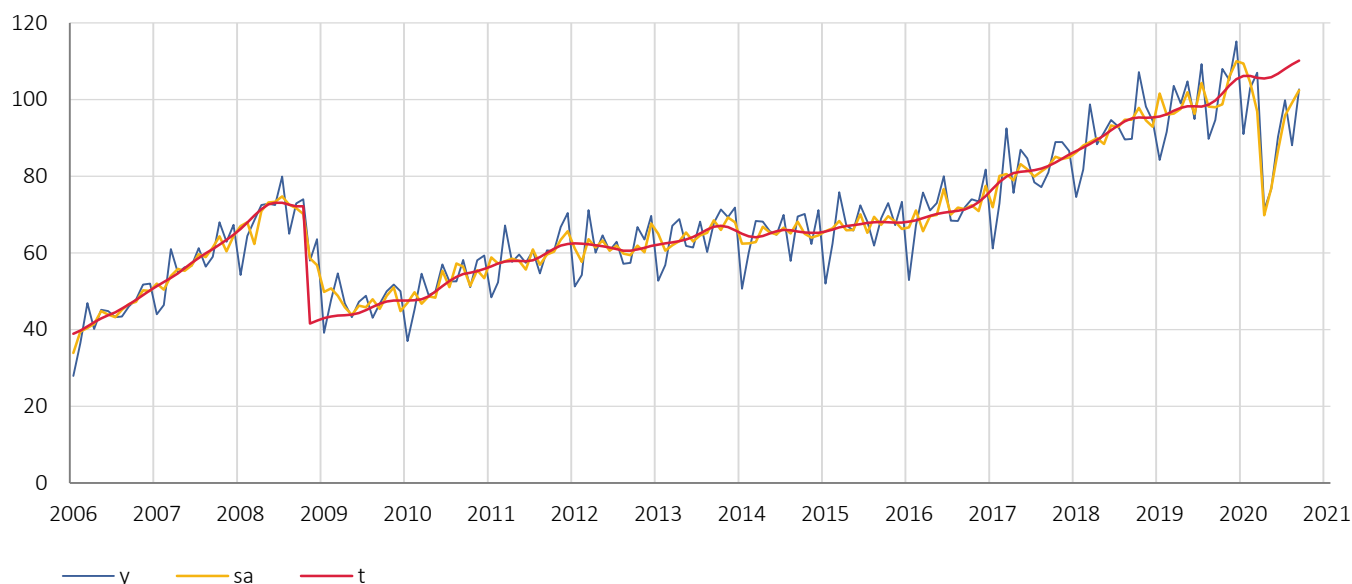
Table 5.2. Import of goods by CA (2010) sections, quarterly indices (%)
(comparison with the same period of the previous year)

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1+ Q2+Q3+ Q4[1]
Import – total	112.6	111.0	115.1	113.4	109.5	108.9	107.8	109.5	107.7	79.8	99.0	**96.0**
Manufacturing	118.6	109.9	110.6	109.3	107.4	110.1	112.3	113.3	109.4	80.9	101.6	…
Agriculture, forestry and fishing	99.7	90.9	85.1	78.2	110.5	121.2	95.8	101.3	103.3	94.7	109.2	…
Mining and quarrying	100.9	118.2	141.3	147.2	112.8	104.9	98.9	107.0	112.7	51.7	62.0	…

[1] Prognosis.

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[7] By current exchange rate, EUR.

5. External trade

Graph 5.5. Cumulative growth rates of import by CA (2010) sections and sections' share in import (%)
(January - September 2020 relative to the same period 2019)

■ Growth rates   ▬ Share in total import
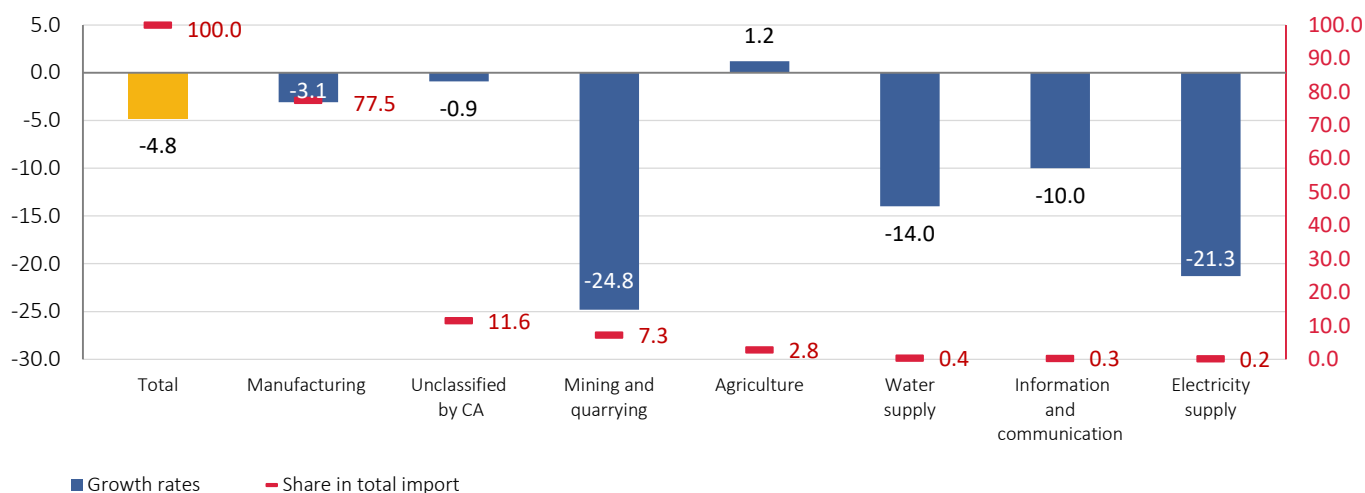
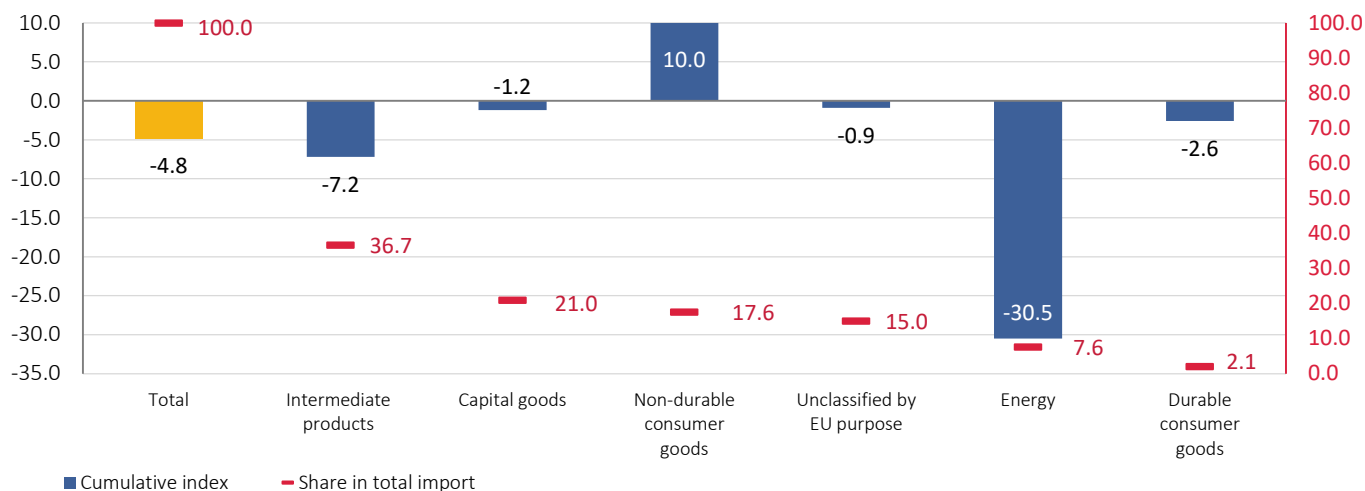Observed by MIGs, the greatest influence on total import in the period January - September 2020 related to intermediate products (share of 36.7%, decrease of 7.2%).

Graph 5.6. Cumulative growth rates of imports according to the economic purpose of the European Union
(January - September 2020 relative to the same period 2019)

■ Cumulative index   ▬ Share in total import

5.3. The most significant external trade partners

Table 5.3. The major external trade partners

Export	EUR mill.	Import	EUR mill.
Germany	1562.5	Germany	2 233.1
Italy	1010.9	China	2 057.9
Bosnia and Herzegovina	901.5	Italy	1 370.7
Romania	747.5	Russian Federation	1108.4
Russian Federation	598.9	Hungary	766.7

The most significant external trade partners in the period January - September 2020 were the countries with which Serbia has signed agreements on free trade. The EU member countries account for 60.9% of total external trade, followed by CEFTA countries. The major external trade partners are separately presented in Table 5.3.

5.4. Manufacturing (C)
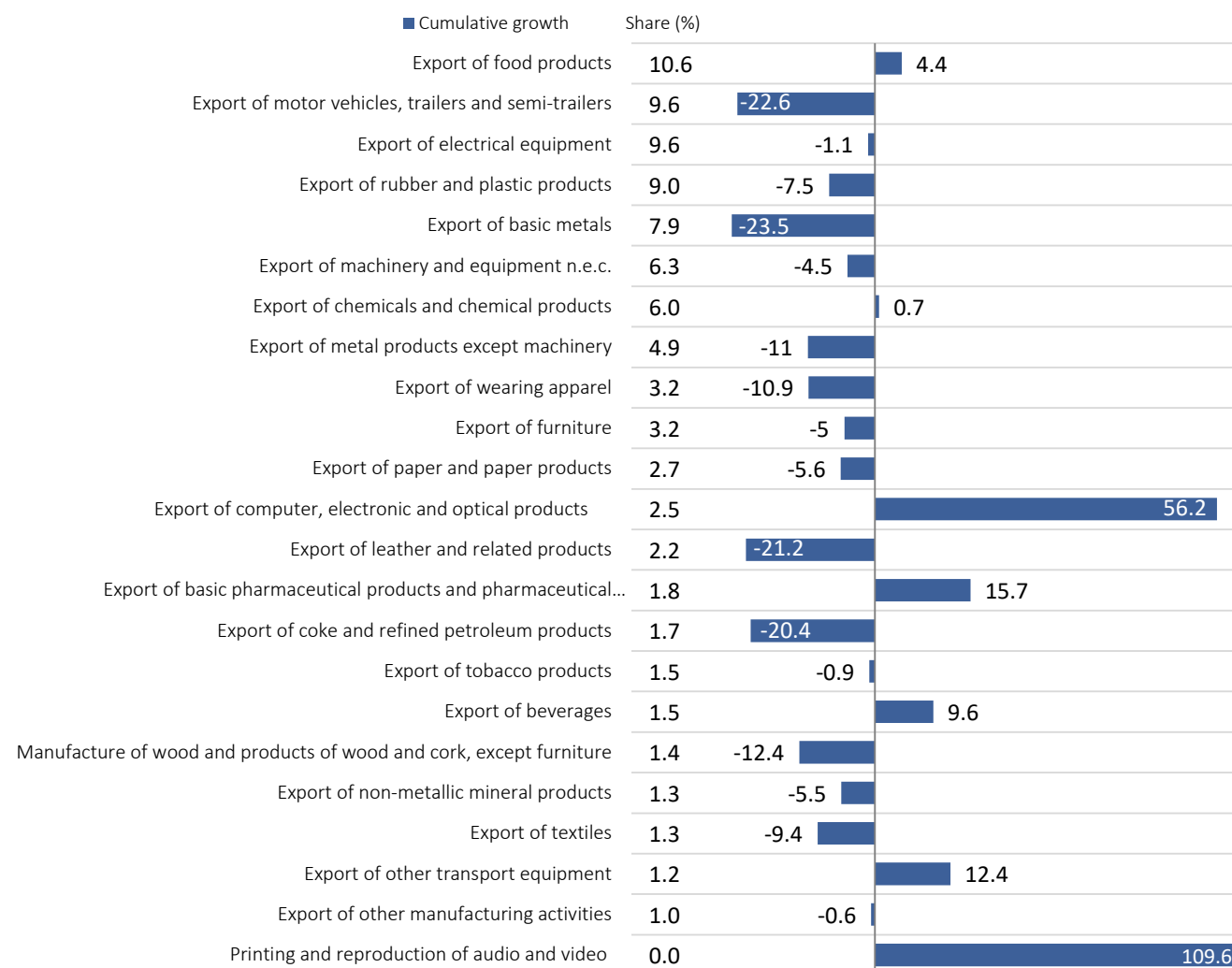### (share of 90.5% in total export and 77.5% in total import)

Export of manufacturing in the period January – September 2020 recorded fall of 7.4%, relative to the same period 2019. Out of 23 divisions, cumulative decrease was noted in 16 divisions, mutually participating in total export with 66.8%.

Export of food products, the division with the greatest separate export value of EUR 1.3 bill. recorded cumulative growth of 4.4% and increased share in total export- from 9.5% in the previous year to 10.6%. Export of tobacco products, despite small share of 2.5%, noted cumulative growth of 56.2%.

Export of motor vehicles and trailers and semi-trailers, the division with the export value of EUR 1.2 bill., but with decreased share in total export, recorded cumulative fall of 22.6%, from 11.6% in the same period of the previous year, to 9.6%. Export of electrical equipment noted cumulative fall of 1.1% in the period January – September 2020, and the realized export amounted to EUR 1.2 bill, with the increased share in total import, from 9.1% in 2019 to 9.6%.

