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INTRODUCTION

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

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

As the statistical system is very complex and generalised, designed to meet the specific sub-sector needs for information, statistical data are often incomprehensible in modern society. Informing the users with „dry" statistical data is often not sufficient as they provide only a partial picture about macroeconomy. Namely, it has been proved that traditional concepts of data (tables, statistical releases, etc.) do not facilitate quick understanding of the socio-economic reality and fail to transmit the key message, particularly when there is a large amount of data.

Having in mind all the above and following world trends in presenting statistical data, as well as the interest shown by professionals, the redesigned Trends traditionally provide quarterly and annual data, but also use new concepts of presenting the most important economic signals via modern and advanced graphical solutions for presenting and dissemination

The issue for the third quarter of 2024 presents a review of major economic trends in this period: Gross domestic product, Industrial production, Construction, External trade, Domestic trade, Prices, Labour market, Salaries and wages, Tourism, Economic Sentiment Indicator, Regional economic asymmetries and Agriculture, Business services, and Transport and communication.

As always, this issue presents also the forecasts of trends in certain areas in the next period, obtained under ARIMA forecasting models (in the following sections: Industry, Domestic trade and External trade). A set of composite leading indicators, which can anticipate with high reliability the cyclical movements, and serve short-term forecasts, is presented in the section Macroeconomic forecasts

The regular part of the publication Trends for the third quarter of the reference year is the chapter – Indicators for monitoring macroeconomic imbalances (Macroeconomic Imbalance Procedure) – results for the Republic of Serbia. This issue comprises eight MIP Scoreboard indicators for monitoring macroeconomic imbalances (MIP) in Serbia, for which data are directly available.

This issue contains also a paper: Model of macroeconomic forecasts for testing long-term debt sustainability and growth performances, 2024-2033" written by Milena Stevovic.

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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PAPER

Author: Milena Stevović

MODEL OF MACROECONOMIC FORECASTS FOR TESTING LONG-TERM SUSTAINABILITY OF DEBT AND PERFORMANCES OF GROWTH, 2024–2033

INTRODUCTION

The analysis of the level and dynamics of a country's external debt forms the backbone of assessing the adequacy of the chosen model of economic growth and development. A country's external balance, also known as the balance of payments equilibrium, is crucial for the stability of a country's economy. Firstly, maintaining external balance helps stabilize the value of the national currency. When the balance of payments is balanced, pressure on foreign exchange reserves is reduced, and sudden devaluations or appreciations of the currency are avoided. A country with a balanced balance of payments attracts more foreign investments more easily. Moreover, external balance enables sustainable economic growth as it helps avoid excessive borrowing and ensures that the country can smoothly finance its imports from export revenues. Finally, if a country runs a high balance of payments deficit, it becomes more susceptible to economic crises. In this regard, a balanced balance of payments helps reduce the risk of financial crises that can have severe consequences for the entire economy. Therefore, external balance is key to the long-term economic stability and prosperity of a country.

Since the policy of borrowing is an integral part of macroeconomic policy, it cannot be successful in cases when the general macroeconomic policy is inefficient (Kovačević and Stevović, 2019). Specifically, the issue of the (un)sustainability of external debt is closely linked to the chosen model of growth and development. The inadequacy of the model, considering the economic structure, legal and political system of the country, availability of resources and how they are used, and other factors, can lead the country into a situation where it cannot meet its international obligations, known as a "debt crisis." To test external balance, the Republic Statistical Office has developed a model for assessing long-term debt sustainability and growth performance. Unlike existing models created by the International Monetary Fund and the World Bank, the SORS model uses a heuristic approach by integrating all macroeconomic balance tables, allowing changes in one table to affect other tables, increasing the model's validity. This projection model includes simultaneous projections of macroeconomic aggregates and variables, ensuring their mutual consistency. The result is a system of interconnected long-term projections, enabling the analysis of debt trends and sensitivity to macroeconomic shocks. This is particularly important in conditions of growing global uncertainty when investors become more cautious about investing in other countries. This presents significant challenges for Serbia, as a small and open economy, in securing the necessary financial resources for the chosen path of economic growth and development.

Quantifying these effects involves deriving indicators of the country's external position depending on the chosen scenario and corresponding assumptions in the model. In this specific case, the macroeconomic projection model incorporates appropriate assumptions to examine the sustainability of external debt for the projection period from 2024 to 2033. This involves calculating a large number of interrelated indicators. These are indicators of the country's external macroeconomic position. In a special section – the conclusion of the analysis of the basic (realistic) scenario – we present them, along with the risks of achieving the projection. This is followed by a presentation of the alternative (pessimistic) development scenario, which assumes lower economic growth rates compared to the presented basic scenario.

1. FRAME OF REFERENCE

The macroeconomic projection model for testing long-term debt sustainability and growth performance is designed as a practical analytical tool that links macroeconomic balances without involving econometric evaluation. Essentially, the model uses certain approximate relations confirmed by experience (heuristic nature of the model) and allows interventions at any time and place in the tables, depending on the changed assumptions of the model, and in real-time. This also provides a framework for creating scenario analyses, quantifying the effects of public policies and measures, as well as external shocks on the country's macroeconomic balance (Kovačević and Stević, 2022; Kovačević and Stević, 2019).

The proposed macroeconomic projection model includes simultaneous projection of various components (inflation, exchange rate, gross domestic product and elements of GDP use, balance of payments, savings and investment balance, borrowing and debt repayment plan, and revenue, expenditure, and budget deficit plan), which are mutually reconciled to obtain a system of long-term projections, similar to a system of interconnected vessels.

The basis of the model is linking the gross domestic product from the expenditure side and the country's balance of payments. The result of the process is a derived investment and savings balance, which provides some kind of navigation, i.e., how far the country is from the desired level of savings for its long-term sustainable economic development.

It is common to use a time interval of five or ten years for the selected development scenario. For the purposes of the specific analysis, a period of 10 years was chosen, i.e., the projection period from 2024 to 2033.

The starting point in the projections of the GDP and its expenditure side elements and the country's balance of payments is the definition of target variables that describe the chosen development scenario – these are exogenous variables. Regarding their nature, a distinction is made between target variables of development dynamics, target variables in the structure of GDP usage, target variables in the balance of payments, and target variables of financial and goods market stability. Thus, the target variable for development dynamics is (i) the GDP growth rate, while the target variables in the structure of GDP usage are (ii) the share of the foreign trade balance (goods and services) in GDP, (iii) the share of gross fixed investments in GDP, (iv) the share of government consumption in GDP. The target variables in the balance of payments are (i) increasing the share of exports of goods and services in GDP to 70% by 2033 and (ii) limiting the reduction in the coverage of imports of goods and services by foreign exchange reserves in line with the reduction of risks related to the country's external liquidity. The target parameters of financial and commodity market stability are (v) the consumer price index, (vi) the exchange rate index, and (vii) the target share of exports of goods and services in GDP (Kovačević and Stević, 2022; Kovačević et al., 2018).

The control variables in the model are: (i) the index of real household consumption excluding individual consumption supported by public budget sources, (ii) the index of real gross fixed investment movement, (iii) the index of real government consumption movement. The counterpart to these movements in the real and financial sectors is the fiscal result, i.e., the balance of public consumption. At the same time, within the fiscal projections, certain constraints are set by defining target variables that take into account specific fiscal rules[1]. This primarily relates to the dynamics and share of wages and pensions in GDP. Additionally, the goal is to increase the share of capital investments in GDP. In this sense, on the side of fiscal projections, the target variables of GDP share are set as: (i) the share of wages and pensions in GDP, including their dynamics relative to real GDP growth, and (ii) the share of capital investments (Kovačević and Stević, 2022; Kovačević et al., 2018).

In the case of target values and proportions given for the model, the distinction is made between the development dynamics values, the GDP use structure and so-called parameters of financial and real market stability. In this manner, as the target value of development dynamics taken is (i) GDP growth rate, while the target values for the GDP use structure are: (ii) the share of external trade balance (goods and services) in GDP, (iii) the share of gross fixed investments in GDP, and (iv) the share of the general government consumption in GDP (the sum of collective and individual consumption alimented from the budget sources, i.e. net earnings in public health service and public education). As the target variables for balance of payments taken are (i) increasing the share of exports of goods and services in GDP to equal 60% in 2030 and (ii) limiting the fall of imports of goods and services coverage by foreign exchange reserves according to the reduced external liquidity risk. As the target parameters of financial and commodity market stability taken are (v) consumer price index (CPI), (vi) foreign exchange rate, and (vii) target share of exports of goods and services in GDP. The control variables for the model are: (i) real index of household consumption excluding individual consumption alimented from the budget sources, (ii) gross fixed investments/capital formation real index, and (iii) general government consumption real index. All these trends in the real and financial sector are reflected in the fiscal results, i.e. in the public consumption balance. However, when deriving the fiscus related projections certain limitations are imposed, i.e. defined are the target values taking into account the prescribed fiscal rules. This primarily concerns the dynamics and share of Compensation of employees and pensions in GDP. In addition, the aim is to increase the share of fixed investments

[1] Fiscal rules were introduced in 2011 with the adoption of the Budget System Law in an attempt to curb public spending and public debt following the global economic crisis. The law provides for two types of rules – general and specific. General fiscal rules define the target fiscal deficit in the medium term and the maximum debt-to-GDP ratio, while specific fiscal rules set limits on spending for pensions and wages in the public sector. However, the draft of the new Fiscal Strategy in the Republic of Serbia suspends the application of general fiscal rules until 2029. The main reason for abandoning the application of general fiscal rules is the planned additional expansion of investments in public projects, primarily the implementation of the „Leap into the future" program (without corresponding savings in other areas to compensate for this increase). According to the Draft Strategy from 2024, the planned fiscal deficit is increased to 2.4% of GDP. In the previous Fiscal Strategy, the deficit share was limited to 1.5% of GDP. The projected expenditures for public investments from the budget in the medium term (from 2024 to 2027) now amount to 7.4% of GDP (in the previous fiscal strategy, 6.7% of GDP).

in GDP. Therefore, on fiscal projections side, as the target values of share in GDP noted are: (i) the share of salaries and wages and pensions in GDP, including their dynamics related to the GDP real growth and (ii) the share of capital investments.

Based on the established relations and taking into account the target and control variables, macroeconomic indicators of external balance have been derived – the share of the current account balance in GDP, the share of imports of goods and services in GDP, foreign exchange reserves as an equivalent of the number of months of imports; the debt service ratio (repayment of principal and interest relative to the export of goods and services), external debt relative to the export of goods and services, external debt relative to GDP, the share of foreign direct investments in GDP, economic openness, i.e., the volume of foreign trade (sum of exports and imports of goods and services) relative to GDP.

The key indicators for assessing the sustainability of the chosen scenario and the external macroeconomic position (debt sustainability) are foreign exchange reserves expressed in months of imports and the debt service ratio. If foreign exchange reserves are less than three months of imports or the debt service ratio is greater than 25%, the sustainability of the scenario is critical, and the model assumptions are not sufficiently progressive.

The level and dynamics of external indebtedness represent one of the main macroeconomic challenges faced by policymakers. According to the criteria of the International Monetary Fund and the World Bank, a country becomes over-indebted when its debt exceeds 80% of GDP, or if the ratio of total debt to the export of goods and services exceeds 220%. At that point, the debtor's creditworthiness is questionable. The indebtedness criterion according to the World Bank methodology is given in the following table.

Table 1. Criteria for the country's indebtedness level according to the World Bank methodology

Indicator description	Highly indebted	Medium indebted	Less indebted
External debt / GDP (x)	$x > 80\%$	$48\% < x \leq 80\%$	$x \leq 48\%$
External debt / Total export (y)	$y > 220\%$	$132\% < y \leq 220\%$	$y \leq 132\%$

Source: World bank, the authors' calculation

Borrowing policy is an integral part of macroeconomic policy and it cannot be successful if the overall macroeconomic policy is ineffective. Consequently, failures in selecting the country's growth and development model directly threaten the country's ability to meet its obligations to foreign creditors, which can ultimately lead to a "debt crisis," or complete inability to repay the country's debts (a state of bankruptcy).

Based on the assumed relations and considering the target and control variables, derived are the external macroeconomic position indicators, namely:

- share of current balance account in GDP;
- share of imports of goods and services in GDP;
- foreign exchange reserves as equivalent in the number of import months;
- external debt service ratio (capital and interest repayment in relation to exports of goods and services);
- external debt in relation to exports of goods and services;
- external debt in relation to GDP;
- share of foreign direct investment in GDP;
- external trade volume (exports + imports) in relation to GDP;

However, derived are also the fiscus related indicators, namely:

- share of total income in GDP;
- share of total expenditure in GDP;
- share of capital investments in GDP;
- share of fiscal deficit/sufficiency in GDP.

The major indicators for estimating the scenario sustainability, i.e. external macroeconomic position (called also: debt sustainability) are foreign exchange reserves expressed by import months and debt service ratio. When the volume of available foreign exchange reserves is below three-month imports value, or debt service ratio is above 25%, the scenario sustainability is critical and the assumptions, i.e. objectives are not sufficiently progressive. High growth rates of GDP and investments may make the scenario seem acceptable from the point of external position indicators. However, it ought to be acceptable from the aspect of given limits to growth and development, such as are e.g. reform agenda or external restrictions. Therefore, the issue of calibrating growth dynamics is necessarily related to the assessment of circumstances and policies, as well as the time required to achieve accelerated reindustrialization process.

2. GDP PROJECTION FROM THE EXPENDITURE SIDE, 2024-2033

The analysis of a country's external debt sustainability can be approached in various ways, depending on the objectives and available data. Most methods combine conjuncture analyses, business climate, and similar with complex econometric models. However, these models are often less suitable for developing countries due to short and fragmented data series, difficulties in maintaining consistent projections, and neglect of qualitative institutional factors. These limitations can be overcome by using macroeconomic balance equations with fewer auxiliary equations, which is the basic approach in financial programming models used by the IMF and the World Bank.

Polak (1957) developed the initial financial programming model to integrate monetary policy with balance of payments issues. This model was expanded to become the basis for IMF stabilization programs for economies with fixed exchange rates. Over time, the model evolved.

In the early 1970s, the World Bank introduced the Revised Minimum Standard Model (RMSM), which aimed to determine the required levels of investment, imports, and external financing to achieve targeted GDP and export growth rates. The model uses a two-gap accounting framework to address the gap between investment and savings and the foreign trade gap. If domestic savings are insufficient to finance the targeted level of investment, the deficit is covered by external financing through net imports. Although the model is clear, it has limitations due to simplified relationships, lack of price variables, and many exogenous factors (Addison, 1989).

To explore additional macroeconomic policy options, the model was expanded to include more economic actors in a consistent flow-of-funds framework, known as the Extended Revised Minimum Standard Model (RMSM-X). The basic RMSM-X includes four economic sectors: public (government), monetary (central bank and deposit banks), external (balance of payments), and private (the rest of the economy). Each sector has two accounts – a current account and a capital account.

RMSM-X is based on the fundamental macroeconomic identity: Y =Cg+Cp+Ig+Ip+X-M

where (Y) is GDP at market prices, (Cg) and (Cp) are government and private consumption, (Ig) and (Ip) are government and private investments, (X) is the export of goods and services, and (M) is the import of goods and services. This extended model integrates the IMF's financial programming approach, based on practical experiences from countries receiving IMF support.

To develop projections of gross domestic product and the GDP usage balance at current prices in the Republic of Serbia, a model was developed that essentially follows the financial framework of the International Monetary Fund and the World Bank model (The Revised Minimum Standard Model of the World Bank - RMSM).

Depending on the chosen economic growth scenario and model assumptions, the model generates output results used to calculate indicators of the country's external macroeconomic position, along with a risk assessment for the implementation of projections. An alternative development scenario with lower economic growth is also examined alongside the basic scenario.

Essentially, the model can be said to have a heuristic character, as it does not rely on any theoretical concept of macroeconomic balance modelling but involves reliance on experience, i.e., expert knowledge of the structural characteristics of the economy and knowledge, i.e., monitoring of policies, strategic documents, plans, and their implementation (Kovačević and Stević, 2019).

The development of such a heuristic model is motivated by numerous objective limitations in econometric modelling of a small and open economy that is subject to internal and external shocks and pressures, such as Serbia. These limitations primarily relate to the legacy of transitional processes over the past thirty years; market imperfections[2]; ad hoc, asynchronous, and sometimes conflicting policies, and more (Kovačević and Stević, 2019).

[2] Market imperfections are situations where the market fails to allocate resources efficiently, leading to inefficiencies and irregularities in income distribution within the economy. Examples of market imperfections include: (1) Monopolies and Oligopolies - one or a few firms dominate the market, allowing them to dictate prices and reduce competition (making market entry difficult for others), often leading to higher prices and less choice for consumers, (2) Externalities - Costs or benefits that third parties experience due to the economic activities of others (an example is pollution created by a factory that affects the health of nearby residents, but these costs are not included in the product's price), (3) Asymmetric Information - When one party in a transaction has more information than the other, it can lead to inefficient outcomes, etc.

GDP compilation in 2023

The calculations of GDP and its use for the year 2023 were implemented in accordance with the methodology of annual national accounts[3]. These are the detailed annual annual calculations based on available data from administrative sources (financial statements – balance sheet, income statement and statistical annex of enterprises, cooperatives, unincorporated enterprises, banks and other financial institutions, insurance companies, stock exchanges and brokers, budget beneficiaries and other legal entities, data of the National Bank of Serbia, Ministry of Finance, Tax Authority and other institutions), regular statistical surveys and data available from the statistical system.

In 2024, the Statistical Office of the Republic of Serbia made a regular five-year revision of GDP compilation and all domains of the national accounts system. This revision is aligned with Eurostat's revision program, so called the major revision cycle. The revised GDP data cover the period from 1995 to 2022, and based on them, a projection of nominal GDP from the expenditure side and the balance of payments in the Republic of Serbia was made.

Projection of the GDP aggregates from the expenditure side in 2024 onwards

The nominal GDP projection (for 2024 – estimate) was carried out on the basis of the model starting from the equation of macroeconomic balance:

GDP = C + I + G + X – M,

where: C stands for individual consumption; I – investments (gross fixed capital formation + changes in inventories); G – public consumption; X – exports of goods and services; M – imports of goods and services;

however, the starting point being certain target ratios and values in the stated equation. Namely, combined are the following target parameters of dynamics and shares: (1) Target dynamics parameters – Real GDP growth rate, (2) Target parameters of financial and non-financial market stability – Consumer price index, COICOP and Foreign exchange index, (3) Target parameters of share in the structure of GDP use – Share of external trade balance in GDP (goods and services), Share of gross fixed capital formation in GDP, and Share of public consumption in GDP (general government consumption, NPISH and collective consumption).

A very important group of indicators in the model are control indicators, as they need to ensure the validity of the model and its assumptions. These indicators are: (1) Real trend index of household consumption excluding individual consumption alimented from the budget sources, (2) Real trend index of gross fixed investments, and (3) Real trend index of general government consumption.

Projections of nominal GDP (for 2024 – estimate) and of elements of GDP use were derived by defining GDP real growth rate, the share of investments, general government consumption and net exports in GDP, while applying the account of prices and deflators and derived real trend rates.

GDP and aggregate of its use deflators – calculation

In order to calculate the nominal values and real trends in the GDP aggregates from the expenditure side, it is necessary to derive the deflators for the forthcoming years (in our case – 2024 and further).

Firstly, derived is the GDP deflator for the first projection year, i.e. 2024. To this effect, as inputs for the calculation of this deflator we take GDP real growth rate (k), share of net exports in GDP (d), coefficient of consumer prices trends (ic) and external trade deflator (id).

[3] The data on GDP and elements of GDP use can be downloaded from the dissemination database – SORS site.
http://data.stat.gov.rs/Home/Result/09020104?languageCode=sr-Cyrl

In formal expression, GDP deflator (k) is derived using the following equation:

$$k \approx i_c + d_0 \times \frac{r_1}{v_1} \times (i_c - i_d) \qquad (1)$$

where:

d_0 – share of net exports in GDP, previous year

($d_0 = \frac{|\Delta X_0|}{BDP_0}$, where $|\Delta X_0|$ – absolute value of previous year net exports; GDP_0 – previous year GDP)

i_c – coefficient of consumer prices trends (current year average to previous year average)

i_d – coefficient of external trade deflator trend (current year average to previous year average)

r_1 – net exports real growth rate, current year

v_1 – GDP real growth rate, current year

When deriving the relation for calculating GDP deflator (k), as starting point we use the following macroeconomic relation: GDP = T - |ΔX|

where: T – total domestic demands; ΔX – net exports of goods and services, i.e. the difference between exports and imports of goods and services that in the case of Serbia bears negative mark, therefore its absolute value is added to GDP in order to get the value of total domestic demands.

By transforming this relation into structural expression (GDP %) and introducing deflator, the following relation is obtained in the GDP deflator account:

$$\frac{1}{k} \approx \frac{1 + d_1}{i_c} - \frac{d_1}{i_d} \qquad (2)$$

where d1 – share of net exports in GDP, current year, namely

$$d_1 = \frac{|\Delta X_1|}{BDP_1} = \frac{|\Delta X_0| \times r_1 \times i_d}{BDP_0 \times v_1 \times k} \qquad (3)$$

where: |ΔX1| – absolute value of net exports in current year; GDP1 – GDP, current year; ΔX0 – net exports previous year; GDP0 – GDP, previous year; r1 – net exports real growth rate, current year; v1 – GDP real growth rate, current year; k – GDP deflator.

By introducing formula (3) into expression (2) we come to the final relation for calculating GDP deflator:

$$k \approx i_c + d_0 \times \frac{r_1}{v_1} \times (i_c - i_d) \qquad (4)$$

By applying the formula (4) it is assumed that the inputs were given in advance, i.e. they are free or derived according to projection, i.e. forecasts.

In this manner, GDP real growth rate (v1) was previously derived from the projected, i.e. estimated GDP components. In our case, for the year 2024, GDP real growth rate was estimated to equal 3.8% based on the SORS forecasting methods.

According to the draft Fiscal Strategy from 2024, the projected economic growth rate is 4.5%, while for the following years, a rate of 4.0% is assumed, considering the country's economic structure and conditions in the international goods and capital markets.

In the mentioned draft Fiscal Strategy, the estimated consumer price growth in 2024 is 4.7%, while in 2025 and 2026, the projected price growth is 3.5% annually. In 2027, the price growth would be 3.3%. After that, according to the assumptions in the basic scenario of the model, the price growth would be 3.0% until the end of the projection period.

Further on, general government consumption deflator is equated with GDP deflator (k), and individual consumption deflator with the trends of consumer prices (i_c).

For the purpose of calculating the real trends of investments, deflator of investments is derived, as residual, according to the following relation:

$$\frac{1}{k} \approx \frac{\bar{C}}{i_c} + \frac{\bar{I}}{i_n} + \frac{\bar{G}}{k} + \frac{\overline{\Delta X}}{i_d} \qquad (7)$$

where:

$\bar{C}$ – share of individual consumption in GDP (current year)

$\bar{I}$ – share of investments in GDP (current year)

$\bar{G}$ – share of public consumption in GDP (current year)

$\overline{\Delta X}$ – share of net exports in GDP (current year)

in - unknown deflator of investments.

The key assumption for the basic scenario is to anchor the deficit in external trade in goods and services and to reduce the share of deficit of balance of payments current transactions in GDP, where from a restrained growth of domestic demands and consumption will result (Kovačević and Stevović, 2022).