Graph 5.7. Export of manufacturing by divisions, cumulative growth (%)
(January - September 2020 relative to the same period 2019, by descending share in total export)

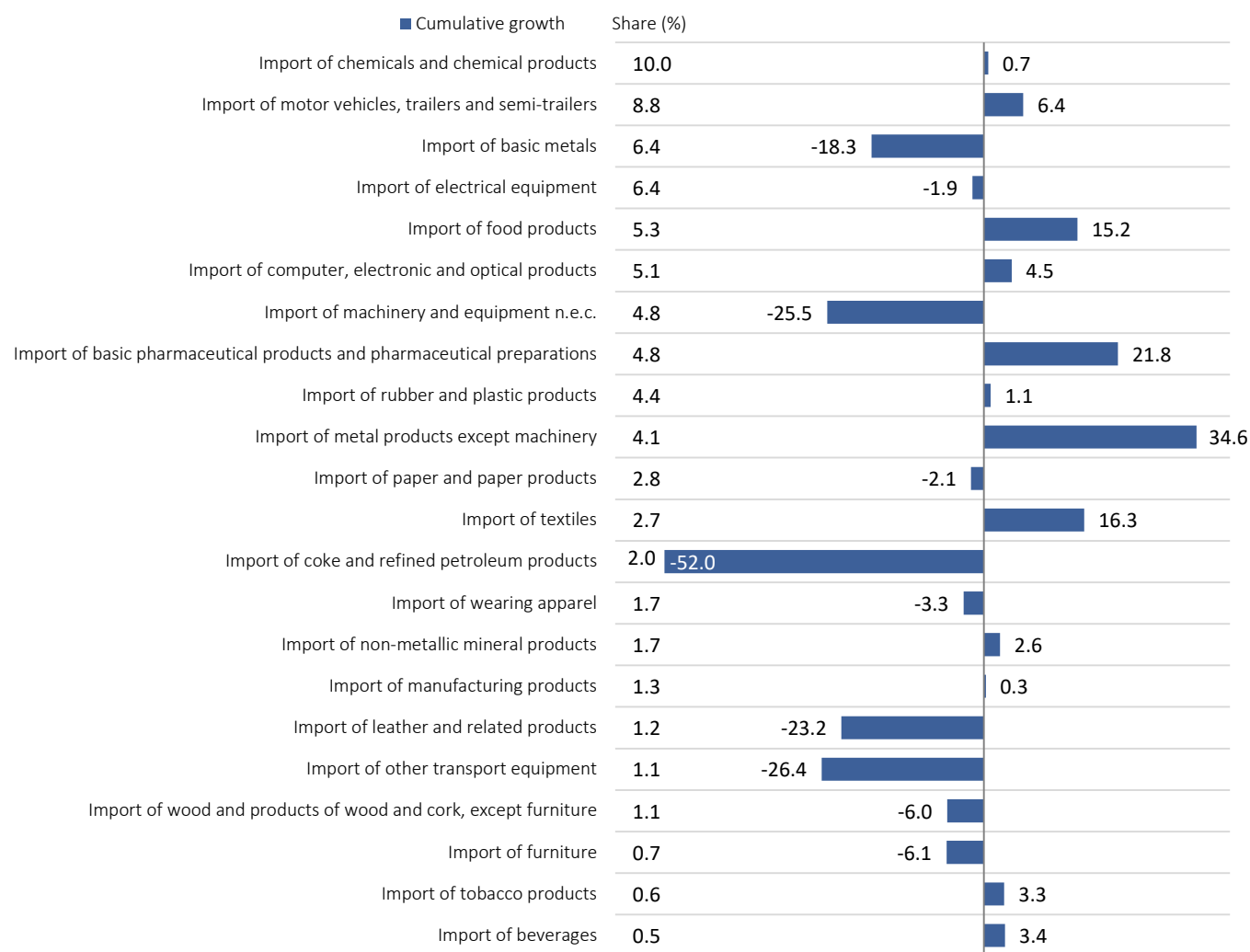|	Share (%)	Cumulative growth
Export of food products	10.6	4.4
Export of motor vehicles, trailers and semi-trailers	9.6	-22.6
Export of electrical equipment	9.6	-1.1
Export of rubber and plastic products	9.0	-7.5
Export of basic metals	7.9	-23.5
Export of machinery and equipment n.e.c.	6.3	-4.5
Export of chemicals and chemical products	6.0	0.7
Export of metal products except machinery	4.9	-11
Export of wearing apparel	3.2	-10.9
Export of furniture	3.2	-5
Export of paper and paper products	2.7	-5.6
Export of computer, electronic and optical products	2.5	56.2
Export of leather and related products	2.2	-21.2
Export of basic pharmaceutical products and pharmaceutical...	1.8	15.7
Export of coke and refined petroleum products	1.7	-20.4
Export of tobacco products	1.5	-0.9
Export of beverages	1.5	9.6
Manufacture of wood and products of wood and cork, except furniture	1.4	-12.4
Export of non-metallic mineral products	1.3	-5.5
Export of textiles	1.3	-9.4
Export of other transport equipment	1.2	12.4
Export of other manufacturing activities	1.0	-0.6
Printing and reproduction of audio and video	0.0	109.6

5. External trade

Import of manufacturing in the period January - September 2020 relative to the same period 2019 recorded decrease of 3.1%. Such result was mostly influenced by decreased import of basic metals of 18.3%, share of 6.4 %, motor vehicles and trailers, decrease of 25.5%, share of 4.8%, coke and refined petroleum products, decrease of 52.0%, share of 2.0% and leather and leather products, decrease of 23.2%, share of 1.2%.

On the other hand, import of food products noted growth of 15.2% and increased share in total imports, from 4.4% in 2019 to 5.3%, and import of metal products, machinery excluded noted growth of 34.6% and increased share in total exports from 2.9% to 4.1%.

Graph 5.8. Import of manufacturing by divisions, cumulative growth (%)
(January - September 2020 relative to the same period 2019, by descending share in total import)

	Share (%)	Cumulative growth
Import of chemicals and chemical products	10.0	0.7
Import of motor vehicles, trailers and semi-trailers	8.8	6.4
Import of basic metals	6.4	-18.3
Import of electrical equipment	6.4	-1.9
Import of food products	5.3	15.2
Import of computer, electronic and optical products	5.1	4.5
Import of machinery and equipment n.e.c.	4.8	-25.5
Import of basic pharmaceutical products and pharmaceutical preparations	4.8	21.8
Import of rubber and plastic products	4.4	1.1
Import of metal products except machinery	4.1	34.6
Import of paper and paper products	2.8	-2.1
Import of textiles	2.7	16.3
Import of coke and refined petroleum products	2.0	-52.0
Import of wearing apparel	1.7	-3.3
Import of non-metallic mineral products	1.7	2.6
Import of manufacturing products	1.3	0.3
Import of leather and related products	1.2	-23.2
Import of other transport equipment	1.1	-26.4
Import of wood and products of wood and cork, except furniture	1.1	-6.0
Import of furniture	0.7	-6.1
Import of tobacco products	0.6	3.3
Import of beverages	0.5	3.4

5.5. Agriculture, forestry and fishing (A)
(share of 7.4% in total export and 2.8% in total import)

Export in this section in the period January - September 2020 realized increase of 12.3%, as well as increased share from 6.2% to 7.4% relative to the same period 2019. The most significant division of this sector, Agriculture production, hunting and service related activities, participating with 98.7% in total export of the section, noted increase of 12.5%. Registered was cumulative increase of 13.3% in export of cereals (except rice), export of leguminous crops and oil seeds, the group that presents 65.3% of total exports of the observed period, as well as export of pome and stone fruit, with cumulative increase of 18.6% and share of 14.9%.

Import recorded increase of 1.2%, while the share in total import insignificantly increased (from 2.7% to 2.8%) relative to the same period of the previous year. Registered was increased import of citrus fruits by 40.3%, tropical and subtropical fruits by 11.9%, cereals (except rice), leguminous crops and oil seeds by 3.2% and vegetables, root and carotid plants by 1.8%. On the other hand, realized was decreased import of tobacco (by 20.9%). As these classes of CA (2010) make 65.2% 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 7.3% in total import)

The section of Mining and quarrying, with the share of 0.4% in total export noticed cumulative export decrease of 3.6% relative to the period January - September 2019. Decreased export in this section was registered in metal ores' export (1.6%) as it presents 77.1% of export of the whole section of Mining and quarrying, as well as decreased export of other mining and quarrying of 12.1% (share of 17.3%).

Import of this section (share of 7.3% in total import) recorded fall of 24.8% relative to the period January - September 2019. The greatest import decrease was noted in import of metal ores (cumulative decrease of 48.7%, share of 19.3%) and import of crude petroleum and natural gas, which make 71.4% of total section's import (cumulative decrease of 16.7%).

ⓘ 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. Domestic trade

6.1. Retail trade turnover
(Division 47 of the Classification of Activities)

Retail trade turnover in the period January – September 2020, relative to the same period 2019, increased by 4.7% at current and by 5.2% at constant prices.

Table 6.1. Retail trade turnover, quarterly indices (%)
(comparison with the same period of the previous year)

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1+ Q2+Q3+Q4[1]
Current prices	104.7	105.8	108.6	107.9	112.4	110.7	109.5	112.9	111.4	97.9	105.8	**105.5**
Constant prices[2]	103.5	103.6	105.1	105.0	109.4	108.0	108.5	111.7	110.0	100.0	106.1	**105.5**

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

Observed relative to 2019 average, after significant decrease in retail trade in April, in the following five months, better results were recorded, both at current and at constant prices. The long-term trend in the period January - September 2020 was slightly increasing and above the last year's average (by 5.5% at current, i.e. by 5.9% at constant prices).

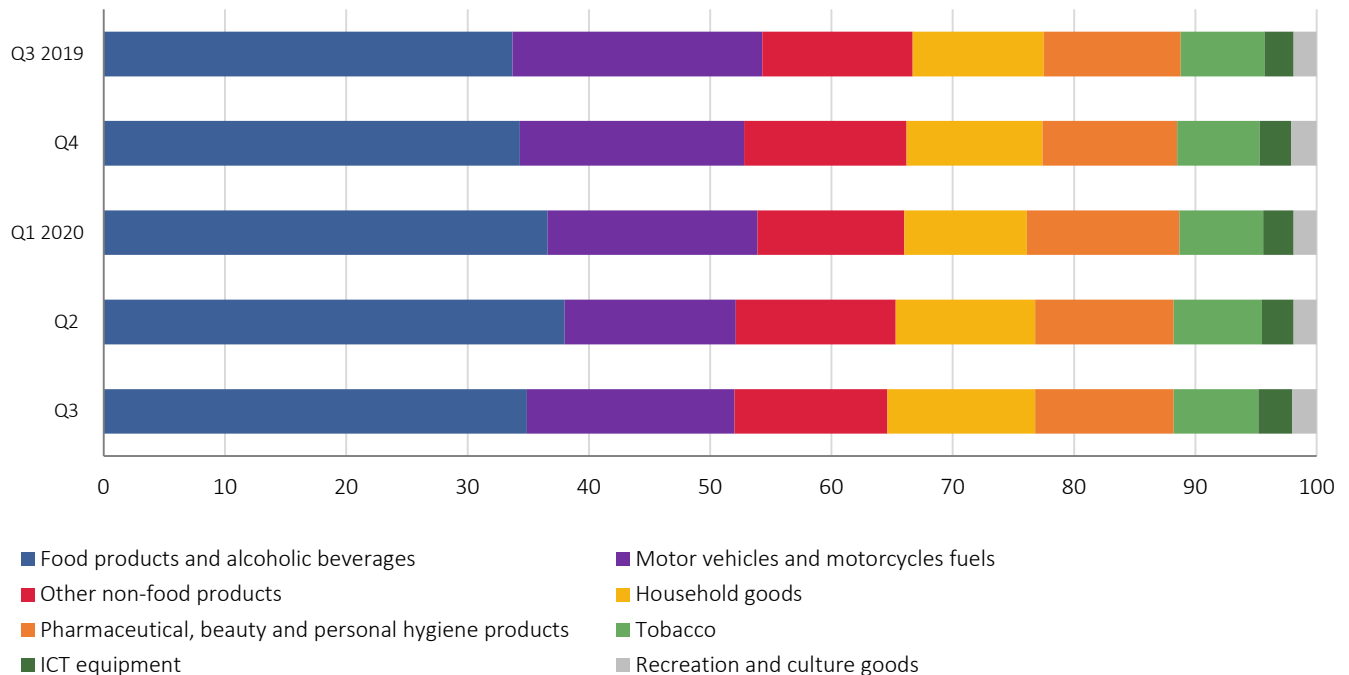Graph 6.1. Components of time series of retail trade turnover at current prices, indices
(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2019 = 100)
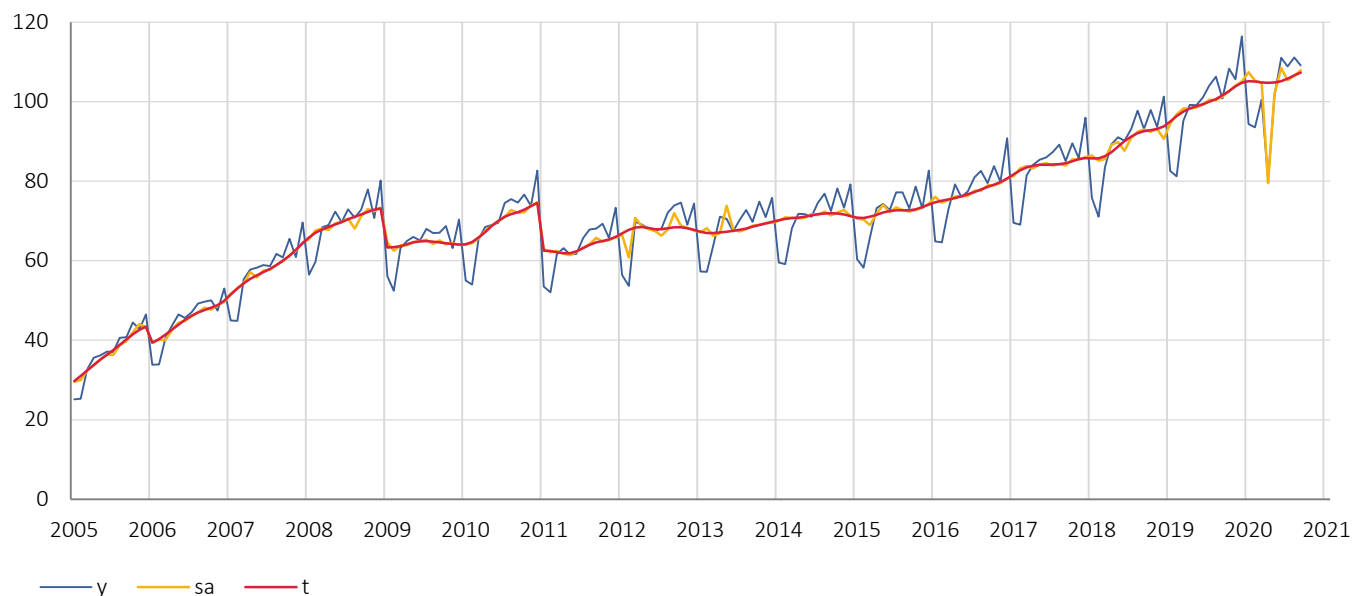
Graph 6.2. Components of time series of retail trade turnover at constant prices, indices
(y – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2019 = 100)
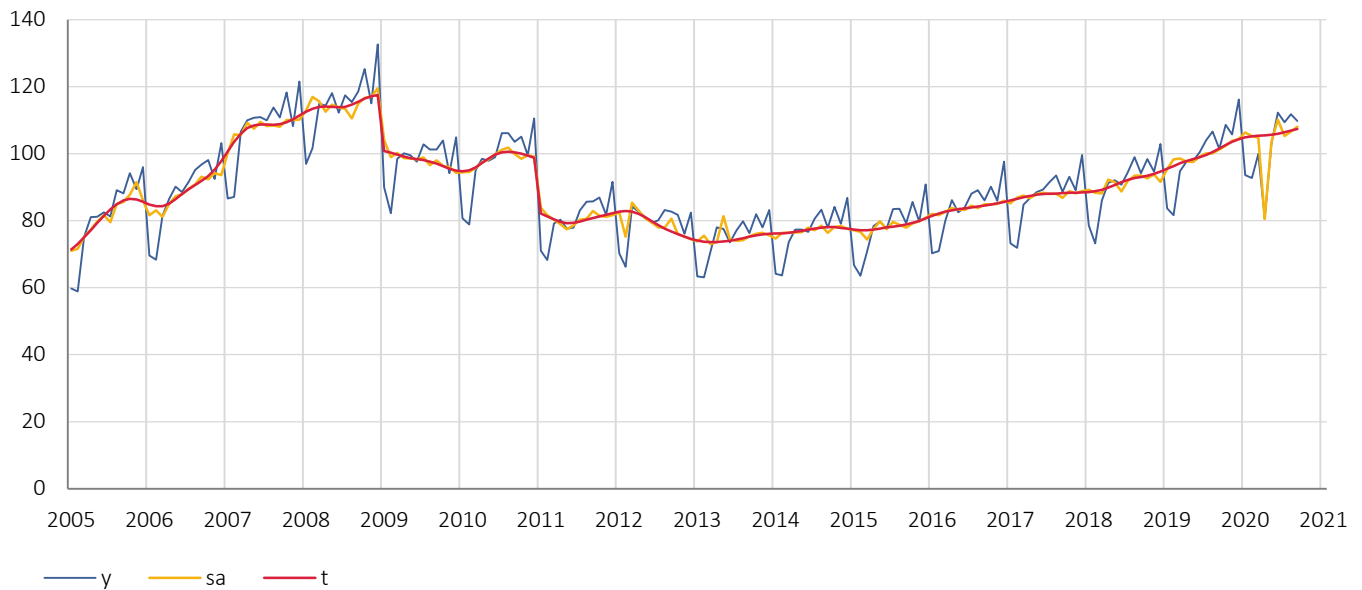
Observed by **trade divisions and commodity groups**, in the third quarter 2020, similar as in the previous quarters, in turnover structure in retail trade, the most notable were food products and alcoholic beverages (34.9%), followed by motor vehicles and motorcycles fuels (17.1%) and other non-food products (12.6%).