3. RESULTS

Basic (real) scenario of development

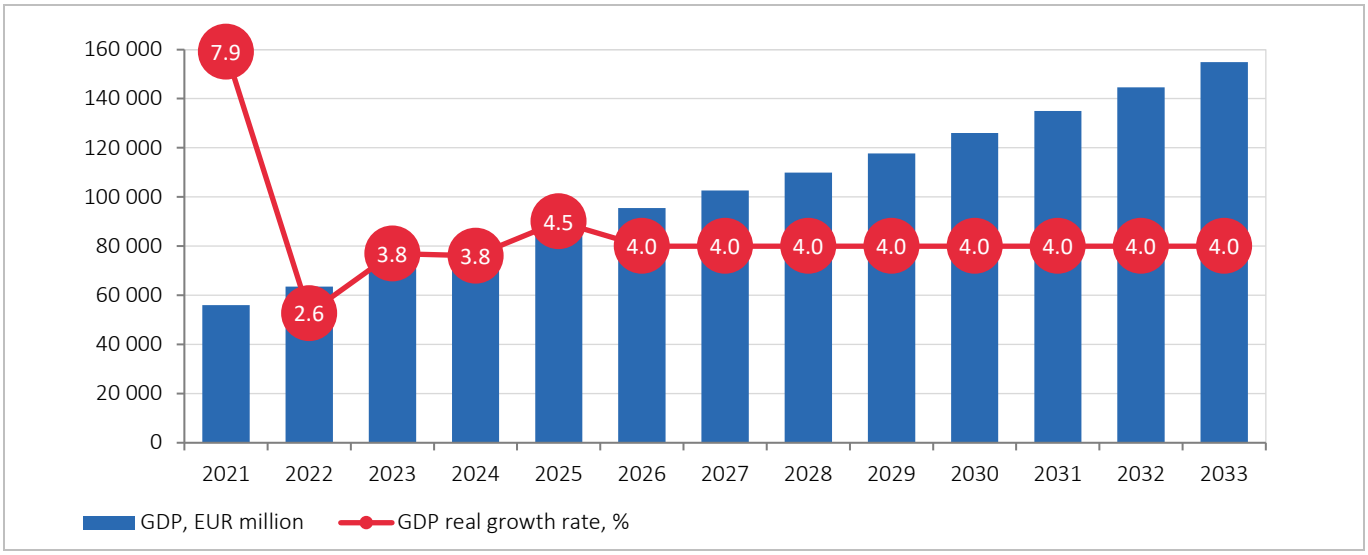
Serbia, as a small and open economy, is greatly influenced by global economic and political changes, especially those involving its key trading partners (European Union, Russian Federation, CEFTA, etc.). Foreign investments and capital inflows are crucial for Serbia's growth strategy. However, the COVID-19 pandemic, conflicts in Ukraine and Gaza have disrupted global financial flows, which could pose serious challenges to the functioning of the Serbian economy and particularly in maintaining balance of payments equilibrium. Additionally, current events in Syria also contribute to this. In short, all these factors represent a significant source of risk for maintaining the external balance of a small and open economy like Serbia's.

According to this scenario, the model incorporates an average GDP growth rate of 4.0% for the period 2024–2033.

In 2024, the estimated GDP growth rate is 3.8%, while in 2025 it would be 4.5%. After that, the economic growth rate would be 4.0% and remain unchanged until the end of the projection period. According to this growth dynamic, by 2033, the GDP value would reach 154.9 billion euros (Graph 1).

The results of the macroeconomic projection model for the period from 2024 to 2033 are given in the Annex of the document.

Graph 1. GDP trends, 2021-2033



The chain of crises in the previous period (COVID-19, conflicts in Ukraine, Gaza, events in Syria, energy crisis, climate change, etc.) has led to a deterioration in economic performance in the foreign trade of most European countries. This particularly applies to countries that are net importers of energy products. Serbia also belongs to this group – in 2022, the deficit in goods and services amounted to 11.7%, primarily due to the increase in import prices of energy sources (oil, oil derivatives, and gas). In 2023, the share of the deficit in goods and services fell to 4.3%, after which it would return to 7.0%, and in 2033, it would stop at 8.0%.

A key element in the movement of the share of the current account deficit in GDP is the dynamics of the share of the deficit in goods and services (negative net exports). With a targeted net export share (of 8% by the end of the projection period), the estimated share of the deficit in 2024 would be 4.5% of GDP and would grow to 5.4% of GDP by 2027. After that, a gradual decline in the deficit share would follow, reaching 4.7% of GDP by the end of the projection period, i.e., in 2033.

The target parameters in the basic development scenario are:

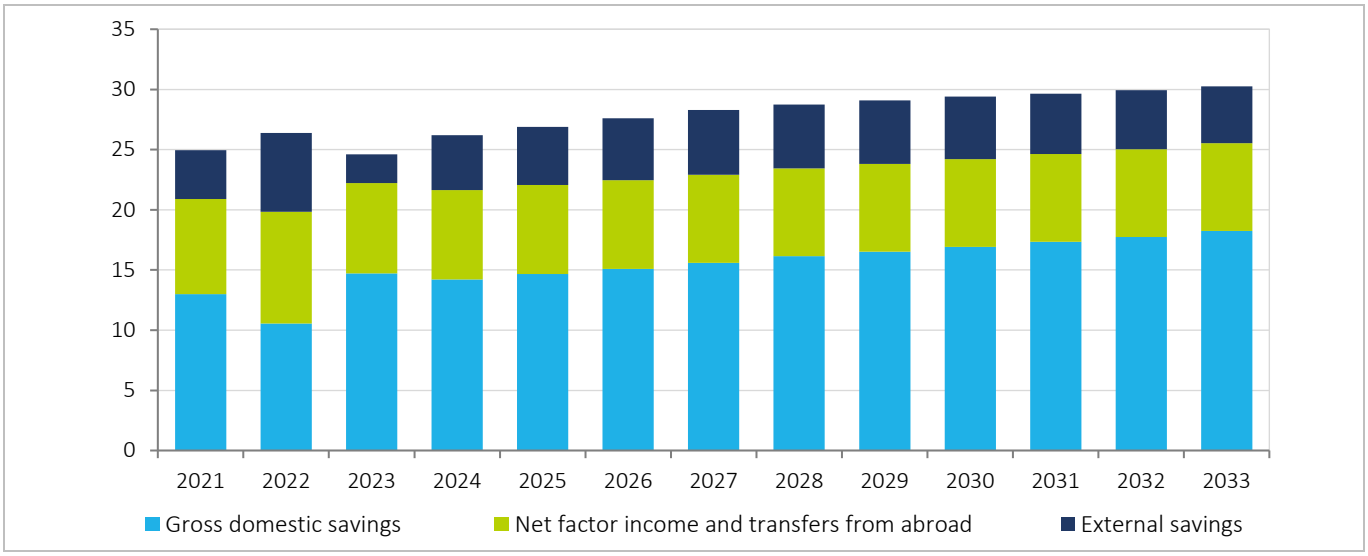
- Increasing the share of gross investments in fixed assets from an estimated 24.5% in 2024 to 27.0% in 2028 and 30% in 2033 (with an average annual growth of 6.3%),
- Reducing the share of government consumption in GDP from an estimated 17.0% in 2024 to 15.0% in 2033,
- Increasing the share of exports of goods and services in GDP from an estimated 59.5% in 2024 to 65% in 2033, and
- Stabilizing the current account deficit in the balance of payments at 4.7% of GDP in 2033.

The inflation rate in 2023 was 12.1%. According to the latest estimates given in the Revised Fiscal Strategy for 2025, inflation in 2024 is 4.7%. In the next two years, the projected inflation rate is 3.5%, and in 2027, it would be 3.3%. After that, the projected inflation rate is 3% and remains unchanged until the end of the projection period. According to the basic scenario, the exchange rate would be relatively stable, with an average annual depreciation of the dinar of no more than 0.5% until the end of the projection period.

The target share of gross investments in fixed assets will be achieved if their average annual real growth in the projection period (2024-2033) is 6.3%.

The value of these investments would rise from 18.5 billion euros in 2023, or an estimated 21.5 billion euros in 2024, to about 29 billion euros in 2027 and 46.9 billion euros in 2033. Meanwhile, the share of gross domestic savings in gross investments would increase from an estimated 54.2% in 2024 to 55.2% in 2027 and 60.3% in 2033 (Graph 2).

Graph 2. Gross domestic investments – financing sources, GDP %

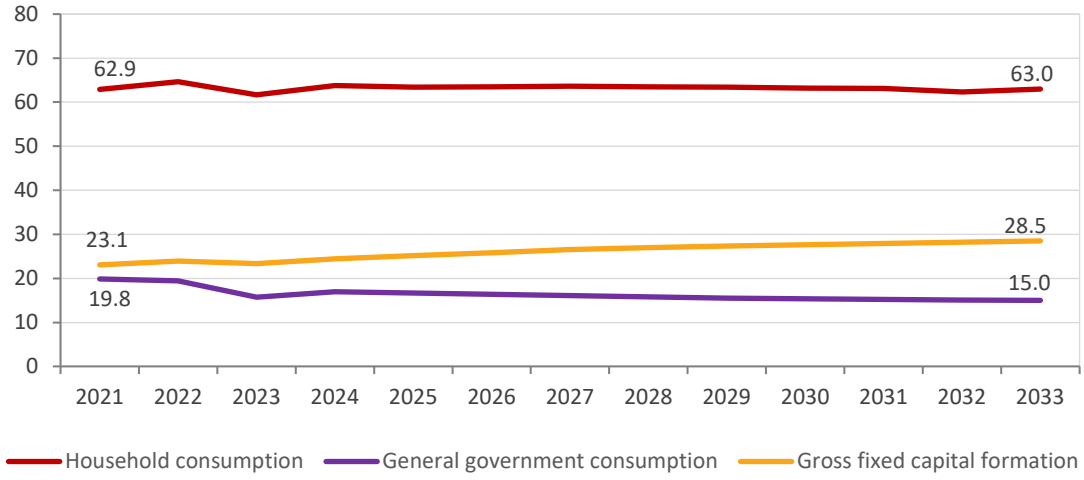


With target shares of net exports (8% until the end of the projected period), final demands are rising at a slower pace than GDP except in 2024. when it was higher than GDP growth rate. The average annual growth rates for the period 2024 – 2033 are the following:

- Gross domestic product 4.0%
- Final consumption 4.2%
- Gross fixed capital formation 6.3%

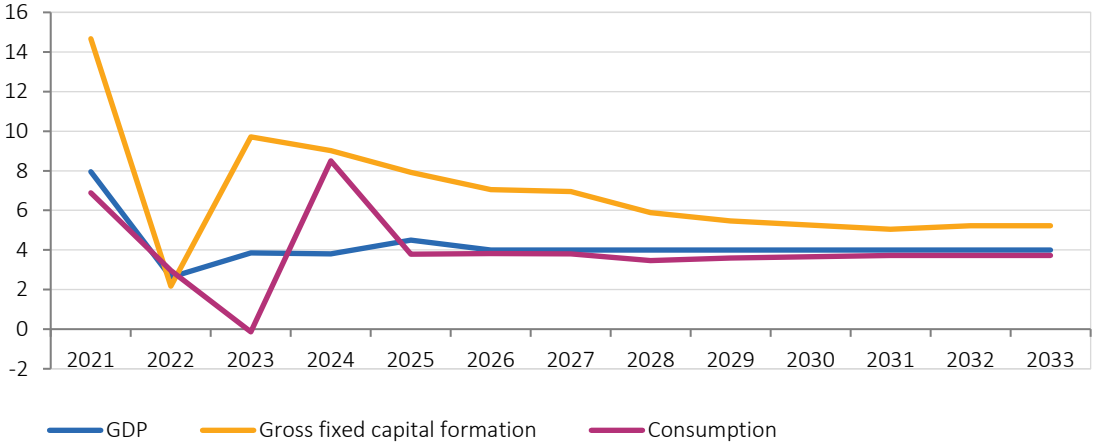
When targeted are net exports and investments, household consumption is a residual item within final demands (Kovačević & Stamenković, 2010; Group of authors, 2011). Its share in GDP, equalling 63.8% in 2024 and falls at 62.8% in 2033. This means that the model is also aimed at general government consumption. In the subject case, the target share of general government consumption in GDP, from 17.0% in 2024, falls at 15.0% in 2033 (Graph 3).

Graph 3. Household and general government consumption, and gross fixed investments, 2021 – 2033, %



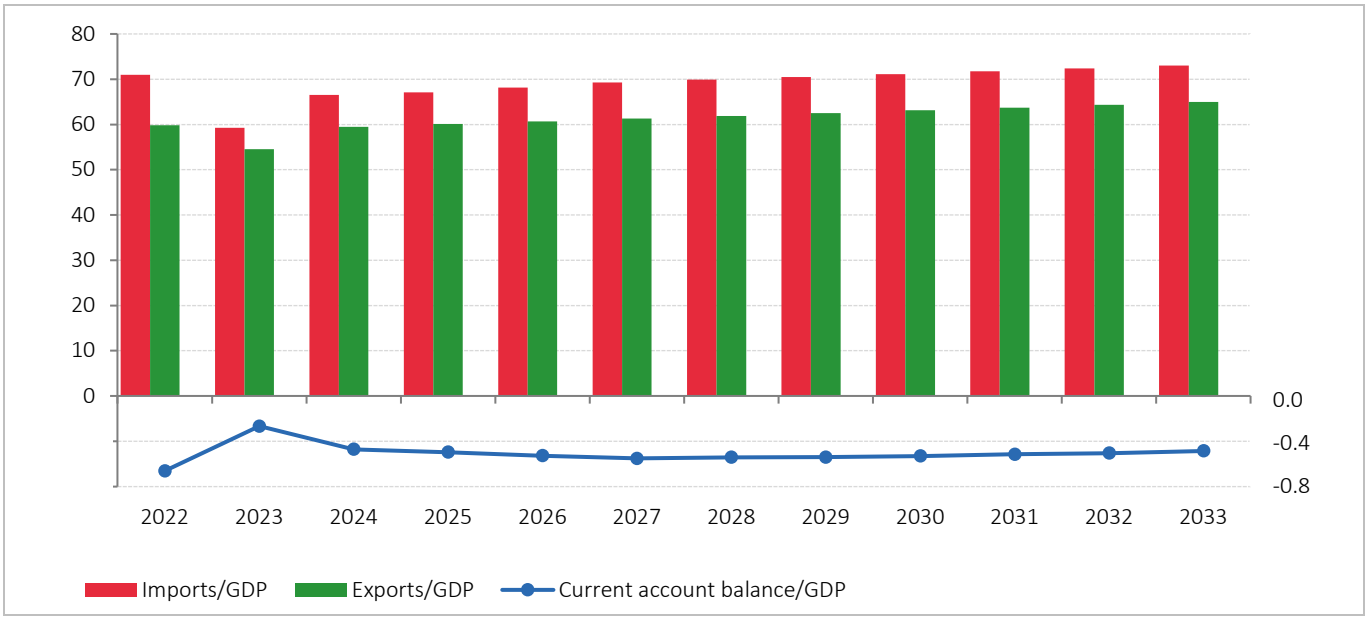
The subject changes of the GDP use structure ask for high rates of imports growth and therefore highly positioned level of target exports – from estimated 59.5% in 2024 to 65% in 2033. In the structure like this, the dominating growth of consumption in 2022 is replaced by the dominating investment growth from 2024 until the end of the projection period (Graph 4).

Graph 4. Inter-annual real growth of GDP, investments and consumption, 2021 - 2033, %



The following set of assumption concerns the projections of the country's balance of payments. Essentially, the here applied model of macroeconomic projections required that primarily the model of balance of payments projections shall be created. In this manner, as far the balance of payments is concerned, the main target parameters are the following: upgrading the share of exports of goods and services in GDP at 65% in 2033 (Graph 5) and limiting the decrease in coverage of imports of goods and services by foreign exchange reserves at about 4 months at the end of the period observed.

Graph 5. Current transactions deficit, 2021-2033, GDP %



It is also projected that in the period 2024–2033, the net inflow of foreign direct investments will amount to nearly 61 billion euros. In the same period, the cumulative amount of the current account deficit is around 58 billion euros, without accounting for potential donations, which would ease the situation.

In line with the given macroeconomic projections of the expenditure side of GDP and the balance of payments, fiscal framework projections for the period from 2024 to 2033 have been derived.

The basis for creating fiscal projections includes the Budget Law for 2025, the Budget System Law, and the Revised Fiscal Strategy for 2025 with projections for 2026 and 2027.

The greatest attention was paid to projections of the most significant items on the revenue and expenditure sides – items with the largest shares in budget revenues and expenditures. On the revenue side, it was necessary to forecast the movement of value-added tax (VAT) revenues as accurately as possible, given the largest share of this item in total revenues. Since this type of tax belongs to consumption taxes, it is assumed that they will move in line with domestic demand. Also, total VAT revenues consist of VAT from imports and VAT on the domestic market. In this regard, it is assumed in the forecasts that VAT revenues from imports will move in line with import movements (the corrective element is the coefficient reflecting the relationship between export and import dynamics, as exported goods entail VAT refunds). VAT revenues on the domestic market are calculated as the difference between total VAT revenues and VAT revenues from imports. The forecast of customs revenues is also based on the import growth rate, while all other budget revenue items are assumed to move in line with GDP movements.

Regarding the expenditure side of the budget, projections were made based on the projected growth rates of general government sector consumption, for expenditures that mainly go to consumption (employee compensation, budget transfers, the largest item of which is transfers to the Pension and Disability Insurance Fund, as well as social benefits from the budget). From 2020 to 2022, pensions were adjusted according to the "Swiss formula," which combines the growth of average wages and consumer prices. From 2023, pensions are also adjusted according to their share in GDP to further protect the standard of living of pensioners. In 2024, pensions are indexed to wage growth, while in 2025, the "Swiss formula" would be applied again. Regarding the share of wages in the general government sector in GDP, an upper limit of 10% is set. This is an automatic stabilizer concept introduced to highlight the system's ability to adapt to economic conditions without constant manual adjustments. Additionally, to ensure further control over the acceptability of the obtained fiscal projections, demographic projections of the Republic Statistical Office on the population number for the relevant age groups (65+) were taken into account.

Given the expected increase in public infrastructure investments in the coming period, following the decision to hold the Expo 2027 in Belgrade and the implementation of the "Leap into the Future – Serbia 2027" program, the targeted share of capital

expenditures in GDP has been increased compared to the previous cycle of fiscal projections (when it was 5.5%) to 7.4% in 2025 and 2027. In 2026, the targeted share of these expenditures is 7.2%.

If the existing tax rates remain unchanged, the share of consolidated public revenues in GDP will stabilize at around 39%. Meanwhile, the share of public expenditures in GDP will decrease from an estimated 43.6% in 2024 to 39.4% of GDP in 2033, reducing the budget deficit in relative terms to about 0.2% of GDP at the end of the projection period. The planned increases in public infrastructure investments are expected to ensure a higher economic growth rate both directly and, more importantly, through the indirect effects that new infrastructure has on the growth of private investments. In this regard, a targeted share of public investments of 7.4% of GDP in 2025 has been set, which would only decrease to 5.5% of GDP after 2028. In 2023, the relative volume of public investments was 6.5% of GDP, while in 2024, the estimated share of public investments in GDP is 7.4%.

The starting position in the current 2024 is a fiscal deficit of 2.7% of GDP, which increases to 2.9% of GDP in the following year, followed by a gradual decline in the deficit share until the end of the projection period. Thus, in 2033, the consolidated state budget deficit would be 0.2% of GDP. This result stems from the assumptions embedded in the projections of the expenditure side elements of GDP, which concern the adjustment of public consumption, i.e., the relative decline (in relation to GDP) of current public consumption. Namely, one of the model's assumptions is the reduction of the government's consumption share in GDP from an estimated 17.0% in 2024 to 15.0% in 2033. However, in the early years of the projection period, due to the maturity of foreign borrowing repayments and the fact that the main components of public consumption – public sector wages (from the budget) and pensions – are difficult to adjust, the deficit expands, which, according to projections, would be 2.9% and 2.8% of GDP in 2025 and 2026, respectively, followed by a gradual decline until 2033, when it would be 0.2% of GDP. Additionally, it is important to consider the embedded assumption of a relative reduction (as a % of GDP) in tax revenues with unchanged tax rates, given that future economic growth, to be sustainable, requires redirecting the economy from imports and consumption to exports and investments. This leads to a reduction in the tax base, such as imports and consumption, resulting in lower tax revenues with the same rates (customs and VAT). The results of the fiscal projections are given in the Annex of the text.

Basic model of development: Results and implementation risks

The greatest risk to the sustainability of the chosen macroeconomic growth and development scenario as a whole is closely linked to the issue of external debt sustainability and external liquidity. In literature and professional practice, a range of indicators has been defined and used for analysing external debt sustainability – the most commonly used are the following indicators: (i) external liquidity indicators, (ii) external solvency indicators, and (iii) indicators of national economic openness.

External liquidity indicators:

1) Total external debt service ratio (share of capital and interest repayment in exports of goods and services)

In 2023, the debt service ratio was 16.4%. The estimated debt service ratio in 2024 is 11.2%. Such high rates are a consequence of the due obligations (interest and principal) from the country's previous borrowing. After this period, the rate decreases year by year, reaching 5.8% in 2033.

In the early years of the projection period, there is a risk of high external debt repayments, indicating the necessity for increased investment activity based on a significant increase in the share of domestic savings in financing investments, followed by foreign direct investments. In this regard, it is of great importance that the projects related to the "Leap into the Future - Serbia Expo 2027" program are efficiently implemented. Otherwise, the absence of positive effects (both direct and indirect) from this program could jeopardize the long-term sustainability of the country's debt.

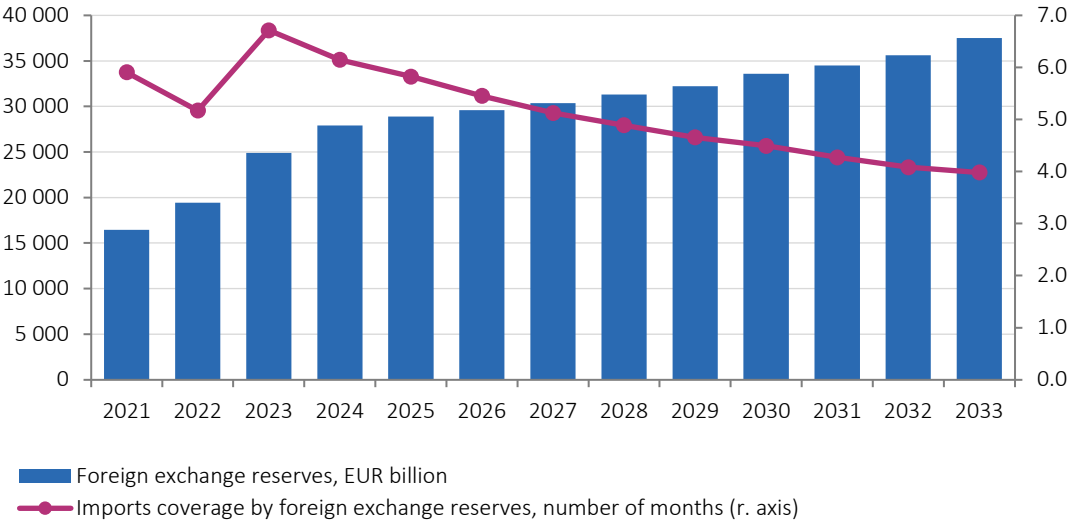
2) Foreign exchange reserves by months of imports (of goods and services) – adequacy of foreign exchange reserves indicates the period in months while a country can maintain the existing level of imports in case all inflows are stopped.

The coverage of imports of goods and services by foreign exchange reserves decreases from an estimated 6.1 months in 2024 to 4 months in 2033, in line with the reduction of risks regarding external liquidity (Graph 6).

Since the rating agency Standard and Poor’s upgraded Serbia's long-term foreign currency credit rating to investment grade – "BBB- with stable outlook" in October 2024, it is expected that this will lead to a reduction in the financing costs of the chosen

growth and development model for the country. Additionally, this should have a positive effect on expanding the investor base, resulting in lower borrowing costs both domestically and internationally, due to the reduced risk associated with instruments issued by the Republic of Serbia.

Graph 6. Foreign exchange reserves and imports coverage, 2021 – 2033, GDP %



External solvency indicators:

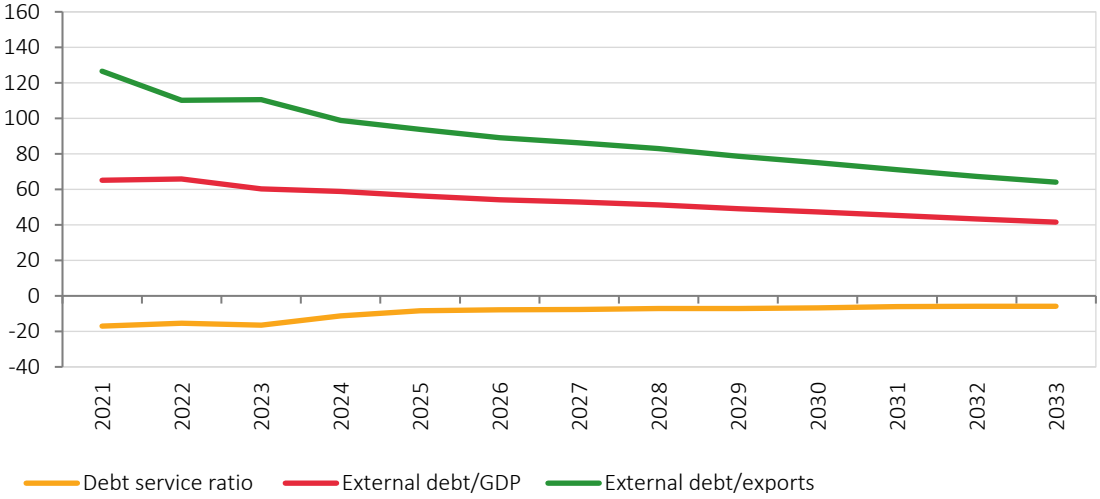
3) Share of total external debt in exports of goods and services

In 2024 the estimated ratio external debt to exports of goods and services equals 99.0%, which is within sustainability limits (220%). From year to year this share records fall, and in 2033 it would equal 64.1%.

4) Total external debt share in GDP

In 2024 the estimated external debt amounts to EUR 48.2 billion, i.e. 59.0% GDP. From year to year, external debt is growing in absolute expression, so at the end of the projection period (in 2033) it would amount to EUR 64.5 billion. However, in relative expression the share of external debt in GDP falls at 41.7% (Graph 7).

Graph 7. External indebtedness indicators, 2021 – 2033, %



Indicators of national economic openness:

5) Share of foreign direct investment/FDI in GDP

In 2024 the estimated share of foreign direct investments (FDI) in GDP is 6.0%. After that, this share will gradually decrease year by year, reaching 5.0% of GDP in 2029 and remaining at that level until the end of the projection period. The reduced share of FDI in the last years of the projection is expected due to potential profit outflows.

According to projections, in the period 2024–2033, the net inflow of FDI will amount to around 61 billion euros. The cumulative current account deficit in the same period is 58.2 billion euros.

6) Degree of Economic Openness

The level of economic openness of the country is also measured by the ratio of foreign trade to GDP (the share of total exports and imports in GDP), which is projected to increase from an estimated 126.0% in 2024 to 138.0% in 2033. This indicates a high degree of economic openness during the projection period.

Regarding the risks to the realization of the projection, there are international environment risks and internal risks. In the first case, the country may face a deepening global economic crisis, a migrant crisis, slower economic growth in Serbia's foreign trade partner countries, investor withdrawal or capital outflow, an energy crisis, tougher credit conditions, climate change, etc. As for internal risks, they may include stronger consumption growth instead of long-term investments, inefficient implementation of major public infrastructure projects, liquidity problems in the economy, unfavourable demographic trends – declining birth rates, demographic aging, and aging of the working-age population, an inefficient legal system, political risks, etc.

Alternative (pessimistic) scenario of economic growth

Assumptions

When related to the presented basic scenario, the alternative, pessimistic scenario envisages a lower economic growth. So the average annual growth in the period 2024 – 2033 equals 2.2%; however, the maximum growth rate (estimated 3.8%) would be achieved in 2024, thereafter it tends to fall and equals 2.5% in 2025. Then follows a period of 2% growth in the forthcoming projection period, i.e. until 2033. In addition, assumed is a growing share of current transactions deficit in GDP, from the estimated 4,5% in 2024 to 6.2% in 2033.

The target parameters envisaged by the alternative development scenario are the following:

- After the estimated 24,5% in 2024, the share of fixed investments in GDP falls at 22.0% in 2033 (with the average annual growth of 1.9%);
- Maintained share of general government consumption in GDP of 17.0% during the whole projection period;
- Decreased share of exports of goods and services in GDP, from the estimated 59.5% in 2024 at 55.0% in 2033;
- Growing deficit of current transaction in the balance of payments, from 4.5% in 2024 to 6.2% GDP in 2033.

With the target shares of net exports (7% until the end of the projection period), final demands are growing at a faster pace than GDP. Following are the average annual growth rates for the period 2024 – 2033:

- GDP 2.2%
- Final consumption 3.1%
- Investments 1.9%

The projected low average annual growth rate of 2.2% combined with the increased all forms of consumption inevitably leads to the rising inflation rate the RSD depreciation. Such scenario could not ensure long term sustainability, and as early as in 2028 foreign exchange reserves would dramatically fall, and this trend would be resumed until the end of the projected period. Therefore, the foreign exchange level would fall from the starting six months of imports coverage to three months. An alternative

to spending foreign exchange reserves to cover the missing inflow is seen in borrowing at high price. As a result external liquidity would "break" due to high interest rates. On long-term basis, the external solvency of the country would deteriorate. Precisely, in the case of alternative scenario, the external debt to exports of goods and services ratio would reach the level of 115.5% in 2033. In the same year, the share of external debt in GDP would equal 63.5%.

Taking into account the reduced share of exports of goods and services in GDP, from estimated 59.5% in 2024 to 55.0% in 2033, which would also affect the imports, the deteriorated economic openness level is to be seen. Therefore, the share of exports of goods and services in GDP would fall – from estimated 126.0% in 2024 to 117.0% in 2033.

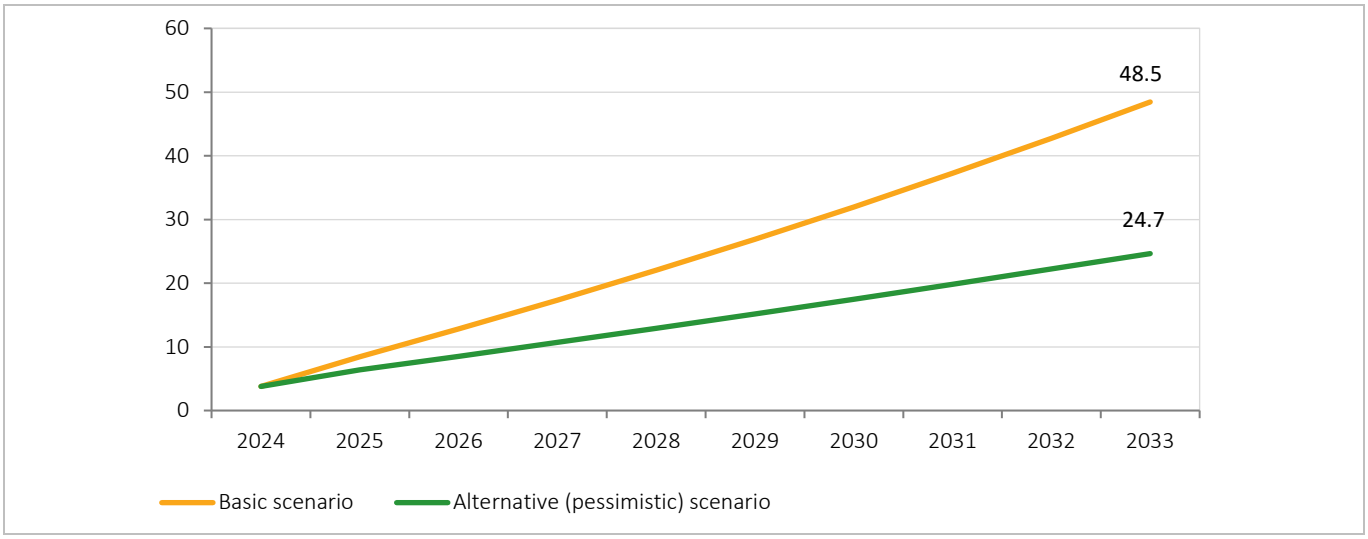
Relatively lower influence of the external component on GDP at the end of the projection period is made in the circumstances of increased deficit, which may indicate the problems in economic structure, i.e. its problematic competitiveness.

Effects on external balance

The purpose of creating an alternative economic growth scenario is to highlight the issues and risks if a lower economic growth rate is projected over the next decade. Thus, due to a lower average annual real GDP growth rate in the period from 2024 to 2033 – from 4.0% to 2.2%, the potential for consumption growth would be limited to 3.1% annually instead of 4.2%.

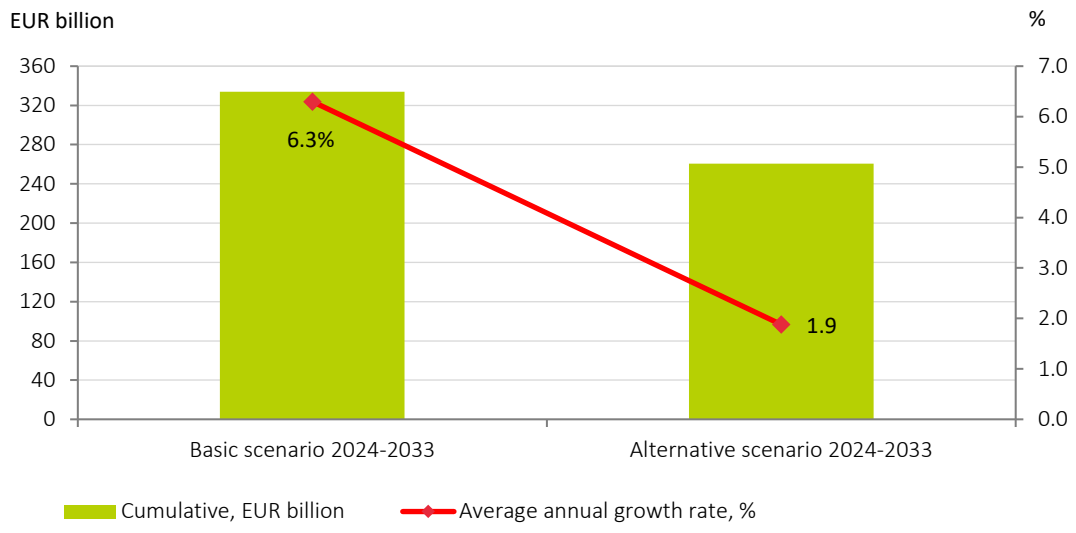
At the end of the observed period, in 2033, GDP in nominal terms would be 128.3 billion euros instead of 154.9 billion euros, representing a loss of 26.6 billion euros. Cumulatively, GDP growth in the alternative scenario would be 24.7%, which is 23,8 percentage points less than in the basic scenario. Accordingly, in the basic scenario, the real GDP (in constant prices, 2022=100) would increase by 28.8 billion euros in the period 2024–2033, while in the alternative scenario, this increase would be only 6.5 billion euros.

Graph 8. Cumulative GDP growth, 2024 – 2033, %



As far as investments are concerned, according to the alternative scenario their growth is lower – on average it equals about 1.9% annually, which is by 4.4 p.p. less than envisaged by the basic scenario (6.3%). Consequently, the total investments for all projection years (cumulative) would amount less for EUR EUR 73.3 billion. As regards FDI cumulative, they amount less for about EUR 12.5 billion; namely, instead of EUR 60.8 billion (the basic scenario), FDI would amount to EUR 48.3 billion according to the alternative scenario.

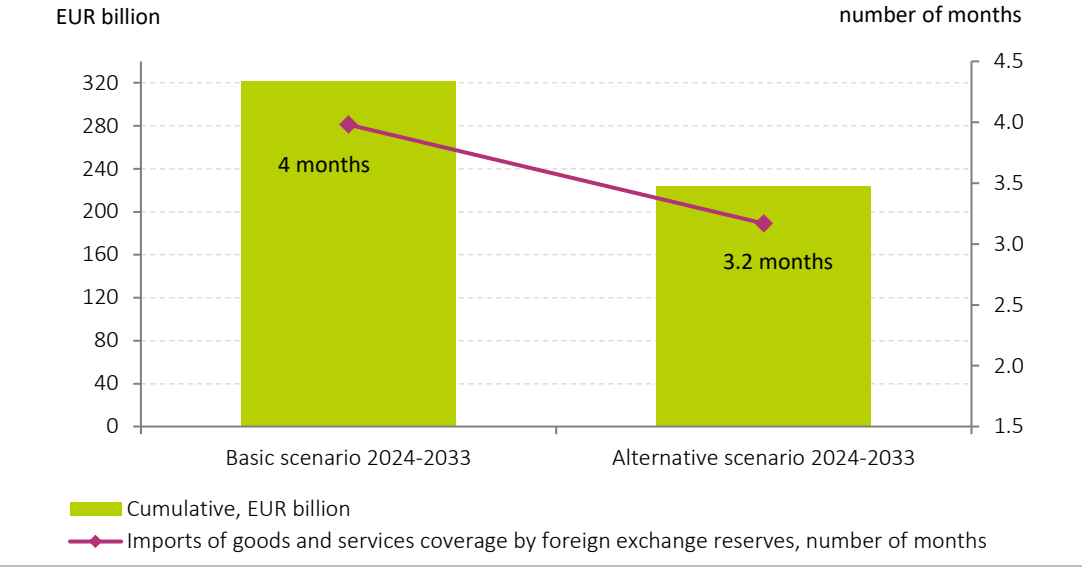
Graph 9. Gross fixed investments – cumulative and average annual growth rate, 2024 – 2033



The projected low average annual growth rate of the economy (2.2%) combined with the increased all forms of consumption inevitably leads to the rising inflation rate the RSD depreciation. Such scenario could not ensure long term sustainability, and as early as in 2028 foreign exchange reserves would dramatically fall, and the debt service ratio would start to show a slight upward trend from the same year, reaching 9.7% in 2033.

Expressed on cumulative basis, the foreign exchange reserves would be reduced for EUR 97.7 billion when related to the basic scenario. At the same time, according to the alternative scenario the coverage of imports of goods and services by foreign exchange reserves at the end of the projection period would equal about 3 months, in contrast to 4 months as envisaged by the basic scenario.

Graph 10. Foreign exchange reserves – cumulative and imports of goods and services, 2024 – 2033



An alternative to spending foreign exchange reserves to cover the missing inflow is seen in borrowing at high price. As a result external liquidity would "break" due to high interest rates. On long-term basis, the external solvency of the country would

deteriorate. Precisely, in the case of alternative scenario, the external debt to exports of goods and services ratio would reach the level of 115.5% in 2033. In the same year, the share of external debt in GDP would equal 63.5%.

Taking into account the reduced share of exports of goods and services in GDP, from estimated 59.5% in 2024 to 55.0% in 2033, which would also affect the imports, the deteriorated economic openness level is to be seen. Therefore, the share of exports of goods and services in GDP would fall – from estimated 126.0% in 2024 to 117.0% in 2033. According to the basic scenario, in the last year of the projection scenario this share equals 138.0%.

Relatively lower influence of the external component on GDP at the end of the projection period is made in the circumstances of increased deficit, which may indicate the problems in the economic structure, i.e. its problematic competitiveness.

Since Serbia is still in the process of reforms, the new model of economic growth and development in the forthcoming decade requires the following elements:

- Reindustrialization: Strengthening the industrial sector, especially the manufacturing industry, through investment in technological innovations and modernization of production capacities,
- Diversification of the economy towards tradable sectors to balance the country's foreign trade balance,
- Creating a favourable business environment to attract foreign direct investments, which includes legal security, transparency, and efficient administration,
- Infrastructure development through investment in transport, energy, and digital infrastructure to support economic growth and increase the country's competitiveness,
- Investment in education and vocational training to ensure a skilled workforce capable of meeting the demands of the modern labour market,
- Support for small and medium-sized enterprises (SMEs), both financial and technical, as this is crucial for innovation and employment, etc.

These elements together can contribute to sustainable and balanced economic growth in Serbia, reducing risks and increasing resilience to global economic changes.

ANNEX - INDICATORS OF DEVELOPMENT DYNAMICS AND EXTERNAL MACROECONOMIC POSITION OF SERBIA – REVIEW

Table 1. Serbian development dynamics indicators, projection 2024 – 2033

	2021	2022	2023	2024[1)]	2025	2026
GDP, EUR million, current exchange rate	**55 931,3**	**63 501,1**	**75 204,0**	**81 938,3**	**88 762,2**	**95 543,3**
GDP real growth rate, %	**7.9**	**2.6**	**3.8**	**3.8**	**4.5**	**4.0**
GDP, current prices, RSD billion	**6 576,0**	**7 458,8**	**8 817,8**	**9 602,8**	**10 411,1**	**11 216,5**
Domestic demands	7 079,8	8 237,4	9 200,7	10 275,0	11 139,8	12 057,8
Final consumption	5 439,5	6 269,0	7 030,2	7 759,1	8 339,3	8 962,0
Household consumption	4 134,2	4 820,5	5 436,2	6 126,6	6 600,6	7 122,5
General government consumption, incl. NPISH and collective consumption	1 305,2	1 448,5	1 390,9	1 632,5	1 738,6	1 839,5
Investments, total	1 640,4	1 968,3	2 170,5	2 515,9	2 800,6	3 095,8
Gross fixed capital formation	1 515,9	1 783,8	2 061,0	2 347,9	2 618,4	2 899,5
Changes in inventories	124,5	184,5	109,6	168,0	182,2	196,3
Net exports of goods and services	-503,8	-778,6	-382,9	-672,2	-728,8	-841,2
Domestic demands, total – real growth, %	7.5	3.2	-0.4	6.7	4.8	4.6
Domestic final demands - share in GDP, %	82.7	84.0	79.7	80.8	80.1	79.9
Domestic final demands - real growth, %	6.9	3.0	-0.1	8.5	3.8	3.8
Household consumption - share in GDP, %	62.9	64.6	61.7	63.8	63.4	63.5
Household consumption - real growth, %	7.6	3.5	0.6	7.6	4.1	4.3
Public consumption - share in GDP, %	19.8	19.4	15.8	17.0	16.7	16.4
Public consumption - real growth, %	4.6	1.2	-14.8	11.9	2.7	2.1
Gross fixed investments - share in GDP, %	23.1	23.9	23.4	24.5	25.2	25.9
Gross fixed investments - real growth, %	14.7	2.2	9.7	9.0	7.9	7.1
Auxiliary model variables						
Average exchange rate, EUR/RSD	117,6	117,5	117,3	117,2	117,3	117,4
External trade deflator, %	2.9	9.2	-0.2	0.0	0.1	2.2
GDP deflator, %	5.7	10.5	13.8	4.9	3.7	3.6
Final consumption deflator, %	4.7	12.6	12.2	4.7	3.5	3.5
Deflator of investments, %	7.7	15.6	5.7	4.5	3.3	3.4
Retail prices, annual average, %	4.0	11.9	12.1	4.7	3.5	3.5

[1)] Estimate.

2027	2028	2029	2030	2031	2032	2033	
102 635,4	**109 922,4**	**117 726,8**	**126 085,4**	**135 037,4**	**144 625,0**	**154 893,3**	**GDP, EUR million, current exchange rate**
4.0	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**GDP real growth rate, %**
12 060,0	**12 927,9**	**13 858,2**	**14 855,5**	**15 924,6**	**17 070,6**	**18 299,1**	**GDP, current prices, RSD billion**
13 024,8	13 962,1	14 966,9	16 043,9	17 198,5	18 436,2	19 763,0	Domestic demands
9 611,8	10 245,3	10 934,1	11 676,4	12 476,9	13 323,6	14 227,5	Final consumption
7 670,1	8 202,7	8 786,1	9 388,7	10 048,4	10 745,9	11 482,7	Household consumption
1 941,7	2 042,6	2 148,0	2 287,7	2 428,5	2 577,7	2 744,9	General government consumption, incl. NPISH and collective consumption
3 413,0	3 716,8	4 032,7	4 367,5	4 721,6	5 112,6	5 535,5	Investments, total
3 201,9	3 490,5	3 790,2	4 107,5	4 443,0	4 813,9	5 215,2	Gross fixed capital formation
211,0	226,2	242,5	260,0	278,7	298,7	320,2	Changes in inventories
-964,8	-1 034,2	-1 108,7	-1 188,4	-1 274,0	-1 365,6	-1 463,9	Net exports of goods and services
4.6	4.1	4.1	4.1	4.1	4.1	4.1	Domestic demands, total – real growth, %
79.7	79.3	78.9	78.6	78.4	78.1	77.8	Domestic final demands - share in GDP, %
3.8	3.5	3.6	3.7	3.7	3.7	3.7	Domestic final demands - real growth, %
63.6	63.5	63.4	63.2	63.1	63.0	62.8	Household consumption - share in GDP, %
4.2	3.8	4.0	3.7	3.9	3.8	3.7	Household consumption - real growth, %
16.1	15.8	15.5	15.4	15.3	15.1	15.0	Public consumption - share in GDP, %
2.1	2.1	2.0	3.3	3.0	3.0	3.3	Public consumption - real growth, %
26.6	27.0	27.4	27.7	27.9	28.2	28.5	Gross fixed investments - share in GDP, %
7.0	5.9	5.5	5.3	5.1	5.2	5.2	Gross fixed investments - real growth, %
							Auxiliary model variables
117,5	117,6	117,7	117,8	117,9	118,0	118,1	Average exchange rate, EUR/RSD
2.2	2.1	2.1	2.1	2.1	2.1	2.1	External trade deflator, %
3.4	3.1	3.1	3.1	3.1	3.1	3.1	GDP deflator, %
3.3	3.0	3.0	3.0	3.0	3.0	3.0	Final consumption deflator, %
3.2	3.0	3.0	3.0	3.0	3.0	3.0	Deflator of investments, %
3.3	3.0	3.0	3.0	3.0	3.0	3.0	Retail prices, annual average, %

Table 2. GDP, current and constant prices, projection 2024 – 2033

	2021	2022	2023	2024[1)]	2025	2026
GDP, EUR million, current exchange rate	**55 931,3**	**63 501,1**	**75 204,0**	**81 938,3**	**88 762,2**	**95 543,3**
Average exchange rate, EUR/RSD	117,6	117,5	117,3	117,2	117,3	117,4
From GDP projections:						
GDP real growth coefficient	1,079	1,026	1,038	1,038	1,045	1,040
GDP deflator coefficient	1,057	1,105	1,138	1,049	1,037	1,036
GDP, current prices, RSD billion	**6 576,0**	**7 458,8**	**8 817,8**	**9 602,8**	**10 411,1**	**11 216,5**
GDP, previous year prices, RSD billion	**6 222,3**	**6 749,0**	**7 745,7**	**9 152,8**	**10 035,0**	**10 827,5**
GDP, chain-linked (Ø2018=100), RSD billion	**7 267,6**	**7 458,8**	**7 745,7**	**8 040,1**	**8 401,9**	**8 738,0**

[1)] Estimate.