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

- Food products and alcoholic beverages
- Motor vehicles and motorcycles fuels
- Other non-food products
- Household goods
- Pharmaceutical, beauty and personal hygiene products
- Tobacco
- ICT equipment
- Recreation and culture goods

6. Domestic trade

6.2. Wholesale trade turnover
(Division 46 of the Classification of Activities)

Wholesale trade turnover in the period January - September 2020, compared with the same period 2019 noted decrease of 5.2% at current prices.

Table 6.2. Wholesale trade turnover, quarterly indices (%)
(comparison with the same period of the previous year)

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	104.3	110.2	111.5	107.6	107.8	104.1	103.8	107.1	101.9	86.7	96.1

Observed by **trade divisions and commodity groups**, in wholesale trade turnover, in the third quarter of 2020, the most notable were other non - food products (23.5%), followed by food products, beverages and tobacco (21.1%), pharmaceutical, beauty and personal hygiene products, as well as solid, liquid and gaseous fuels, with similar shares (14.8%, i.e. 14.7%).

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

- ■ Other non-food products
- ■ Pharmaceutical, beauty and personal hygiene products
- ■ Agricultural raw materials and live animals
- ■ Chemical products
- ■ Food products, beverages and tobacco
- ■ Solid, liquid and gaseous fuels
- ■ Machines, appliances and accessories
- ■ Household goods
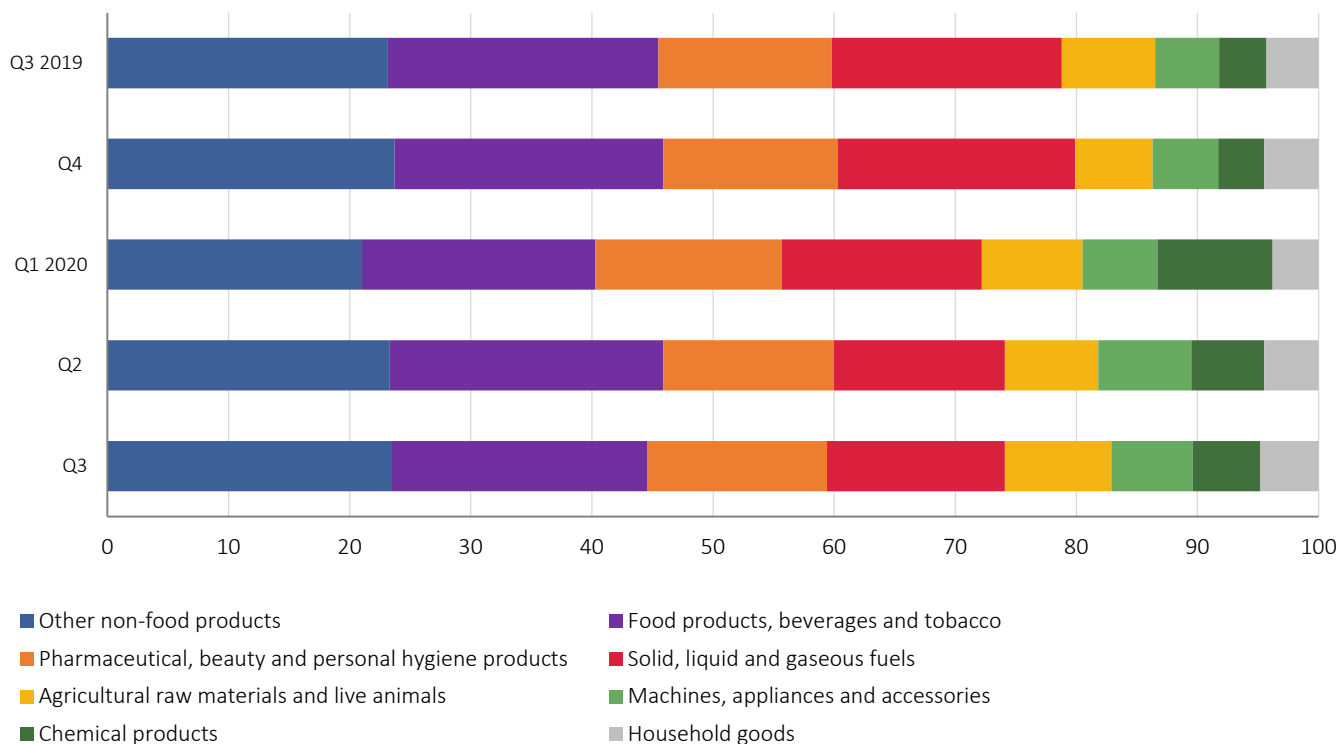
6.3. Turnover in wholesale and retail trade and motor vehicles repair
### (Division 45 of the Classification of Activities)

Turnover of goods in wholesale and retail trade and repair of motor vehicles in the period January - September 2020, relative to the same period 2019, recorded decrease of 8.2% 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)

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	104.1	108.4	113.4	112.2	113.3	111.8	108.8	111.0	95.9	77.6	104.1

Observed by **trade divisions and commodity groups,** in the third quarter 2020, relative to the second quarter 2020**,** there were no significant changes regarding the structure of wholesale and retail trade turnover and motor vehicles repair. The most notable were motor vehicles (52.8%), followed by motor vehicles parts and accessories (37.9%).

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

- ■ Motor vehicles
- ■ Motor vehicles repair
- ■ Motor vehicles parts and accessories
- ■ Motorcycles, parts, accessories and repair
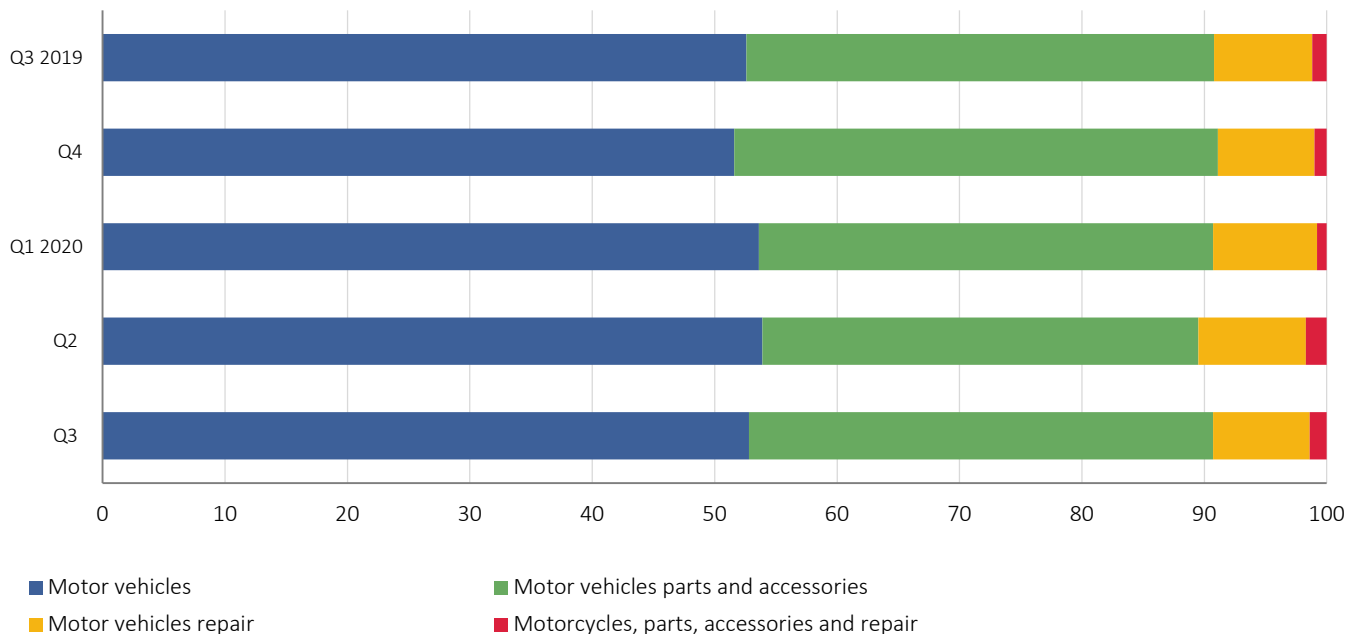
🛈 **Note:**

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.

7. Prices

In the period from January to September 2020 consumer prices saw a cumulative growth of 1.6% and year-on-year growth of 1.8% in September, being above the lower limit of the interval targeted by the National Bank of Serbia for 2020, amounting to 3% ± 1.5 p.p.

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

	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]	Q1[1]
Consumer prices (CPI)	2.4	2.3	1.3	1.4	1.8	1.0	1.9	**1.9**	**2.0**

[1] Forecast based on the leading CPI indicator.

Graph 7.1. Inflation rate measured by consumer price indices (%)
(monthly - month to the previous year; annual – month to the same month of the previous year)
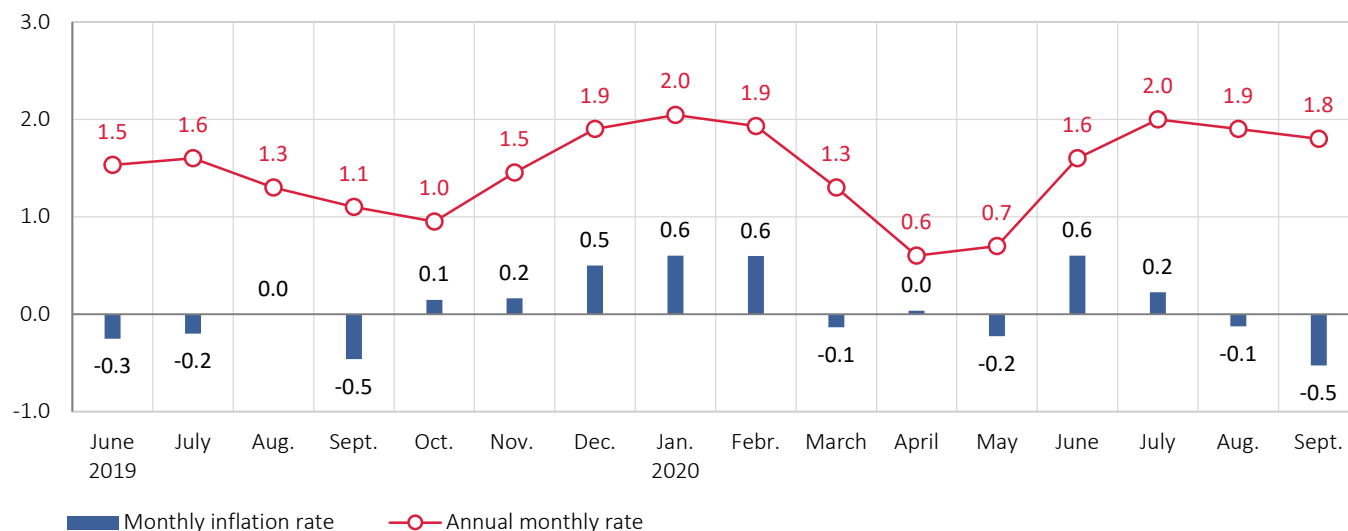
Observed **by purpose**, from the beginning of the year the largest influence on the total consumer price growth was that of prices of services and prices of processed and unprocessed food. Observed by main divisions of consumption, the largest contribution was that of prices of food, non-alcoholic beverages and alcoholic beverages and tobacco.

Graph 7.2. Structure of year-on-year consumer prices growth in 2020 by purpose and main divisions of products (p.p.)
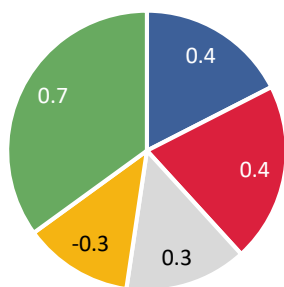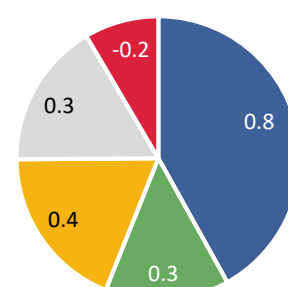
7.1. Food and non-alcoholic beverages (contributions to the year-on-year growth rate of 0.8 p.p.)

Vegetables

Graph 7.3. Retail price of potatoes, onions and cabbage, seasonally adjusted, detrended and standardized data, deviations from the average for the period (%)
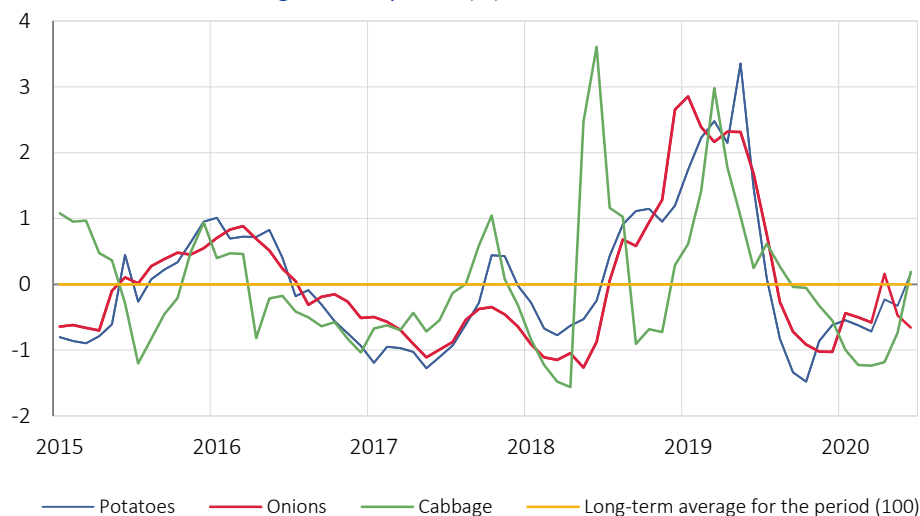

From the beginning of the year the price of vegetables, with a year-on-year fall of 6.9%, was one of the deflationary element in the total price of food.

In the structure of the fall of the price of vegetables, the largest influence was still that of the prices of cabbage (40.6%), potatoes (36.2%) and onions (27.5%). The index of producers' prices of vegetables follow completely the cyclical movement of average retail prices of vegetables, and in the reference period from January to September saw a fall of 10.4%.