Table 3. Serbian external macroeconomic position indicators, projection 2024 – 2033

	2021	2022	2023	2024[1)]	2025	2026
GDP, EUR million, current exchange rate	**55 931,3**	**63 501,1**	**75 204,0**	**81 938,3**	**88 762,2**	**95 543,3**
GDP real growth rate, %	**7.9**	**2.6**	**3.8**	**3.8**	**4.5**	**4.0**
Share of exports of goods and services in GDP, %	**51.5**	**59.8**	**54.5**	**59.5**	**60.1**	**60.7**
Share of imports of goods and services in GDP, %	59.8	70.9	59.2	66.5	67.1	68.2
Share of balance of goods and services in GDP, %	**-8.3**	**-11.1**	**-4.7**	**-7.0**	**-7.0**	**-7.5**
Share of current balance in GDP, %	**-4.1**	**-6.6**	**-2.4**	**-4.5**	**-4.8**	**-5.1**
NBS foreign exchange reserves	16 454,5	19 415,6	24 909,1	27 900,0	28 900,0	29 600,0
Foreign exchange reserves in months of imports of goods and services	5,9	5,2	6,7	6,1	5,8	5,5
Debt balance, EUR	**36 488,2**	**41 895,0**	**45 390,8**	**48 226,7**	**50 027,6**	**51 720,1**
Debt service ratio	-17,0	-15,3	-16,4	-11,2	-8,4	-7,8
External debt/exports of goods and services, %	126.6	110.2	110.7	98.9	93.8	89.2
External debt/GDP, %	65.2	66.0	60.4	58.9	56.4	54.1
FDI share in GDP, %	6.5	6.8	5.7	6.0	5.8	5.7
Exchange rate EUR/RSD	117,6	117,5	117,3	117,2	117,3	117,4
Consumer prices (annual average)	4,0	11,9	12,1	4,7	3,5	3,5

[1)] Estimate.

2027	2028	2029	2030	2031	2032	2033	
102 635,4	**109 922,4**	**117 726,8**	**126 085,4**	**135 037,4**	**144 625,0**	**154 893,3**	**GDP, EUR million, current exchange rate**
117,5	117,6	117,7	117,8	117,9	118,0	118,1	Average exchange rate, EUR/RSD
							From GDP projections:
1,040	1,040	1,040	1,040	1,040	1,040	1,040	GDP real growth coefficient
1,034	1,031	1,031	1,031	1,031	1,031	1,031	GDP deflator coefficient
12 060,0	**12 927,9**	**13 858,2**	**14 855,5**	**15 924,6**	**17 070,6**	**18 299,1**	**GDP, current prices, RSD billion**
11 665,2	**12 542,4**	**13 445,0**	**14 412,5**	**15 449,7**	**16 561,6**	**17 753,4**	**GDP, previous year prices, RSD billion**
9 087,5	**9 451,0**	**9 829,0**	**10 222,2**	**10 631,1**	**11 056,3**	**11 498,5**	**GDP, chain-linked (Ø2018=100), RSD billion**

2027	2028	2029	2030	2031	2032	2033	
102 635,4	**109 922,4**	**117 726,8**	**126 085,4**	**135 037,4**	**144 625,0**	**154 893,3**	**GDP, EUR million, current exchange rate**
4.0	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**GDP real growth rate, %**
61.3	**61.9**	**62.5**	**63.1**	**63.7**	**64.4**	**65.0**	**Share of exports of goods and services in GDP, %**
69.3	69.9	70.5	71.1	71.7	72.4	73.0	Share of imports of goods and services in GDP, %
-8.0	**-8.0**	**-8.0**	**-8.0**	**-8.0**	**-8.0**	**-8.0**	**Share of balance of goods and services in GDP, %**
-5.4	**-5.3**	**-5.3**	**-5.2**	**-5.0**	**-4.9**	**-4.7**	**Share of current balance in GDP, %**
30 360,0	31 300,0	32 200,0	33 570,0	34 500,0	35 600,0	37 500,0	NBS foreign exchange reserves
5,1	4,9	4,7	4,5	4,3	4,1	4,0	Foreign exchange reserves in months of imports of goods and services
54 260,7	**56 442,4**	**57 896,5**	**59 707,4**	**61 184,6**	**62 758,9**	**64 531,1**	**Debt balance, EUR**
-7,6	-7,0	-7,0	-6,7	-6,0	-5,8	-5,8	Debt service ratio
86.3	83.0	78.7	75.0	71.1	67.4	64.1	External debt/exports of goods and services, %
52.9	51.3	49.2	47.4	45.3	43.4	41.7	External debt/GDP, %
5.5	5.2	5.0	5.0	5.0	5.0	5.0	FDI share in GDP, %
117,5	117,6	117,7	117,8	117,9	118,0	118,1	Exchange rate EUR/RSD
3,3	3,0	3,0	3,0	3,0	3,0	3,0	Consumer prices (annual average)

Table 4. Serbian balance of savings and investments, projection 2024 – 2033

	2021	2022	2023	2024[1)]	2025	2026
GDP (RSD billion), current prices	**6 576,0**	**7 458,8**	**8 817,8**	**9 602,8**	**10 411,1**	**11 216,5**
GDP (EUR million), current exchange rate	**55 931,3**	**63 501,1**	**75 204,0**	**81 938,3**	**88 762,2**	**95 543,3**
Exchange rate EUR/RSD	117,6	117,5	117,3	117,2	117,3	117,4
			(Share in GDP, %)			
Gross domestic savings	**14.8**	**12.8**	**18.7**	**17.5**	**18.2**	**18.4**
Net factor income and foreign transfers	4.2	4.5	2.3	2.5	2.2	2.4
Gross national savings	**19.0**	**17.4**	**21.0**	**19.9**	**20.3**	**20.7**
Gross domestic investment	**23.1**	**23.9**	**23.4**	**24.5**	**25.2**	**25.9**
Savings – Investments (S-I)	**-4.1**	**-6.6**	**-2.4**	**-4.5**	**-4.8**	**-5.1**
Foreign savings	4.1	6.6	2.4	4.5	4.8	5.1
Net exports of goods and services	-7.7	-10.4	-4.3	-7.0	-7.0	-7.5

[1)] Estimate.

Table 5. Projection of consolidated public income, structure, GDP %

	2021	2022	2023	2024[1)]	2025	2026
PUBLIC INCOME	**41.2**	**41.6**	**39.4**	**40.8**	**40.9**	**40.8**
1. Current income	40.9	41.4	38.9	40.5	40.7	40.7
1.1. Tax income	36.8	37.0	34.9	36.2	36.5	36.5
Personal income tax	3.9	4.1	3.9	4.1	4.1	4.2
Corporation income tax	2.4	2.8	3.1	3.0	2.9	2.7
Value added tax (VAT)	10.0	10.5	9.6	10.0	10.0	10.0
Excise duty	5.0	4.5	4.2	4.2	4.2	4.2
Customs duties	0.9	1.1	0.9	0.9	0.9	0.9
Other tax income	1.4	1.3	1.2	1.2	1.2	1.2
Contributions	13.1	12.8	12.0	12.7	13.1	13.1
1.2. Non-taxable income	4.1	4.4	4.0	4.2	4.2	4.2
2. Donations	0.3	0.2	0.5	0.4	0.2	0.1

[1)] Estimate.

2027	2028	2029	2030	2031	2032	2033	
12 060,0	**12 927,9**	**13 858,2**	**14 855,5**	**15 924,6**	**17 070,6**	**18 299,1**	**GDP (RSD billion), current prices**
102 635,4	**109 922,4**	**117 726,8**	**126 085,4**	**135 037,4**	**144 625,0**	**154 893,3**	**GDP (EUR million), current exchange rate**
117,5	117,6	117,7	117,8	117,9	118,0	118,1	Exchange rate EUR/RSD
			(Share in GDP, %)				
18.6	**19.0**	**19.4**	**19.7**	**19.9**	**20.2**	**20.5**	**Gross domestic savings**
2.6	2.7	2.7	2.8	3.0	3.1	3.3	Net factor income and foreign transfers
1.2	**21.7**	**22.1**	**22.5**	**22.9**	**23.3**	**23.8**	**Gross national savings**
26.6	**27.0**	**27.4**	**27.7**	**27.9**	**28.2**	**28.5**	**Gross domestic investment**
-5.4	**-5.3**	**-5.3**	**-5.2**	**-5.0**	**-4.9**	**-4.7**	**Savings – Investments (S-I)**
5.4	5.3	5.3	5.2	5.0	4.9	4.7	Foreign savings
-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	Net exports of goods and services

2027	2028	2029	2030	2031	2032	2033	
40.9	**39.8**	**39.3**	**39.3**	**39.2**	**39.2**	**39.2**	**PUBLIC INCOME**
40.8	39.7	39.2	39.2	39.2	39.1	39.1	1. Current income
36.6	35.5	35.0	35.0	34.9	34.9	34.9	1.1. Tax income
4.2	4.2	4.2	4.2	4.2	4.2	4.2	Personal income tax
2.7	2.7	2.7	2.7	2.7	2.7	2.7	Corporation income tax
10.1	10.1	10.1	10.1	10.1	10.1	10.1	Value added tax (VAT)
4.2	4.2	4.2	4.2	4.2	4.2	4.2	Excise duty
1.0	1.0	1.0	1.0	1.0	1.0	1.0	Customs duties
1.2	1.2	1.2	1.2	1.2	1.2	1.2	Other tax income
13.1	12.0	11.5	11.5	11.5	11.5	11.5	Contributions
4.2	4.2	4.2	4.2	4.2	4.2	4.2	1.2. Non-taxable income
0.1	0.1	0.1	0.1	0.1	0.0	0.1	2. Donations

Table 6. Projection of consolidated public expenditure, structure, GDP %

	2021	2022	2023	2024[1)]	2025	2026
PUBLIC EXPENDITURE	**45.2**	**44.6**	**41.4**	**43.6**	**43.8**	**43.6**
1. Current expenditure	37.2	34.6	33.9	35.7	36.0	35.7
Compensation of employees	9.6	9.3	8.8	9.5	9.8	9.8
Purchase of goods and services	7.5	7.5	7.1	7.4	7.2	7.1
Interest payment	1.7	1.4	1.7	2.0	2.2	2.4
Subsidies	3.1	2.2	2.4	2.5	2.5	2.5
Social benefits and transfers	12.9	12.4	12.5	13.0	12.8	12.6
Of which: pensions	9.3	8.6	8.8	9.7	10.1	10.2
Other current expenditure	2.5	1.8	1.4	1.4	1.4	1.3
2. Capital expenditure	7.1	7.1	6.4	7.4	7.4	7.2
3. Activated guarantees	0.1	0.2	0.3	0.3	0.2	0.3
4. Net budgetary lending	0.8	2.8	0.8	0.2	0.3	0.4

[1)] Estimate.

Table 7. Derived budget indicators

	2021	2022	2023	2024[1)]	2025	2026
Total income share in GDP, %	41.24	41.61	39.4	40.84	40.90	40.80
Total expenditure share in GDP, %	45.18	44.62	41.4	43.58	43.83	43.56
Consolidated fiscal result share in GDP, %	-3.94	-3.01	-2.05	-2.74	-2.9	-2.8
Primary result share in GDP, %	-2.29	-1.58	-0.4	-0.79	-0.68	-0.40
Capital investment share in GDP, %	7.10	7.05	6.4	7.36	7.40	7.20
Compensation of employees share in GDP, %	9.56	9.32	8.8	9.49	9.80	9.80
Share of pensions in GDP, %	9.26	8.55	8.8	9.69	10.10	10.20

[1)] Estimate.

2027	2028	2029	2030	2031	2032	2033	
43.3	**40.8**	**39.5**	**39.5**	**39.4**	**39.4**	**39.4**	**PUBLIC EXPENDITURE**
35.4	34.4	33.7	33.7	33.6	33.6	33.6	1. Current expenditure
9.8	9.0	8.6	8.6	8.6	8.6	8.6	Compensation of employees
7.0	6.8	6.7	6.7	6.6	6.5	6.5	Purchase of goods and services
2.5	2.6	2.7	2.9	3.0	3.2	3.3	Interest payment
2.5	2.5	2.5	2.5	2.5	2.5	2.5	Subsidies
12.3	12.1	11.9	11.8	11.7	11.6	11.5	Social benefits and transfers
10.2	9.5	8.5	8.5	8.5	8.5	8.5	Of which: pensions
1.3	1.3	1.3	1.2	1.2	1.2	1.2	Other current expenditure
7.4	6.0	5.5	5.5	5.5	5.5	5.5	2. Capital expenditure
0.2	0.2	0.2	0.2	0.2	0.2	0.2	3. Activated guarantees
0.3	0.2	0.2	0.1	0.1	0.1	0.1	4. Net budgetary lending

2027	2028	2029	2030	2031	2032	2033	
40.87	39.82	39.29	39.27	39.23	39.19	39.20	Total income share in GDP, %
43.31	40.76	39.53	39.52	39.42	39.36	39.35	Total expenditure share in GDP, %
-2.4	-0.9	-0.2	-0.2	-0.2	-0.2	-0.2	Consolidated fiscal result share in GDP, %
0.03	1.66	2.49	2.62	2.83	3.00	3.16	Primary result share in GDP, %
7.40	6.00	5.50	5.50	5.50	5.50	5.50	Capital investment share in GDP, %
9.80	9.00	8.61	8.60	8.57	8.56	8.56	Compensation of employees share in GDP, %
10.20	9.50	8.51	8.51	8.48	8.47	8.47	Share of pensions in GDP, %

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1. MACROECONOMIC FORECASTS

The developed SORS system of leading composite indicators is, on average, one to two quarters at most ahead of economic activity cycles. When combined with econometric models it allows making a quantitative evaluation of the dynamics of the growth rate of economic activity in the short term. The results of the forecast of the leading indicators of consumer prices, inflation expectations, industry GVA, service GVA and construction GVA are presented below.

1.1. FORECAST OF CONSUMER PRICE TRENDS[4]

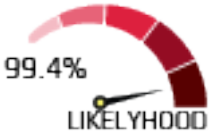


Chart 1.1. Comparison of the cycle of the SORS **consumer price leading composite indicator** (SORS CPI) and total consumer price in the Republic of Serbia, seasonal adjusted and standardised data, deviation from the average period, Q1 2007 – Q1 2025 (%)

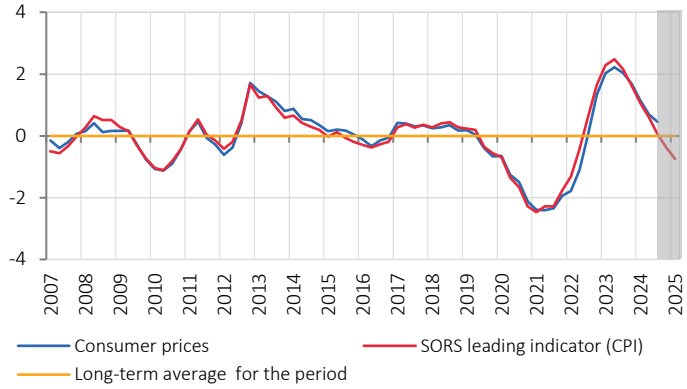
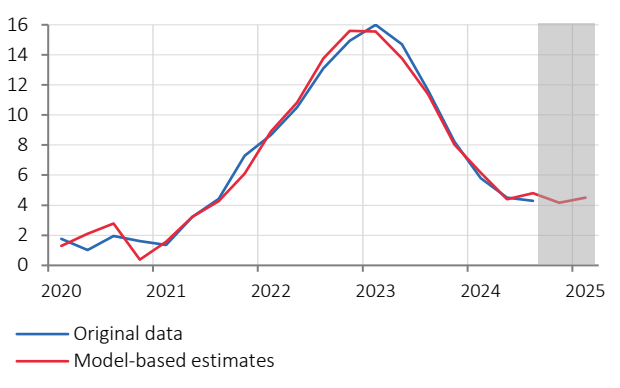


Chart 1.2. Year-on-year consumer price rates, original values and values estimated (forecast) on the basis of **the model of inflation expectations**, Q1 2019 – Q1 2025 (%)



[4] The leading SORS consumer price indicator (SORS CPI) is a result of a research and analytical work by the SORS. The indicator consists of the coverage of previously developed composite food price indicators (IPC-H, i.e. CPI – F), fuel price (IPC-G,, i.e. CPI-F) and tobacco price (IPC-D, i.e. CPI-T), as the largest generators of inflation on the long-term. Taking into account the considerable change in the structure of consumer prices when generating the year-on-year growth rate (primarily, the significant growth of the influence of its energy component starting from the second half of 2022), the SORS leading indicator of consumer price indicator (SORS CPI), the existing long standing biggest strategic elements of consumer price growth (food , tobacco and fuels for passenger cars), has been modified by directly including additional factors of price growth of electricity, gas and solid fuels.

Table 1.1. Realised and forecast year-on-year consumer price growth rates, %

Quarter	Realised	Forecast	
	Consumer prices, year-on-year growth rate, %	Model of the leading indicator (SORS CPI)	Model of inflation expectations
2023 Q1	16.0	16.0	14.9
2023 Q2	14.5	13.5	13.9
2023 Q3	11.4	12.6	12.1
2023 Q4	8.0	9.0	9.4
2024 Q1	5.7	5.3	5.9
2024 Q2	4.4	4.0	4.7
2024 Q3	4.3	3.9	4.9
2024 Q4	(4.3)	3.7	4.1
2025 Q1	-	4.6	4.5

Note: The forecast values of the model of the leading indicator have been published in previous issues of *Trends,* while the forecast growth rates of the model of inflation expectations for the quarters of 2023 have been produced exceptionally on a "returned sample". The data on the realised values of consumer prices (first column) in Q4 2024 has been preliminary estimated.

The inflation contraction of year-on-year consumer price growth rates in the second half of 2024 was considerable slower due to the impact of the base effect, particularly in Q4 2023, because the inflation has been facing month by month, since the second half of 2024, a much quicker decline of year-on-year growth rate frm the same months in 2023. The resuls of the model of the consumer price leading indicator (SORS SORS), model of inflation expectations, average consumer and of the section of retail trade[5] show approximately equalised for Q1 2025 and indicate a slight year-on-year inflation acceleration of 4.6%, i.e. 4.5%, respectively. The model of the leading consumer price leading indicator (SORS CPI) suggests that the largest growth of prices in Q1 2025 is expected from the growth of food prices (forecast through CPI-F leading indicator of nearly 5.5%, being part of the SORS CPI model) primarily due to the presence of the base effect in the prices of food and beverages from Q1 2024. Namely, even though the base effect on total consumer prices almost disappeared in Q4 2024, it will reach its maximum, as far as the prices of food and beverages is concerned, only in Q1 2025 because the fall of the said prices in Q1 2024 was quicker than than that of total inflation, which had this effect a quarter earlier, i.e. in Q4 2023. On the other hand, based on the regular increase in tobacco excise and adjustment with the inflation in 2024, the year-on-year growth of tobacco is expected to be about 7.7% from January 2025. Consequently, the aggregate share of the prices of food and non-alcoholic beverages (36.7%), with the share of the whole group of alcoholic beverages and tobacco (10.9%), in the total growth of consumer prices in Q1 2025. would be approximately 47.6%.

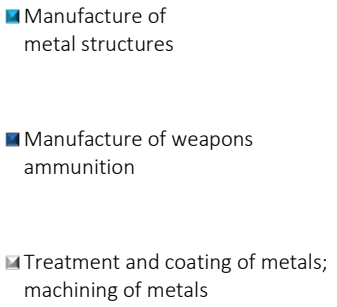
Extenuated circumstances for inflation rate in Q1 2025 **refer to fuel price,** where positive expectations based on the model and indicator of fuel price (SORS CPI-F) are the continuation of the downward path of the year-on-year fall (-2.2%), as well as a complete neutralisation of the effect of the change of prices of electricity for households (which disappeared in November and December 2024, and a there was no new announced electricity price rise in Q1 2025).

[5] **Consumers' inflation expectation model** is based on numeration of consumers' perceptions, taking into accounts: respondents' age limit, level of income, educational level, type of occupation, working hours and sex. SORS carries out the survey of inflation expectations once a month, collects and process data by the methodology of the European Commission. Every month, consumers provide answers about their expected perceptions of the inflation of consumer prices in the next period, by choosing one of the following options: „risen a lot", „risen moderately", „risen slightly", „stayed about the same", „fallen" and „don't know".

Retail inflation expectations group monthly inflation expectations in the next period: with sale of food, non-food products, motor vehicles and fuels by retail supply chains in the sample. The combined indicator of the mentioned inflation expectations precedes consumer price trends by about 2 quarters.

1.2. FORECAST OF INDUSTRY GVA

Chart 1.3. Structure of the annual year-on-year growth rate of the derived GVA value of the **manufacture of fabricated metal products, except machinery and equipment** (5.6%) in Q1–Q3 2024 (total 100)



According to the results of the model of industry leading indicator in Q4 2024 a year-on-year GVA growth rate is forecast to be **about 4.7%, i.e. 3.2% for the whole 2024**. Observed by divisions, this growth is expected to be in q4 2024 mostly under the influence of the stable growth of **manufacture of fabricated metal products, except machinery and equipment,** manufacture **of computers, electronic and optical products,** manufacture of **rubber and plastic products** and of the positive signals of production recovery in manufacture of **chemicals and chemical products**.

Chart 1.4. Structure of the annual growth rate of the derived GVA of manufacture of **computers, electronic and optical products** (78.7%) in Q1–Q3 2024 (total 100)

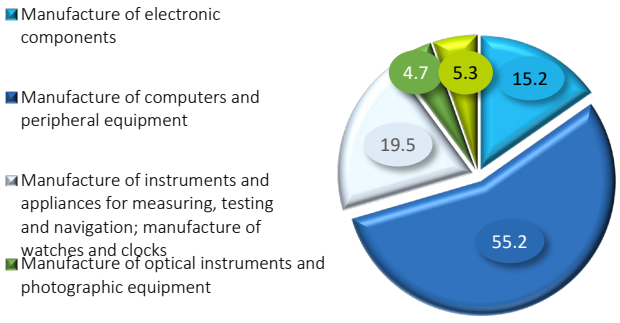


Chart 1.5. Structure of the annual growth rate of the derived GVA of manufacture of **rubber and plastic products** (10.7%) in Q1–Q3 2024 (total 100)

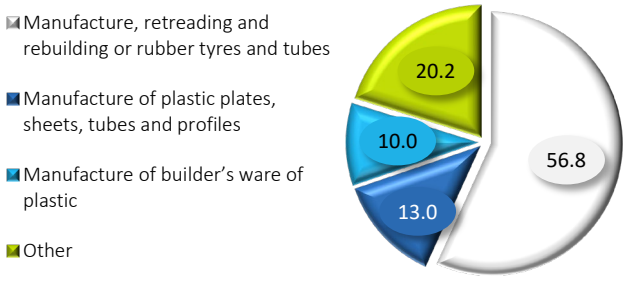


Chart 1.6. Comparison of realised and forecast annual industry GVA growth rates (%), Q1 2023 – Q3 2024

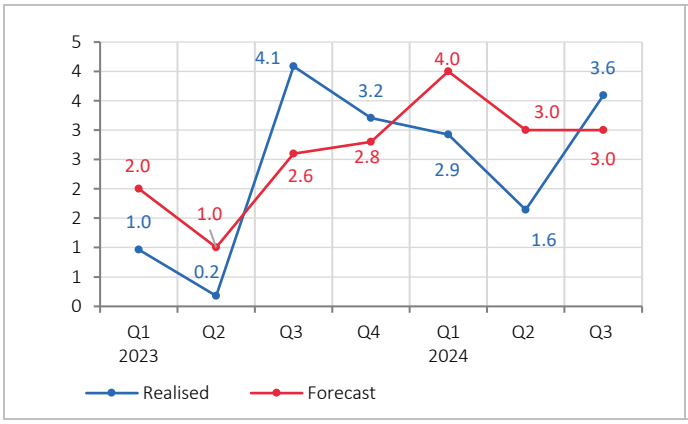
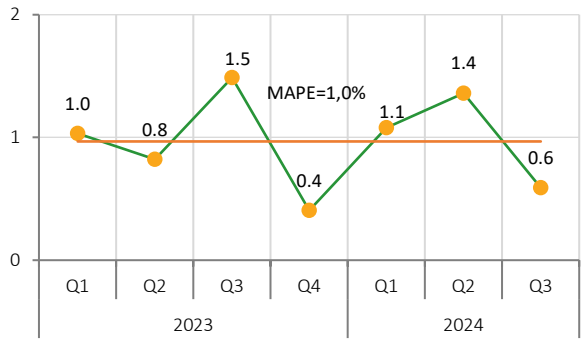
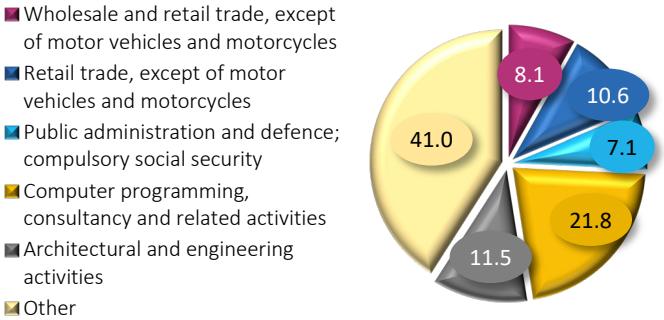


Chart 1.7. Mean Absolute Percentage Error - MAPE[6], forecasts of industry GVA growth rates (%), Q1 2023 – Q3 2024



1.3. FORECAST OF SERVICE GVA

Chart 1.8. Structure of the annual **service GVA** growth rate (4.9%) in Q1-Q3 2024 (total 100)



Using the model of the model of service indicator suggests that total services are expected to grow by nearly 4.0% in Q4 2024, and this growth is expected to be 4.6% in the whole 2024. The main impact on this increase in Q4 2024 comes from services in the field of **computer programming, consultancy and related activities; architectural and engineering activities; retail and wholesale trade.** These four service activities accounted for 52.0% of the total annual service GVA growth rate over Q1–Q3 2024.

[6] Mean Absolute Percentage Error – MAPE is a measure of the simplified interpretation an error of a forecasting model in statistics. It is defined as the ratio $\mathrm{MAPE} = \frac{100\%}{n}\sum_{t=1}^{n}\left|\frac{A_t - F_t}{A_t}\right|$, where A т is the real value, and F т the forecast value. Their difference is divided by the real value A т . The absolute value of this ratio is added up for each forecast point in time and divided by the total number of time points n. The relative deviation of the real values from the forecast ones by (+/-) 5% has been determined by the interval limit of validity of the given forecast (95-percentage indicator reliability interval), which we have defined after having derived MAPE as the likelihood of the model by the formula (v=100-(MAPE)) expressed in percentage. Absolute values are non-negative values. The forecast values in the chart were published in the previous issues of *Trends*

Chart 1.9.[7] Structure of the annual growth rate of the derived **wholesale trade GVA** (4.5%) in Q1–Q3 2024 (total 100)

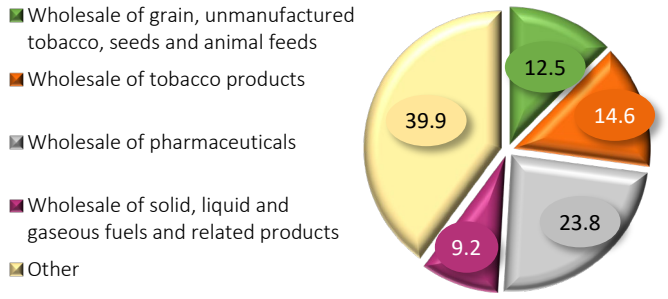


Chart 1.10. Structure of the annual growth rate of the derived **retail trade GVA** (6.8%) in Q1–Q3 2024 (total 100)

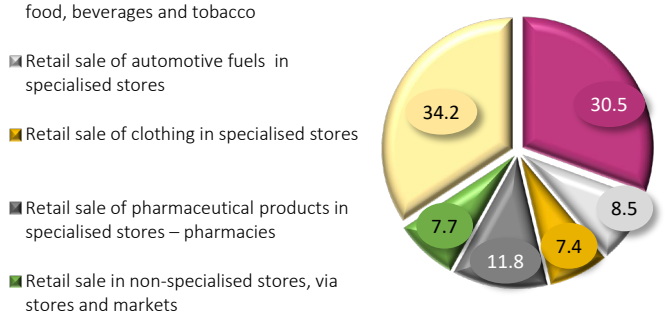


Chart 1.11. Comparison of realised and forecast annual service GVA growth rates, Q1 2024 – Q3 2024 (%)

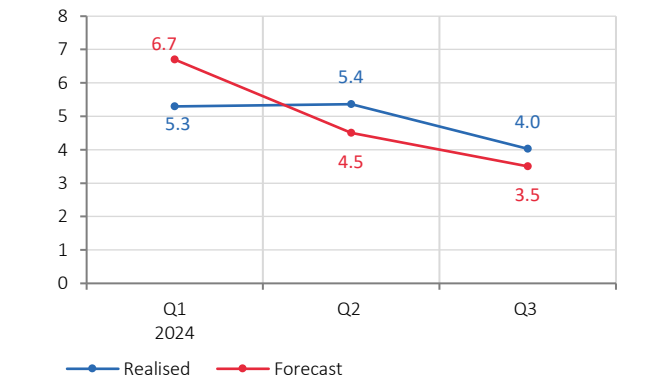
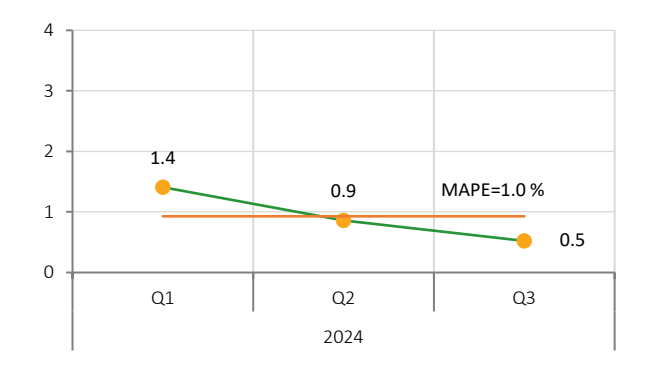


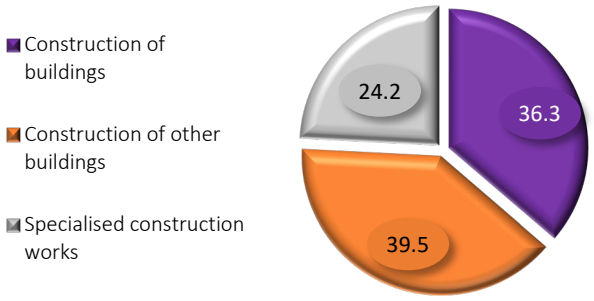
Chart 1.12. Mean Absolute Percentage Error - MAPE, forecasts of service GVA growth rates, Q1 2024 – Q3 2024 (%)



[7] Due to annual revisions of data on total services from 2023, it is not possible to compare the quarterly forecasts before 2024. The forecast values of the values presented in the chart are always published one quarter before the realised data are made available, and are published in previous issues of Trends.

1.4. FORECAST OF CONSTRUCTION GVA TRENDS

Chart 1.13. Structure of the realised GDP in the total value of **construction works done**, Q1–Q3 2024 (total 100), %



Construction GVA increased by 7.1% over Q1–Q3 2024 due to the still ongoing growth of the activity, primarily on the construction of **transport infrastructure, pipeline, communication and electric power lines, and residential buildings.** Using the SORS forecast model of construction GVA, a year-on-year growth rate of about 9.6% is expected in Q4 2024 and the annual growth of construction GVA in 2024 is expected at about 7.8%. Over the period Q1–Q3 2024, the most important building sites were the construction of the Fruska Gora Corridor (section Novi Sad – Ruma), construction of the Morava Corridor, works on the modernization of the railway line of the Hungarian-Serbian railway, "Belgrade Waterfront", EXPO centre, works on the construction of gas pipeline, power transformation stations, communal infrastructure, etc.

Chart 1.14. Structure of the annual value of construction of **other buildings** (14.1%) in Q1–Q3 2024 (total 100), %

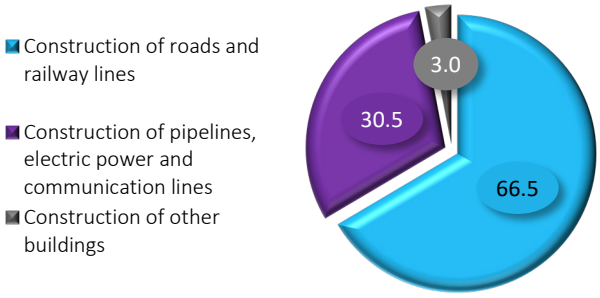


Chart 1.15. Structure of the annual growth rate of the estimated value of **specialised works in construction** (18.6%) in Q1–Q3 2024 (total 100), %

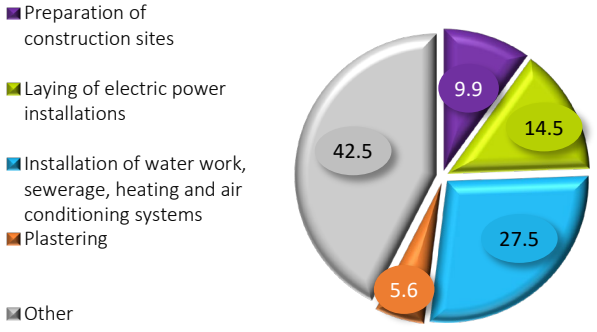


Chart 1.16. Comparison of the realised and forecast[8] annual construction GVA growth rates, Q1 2020 – Q3 2023 (%)

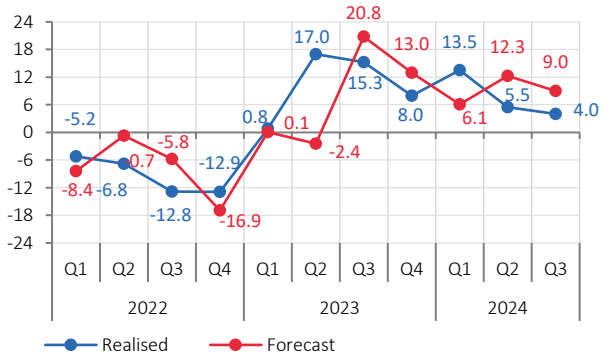
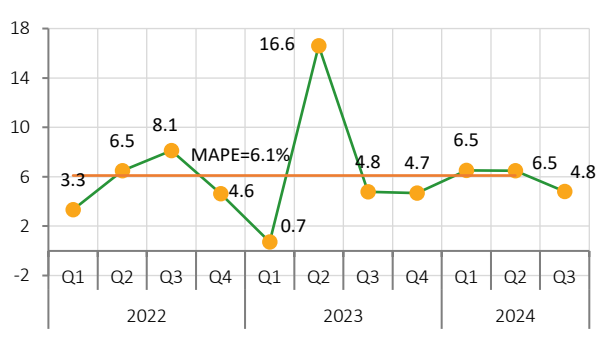


Chart 1.17. Mean Absolute Percentage Error - MAPE, forecast of construction GVA growth rate, Q1 2020 – Q3 2024 (%)



1.5. SUMMARY OF OBTAINED RESULTS OF LEADING INDICATORS BY GVA SECTOR FOR Q4 2024

Table 1.2. Forecast of GVA of selected sections and their estimated contribution to GDP, Q4 2024

Q4 2024	Agriculture	Net taxes	Industry	Construction	Services
Quarterly growth rates, %	-8.3	4.1	4.7	9.6	4.0
Contribution to the growth rate of GDP (pp.)	-0.3	0.6	0.9	0.5	2.3

[8] The forecast values presented in the chart are always published one quarter before the realised data are made available, and are published in previous issues of Trends.

2. GROSS DOMESTIC PRODUCT

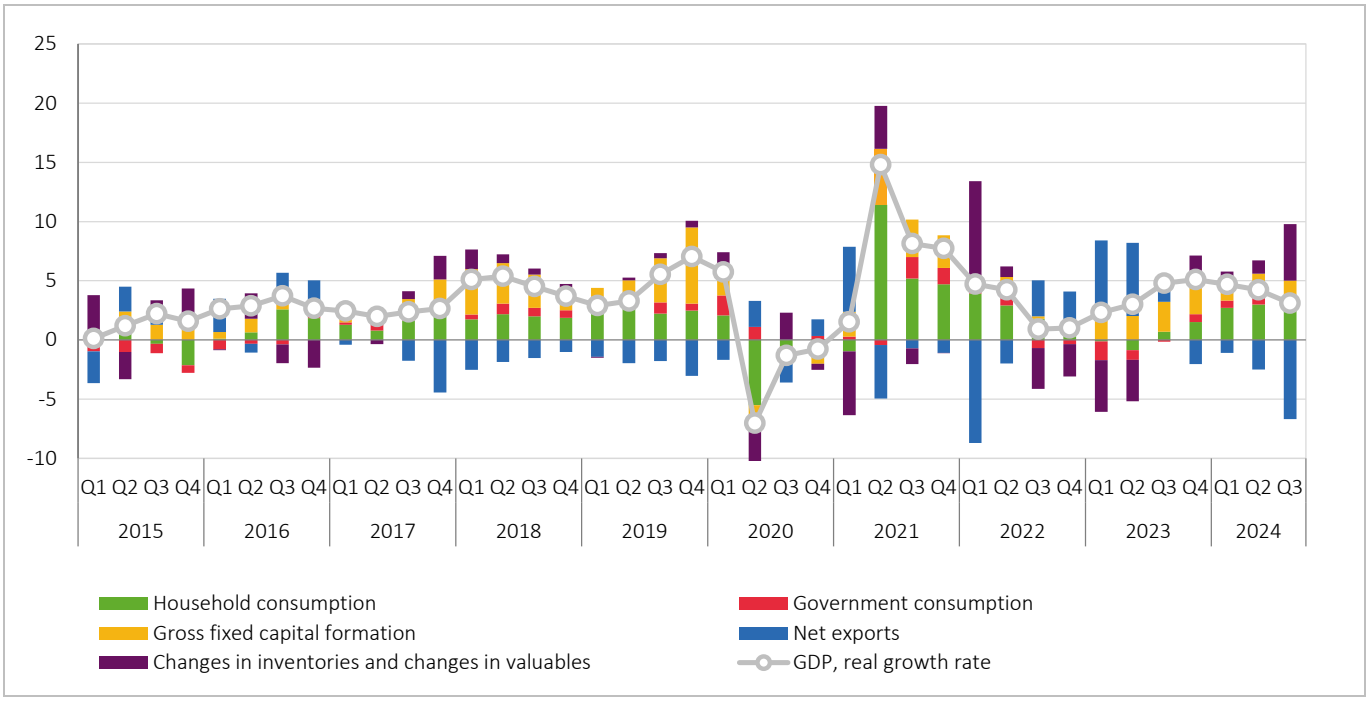
In the third quarter of 2024, GDP real increase of 3.1% was recorded relative to the same period last year. The dominant growth carrier in this quarter related to the section of services, excluding trade, with 2.0 p.p.

Observed by expenditure aggregates, in the third quarter of 2024, relative to the same period last year, household consumption recorded real growth of 3.9% and positively contributed to GDP trend with 2.5 p.p. Gross fixed capital formation recorded real growth of 9.1%, relative to the same period of the previous year (GDP contribution of 2.1 p.p.). Export and import increased by 3.2% and 14.4% and resulted in contribution to GDP trend with 1.8 p.p. and 8.5 p.p., respectively (Table 2.1).

Table 2.1. GDP – expenditure aggregates, real inter-annual growth rates, Q1 2022 – Q3 2024 (%)
(comparison with the same period of the previous year – revised data)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP	**4.7**	**4.2**	**0.9**	**1.0**	**2.3**	**3.0**	**4.8**	**5.1**	**4.7**	**4.2**	**3.1**
Household consumption	6.4	4.4	2.8	0.7	-0.1	-1.3	1.0	2.4	4.4	4.7	3.9
Government consumption	4.2	7.3	-3.7	-1.8	-8.4	-4.4	-0.9	3.6	3.6	4.6	2.6
Gross fixed capital formation	3.5	5.1	0.9	0.1	7.9	9.3	10.4	10.8	7.3	7.8	9.1
Exports	18.9	20.9	16.6	12.4	8.7	3.0	-0.7	0.6	1.3	4.6	3.2
Imports	33.9	21.0	9.3	4.8	-2.2	-6.1	-1.8	3.7	3.1	8.4	14.4

Chart 2.1. Contributions to inter – annual GDP growth rate – expenditure aggregates (p.p.)

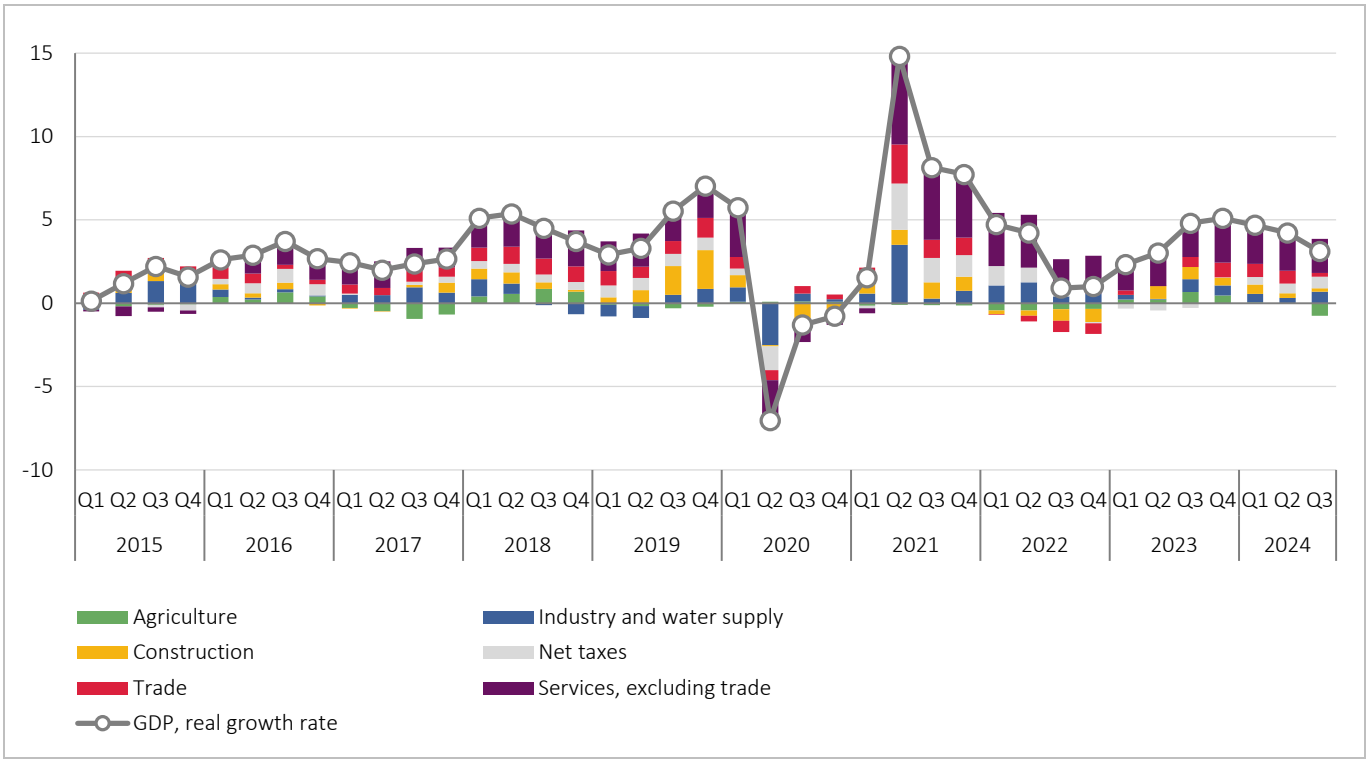


Observed from the **production side**, the greatest positive contribution to GDP increase in Q3 2024 resulted from increased activity in service section (excluding trade), 2.0 p.p.

Table 2.2. GDP– production side, real inter-annual growth rates, Q1 2022 – Q3 2024 (%)
(changes to the same period of the previous year – revised data)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP	**4.7**	**4.2**	**0.9**	**1.0**	**2.3**	**3.0**	**4.8**	**5.1**	**4.7**	**4.2**	**3.1**
Agriculture	-7.7	-7.9	-7.8	-7.0	8.1	6.5	8.2	6.9	-7.6	-8.0	-8.6
Industry and water supply	5.2	6.5	2.2	3.1	1.0	0.2	4.1	3.2	2.9	1.6	3.6
Construction	-5.2	-6.8	-12.8	-12.9	0.8	17.0	15.3	8.0	13.5	5.5	4.0
Trade	-0.3	-2.9	-6.1	-5.7	2.5	0.0	6.0	8.6	7.7	7.7	2.2
Services, excl. trade	7.2	7.3	4.7	5.3	4.2	5.5	5.2	6.0	4.8	4.8	4.4
Net taxes	7.5	5.2	1.2	-0.4	-2.3	-2.4	-1.8	-0.2	3.1	3.8	4.8

Chart 2.2. Contributions to inter – annual GDP growth rate – production side (p.p.)



3. INDUSTRIAL PRODUCTION

3.1. TOTAL INDUSTRIAL PRODUCTION

Total industrial production in the Republic of Serbia, in the period January - September of 2024 increased by 2.8% relative to the same period of 2023. Growth was noted in the sections of *Manufacturing* (4.4%) and *Mining and quarrying* (8.4%), while *Electricity, gas, steam and air conditioning supply* recorded fall of -7.4%.