Fruit

Graph 7.4. Movement of retail prices[8] of apples, lemons and oranges; seasonally adjusted, detrended and standardized data, deviations from the average for the period (%)
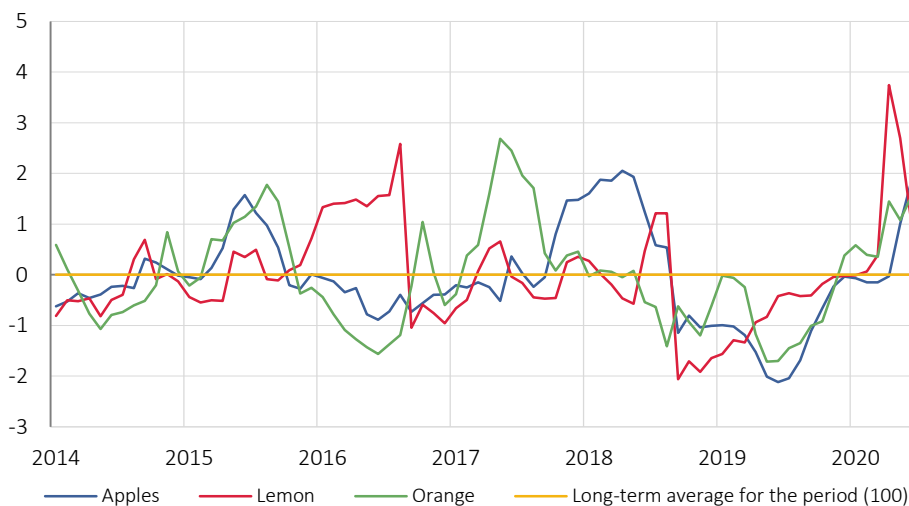

In the period from January to September 2020, the growth of the price of fruit of 14.9% (with meat) remained the most inflationary element in the total structure of food price. The largest influence on the price of fruit was by far that of apples, oranges and lemons.

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[8] Even though in the structure of the price of the total basket of fruit the largest is that of bananas, apples, nuts and oranges, the most representative indicators of the total price of fruit 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.

7. Prices

Meta

Graph 7.5. Retail price of meat (total) and pork, seasonally adjusted, detrended and standardized data, deviations from the average for the period (%)
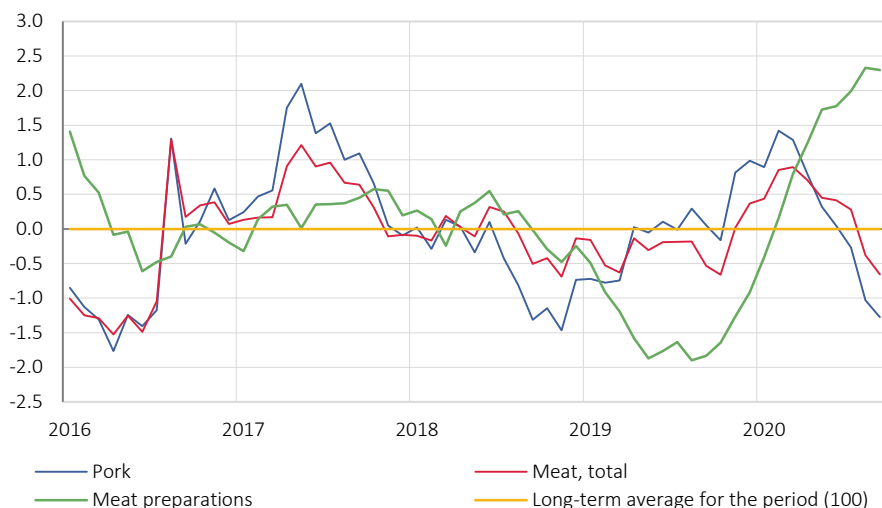
From the beginning of 2020 the cumulative growth of the price of meat (4.7%) had (with fruit) the largest positive contribution to the growth of food price. In the structure of the year-on-year growth rate of meat price in the reference period, the increase in meat preparations (primarily dried, smoked and salted meat) accounted for 51.1%, while the remnant referred mainly to the increase in pork. From mid-2020, in the structure of the growth of the influence of meat preparations has been growing higher and higher, while the share of pork have been gradually decreasing.

7.2. Alcoholic beverages and tobacco (contribution of the year-on-year growth rate of 0.4 p.p.)

The movement of the price of the division of products alcoholic beverages and tobacco is dominantly determined by the price of tobacco[9].

Government levies since 1st January 2020 in the price of one pack of cigarettes increased by 1.5 dinars and amounted to RSD 75.2. The cumulative growth in the reference period from January to September 2020 amounted to 7.4% and accounted for 23.0% of the year-on-year annual growth of total consumer prices.

Table 7.2. Tax structure of the contribution of the year-on-year growth rate for tobacco

|		2018				2019				2020		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Tobacco price, growth rate (%)		7.2	8.6	8.2	8.2	8.0	7.9	6.9	7.6	7.4	7.3	7.7
Contribution to the annual tobacco growth rate (p.p.)	**Fiscal levies**	5.1	6.1	5.9	5.9	5.7	5.4	4.8	5.2	5.0	5.0	5.1
	Specific excise	1.3	1.5	1.5	1.5	1.4	1.2	1.1	1.1	1.1	1.1	1.1
	Proportional excise (33%)	2.4	2.9	2.7	2.7	2.7	2.6	2.3	2.5	2.5	2.4	2.6
	VAT (20%)	1.4	1.7	1.6	1.6	1.6	1.6	1.4	1.5	1.5	1.5	1.5
	Other levies (merchant margins and producers' costs)	2.1	2.5	2.3	2.3	2.3	2.5	2.1	2.4	2.3	2.3	2.5

[9] Tobacco price is a result of a harmonized excise policy according to which, in line with the excise calendar 2018–2020, every January and June a specific excise on cigarettes increases by 1.5 dinars, with the added and proportional excise of 33% on cigarettes and added VAAT of 20%.

Table 7.2. Fiscal structure of the contribution to the year-on-year growth rate for tobacco (continued)

		2018				2019				2020		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Ratio of fiscal to other levies		2.5	2.5	2.5	2.5	2.4	2.1	2.3	2.1	2.1	2.1	2.0
Share in the annual growth rate of tobacco price	Fiscal levies, %	71.5	71.2	71.4	71.4	70.9	68.2	69.6	68.2	68.2	68.2	67.2
	Othe levies, %	28.5	28.8	28.6	28.6	29.1	31.8	30.4	31.8	31.8	31.8	32.8

7.3. Housing, water, electricity, gas and other fuels (contribution to the year-on-year growth rate of 0.3 p.p.)

Graph 7.6. Movement of the prices of electricity for households and of producers' prices of the section of Electricity, gas, steam and air conditioning supply, detrended and standardized data, deviations from the average for the period (%)

Electricity, gas, steam and air conditioning supply
Electricity for households
Long-term average for the period (100)
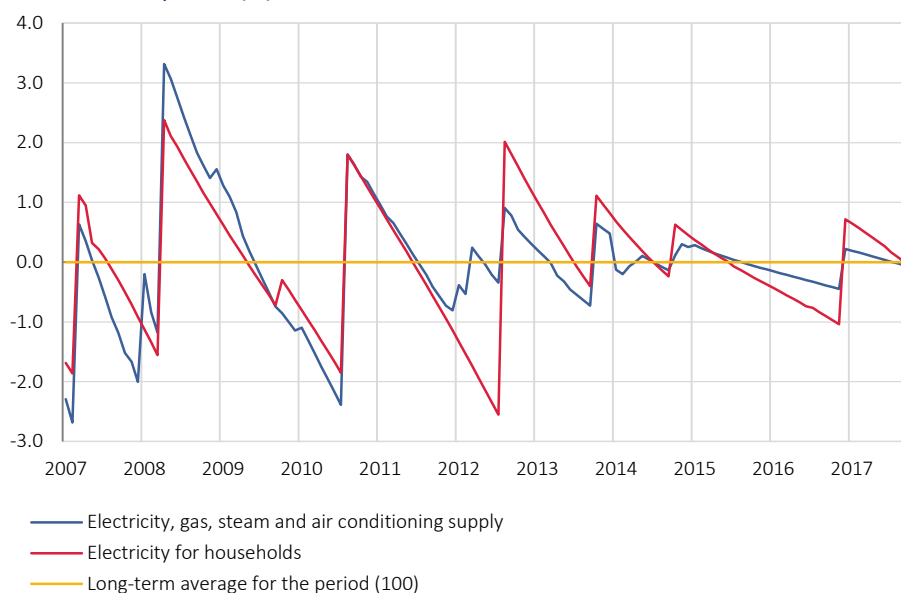
The total growth of the prices of Housing, water, electricity, gas and other fuels in the reference period, from January to September 2020, amounted to 2.3%.
The main factor of growth of this group of services was the increase in electricity (from December 2019), which accounted for 63.4% of the growth in the structure of this group from the beginning of the year.
The cumulative growth of electricity price amounted to 4.1%.

8. Labour market

In Serbia in the third quarter of 2020 there were 2.9 million persons employed, 292 thousand persons unemployed, and 2.7 million inactive persons aged over 15[10].

The unemployment rate amounted to 9% and, when compared with the second quarter of 2020, it increased by 1.8 p.p, the number of unemployed persons being smaller by 69.2 thousand. At the same time, the number of inactive persons fell by 169.1 thousand.

The unemployment rate, when compared with the second quarter of 2020, saw a growth in all the regions: in Region Vojvodine from 6% to 7.2%, in Beogradski region from 6.1% to 7.8%, in Region Šumadije i Zapadne Srbije from 7.8% to 9.7% and Region Južne i Istočne Srbije from 9.6% to 12%.

The COVID-19 pandemic influence is obvious through the movement of the rates of employment, unemployment, activity and inactivity. In this quarter, except for the inactivity rate, an increase in all the remaining indicators was recorded. The number of inactive persons was 2.7 million, while the inactivity rate was 45.2% and represented a decrease of 2.8 p.p. relative to the same quarter of the previous year.

Graph 8.1. Movement of the employment and unemployment rates of persons aged 15 and over (%)
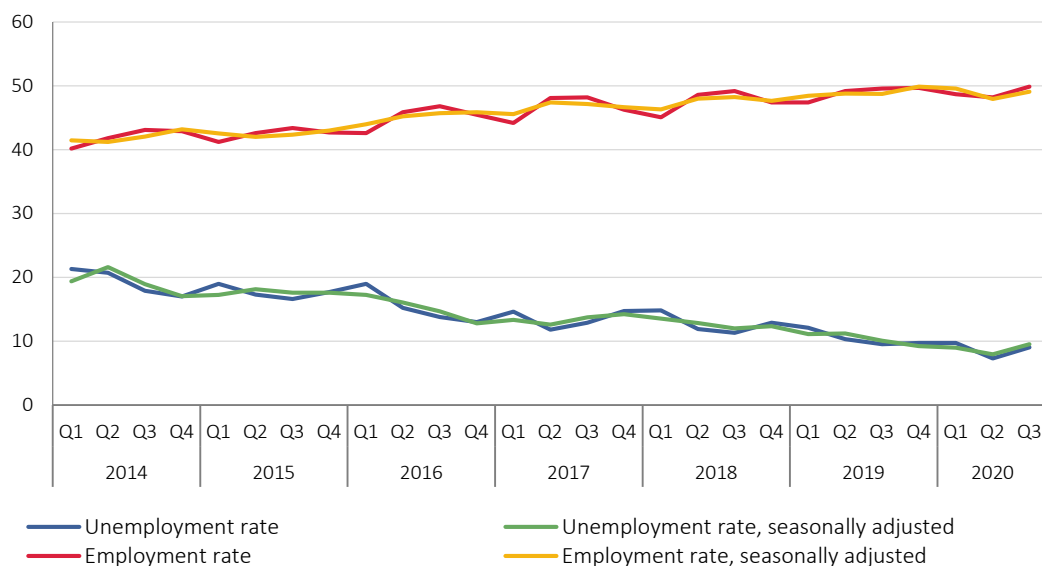
The unemployment rate in the third quarter of 2020 amounted to 9%, and after eliminating the seasonal component to 8%

In the same period, the employment rate amounted to 49.9%, and after eliminating the seasonal component to 49.1%.

Legend:
- Unemployment rate
- Unemployment rate, seasonally adjusted
- Employment rate
- Employment rate, seasonally adjusted

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

|	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Activity rate (%)	53.9	54.8	54.8	55.0	54.0	52.0	54.8
Seasonally adjusted values	54.4	54.7	54.3	54.8	54.8	51.9	54.3
Employment rate (%)	47.4	49.2	49.6	49.7	48.7	48.2	49.9
Seasonally adjusted values	48.5	48.8	48.8	49.9	49.6	48.0	49.1
Unemployment rate (%)	12.1	10.3	9.5	9.7	9.7	7.3	9.0
Seasonally adjusted values	12.4	11.1	11.2	10.1	9.2	8.9	8.0

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[10] According to the Labour Market Survey.

Table 8.2. Labour market - persons aged 15 and over

	Current quarter	Previous quarter		The same quarter of the previous year	
	Q3 2020 (in thous.)	Q2 2020 (in thous.)	Change (%)	Q3 2019 (in thous.)	Change (%)
Unemployment	292.0	222.9	31.0	308.4	-5.3
Employment	2936.6	2 844.2	3.2	2938.7	-0.1
	%	%	Change, p.p.	%	Change p.p.
Unemployment rate	9.0	7.3	1.8	9.5	-0.5
Employment rate	49.9	48.2	1.6	49.6	0.3

Observed by sections, the largest number of employees in the third quarter of 2020 was recorded in Services (56.8%), in Manufacturing (22.5%) and Agriculture (14.9%), and the lowest in Construction (5.9%). When compared with the previous quarter, the largest fall of the share of employees was in Services (from 57.6% to 56.8%), while an increase in the share of employees was registered in Construction (from 5.5% to 5.9%) and Agriculture, forestry and fisheries (from 14.4% to 14.9%), what was to be expected if bearing in mind that the third quarter is typical for seasonal increase in agricultural and construction works.

In the year-on-year frequency (Quarter III 2019 - Quarter III 2020), the largest fall of the share of employees was recorded in the section Agriculture, forestry and fisheries (from 16.6% to 14.9%), in contrast to the section Construction that saw an increase (from 4.8% to 5.9%).

Graph 8.2. Share of employees by sections (%)
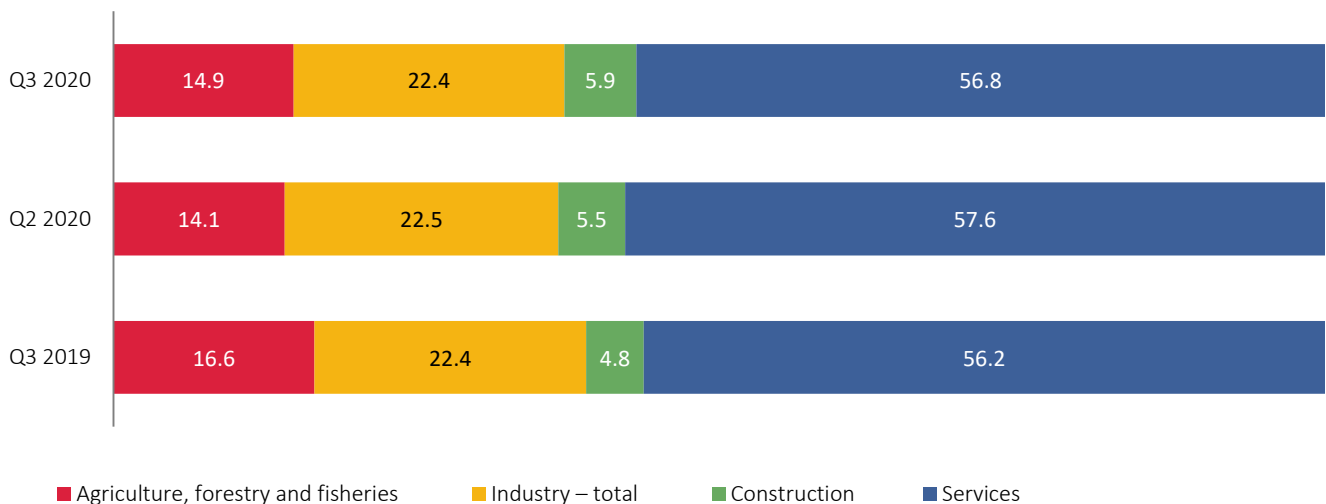
Even though fluctuating and under the influence of seasonal trends, labour market indicators in this quarter showed an increasing tendency in employment, unemployment, but also a decrease in inactivity. The COVID-19 pandemic contributed significantly to such atypical movements of the previously defined indicators.