Chart 3.1. Cumulative trend of total industrial production and its sections, growth rates (%)
(January - September 2024 relative to January - September 2023)

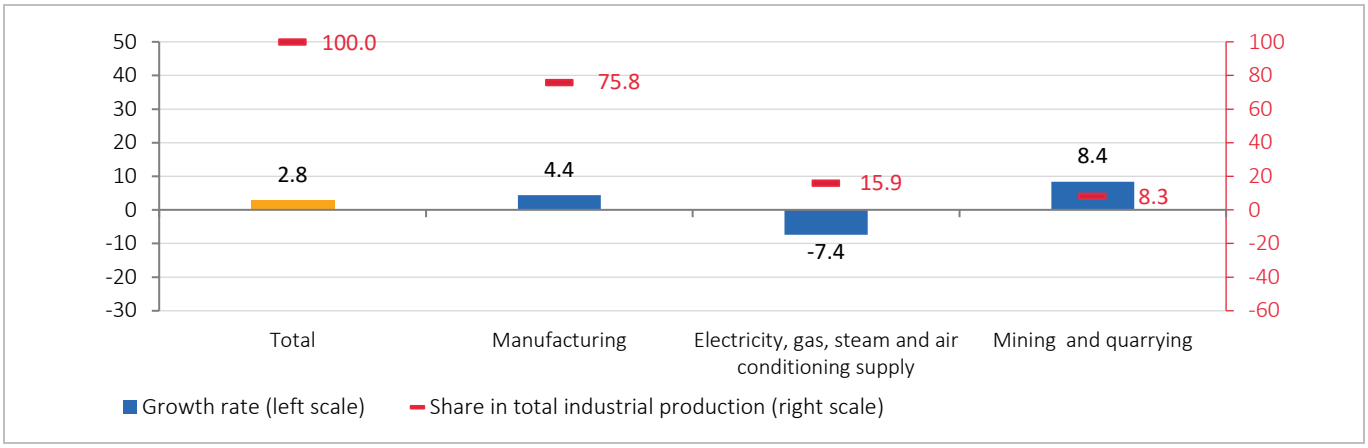
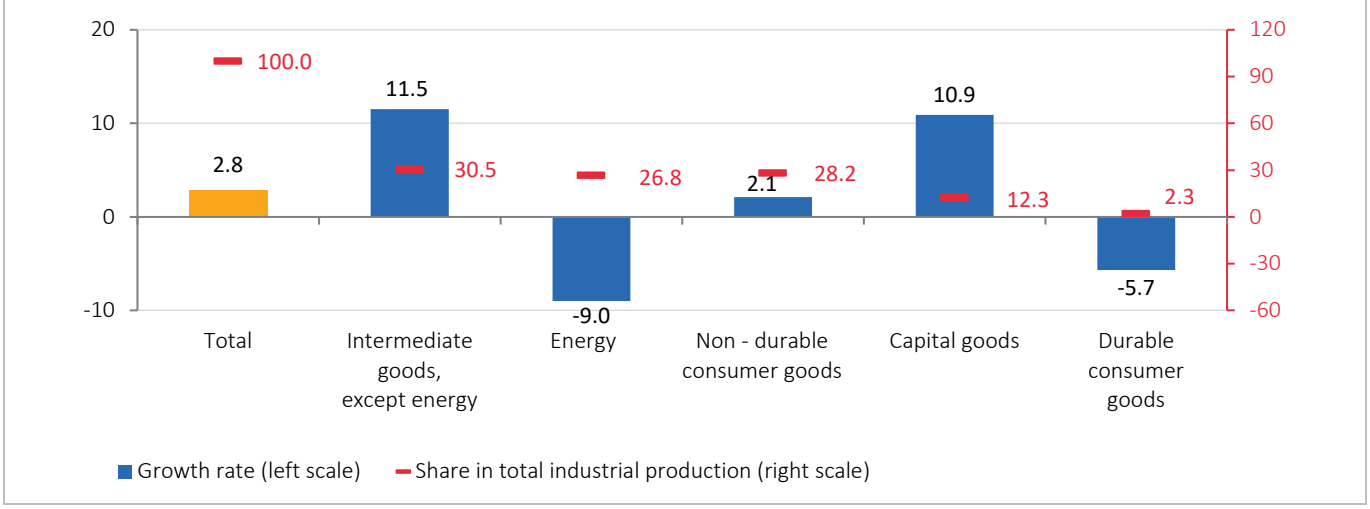


Chart 3.2. Industrial production growth rates by MIGs (%) (January - September 2024 relative to January - September 2023)



In the period January - September 2024 / January – September 2023, the section of **Manufacturing** contributed most to industry growth with 3.5 p.p., followed by **Mining and quarrying** (0.6 p.p.), while **Electricity, gas, steam and air conditioning supply** recorded negative contribution to industry trend (-1.3 p.p.).

Table 3.1. Industrial production, indices (comparison with the same period of the previous year)

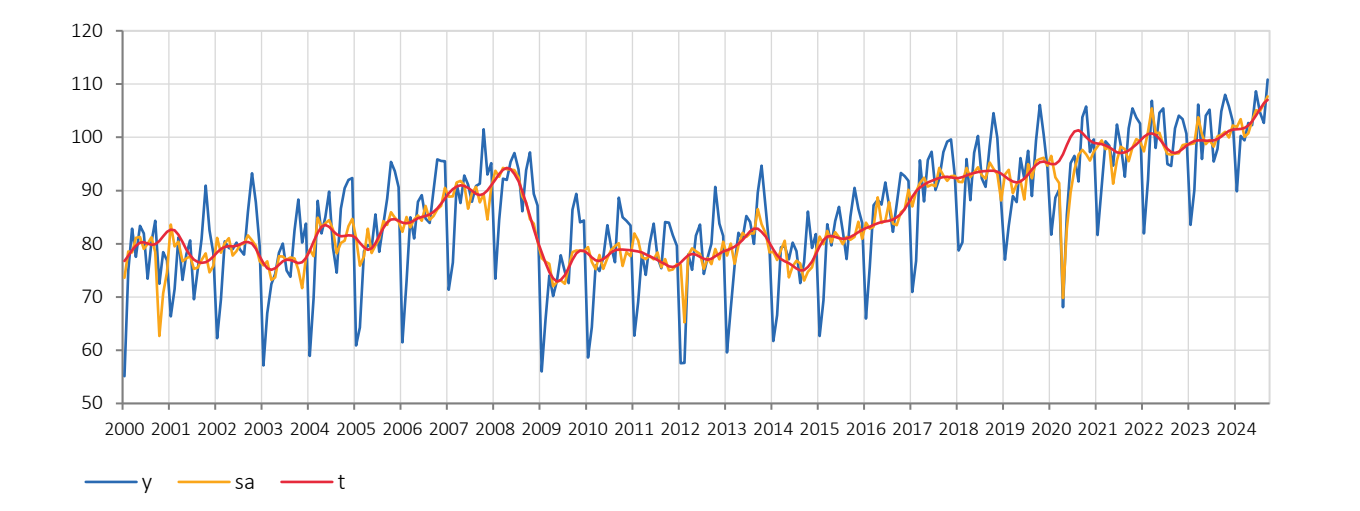
	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4[1]
Industrial production – total	101.9	104.8	99.4	100.7	102.5	100.9	103.7	102.8	102.9	101.3	103.4	**103.5**
Manufacturing	104.1	104.7	99.1	97.8	98.5	99.0	102.1	102.8	103.1	102.4	106.4	**104.5**
Electricity, gas, steam and air conditioning supply	80.9	91.8	95.8	106.2	118.6	114.8	111.1	106.6	100.3	89.4	86.9	...
Mining and quarrying	139.0	132.4	108.5	116.5	104.5	94.3	105.8	95.3	106.4	116.5	104.4	...

[1] Prognoses (obtained on the basis of time series analysis models).

3.2. MANUFACTURING (C) (share of 75.8% in total industrial production index)

Trend-cycle component of Manufacturing in the third quarter of 2024, records increasing trend (chart 3.3).

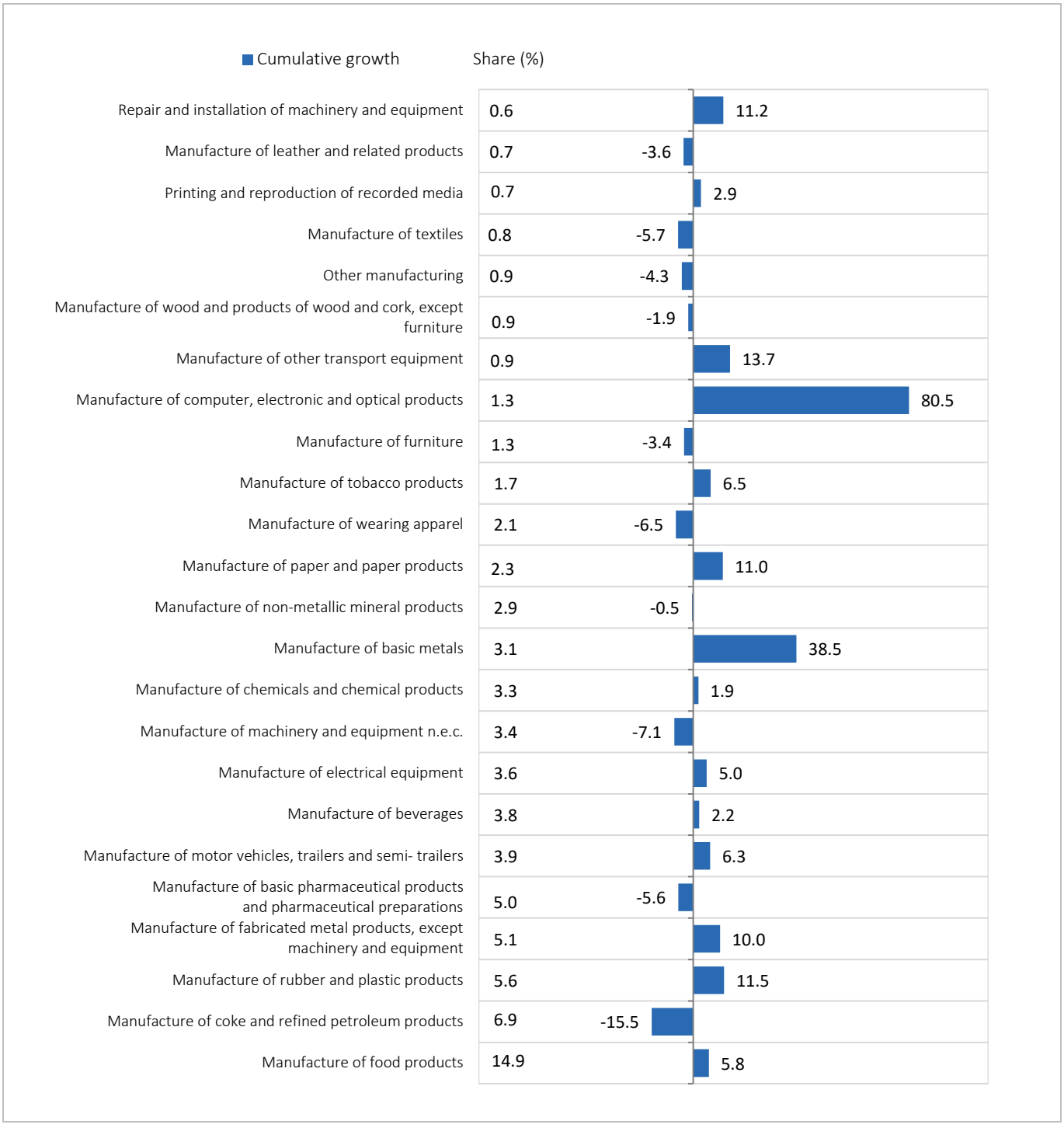
Chart 3.3. Components of Manufacturing time series, indices (y – original series, sa – series with excluded seasonal component, t – trend-cycle component, average 2023 = 100)



Observed by divisions, Manufacturing in the first nine months of 2024 increased in 14 out of 24 divisions (mutually participating with 50.7% in total industry), if compared with the same period of 2023. The most significant divisions – measured by the share in total industrial production - in which positive results were noted in the first nine months of 2024 were: Manufacture of food products (growth of 5.8%), Manufacture of rubber and plastic products (growth of 11.5%), and Manufacture of metal products except machinery (growth of 10%).

Decrease was recorded in 10 divisions (mutually participating with 24.8% in total industry): Manufacture of coke and refined petroleum products (fall of -15.5%), Manufacture of basic pharmaceutical products and pharmaceutical preparations (fall of -5.6%), and Manufacture of machinery and equipment n.e.c. (fall of -7.1%).

Chart 3.4. Manufacturing by divisions, cumulative growth rates (%) (January - September 2024 relative to January - September 2023); divisions are presented in ascending order according to shares in total industrial production)



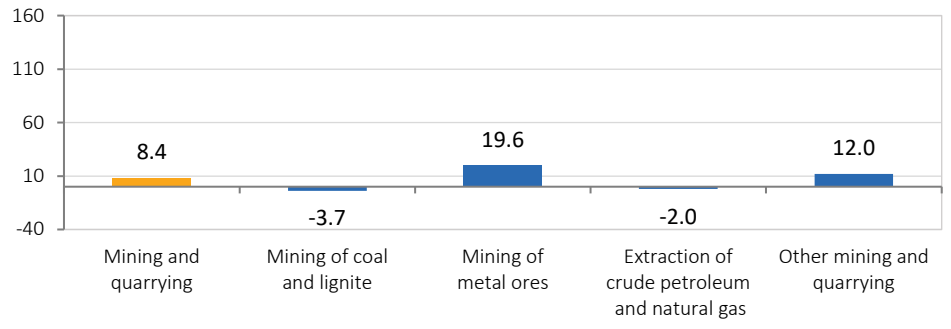
3.3. ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY (D)
(share of 15.9% in total industrial production index)

Chart 3.5. Cumulative and year-on-year growth rates in energy section (%) (cumulative – period relative to the same period of the previous year; year-on-year – month relative to the same month of the previous year)

Section of *Electricity, gas, steam and air conditioning supply* recorded fall of 7.4% in **the first nine months of 2024** relative to the same period of 2023.
In the third quarter of 2024 production decreased in all three months (relative to the same months 2023): in July (-14.9%), August (-16.4%), and in September (-8.1%).

3.4. MINING AND QUARRYING (B) (share of 8.3% in total industrial production index)

Chart 3.6. Cumulative growth rates in Mining and quarrying section (%) (January - September 2024 relative to January - September 2023)



Production of the section of *Mining and quarrying* recorded growth of 8.4% **in the first nine months of 2024** relative to the same period 2023.
Observed by months of the third quarter, growth was recorded (compared with the corresponding months 2023) in July (5.2%), and in September (13.1%), while in August, fall of -5% was recorded.

HOW TO INTERPRETE THE SERIES?

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

4. CONSTRUCTION

4.1. CONSTRUCTION ACTIVITY

In the third quarter 2024 construction activity on the territory of the Republic of Serbia, compared to the same period 2023 increased by 4.9% at current prices, while the increase at constant prices amounted to 4.0%.

Observed by type of constructions, the value of construction works on buildings increased by 15.3%, and on civil engineering (transport infrastructure, pipelines, complex industrial constructions, etc.), decrease of 1.1%, at constant prices was noted.

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

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	110.3	108.4	102.7	99.9	109.2	121.1	119.3	113.9	122.0	114.9	104.9
Constant prices	94.1	91.2	86.5	86.3	99.5	117.9	115.8	111.1	118.3	110.2	104.0

Chart 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 2021 = 100)

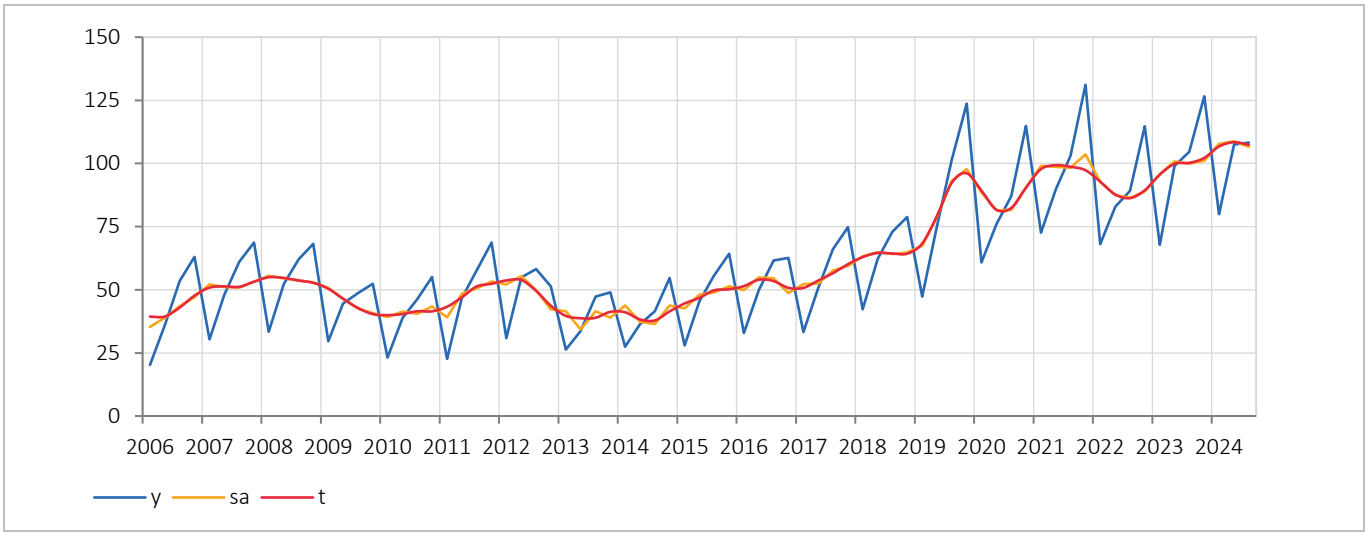
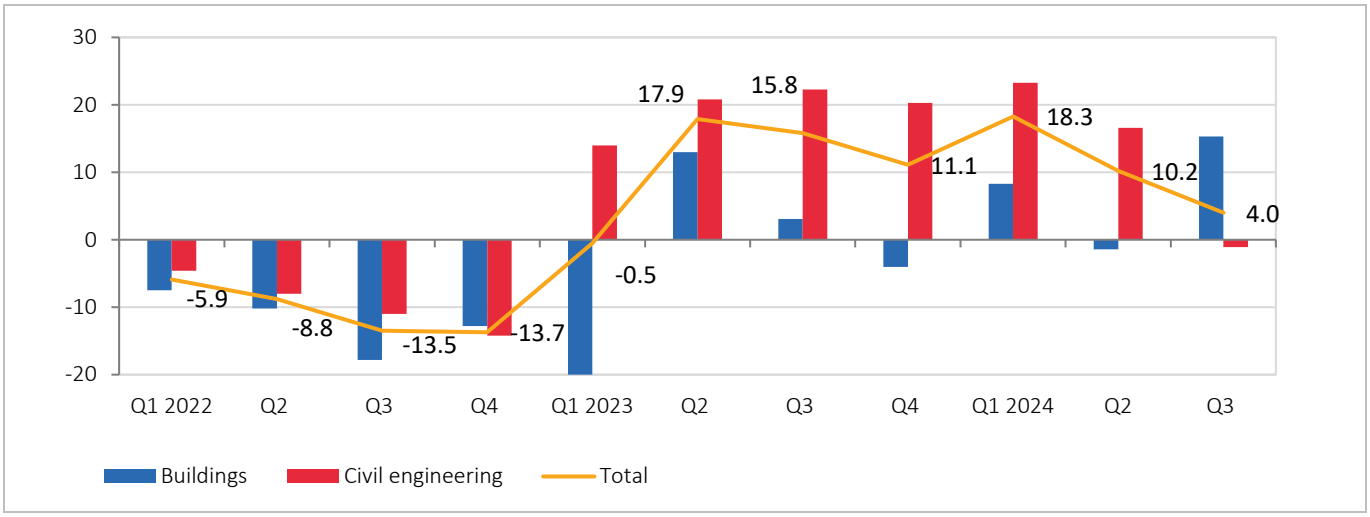


Chart 4.2. Value of performed construction works at constant prices, growth rates (%)
(quarter relative to the same quarter of the previous year)



Observed by regions (chart 4.3), the highest growth rate in the third quarter of 2024 was realized in **Region of Southern and Eastern Serbia (29.5%)**. Growth is observed in all types of buildings, except for residential buildings. The quarterly reports on construction activity reported the construction of hospital centres in Prokuplje and Leskovac, several production and storage complexes and a shopping center in Prokuplje, which mostly influenced the increase in activity in non-residential buildings. As in the previous period, very intensive work continued on the construction of Požarevac-Golubac expressway, as well as on the construction of utility and sewage infrastructure in this region.

The total value of construction works in **Belgrade region**, in constant prices, **increased by 22.2%** compared to the same period 2023. Both residential and non-residential buildings saw a significant increase in construction activity in this period. In addition to *Belgrade Waterfront*, in this quarter, the residential complexes *The One, Victoria Garden*, the business complexes *"Hide Park"* and "*Centre for Inclusion*" stood out according to the intensity of work, as well as the works on the construction of the *Expo Centre* and the National Stadium. The value of works decreased only in transport infrastructure buildings.

In **Šumadija and Western Serbia Region**, construction activity **increased by 6.2%,** in constant prices, compared to the same period of the previous year. Very intensive work continued in this quarter on the construction of the *Morava Corridor*, Preljina-Požega highway and Šabac-Loznica expressway. In several municipalities in this region, the implementation of *Clean Serbia* project is underway, which relates to the construction of communal (sewerage) infrastructure and solid waste disposal infrastructure.

In the third quarter of 2024, the only region where construction activity decreased was **Vojvodina Region.** Compared to the same period last year, the value of construction works **decreased by -21.4%,** in constant prices. A more significant decrease in value was observed in the construction of the Hungarian-Serbian railway (Novi Sad - Subotica section), which is in line with the planned dynamics of the work on this project. This section is expected to be opened by the end of the year, and the final works and testing of the railway are currently underway.

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

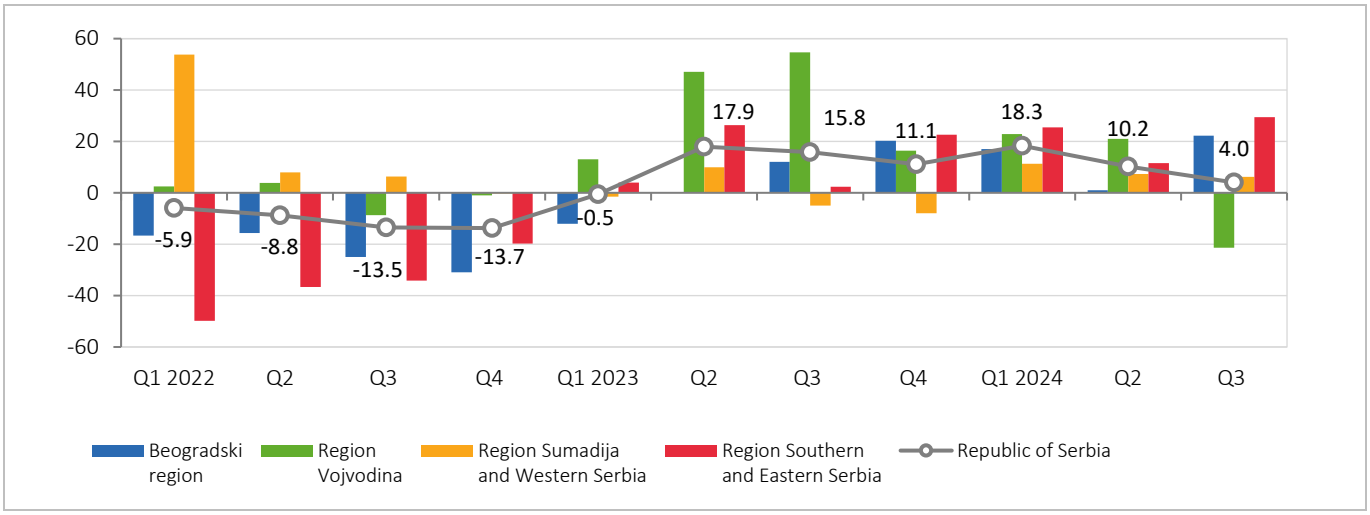


Chart 4.4. Value of performed construction works and hours of work on construction sites, comparative overview, indices
(quarter compared to the same quarter of the previous year)

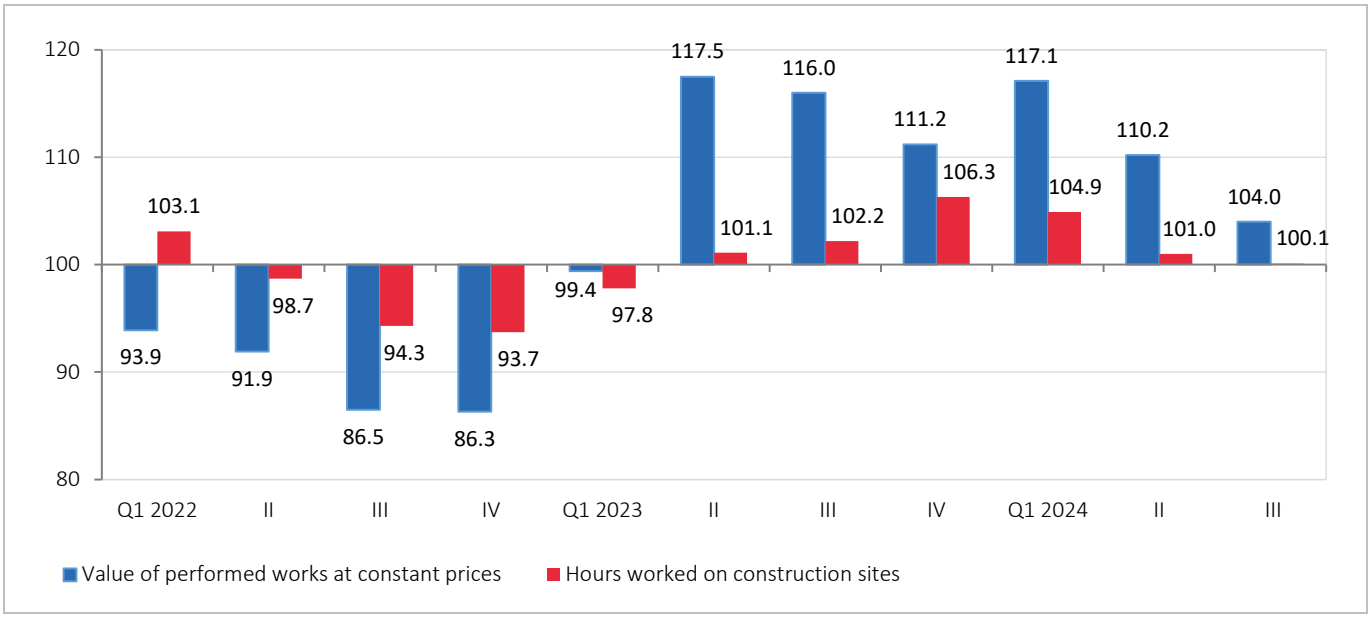


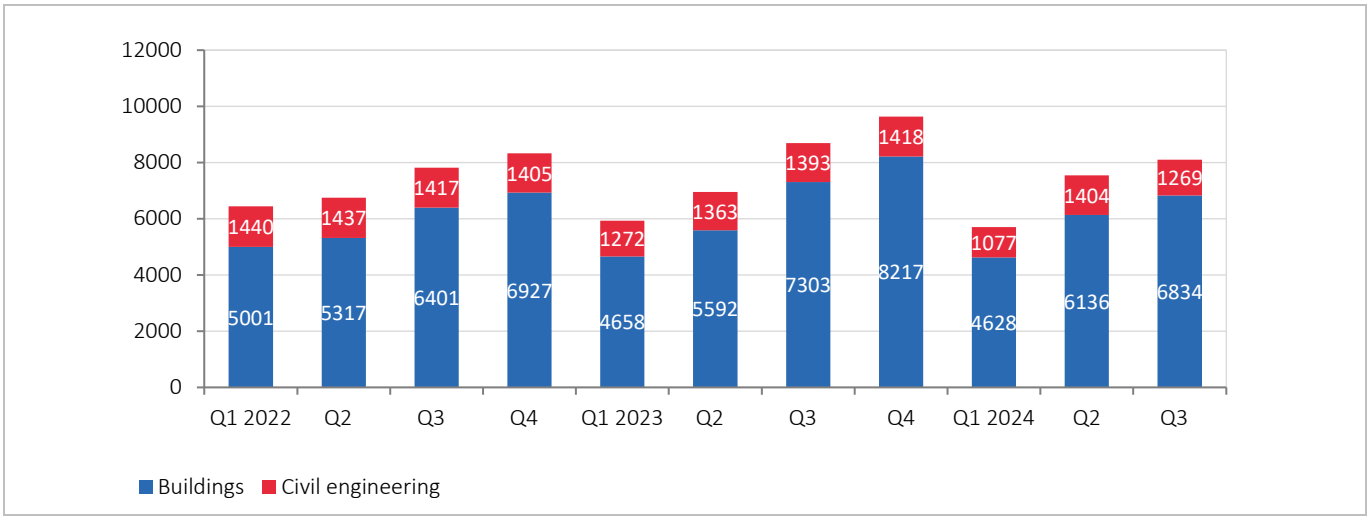
Chart 4.4 shows a comparative overview of the movement of working hours and the value of works performed on construction sites. Effective working hours have been increasing since the second quarter of 2023, which is in line with the increase in the value of the performed works. In the observed period, working hours decreased only in the first quarter of 2023 (-2.2%), and the highest growth (6.3%) was recorded in the fourth quarter of 2023. In the first three quarters of 2024, growth was also recorded in the value of performed construction works and hours worked on construction sites.

4.2. BUILDING PERMITS

In addition to the value of works performed and hours of work on construction sites, the statistics of construction keep a monthly record of the issued **building permits and decisions**, which approve the implementation of construction works in the Republic of Serbia and which show the future trend of construction activity.

In **the third quarter 2024,** 8 103 building permits were issued. The greatest part of permits (6 834) related to construction works on buildings, while the rest (1 269) related to transport infrastructure works, pipelines, complex industrial structures, etc. Total number of issued permits in the third quarter decreased by 6.8% related to the same period of the previous year.

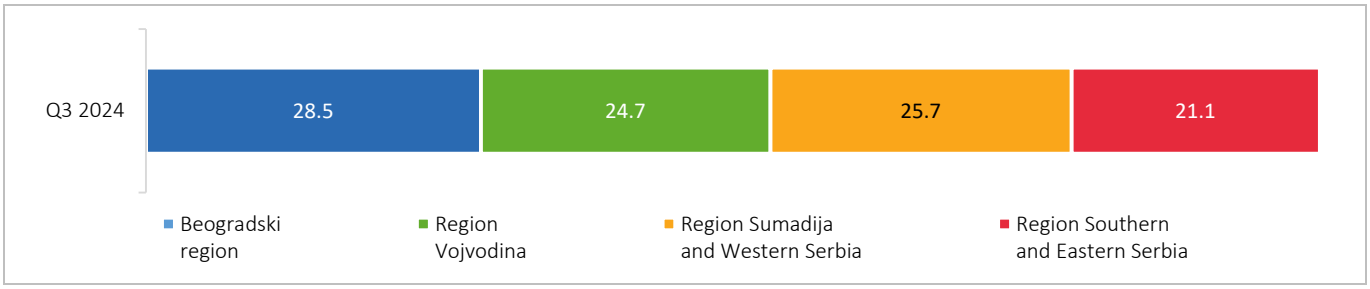
Chart 4.5. Number of issued building permits for buildings and civil engineering



The anticipated value of works, according to the issued permits, in the third quarter, amounts to RSD 250 359 million, which represents a decrease of 13.6% compared to the same quarter of the previous year.

The greatest share in estimated value in the third quarter is seen in Belgrade region (28.5%), followed by Šumadija and Western Serbia region (25.7%), then Vojvodina region (24.7%), and Southern and Eastern Serbia region (21.1%).

Chart 4.6. Anticipated value of works according to issued permits, by regions; share in %[9]



[9] Note: Instead of the previously published data on the percentage share of the number of permits by region, in the future we will display the share of the estimated value of works in relation to issued permits. Namely, the value of works is a better indicator of the volume of construction activity in the future, while the number of permits does not provide key information on the value of the estimated investment, which is most important for assessing the value of future construction works.

GLOSSARY

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

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

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

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

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

5. EXTERNAL TRADE

5.1. EXPORTS OF GOODS (EUR current exchange rate)

Total value of goods export in the Republic of Serbia in the period January – September 2024 increased by 1.4%, relative to the same period 2023. Total export results were mostly influenced by manufacturing increase of 2.9%, as it presents 87.0% of total export, followed by mining and quarrying share of 5.6%, recording cummulative growth of 6.6%.

Chart 5.1. Components of export's time series, indices (u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2023 = 100)

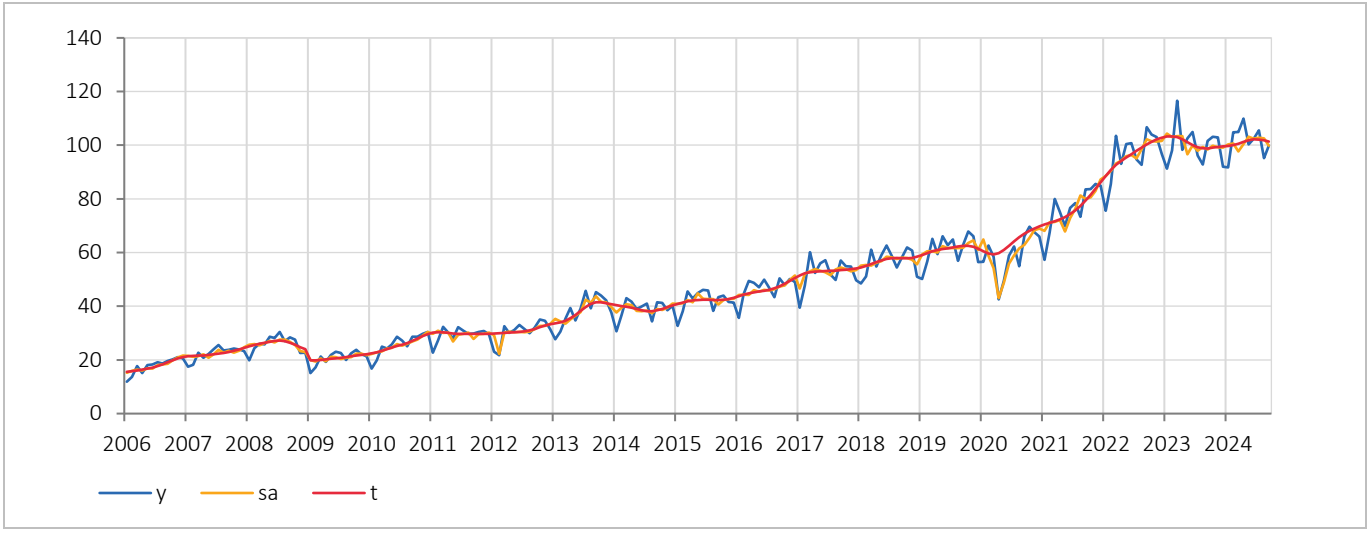
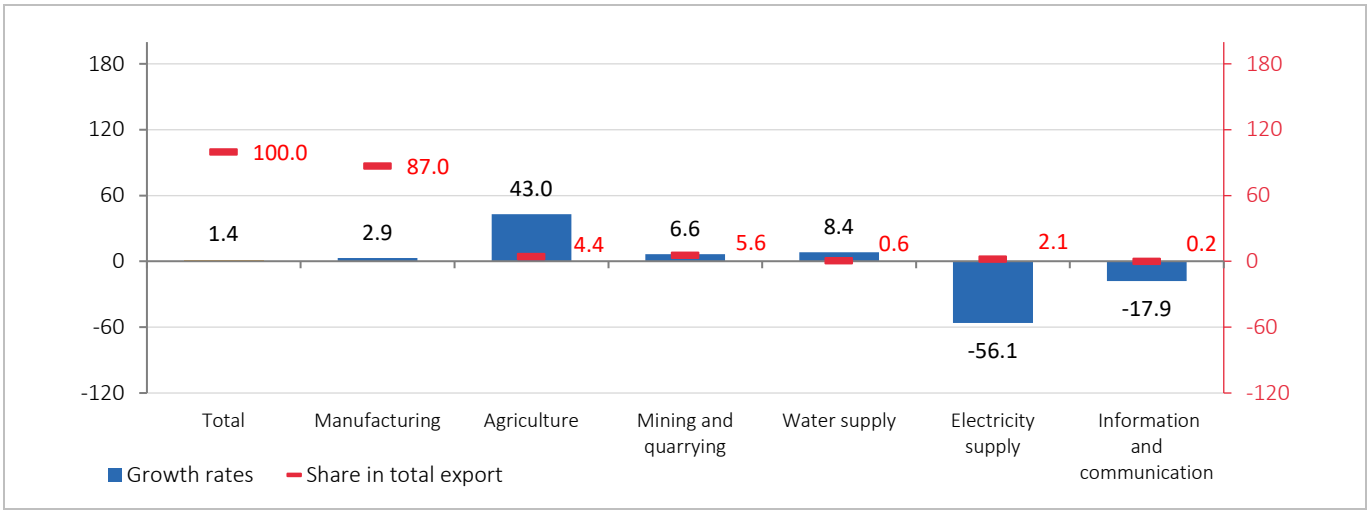


Table 5.1. Export of goods by CA (2010) sections, quarterly indices (comparison with the same period of the previous year)

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4[1]
Export – total	128.5	132.7	122.9	119.5	115.8	103.5	98.4	98.0	98.4	101.1	102.0	**102.0**
Manufacturing	125.9	126.3	122.3	117.5	112.0	107.4	101.8	101.1	103.9	101.7	103.9	...
Agriculture, forestry and fishing	76.3	117.6	98.0	95.6	72.4	56.1	72.1	115.6	141.3	159.9	126.4	...
Mining and quarrying	1129.0	330.3	160.1	122.2	129.4	56.9	81.0	65.1	70.9	136.6	79.9	...

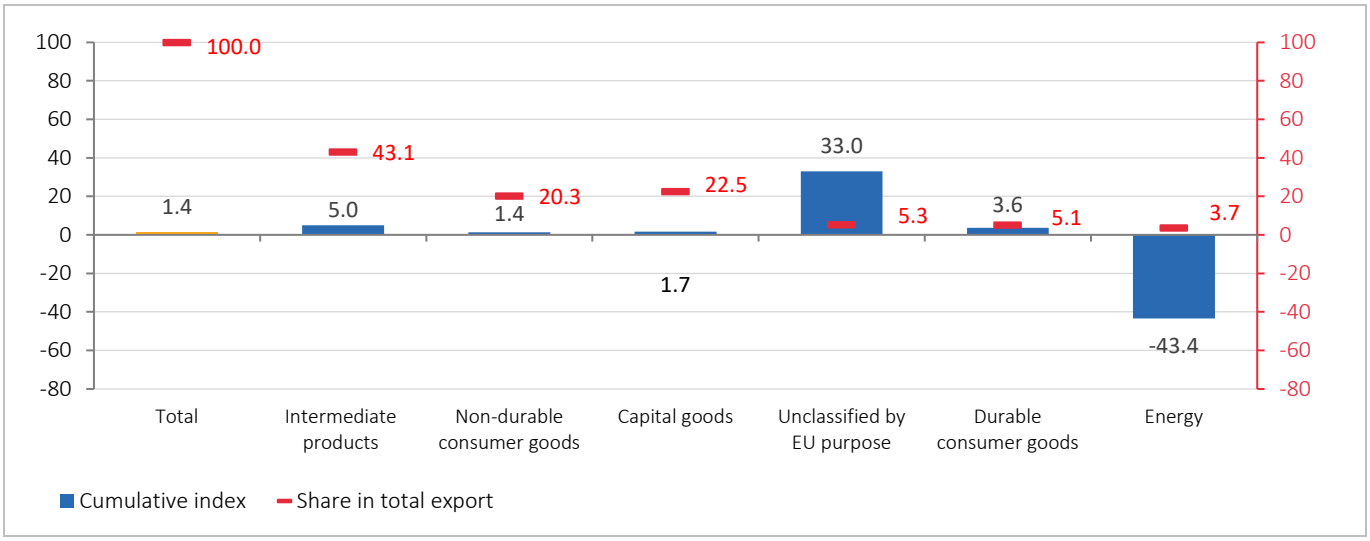
[1] Prognosis (obtained on the basis of a time series analysis model).

Chart 5.2. Cumulative growth rates of export by CA (2010) sections and sections' share in export (%)
(January – September 2024 relative to the same period 2023)



Observed by economic purpose, total export results in the period January – September 2024 were mostly influenced (contribution of 2.1 p.p.) by increased exports of **intermediate products** (share of 43.1% and increase of 5.0%) and **unclassified products by the economic purpose of the EU** (share of 5.3%, increase of 33.0% and contribution of 1.3 p.p.).

Chart 5.3. Cumulative growth rates of exports according to the economic purpose of the European Union (%)
(January – September 2024 relative to the same period 2023)



5.2. IMPORTS OF GOODS (EUR current exchange rate)

Total value of goods imports in Serbia in the period January – September 2024 increased by 5.3% relative to the same period 2023. Import results were mostly influenced by the section of manufacturing (increase of 8.9%), as it presents 74.4% of total imports, and 9.2% increase in the section of unclassified products by the economic purpose of the EU (12.1% of total imports) in the first nine months 2024.

Chart 5.4. Components of import's time series, indices (u – original series, sa – series with excluded seasonal component, t – trend cycle component, average 2023 = 100)

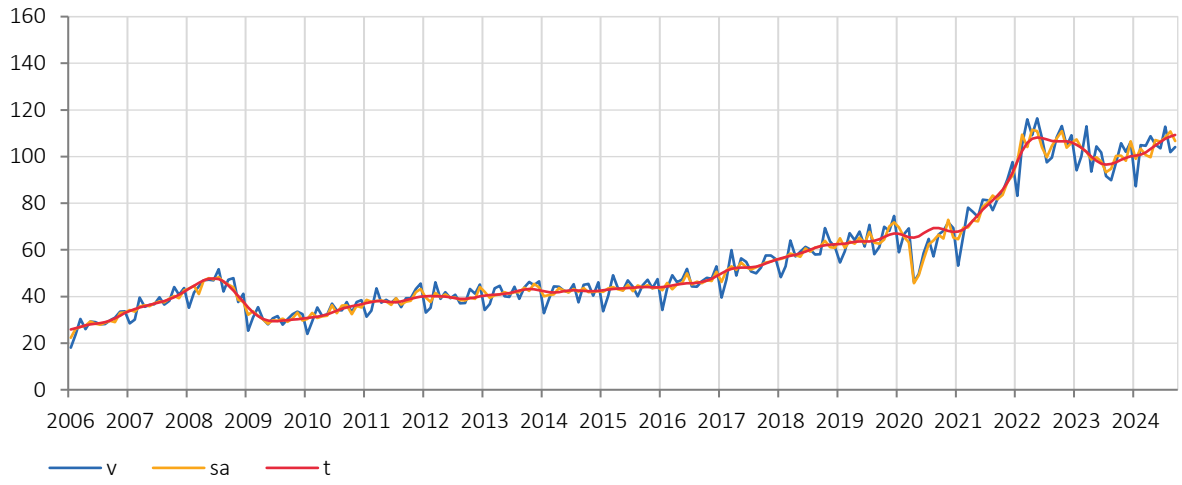
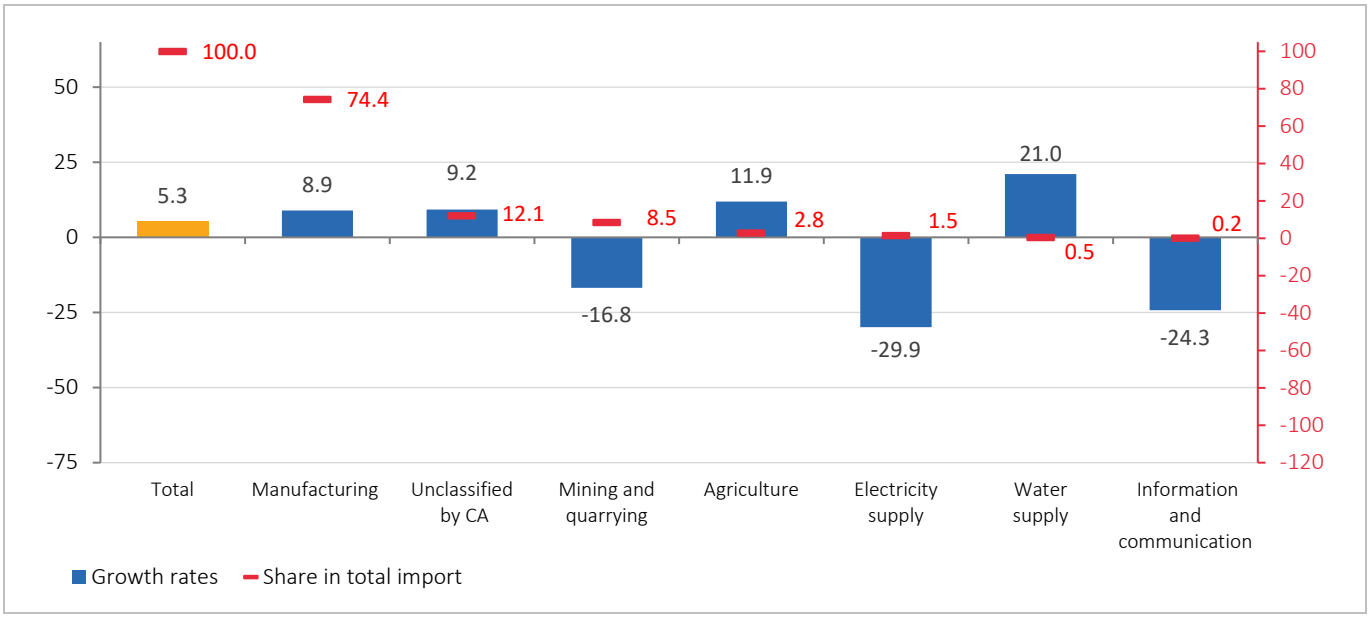


Table 5.2. Import of goods by CA (2010) sections, quarterly indices (comparison with the same period of the previous year)

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4[1]
Import – total	148.5	143.8	123.1	119.7	100.7	89.5	91.2	96.1	96.7	105.9	114.2	**106.0**
Manufacturing	130.6	134.2	119.6	112.5	101.3	87.4	92.1	98.3	102.2	113.2	110.0	...
Agriculture, forestry and fishing	127.6	123.5	134.5	127.0	124.5	110.3	98.4	89.3	102.3	108.5	130.8	...
Mining and quarrying	373.7	210.8	140.0	186.3	95.4	81.2	86.6	84.4	73.3	61.2	130.8	...

[1] Prognosis (obtained on the basis of a time series analysis model).

Chart 5.5. Cumulative growth rates of import by CA (2010) sections and sections' share in import (%)
(January – September 2024 relative to 2023)



Observed by **MIGs,** the greatest influence (contribution of 2.6 p.p.) on total import in the period January – September 2024 related to **capital goods** (share of 19.4%, increase of 14.7%), and **intermediate products** (share of 35.2%, increase of 5.4% and contribution of 1.9 p.p.).