8. Labour market

Graph 8.3. Labour market – major indicators for the previous quarter, the same quarter of the previous
year and current quarter (%)
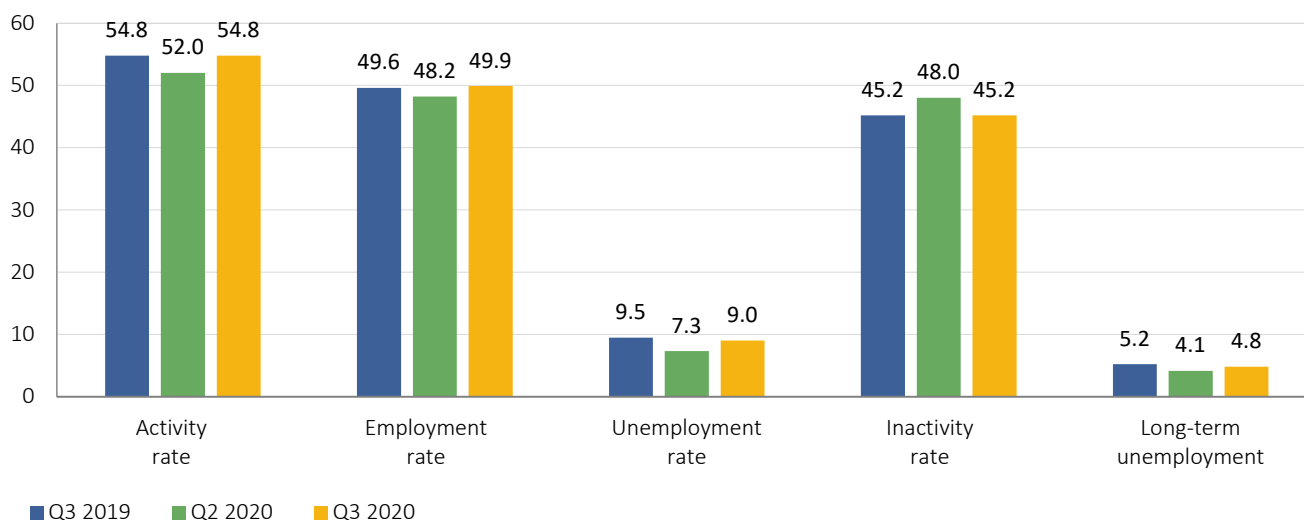
8.1. Influence of the COVID-19 pandemic on the labour market

When compared with the second quarter of 2020, labour market saw a fall of the number of inactive persons (-6%) in the third quarter, due to the increase in both the number of employed persons (3.2%) and unemployed ones (31%). This increase in the number of unemployed persons in the third quarter to the second quarter of 2020 is a result of the passage, i.e. "return" of persons from the contingent of inactive to the contingent of unemployed persons. Namely, in the second quarter of 2020, individuals who were not able to seek work or did not have the possibility to start working on account of prevention of virus dispersion are not considered unemployed (according to the ILO concept) but inactive persons.

> According to the definition o the International Labour Organization, unemployed persons are persons who did not perform any paid job in the reference week, actively sought employment during four weeks and who were able to start working within two weeks after the end of the reference week.

Also, the inactivity rate recorded a fall of 2.8 p.p, when compared with the previous quarter (Chart 8.3), while growth was registered in the other rates.

In accordance with the Eurostat recommendations, a number of indicators are used to obtain a precise picture of the influence of the COVID-19 pandemic on the labour market. These indicators comprise:

1) Labour market slack, which represents the share of: 1) unemployed persons; 2) employed persons working part-time, and wanting to work more; 3) those who seek employment, but not able work and 4) those who are able to work, but do not seek employment, in the extended labour force, the latter including all the employed, unemployed and potential labour force (those who are able to work, but do not seek employment and those who seek employment, but are unable to start working).

The indicator shows a disproportion between the offer and demand on the labour market, and in circumstances of normal economic development is stable. Usually it grows when the labour market suffers socio-economic shocks. Concretely, in Q3 2020 there was a labour market slack of 18.7%, and compared with the same period of the previous year it is lower by 0.1 p.p., and in contrast to the second quarter of 2020 by 1.2 p.p, suggesting that the so-called unmet need for employment was back on the level prior to the crisis caused by the pandemic.

2) The absence of work is measured by the share of the employed who are absent from work in the total number of the employed. In the third quarter of 2020, 6.2% of employees were absent from work, which is by 5.4 p.p. less than in the second quarter of 2020, and by 2.8 p.p. less than in the same period of the previous year.

3) Remote work, measured by the share of the number of remote employees in the total number of employees amounted to 9.3% in the third quarter, by 2.8 p.p. less than in the second quarter of 2020, and by 1.9 p.p. more than in the same period of the previous year.

8.2. Comparison with the same quarter of the previous year

When compared with the same quarter of the previous year, the number of the unemployed decreased by 5.3% (from 308.4 thousand to 292 thousand). At the same time, the number of employed persons fell by only 0.1% (from 2 938.7 in the third quarter of 2019 to 2 936.6 in the third quarter of 2020).

The youth unemployment rate (aged from 15 to 24) in the third quarter of 2020 amounted to 26.5%, by 0.5 p.p. higher than in the third quarter of 2019, when it amounted to 26%. The highest youth unemployment rate was recorded in Region Južne i Istočne Srbije (32.6%), and the lowest in Region Vojvodine (20.2%)

The long-term unemployment rate (share of persons unemployed more than one year in the active population aged 15 and over) amounted to 4.8%, by 0.4 pp. less than in the third quarter of 2019 (when it was 5.2%).

Observed by sex , in the third quarter of 2020, unemployment rates of 9.4% for women and 8.8% for men were registered. Compared with the same quarter of 2019, the unemployment rate was lower by 1.4 p.p. for women, and higher by 0.3 p.p. for men. Observed by region, the unemployment rate for men grew in almost all the regions: in Beogradski region, from 6.8% to 8.1%, Region Vojvodine, from 6.6% to 7.4%, Region Južne i Istočne Srbije, from 10.8% to 12.3%, with the exception of Region Šumadije i Zapadne Srbije which saw a fall from 9.9% to 8%.

In contrast with men, the unemployment rate for women saw a fall in almost all the regions: in Beogradski region, from 8.5% to 7.4%, Region Vojvodine, from 10.3% to 7%, Region Južne i Istočne Srbije, from 13.5% to 11.6%, with the exception of Region Šumadije i Zapadne Srbije where a growth was recorded from 11.4% to 11.9%.

Observed by professional status, compared with the same quarter of 2019, the number in the category of self-employed persons fell by -2.2%, while contributing family members and the employed saw an increase in the number of the employed of 4.7% and 0.3%, respectively.

Table 8.3. Employment by professional status, comparison Q3 2019 – Q3 2020

	Q3 2019 (in thous.)	Q3 2020 (in thous.)	Change (%)
Employed persons – total	2 938.7	2 936.6	-0.1
Self-employed	678.8	664.1	-2.2
Employed	2 124.9	2 131.3	0.3
Contributing family members	134.9	141.2	4.7

8. Labour market

8.3. Comparison with the previous quarter

When compared with the second quarter of 2020, the number of unemployed persons grew by 69.2 thousand and the number of employed persons by 92.4 thousand persons.

The youth unemployment rate (aged from 15 to 24) in the third quarter of 2020 amounted to 26.5%, by 5.8 p.p. more than in the second quarter or 2020. Long-term unemployment rate amounted to 4.8%, by 0.7 p.p. higher than in the second quarter of 2020, when it was 4.1%

Observed by sex, the unemployment rate in the third quarter of 2020 recorded an equal growth for both sexes, by 1.8 p.p. Relative to the second quarter of 2020. The unemployment rate among men increased in all regions: in Beogradski Region, from 6.2% to 8.1%, in Region Vojvodine, from 6.3% to 7.4%, in Region Šumadije i Zapadne Srbije, from 7.2% to 8% and in Region Južne i Istočne Srbije, from 8.5% to 12.3%

Among women the unemployment rate shows the same trends and increased in all regions: in Beogradski region, from 5.9% to 7.4%, in Region Vojvodine, from 5.6% to 7%, in Region Šumadije i Zapadne Srbije, from 8.4% to 11.9%, and in Region Južne Srbije i Istočne Srbije, from 11% to 11.6%.

Observed by professional status, when compared with the previous quarter, the number of employed persons grew in all categories, but the most in contributing family members, by 19.5%, the self-employed, by 3.1% and the employed, by 2.4%.

Table 8.4. Employment by professional status, comparison Q2 2020 – Q3 2020.

	Q2 2020 (in thous.)	Q3 2020 (in thous.)	Change (%)
Employed persons – total	**2 844.2**	**2 936.6**	**3.2**
Self-employed	643.9	664.1	3.1
Employed	2 082.1	2 131.3	2.4
Contributing family members	118.2	141.2	19.5

ℹ **Glossary**

Active population (labour force) comprises all employed and unemployed persons aged 15 and 24.

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.

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.

Inactive population comprises all persons aged 15 and more who are classified in the employed or unemployed population. Inactive persons include students, retired persons, houseworkers, as well as all persons who did not perform any paid job, did not actively seek employment or were not able to start working within two weeks after the end of the reference week.

Activity rate is the share of active population in the total population 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.

Long-term unemployment is the share of persons being unemployed more than a year in the labour force (the employed and unemployed) aged 15 and over.

Inactivity rate is the percentage of inactive 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 third quarter of 2020 amounted to 59 412 dinars. Compared with the same period of the previous year, they were nominally up by 9.4%, and by 7.4% in real terms.

Compared with the previous quarter, i.e. second quarter of 2020, they were nominally up by 0.4%, and in real terms by 0.1%.

For the first nine months of 2020, the average net salaries and wages amounted to 59 286 dinars and, compared with the same period of the previous year, they were up by 9.4%, and by 7.7% in real terms.

Table 9.1. Net salaries and wages - real and nominal 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	Q2	Q3
Real indices	101.1	100.8	100.9	100.1	103.8	104.6	104.2	105.3	106.9	107.6	109.5	100.4	108.3	107.4	107.4
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	110.3	108.5	109.4

Graph 9.1. Net salaries and wages, movement of nominal and real indices
(average 2017 = 100)
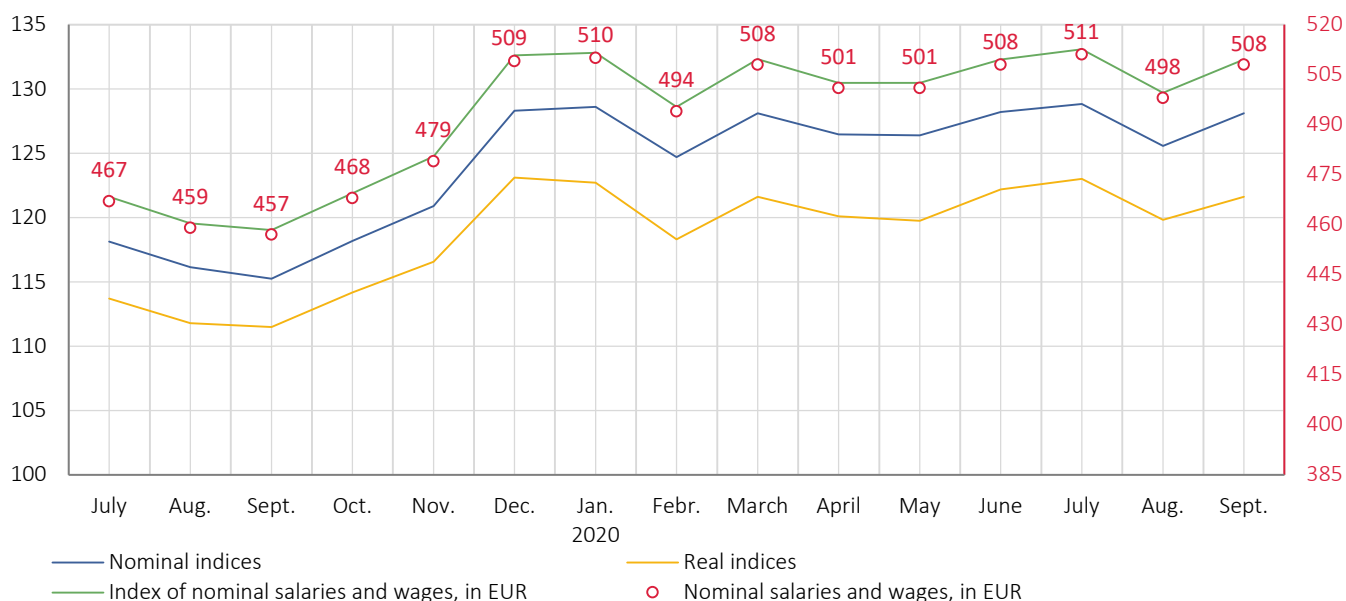
In the one-year period backwards, nominal salaries and wages followed the real economy and budget, adapting themselves at the same time to trade indicators, i.e. offer and demand for labour force. After having exceeded for the first time EUR 400 in December 2017, average net salaries and wages were during the whole 2019 above EUR 450. In July 2020, they reached EU 511, which was at the same time the highest value recorded in the observed period.

9. Salaries and wages

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

Legend: Public sector ■ | Outside the public sector □ | Total —
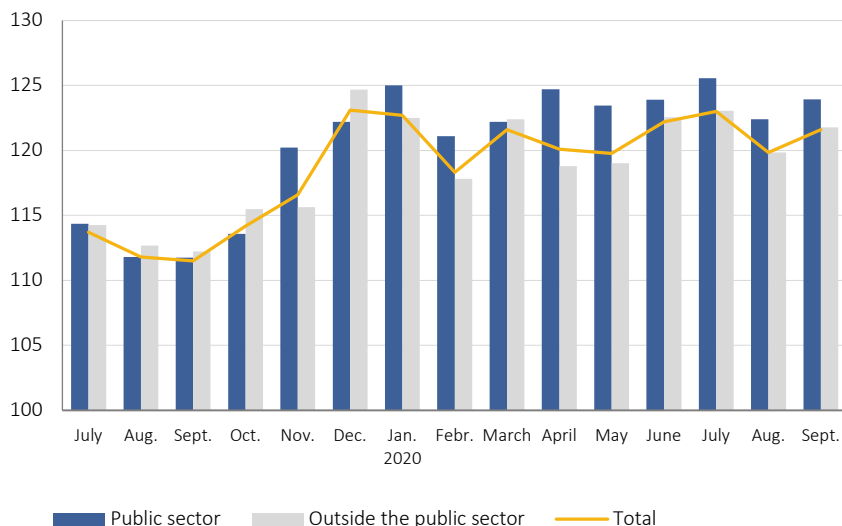
Average net salaries and wages for the third quarter of 2020 amounted to 67 433 dinars in the public sector and outside it to 55 942 dinars.

The ratio of movements of salaries and wages in and outside the public sector was unchanged for a long period of time because a successive growth of salaries and wages in the public sector led to their increase also outside the public sector, which resulted in the increase in total salaries and wages. The policy of managing salaries and wages in the public sector proved this way to be a trigger of impulse of internal demand and a regulator of fluctuations on the labour market. Since the beginning of 2020, salaries and wages in the public sector have been at a higher level than those outside it.

Graph 9.3. Average net salaries and wages, by employee in the public sector
(January-September 2020)

Public sector - total	RSD 67 345
Public government enterprises	RSD 80 129
Public local enterprises	RSD 59 175
Administration – all levels	RSD 70 530
Government level	RSD 73 383
Autonomous Province level	RSD 76 450
Local authorities level	RSD 56 194
Health and social work	RSD 64 741
Education and culture	RSD 62 522

When comparing net salaries and wages by CA (2010), one notices that the largest real growth in a period of nine months of 2020, compared with the same period of 2019, was realized in the sections Information and communications (19.1%), Human health and social work activities (15.5%), Water supply; sewerage, waste management and remediation activities (12.6%) and Administrative and support service activities (9.8%).
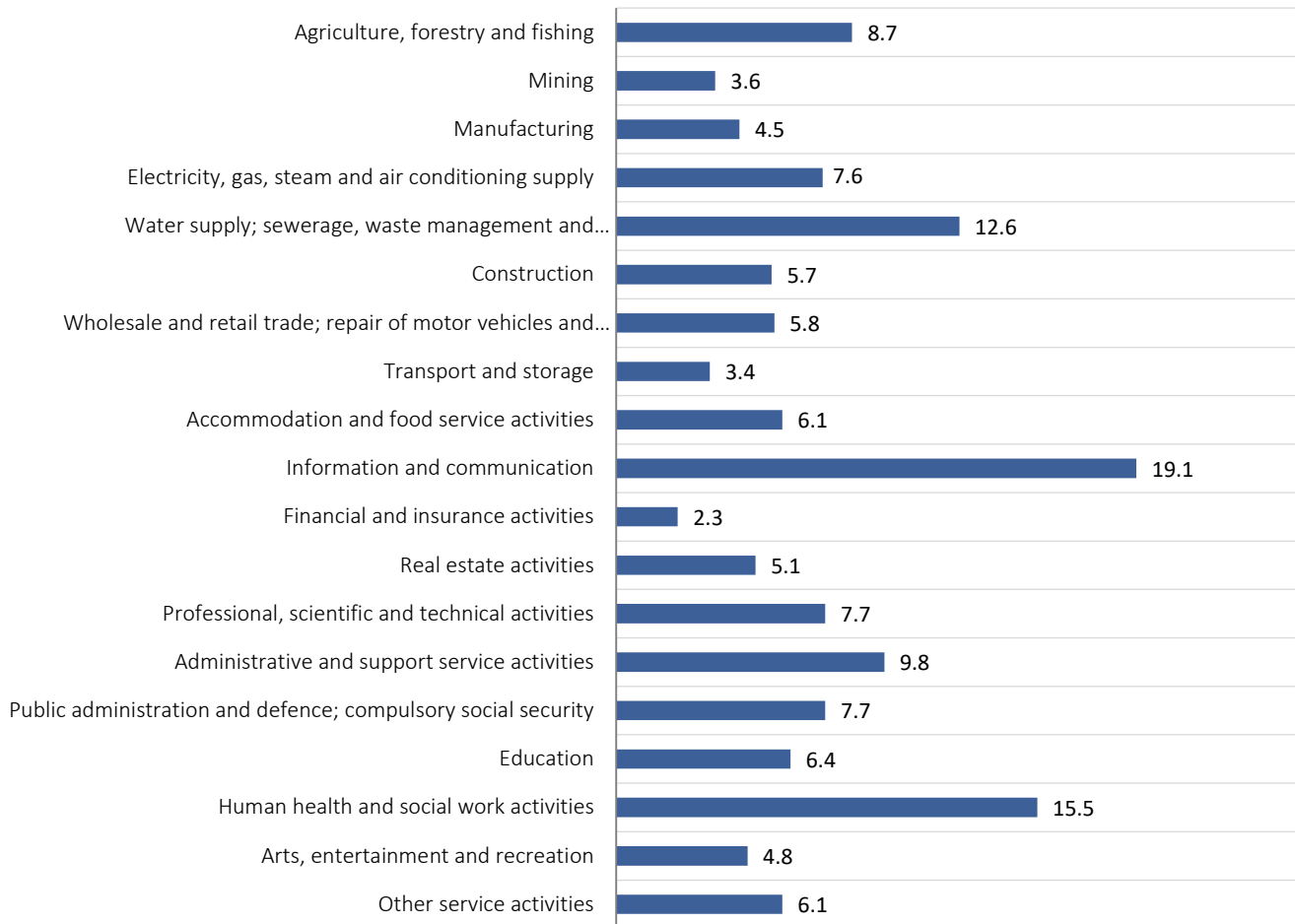
The highest net salaries and wages over January-September 2020 was recorded in the following divisions: Air transport (156 493 dinars), Computer programming and consultancy activities (154 871), Manufacture of tobacco products (131 063), Extraction of crude petroleum and natural gas (121 042) and Scientific research and development activities (116 212).

In all other divisions salaries and wages ranged from 34 446 dinars (Food and beverages service activities) to 112 739 dinars (Financial service, except insurance and pension funds).

Observed by regions, the highest average net salaries and wages over January-September 2020 were paid in Beogradski region, RSD 73 271. In Region Vojvodine salaries and wages totaled RSD 56 372, in Region Južne i Istočne Srbije, RSD 52 224, and in Region Šumadije i Zapadne Srbije, RSD 50 468.

Graph 9.4. Movement of real salaries and wages by CA (2010) sections
(January-September 2020 to the same period of 2019)

Section	Value
Agriculture, forestry and fishing	8.7
Mining	3.6
Manufacturing	4.5
Electricity, gas, steam and air conditioning supply	7.6
Water supply; sewerage, waste management and…	12.6
Construction	5.7
Wholesale and retail trade; repair of motor vehicles and…	5.8
Transport and storage	3.4
Accommodation and food service activities	6.1
Information and communication	19.1
Financial and insurance activities	2.3
Real estate activities	5.1
Professional, scientific and technical activities	7.7
Administrative and support service activities	9.8
Public administration and defence; compulsory social security	7.7
Education	6.4
Human health and social work activities	15.5
Arts, entertainment and recreation	4.8
Other service activities	6.1

10. Tourism

From the middle of 2014 to 2019, tourist activity in Serbia recorded a stable growth. However, this positive trend did not continue in 2020, when due to COVID-19 pandemic, the tourist activity saw a fall.
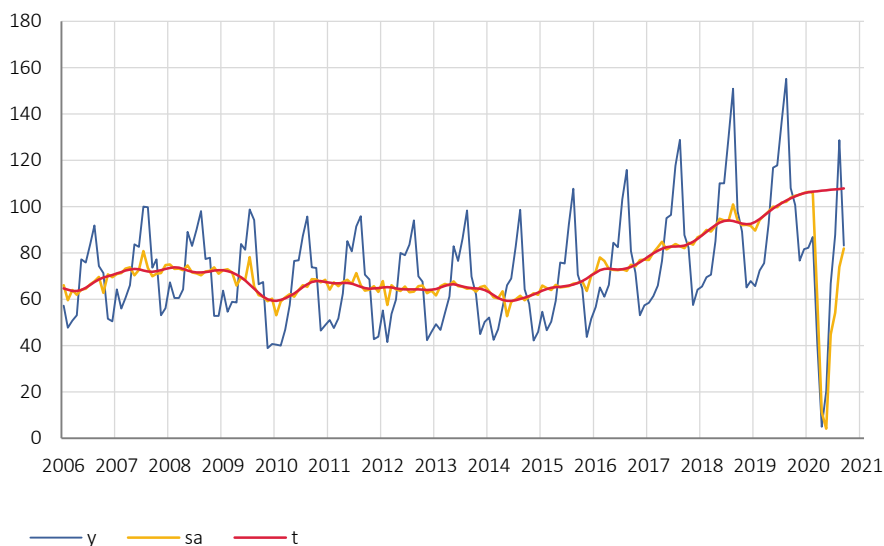
10.1. Tourist overnight stays

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, which lasted till March 2020. At that time, due to the COVID-19 pandemic flights were forbidden, accommodation booking were canceled and the activity in the tourist sector recorded general fall.

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. Components of the time series of tourist overnight stays, indices
(y – original series, sa – series with seasonal component excluded,
t – trend-cycle component, average 2019 = 100)

Over January-September 2020 there were 5.1 million overnight stays, by 36% less than in the same period of the previous year.

After a growth in January and February, tourist activity has recorded bad results. The most important year-on-year decrease of 94.6% was registered in April, while in later months there were somehow more overnight stays, but still considerably less than in the same period of the previous year (in July, August and September there was a year-on-year fall of 35.9%, 17.1% and 22.9%, respectively).

Graph 10.2. Component of the time series of domestic tourist overnight stays, indices
(y – original series, sa – series with seasonal component excluded,
t – trend-cycle component, average 2019 = 100)
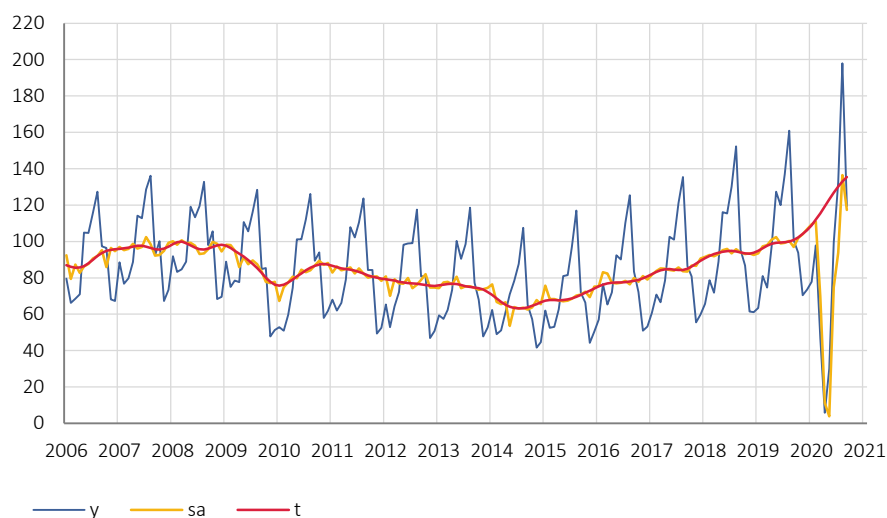
Over January-September 2020, domestic tourists spent 4.1 million nights, by 16% less than in the same period of the previous year.

This group of tourist represents the majority of visitors in Serbia, i.e. 80.8% of the total number of overnight stays. It is expected that due to difficult international transport that the largest portion of tourist activities is to be realized by domestic tourist in the next period.

In the third quarter of 2020 the number of domestic tourist overnight stays was by 13% larger than in the same quarter of the previous year.

Graph 10.3. Component of the time series of foreign tourist overnight stays, indices
(y – original series, sa – series with seasonal component excluded,
t – trend-cycle component, average 2019 = 100)
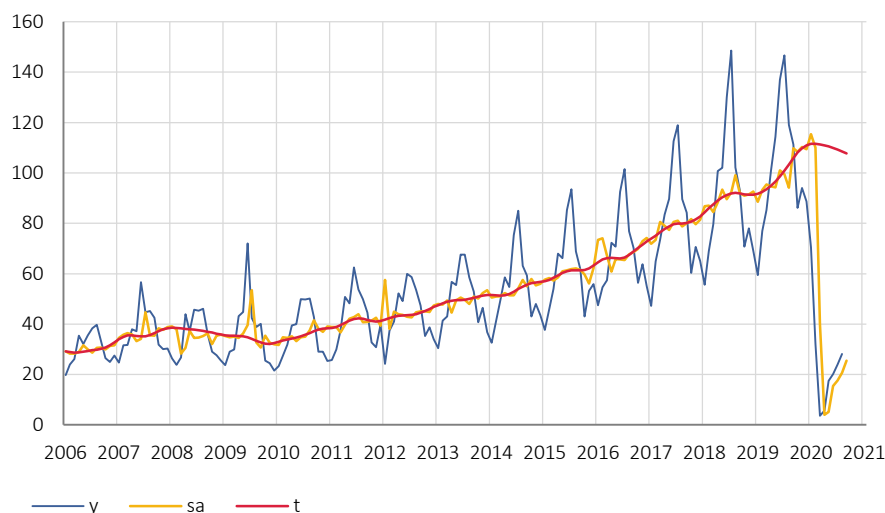
The trend of growth of foreign tourist overnight stays, started at the beginning of 2000, did not continue in 2020 due to the COVID-19 pandemic. Over January-September there were about 970 nights spent, by 68% relative to the same period of the previous year.

After extremely bad results in the second quarter of 2020, when the number of foreign tourist overnight stays to the same period of 2019 was down by 91.1%, in the third quarter the number of foreign overnights stays was slightly larger (241 565), by 82,1% less than in the same period of 2019.

Table 10.1. Tourist overnight stays, quarterly indices (%)
(comparison with the same period of the previous year)

|	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total	110.7	113.9	113.4	109.1	103.9	107.2	105.6	116.6	98.3	28.1	74.9
Domestic tourists	109.2	113.6	110.2	106.7	101.3	107.6	105.4	113.6	101.5	39.3	113.0
Foreign tourists	113.5	114.5	118.6	112.3	108.3	106.4	105.8	120.6	93.2	8.9	17.9

10. Tourism

10.2. Major tourist resorts

Expressed in number of tourist overnight stays, the most frequently visited tourist resorts over January - September 2020 were spa resorts, with about 1.8 million nights spent, accounting for 36.4%% of total overnight stays in the Republic of Serbia, of which 1.2 million nights were spent in Vrnjačka Banja and Sokobanja. Spa visitors were mostly domestic tourists (95%).

According to the frequency of visits to tourist resorts, mountain resorts and other tourist resorts are the next most visited destinations with about 1 528 i.e. 807 thousand overnights stays. Mountain resorts were mostly visited by domestic tourists (87.4% of the total number of overnight stays). the most visited were Zlatibor (about 478 thousand overnight stays) and Kopaonik (about 394 overnight stays).

Graph 10.4. Tourist overnight stays by selected tourist resorts, January-September 2020
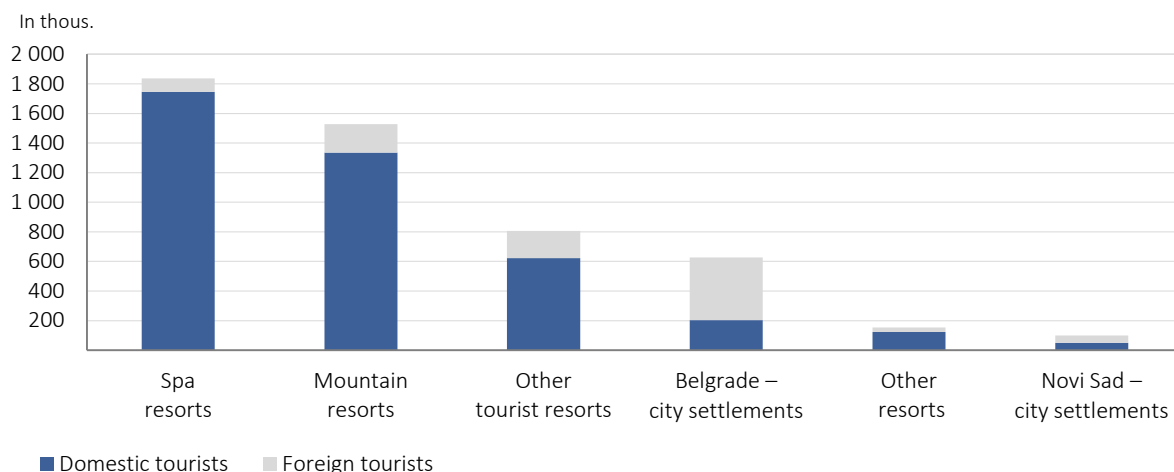
10.3.Country of origin of foreign tourists

Over January-September 2020, foreign tourists from about fifty different countries visited Serbia.

Most nights were spent by visitors from Turkey, Russian Federation, Romania, Montenegro, China, North Macedonia and Croatia. The visitors from these countries spent 42.9% nights of the total number of foreign tourist overnight stays in the first nine months of 2020.

Graph 10.5. Foreign tourist overnight stays by countries they came from, January-September 2020
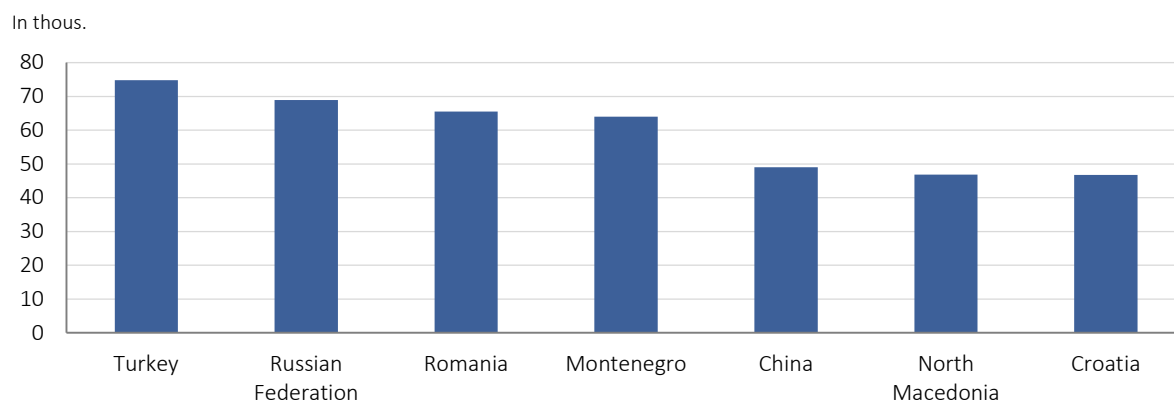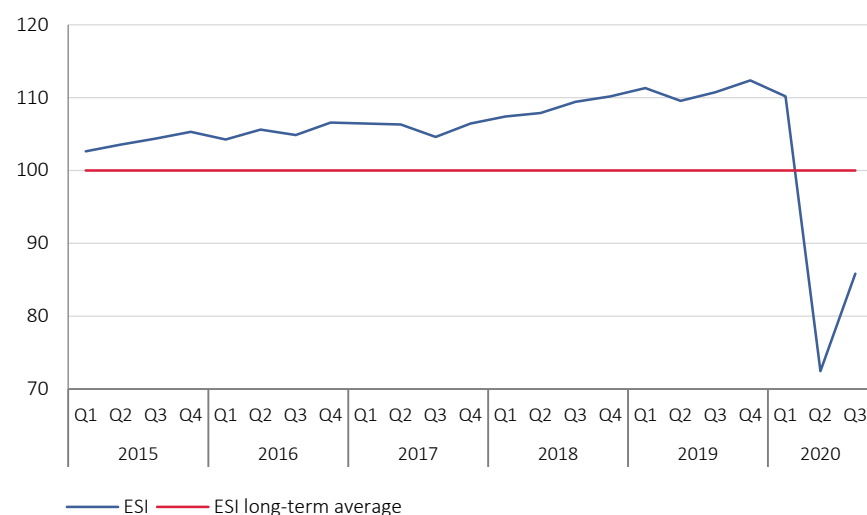
11.1. Economic Sentiment Indicator - ESI

Economic Sentiment Indicator - ESI[11] 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.[12]

Graph 11.1. Economic Sentiment Indicator[13] (%)
(seasonally adjusted data)

After an abrupt fall in the second quarter of 2020 came a slight recovery of economic sentiment in Serbia so that the Economic Sentiment Indicator in the third quarter of 2020 of 85.5 p.p, even though still under the long-term average, saw a growth of 13.4 p.p, compared with the previous quarter.
The value of the indicator reflects the increase in optimistic expectations in almost all sections, primarily in Services recording a growth of 17.7 p.p, in Retail trade (8.3 p.p.), and then in Manufacturing, with an increase of 5.2 p.p and Construction (1.1 p.p.). Expectations worsened only in Consumption (-3 p.p.).

Table 11.1. Confidence indicator by sections and Economic Sentiment Indicator - growth to long-term average (%)[14]

Confidence indicators	Minimum		Average	Maximum		2019				2020		
	Quarter	Value		Quarter	Value	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	Q2 2020	-7.5	4.5	Q1 2015	7.7	5.9	6.3	5.1	6.6	5.7	-7.5	-2.3
Services	Q2 2020	-34.8	7.4	Q2 2016	16.5	15.2	12.8	14.9	13.0	13.4	-34.8	-17.1
Retail trade	Q2 2020	-9.6	8.9	Q4 2019	16.8	13.0	11.0	14.3	16.8	15.5	-9.6	-1.3
Construction	Q3 2013	-41.1	-12.7	Q4 2019	6.8	5.8	4.3	6.7	6.8	6.4	-7.3	-6.2
Consumption	Q4 2014	-19.7	-5.9	Q1 2020	9.9	4.8	4.4	8.4	8.8	9.9	8.1	5.1
Economic Sentiment Indicator	Q2 2020	72.4	100.0	Q4 2019	112.4	111.3	109.6	110.8	112.4	110.2	72.4	85.8

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[11] Source: European Commission, processing: Statistical Office of the Republic of Serbiay.
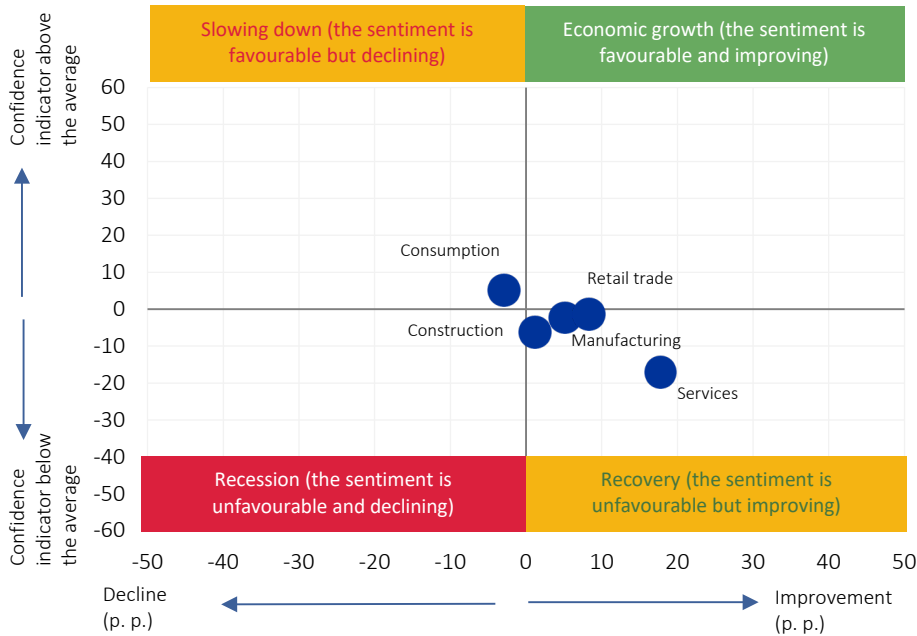[12] More details on the methodology : https://ec.europa.eu/info/sites/info/files/bcs_user_guide_2020_02_en.pdf
[13] Data for the Economic Sentiment Indicator (ESI) have been revised according to the regular methodological adjustments.
[14] Quarterly data represent the quarterly average.

11. Economic Sentiment Indicator

## Graph 11.2. Economic Climate Tracer

The economic climate tracer, created on the basis of seasonally adjusted confidence indicators, indicates that, except for Consumption, which is in its slowing down phase and with a favourable climate but with a declining tendency, the other sections saw economic recovery but with a still unfavourable climate and marked improving tendency.

11.2. Industry Confidence Indicator

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

Graph 11.3. Industry Confidence Indicator (%)
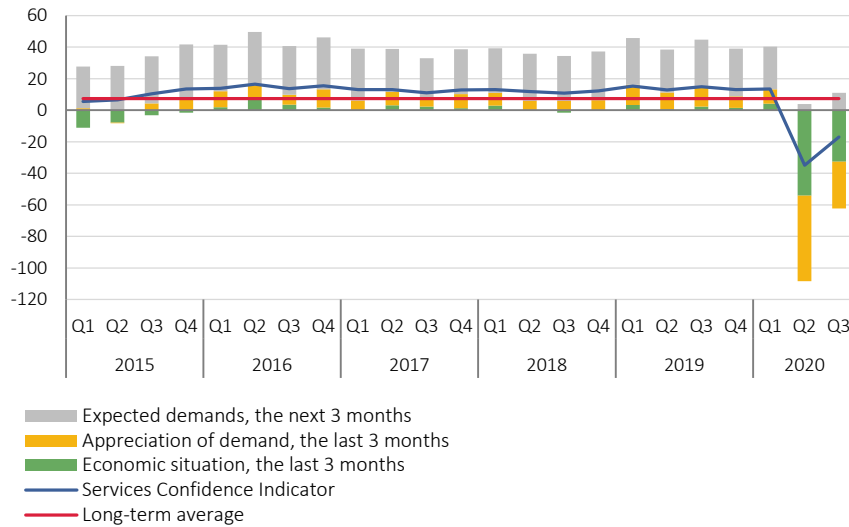### (seasonally adjusted data)
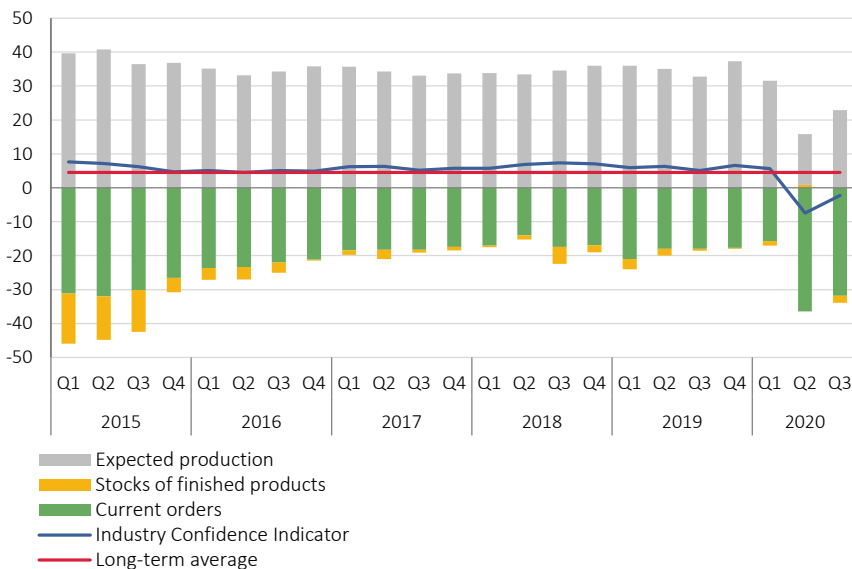
Industry Confidence Indicator - ICI in the third quarter of 2020 amounted to -2.3% or 5.2 p.p. more than in the previous quarter, but still under the long-term average by even 7 p.p. The growth of this indicator is mainly the result of positive expectations of businessmen as to the movements of the expected production (+7.9%, despite the negative increase in stocks of finished products and current orders.

1st Quarter 2nd Quarter

11.3. Service Confidence Indicator

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

Graph 11.4. Service Confidence Indicator (%)
(seasonally adjusted data)

Expected demands, the next 3 months
Appreciation of demand, the last 3 months
Economic situation, the last 3 months
Services Confidence Indicator
Long-term average

Service Confidence Indicator - SCI with a value of -17.1% in the third quarter of 2020, even though being under the long-term average by 24.5 p.p, saw a double growth relative to the previous quarter, which goes in favour of the fact that COVID-19 pandemic mostly affected Services.
All three components of this indicator recorded growth, the growth of expectations in terms of demands in the last three months (24.5 p.p.) taking the lead, and also when the appraisal of the economic situation is taken into account in the last quarter (21.6 p.p.).

11.4. 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 11.5. Trade Confidence Indicator (%)
(seasonally adjusted data)

Business activity, the next 3 months
Current stocks
Business activity, the last 3 months
Trade Confidence Indicator
Long-term Average
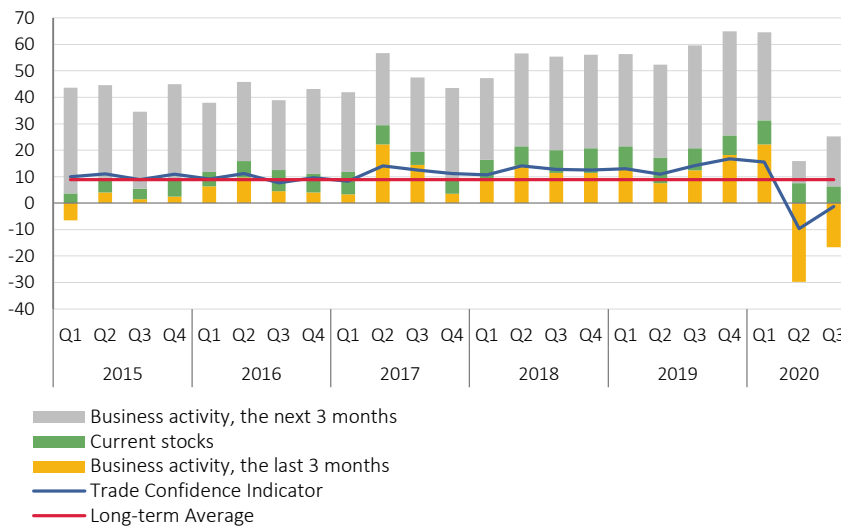
Trade Confidence Indicator -TCI in the third quarter of 2020, with a value of -1.3 p.p, saw a growth of 8.3 p.p. relative to the previous quarter, but still under the long-term average by 10.2 p.p. Despite optimism regarding business activity in the previous and next three months (growth to the previous quarter was 13.1 p.p. and 10.5 p.p, respectively) there was a slight decline of appraisals of current stocks (-1.2 p.p.).

11. Economic Sentiment Indicator

11.5. Construction Confidence Indicator

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

Graph 11.6. Construction Confidence Indicator (%)
(seasonally adjusted data)
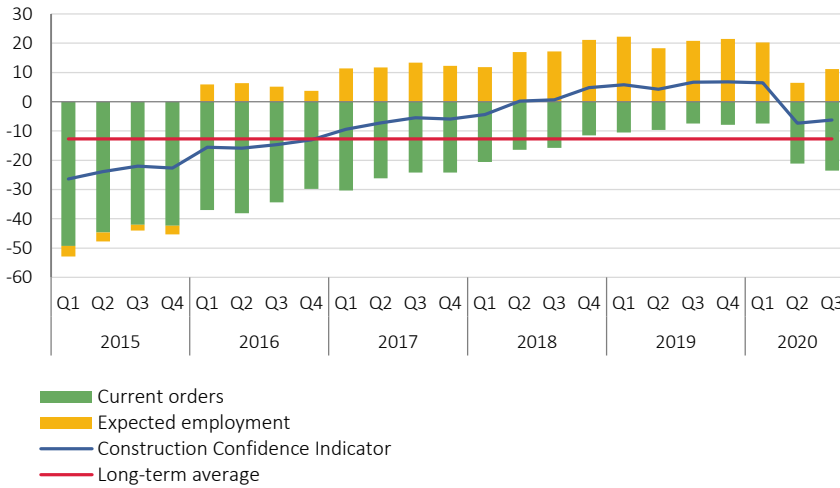
Construction Confidence Indicator - CCI in the third quarter of 2020 recorded a growth of +1.1 p.p. and surpassed at the same time the long-term average by 6.5 p.p.
The increase in the value of this indicator has been triggered by higher expectations in employment (4.8 p.p.), in contrast to the deepening of negative expectations regarding current orders (by 2.5 p.p.).

11.6. Consumer Confidence Indicator[15]

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

Graph 11.7. Consumer Confidence Indicator (%)
(seasonally adjusted data)
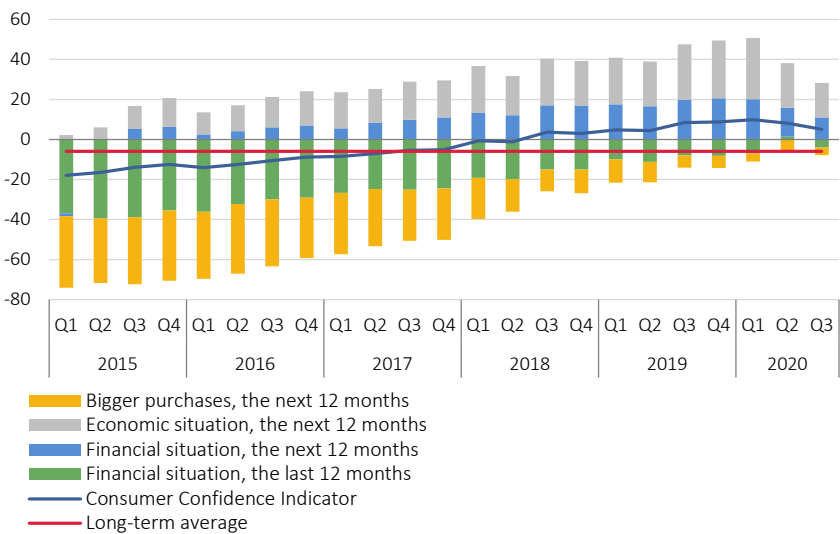
Consumer Confidence Indicator - CCI had a positive value in the third quarter of 2020 of 5.1, but also a fall of 3 p.p. relative to the previous quarter.
The value of the indicator reflects the fall of consumers' optimism in almost all segments. The most marked pessimism is the one in the financial situation in the previous year (-5.4 p.p.), but also in the economic situation in the following 12 months (-5.1 p.p.). Consumers showed slightly higher expectations as to the planned bigger purchases in the next year (2.1 p.p.).

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

11.7. Economic Sentiment Indicator in the European Union

Economic expectations in EU member states improved considerably in the third quarter of 2020 (relative to the previous quarter), which made ESI go up by 17.8 pp. (from 68.5 to 86.3). The largest growth in expectations in the EU was recorded in Retail trade (19.7 p.p.), Manufacturing (15.6 p.p.) and Services (14.7 p.p.).

Graph 11.7. Economic Sentiment Indicators
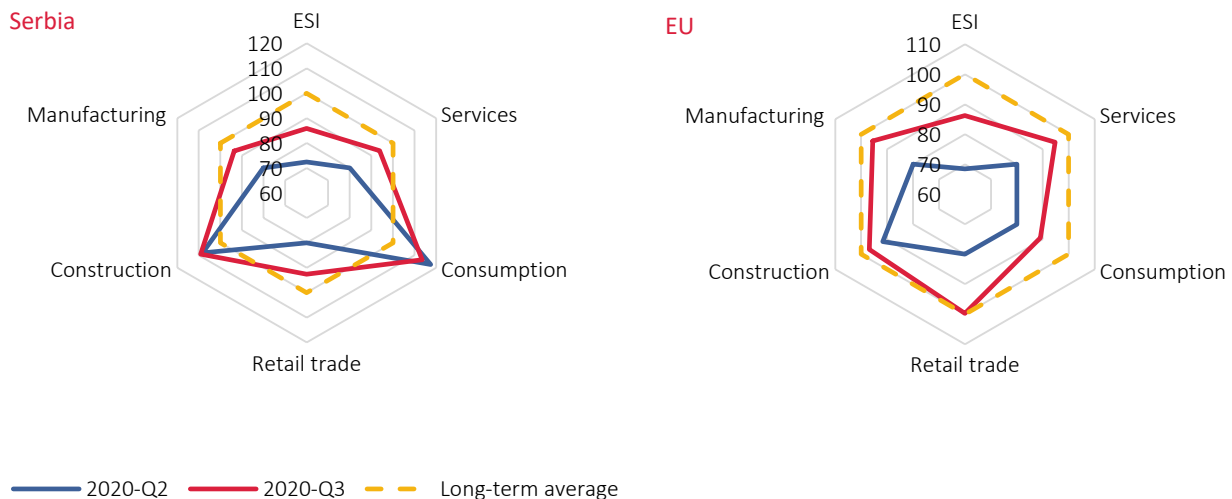
How to interpret the tracer?

The tracer scale of the graph ranges from 60 to 120 (average = 100). The most recent quarterly outcomes (Q3 2020) are compared with the previous quarterly outcomes (Q3 2020) 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 its decline.

12. 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 Juzne I Istocne Srbije has even 30 (out of total of 53), and in Region Sumadije 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 Sumadije I Zapadne Srbije, the mentioned status is recorded in three municipalities, and in Region Juzne I Istocne 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 2019, observed by level of NSTU 2 regions, the greatest realized GDP was in Beogradski region (41.7%), followed by Region Vojvodine (26.5%), Region Sumadije I Zapadne Srbije (18.1%) and Region Juzne I Istocne Srbije (13.7%).

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 (1 332 000 RSD / per capita, i.e. 70.8 % above the republic average or almost three times higher than in Region Juzne I Istocne Srbije). Other regions record GDP per capita under the average, i.e. Region Vojvodine -0.6%, Region Sumadije I Zapadne Srbije -34.2% and Region Juzne I Istocne Srbije -36.2%.

• 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 Sumadije I Zapadne Srbije. Average net salaries and wages in the period January - September 2020 in Beogradski region amounted to RSD 73 271, or 124% of RS average (RSD 59 286), in Region Vojvodine, they were insignificantly below RS average (RSD 56 372, or 95% of RS average), while in Region Juzne I Istocne Srbije and Region Sumadije I Zapadne Srbije, they were about 87% of the Republic average (RSD 52 224 and RSD 50 468, 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 Region Vojvodine (RSD 5 202, or 10.2%).
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 Bojnik (with the lowest average salaries and wages of RSD 41 096). Moreover, at the bottom of the list are the municipalities of Vlasotince with an average salary of RSD 41 733, as well as Gadzin Han (41 929) and Svrljig (41 930).

• Labour market

The correlation of unemployment rate and development level of the region is very high, and in accordance with the mentioned, Region Juzne I Istocne Srbije, with unemployment rate of 11% in the period January – September 2020, by 29.8% exceeds the average of Serbia (8.7%). On the other hand, in Beogradski Region, unemployment rate was the lowest, 7%, i.e. 20% below the national average. Additionally, referring to employment rate, it is the highest in Beogradski region (51.4% or 5.1% above the average of Serbia), while in Region Juzne I Istocne Srbije, noted was the lowest employment rate of 45.7%, or 6.7% below the Republic average.

12. Regional economic asymmetries

In the period January – September 2020, Region Vojvodine and Beogradski Region participated with 26%, each, in total employment and regarding total unemployment, Region Sumadije I Zapadne Srbije is on the first place with 32%, relative to 20% of total unemployment in Beogradski Region (according to Labour Force Survey). In Region Sumadije I Zapadne Srbije, there was about 32% of employed in total number of the employed in Serbia, also almost a third part of total unemployed population. Region Juzne I Istocne Srbije participated with 20% in total employment of Serbia and with 26% in total unemployment.

Graph 12.1. Disproportions at the level of regions in Serbia, (%), (level of RS = 100%)

(January–September 2020)

- Beogradski region
- Region Šumadije i Zapadne Srbije
- Region Vojvodine
- Region Južne i Istočne Srbije
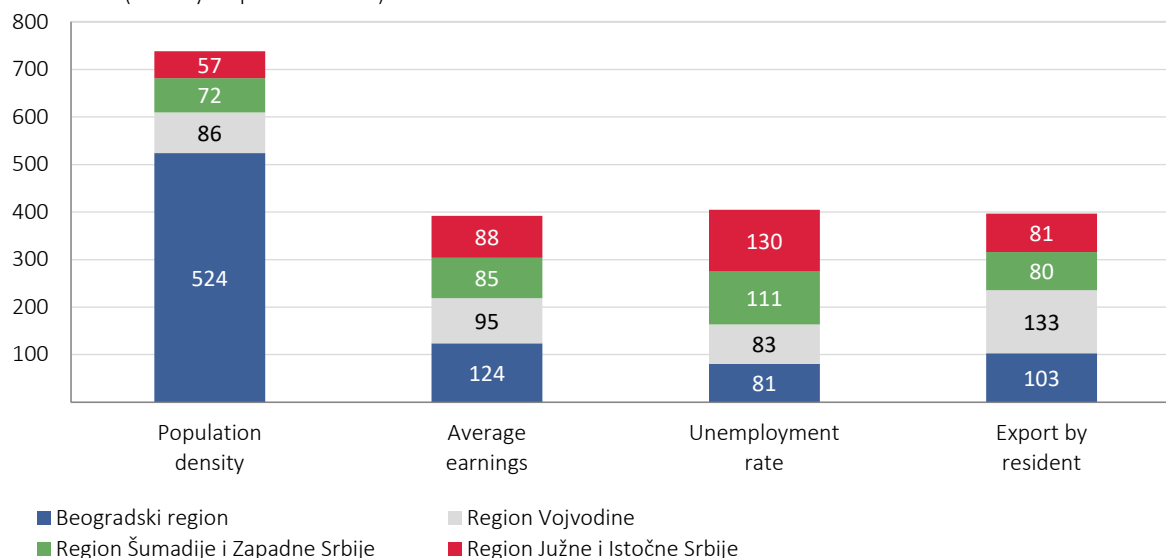
• Export activity

In contrast to other indicators, in the period January - September 2020, Beogradski region was not on the first place regarding total export of Serbia (share of 25.1%), 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 35.5% in export, followed by Region Sumadije I Zapadne Srbije (22%) and region Juzne I Istocne Srbije (17.3%). Export per capita reflects regional asymmetries – Region Vojvodine records the export of EUR 2 337 per capita and it is by 33% above the Republic average and it is almost double value if compared with the export value per capita in region Sumadije I Zapadne Srbije (EUR 1 407), which is by 19.2% below the average of the Republic.

• Demographic structure

According to the last available data for 2019, population density in Beogradski region is by 6.7 times greater than average population density in Serbia, while in Region Juzne I Istocne Srbije, population density was the lowest – 28% 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 (53.4%). However, the most obvious population inequality is in other two regions: Region Sumadije I Zapadne Srbije comprises 10 towns in that 55% 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 Juzne I Istocne 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 2.2% between 2011 and 2019), 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 Juzne I Istocne Srbije is becoming more and more fragmented, while population density in Beogradski region becomes increasingly denser.

12. 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[16] have an out-of-band participation of local roads with a modern roadway, while 7 municipalities account for less than 20%, 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 Juzne i Istocne Srbije to 10.3 in Beogradski region, where a third part of the vehicles was registered. The number of first-time registered cars compared to the number of inhabitants in the period January-September 2020 reflects a similar ratio, with Beogradski region leading up to 33% above the average of the Republic of Serbia versus Region Juzne i Istocne Srbije, with only 76.5% 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 Juzne i Istocne Srbije, where it is the lowest (Table 12.1).

Table 12.1. Extreme values of regional asymmetry indicators (January – September 2020)

Indicators	Population density km², 2018	GDP/per capita 2018	Average net salaries and wages	Unemployment rate	Export per capita	Demographic emptying 2011–2019
Extreme values (the highest : the lowest)	9:1	2.7 : 1	1.5 :1	1.6:1	1.7:1	(-7.6):(+2.2)
	Beogradski region: Region Južne i Istočne Srbije	Beogradski region: Region Južne i Istočne Srbije	Beogradski region : Region Šumadije i Zapadne Srbije	Region Južni i Istočne Srbije : Beogradski region	Region Vojvodine: Region Šumadije i Zapadne Srbije	Region Južne i Istočne Srbije : Beogradski region

Table 12.2. Indicators of regional development of Serbia (NSTU-2), level of RS=100%

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Beogradski region											
Average salaries and wages, RSD	122.0	121.6	122.3	123.1	124.5	124.0	123.9	123.9	124.0	123.5	123.3
Employment rate	106.0	106.0	103.3	106.1	106.1	106.7	102.8	105.2	109.0	104.1	102.0
Unemployment rate	89.9	84.9	90.3	77.5	82.6	74.8	80.0	78.4	73.2	83.6	86.7
Exports per capita, EUR	109.7	111.0	110.8	110.1	109.1	109.9	105.5	101.1	100.1	111.1	98.5
Number of first time registered passengers cars per 1000 inhabitants	133.5	146.5	132.3	132.2	134.5	147.6	134.9	132.1	131.6	138.3	130.9
Region Vojvodine											
Average salaries and wages, RSD	94.7	94.8	94.9	94.9	94.1	94.5	94.7	95.2	95.2	94.9	95.2
Employment rate	99.1	99.0	99.6	99.8	100.0	96.7	99.6	99.2	97.7	97.5	100.0
Unemployment rate	87.2	84.0	69.9	86.8	85.1	95.1	86.3	81.4	86.6	82.2	80.0
Exports per capita, EUR	125.3	127.0	131.9	136.3	131.3	125.6	131.7	137.0	134.4	135.1	130.3
Number of first time registered passengers cars per 1000 inhabitants	96.8	91.9	94.1	98.3	97.6	88.9	89.9	94.4	95.1	91.8	91.1

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[16] Data relate to 2018.

Table 12.2. Indicators of regional development of Serbia (NSTU-2), level of RS=100%

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Region Šumadije i Zapadne Srbije											
Average salaries and wages, RSD	86.6	86.9	86.6	86.0	85.0	85.2	85.5	85.3	84.8	85.1	85.5
Employment rate	101.3	101.0	103.7	100.4	99.4	101.6	102.2	101.0	101.4	102.3	102.6
Unemployment rate	105.4	105.9	110.6	114.7	114.0	107.8	111.6	111.3	118.6	106.8	107.8
Exports per capita, EUR	85.0	87.0	79.3	76.7	78.0	81.5	77.4	78.5	81.0	74.3	84.1
Number of first time registered passengers cars per 1000 inhabitants	94.3	88.7	94.0	92.6	91.99	88.6	95.0	93.6	94.9	93.9	96.7
Region Južne i Istočne Srbije											
Average salaries and wages, RSD	89.0	89.5	88.8	88.2	87.9	88.2	88.0	87.3	87.6	88.4	88.2
Employment rate	92.0	93.2	92.3	92.8	93.5	94.3	94.8	93.8	90.8	95.6	93.6
Unemployment rate	123.6	131.1	134.5	123.3	122.3	123.3	126.3	132.0	126.8	131.5	133.3
Exports per capita, EUR	76.9	70.5	74.7	73.2	78.7	80.2	83.2	80.0	81.2	76.3	84.1
Number of first time registered passengers cars per 1000 inhabitants	72.3	71.0	77.9	72.8	72.6	73.1	77.8	77.5	75.5	73.8	79.1

ℹ️ **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 Sumadije I Zapadne Srbije and Region Juzne I Istocne 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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