Chart 5.6. Cumulative growth rates of imports according to the economic purpose of the European Union (%)
(January – September 2024 relative to the same period 2023)

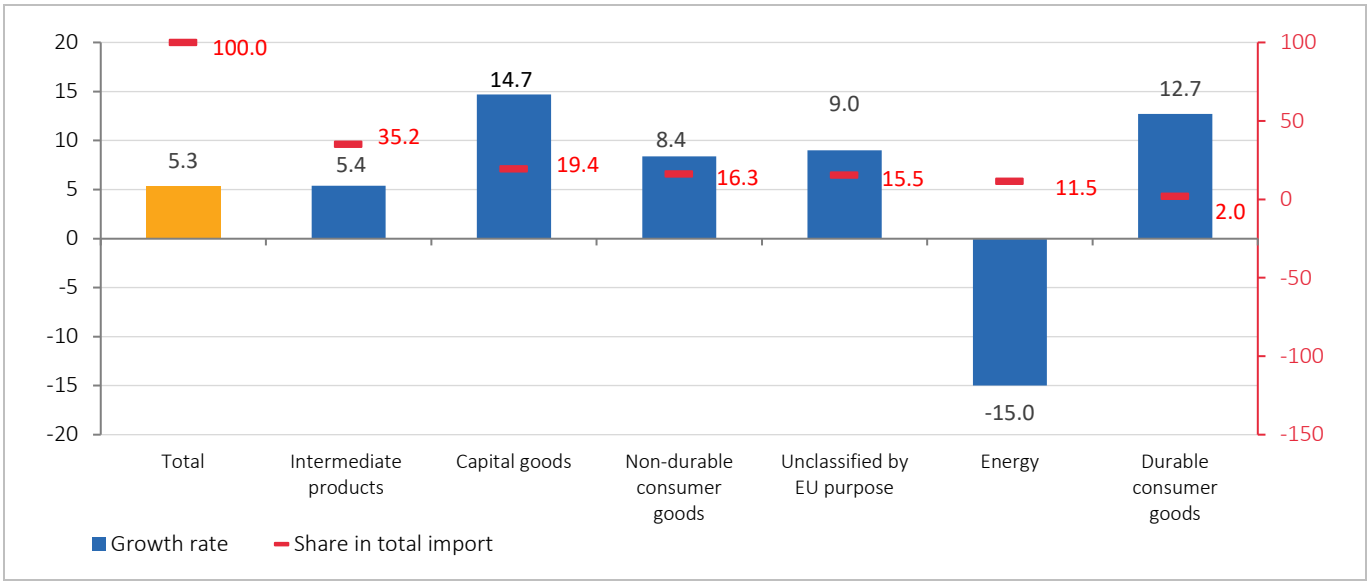
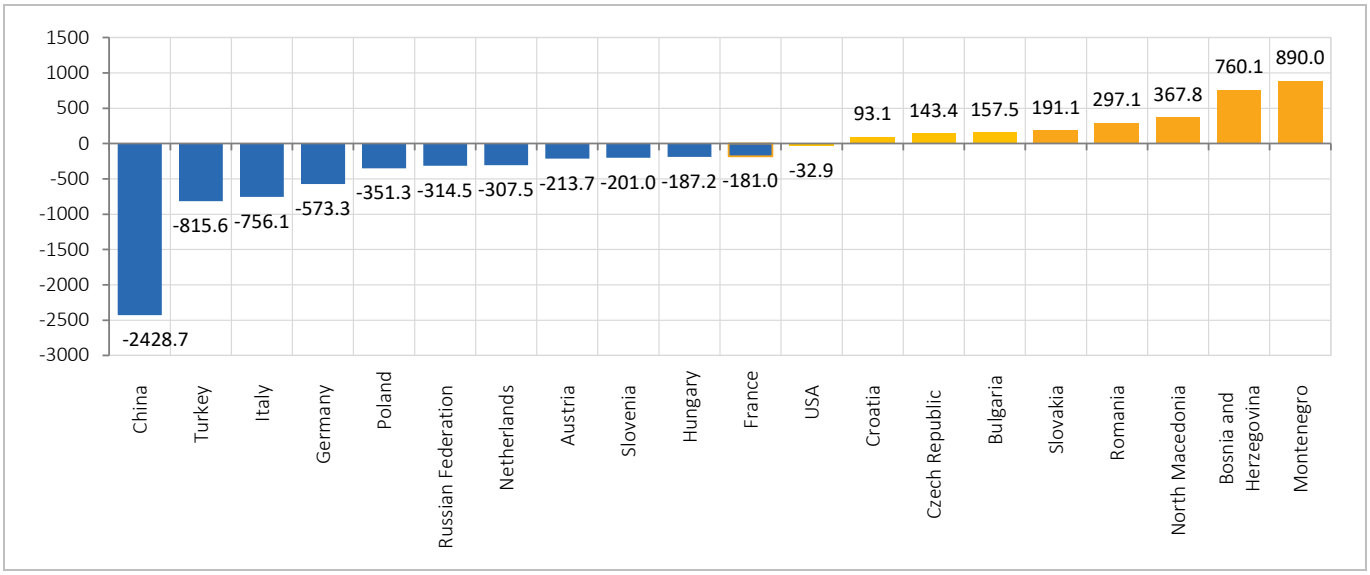


Chart 5.7 shows the 20 largest external trade partners of the Republic of Serbia, which account for 79.4% of the total external trade exchange. The Republic of Serbia achieved a positive external trade balance, i.e. a surplus, in the period January – September 2024, with eight European countries (a total of about EUR 2.9 billion), of which Montenegro is on the first place (a surplus of EUR 890.0 million). In this period, the Republic of Serbia exported the most food products to Montenegro (17.0% of total export to MNE), beverages (7.3% of total export to MNE) and electricity, gas and steam (6.7% of the total exports to MNE).

On the other hand, a negative external trade balance, i.e. deficit, was recorded in 12 countries and amounts to a total of EUR -6.4 billion. The largest external trade deficit in the period January – September 2024 was recorded in trade with China (EUR -2.4 billion) and Turkey (balance EUR -815.6 million). Observed by CA product activities, product imports from China mostly consisted of unclassified products (20.0% of total imports from China), imports of computers, electronic and optical products (15.0% of total imports from China), as well as machinery and equipment n.e.c. (12.7% of total imports from China). With Turkey, the negative external trade balance is the result of the value of basic metals import (17.6% of total imports from Turkey) and electrical equipment (11.8% of total imports from Turkey). Italy (deficit of EUR -756.1 million), Germany (EUR -573.3 million), and Poland (EUR -351.3 million) follow.

Chart 5.7. External trade balance of the Republic of Serbia by countries, January - September 2024 (EUR mill.)



5.3. THE MOST SIGNIFICANT EXTERNAL TRADE PARTNERS

Table 5.3. . The major external trade partners

Export	EUR mill.	Import	EUR mill.
Germany	3238.4	Germany	3811.7
Bosnia and Herzegovina	1443.9	China	3771.7
China	1343.0	Italy	2040.9
Italy	1284.8	Turkey	1512.8
Hungary	1040.7	Hungary	1227.9

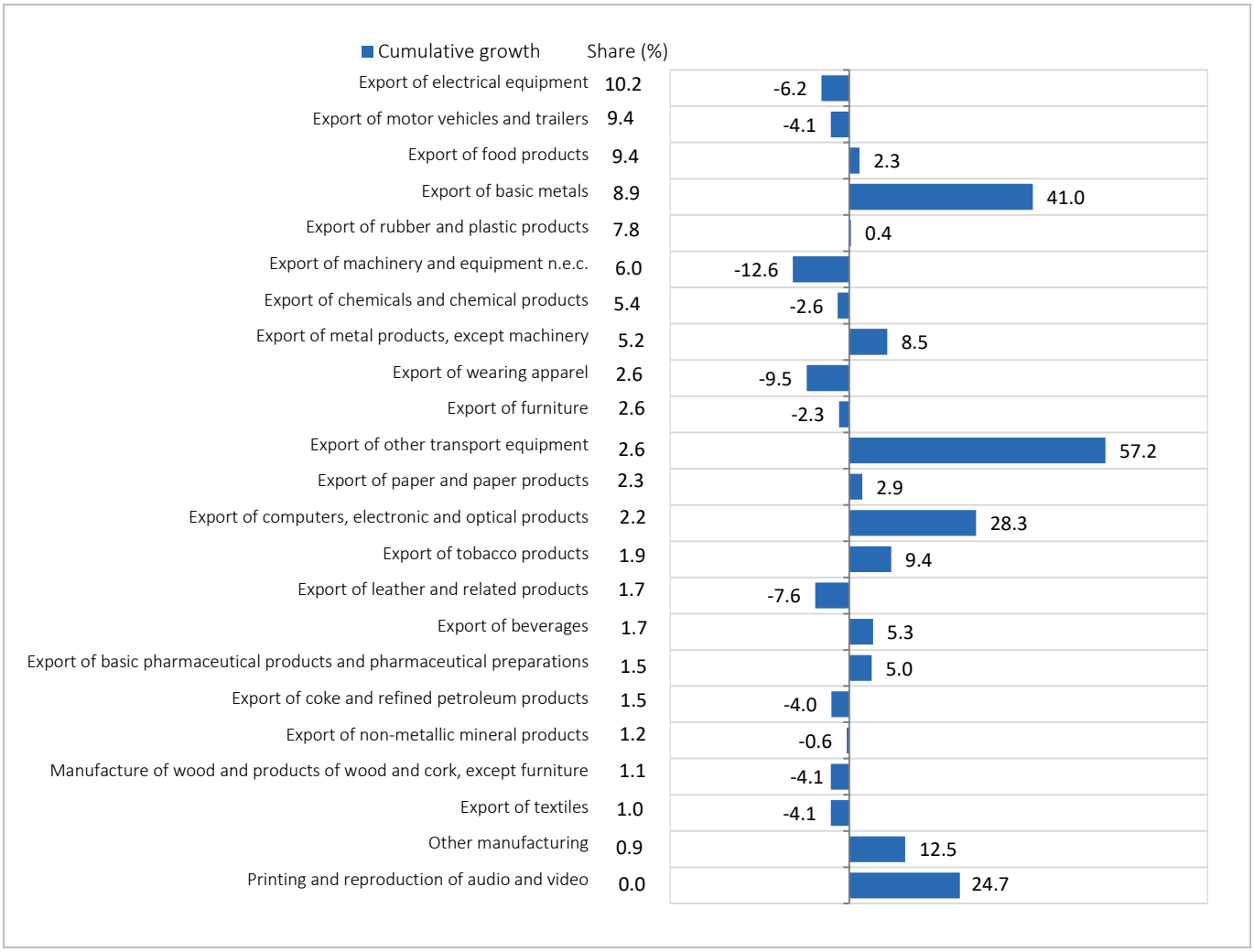
The most significant external trade partners in the first nine months of 2024 were the countries with which Serbia has signed agreements on free trade. The EU member countries account for 58.7% of total external trade, followed by Asia – Pacific Economic Cooperation, APEC, with share of 18.3%. The major external trade partners are separately presented in Table 5.3.

5.4. MANUFACTURING (C) (share of 87.0% in total export and 74.4% in total import)

Export of manufacturing recorded growth of 2.9% in the period January – September 2024, relative to the same period 2023. Out of 23 divisions, cumulative growth was recorded in twelve (12) divisions, mutually participating with 44.4% of total export.

The export of **electrical equipment**, the division with the greatest separate export value (EUR 2.2 bill.) recorded a cumulative fall of 6.2%, with a share of 10.2% in total exports (11.0% in the same period 2023). The export of **food products** recorded cumulative growth of 2.3% and export value of EUR 2.1 billion and share of 9.4% in total exports. Export of **motor vehicles and trailers**, division with an export value of EUR 2.0 billion and a share of 9.4% in total exports (9.9% in the same period last year), recorded a cumulative fall of 4.1%. The export of **basic metals,** the division positioned on the fourth place by value in total manufacturing export, with the share of 8.9%, noted cumulative growth of 41.0% and export value of EUR 1.9 bill. The export of **rubber and plastic products** with the export value of EUR 1.7 bill. and share of 7.8% in total exports, recorded cumulative growth of 0.4%.

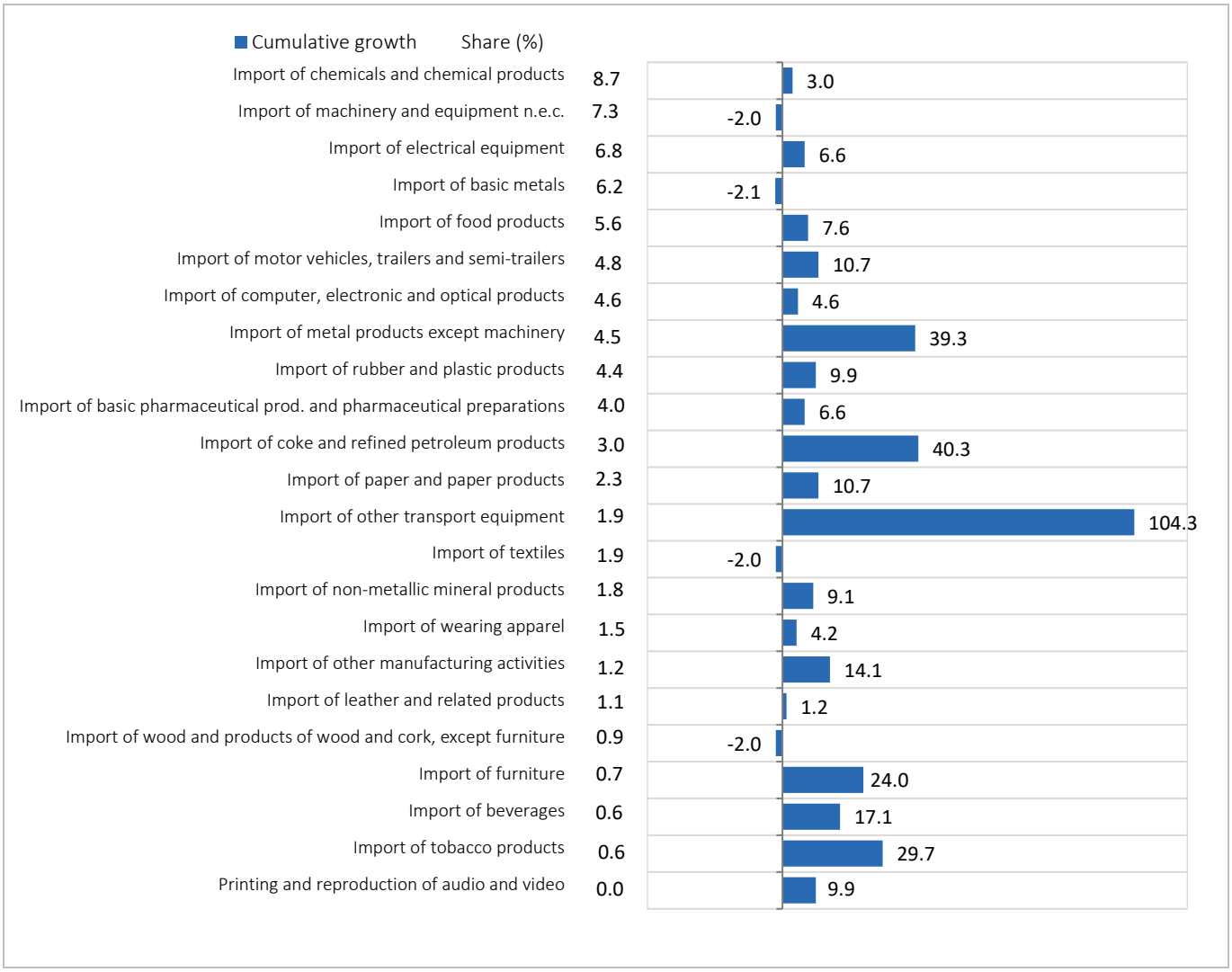
Chart 5.8. Export of manufacturing by divisions, cumulative growth (%) (January – September 2024 relative to the same period 2023, by descending order in total export)



Imports of manufacturing in the period January – September 2024, compared to the same period of the previous year, achieved an increase of 8.9%. Out of 23 divisions, cumulative growth was recorded in 19 divisions, which together make up 58.1% of total manufacturing imports.

Import of **chemicals and chemical products** with the import value of EUR 2.5 bill, recorded cumulative growth of 3.0% (with the share in total imports of 8.7%, 8.9% was the share in the same period 2023). Import of **machinery and equipment n.e.c.** (cumulative fall of 2.0% and import value of EUR 2.1 bill. and share of 7.3% in total imports (7.8% in the same period 2023). Import of **electrical equipment**, with the value of EUR 2.0 bill. and share of 6.8% in total import achieved cumulative growth of 6.6%. Import of **basic metals** had the import value of about EUR 1.8 bill. and share of 6.2% recorded cumulative fall of 2.1%. Import of **food products** is the division positioned on the fifth place according to the import value in total imports of manufacturing, had the share of 5.6%, and recorded cumulative growth of 7.6% and import value of EUR 1.6 bill.

Chart 5.9. Import of manufacturing by divisions, cumulative growth (%) (January – September 2024 relative to the same period 2023, by descending share in total import)



5.5. AGRICULTURE, FORESTRY AND FISHING (A)

(share of 4.4% in total export and 2.8% in total import)

Export of this section in the period January – September 2024 realized increase of 43.0%, as well as increased share from 3.1% to 4.4% in total import in the period January – September 2024. The cumulative growth of 77.6% in exports of cereals (except rice), leguminous crops and oil seeds, a group that makes up 66.3% of the entire section's exports in the observed period, contributed the most to this result. Export growth was achieved in export of pome and stone fruits, the next group by share (13.3%), as it recorded growth of 21.4% in the period January -September 2024 relative to the same period 2023.

Regarding import of this section, growth of 11.9% was recorded in the period January – September 2024 relative to the same period 2023, as well as the share of 2.8% in total imports. The group with the largest participation in the section (18.3%) - Growing of vegetables, root and carotid plants noted growth of 2.2% in the period January – September 2024. The next groups by share (17.4%) related to Growing of cereals (except rice), leguminous crops and oil seeds - achieved import growth of 1.0%, and the group Growing of beverage crops, recording growth in this section import of 22.9% and share of 11.5%.

5.6. MINING AND QUARRYING (B)

(share of 5.6% in total export and 8.5% in total import)

The section of Mining and quarrying records the increase in total export, from 5.3% in the first nine months 2023 to 5.6% in the same period of the current year. The realized value of exports in January – September 2024 is EUR 1215.3 million, which is by 6.6% more than exports in the same period 2023. This result is a consequence of the growth in the export of metal ores (6.6%), a group that accounts for 98.5% of the exports of the entire section in the first nine months of the current year.

Import value of this section in the period January -September 2024 amounts to EUR 2445.6 billion, presenting the share of 8.5% in total import (10.8% in the same period 2023). In the period January – September 2024 in the section of Mining and quarrying, recorded was import decrease of 16.8% relative to the same period 2023.

The decrease of this section in import was largely caused by 21.9% decrease in the import of crude oil and natural gas, a group that accounts for 73.0% of the entire sector's imports.

GLOSSRY

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, excluding trade of motor vehicles and motorcycles **in the third quarter of 2024**, relative to the same quarter 2023, increased by 7.8% at current prices. In **the first nine months of 2024**, relative to the same period 2023, retail trade turnover increased by 10.9% at current and by 6.7% at constant prices.

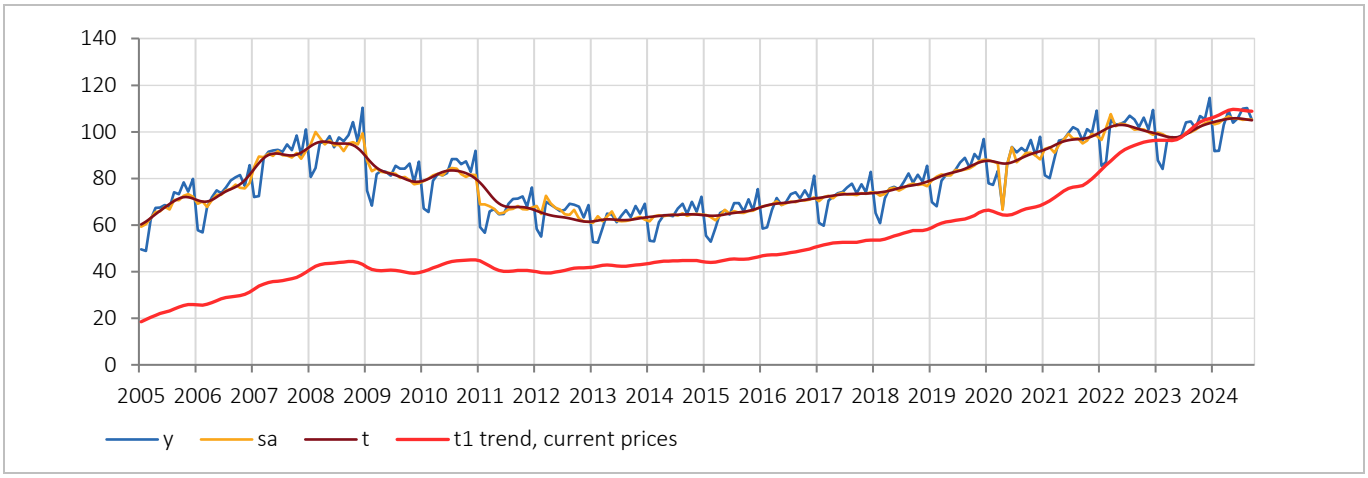
Table 6.1. Retail trade turnover, indices (comparison with the same period of the previous year)

	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4[1]
Current prices	123.7	121.4	123.0	120.2	112.2	106.2	107.8	109.5	112.2	113.1	107.8	**111.0**
Constant prices[2]	110.8	106.3	105.0	102.2	96.6	94.2	98.4	102.9	106.9	108.6	104.9	**107.0**

[1] Forecast (obtained on the basis of time series model analysis).
[2] Indices are recalculated through monthly indices at constant prices.

The retail trade is characterized by a stable and upward moving long-term trend, which has been present for the past ten years. Turnover growth rates at current prices are higher than at constant prices, which is a consequence of accelerated inflation.

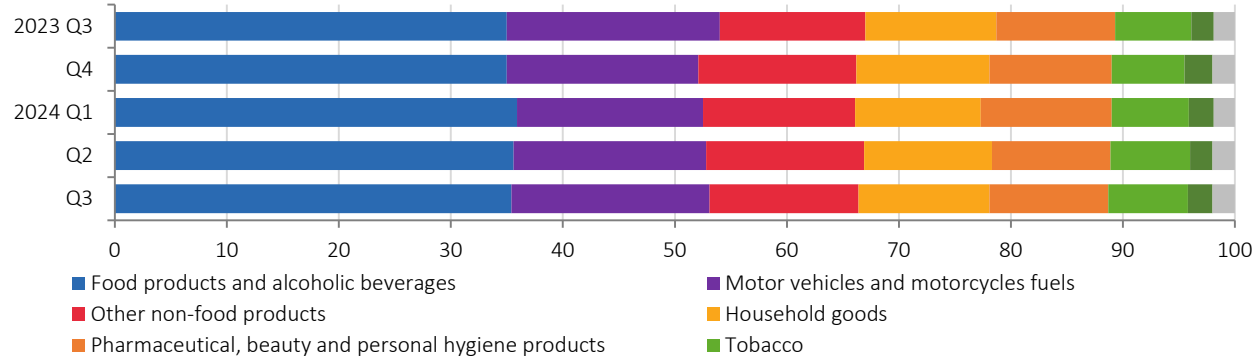
Chart 6.1. Components of time series of retail trade turnover at constant prices, indices
(y – original series, sa – series with excluded seasonal component, t – trend cycle component; average 2023 = 100)



Observed according to the basic aggregates of CA (2010), **in the first nine months of 2024**, compared to the same period 2023, the highest turnover growth was achieved in trade of Non-food products (except motor fuels) 12.4% at current and 8.8% at constant prices. Growth was also realized in trade of Food, beverages and tobacco, amounting to 11.1% at current and 7.0% at constant prices. The smallest increase was recorded in trade of Motor fuels, 7.6% at current and 2.3% at constant prices.

Observed by the structure of trade divisions and commodity groups, **in the third quarter 2024,** the most notable were Food products and alcoholic beverages 35.4%, followed by Motor vehicles and motorcycles fuels 17.7% and Other non-food products 13.3%.

Chart 6.2. Structure of retail trade turnover by trade divisions and commodity groups (%)



6.2. WHOLESALE TRADE TURNOVER (Division 46 of the Classification of Activities)

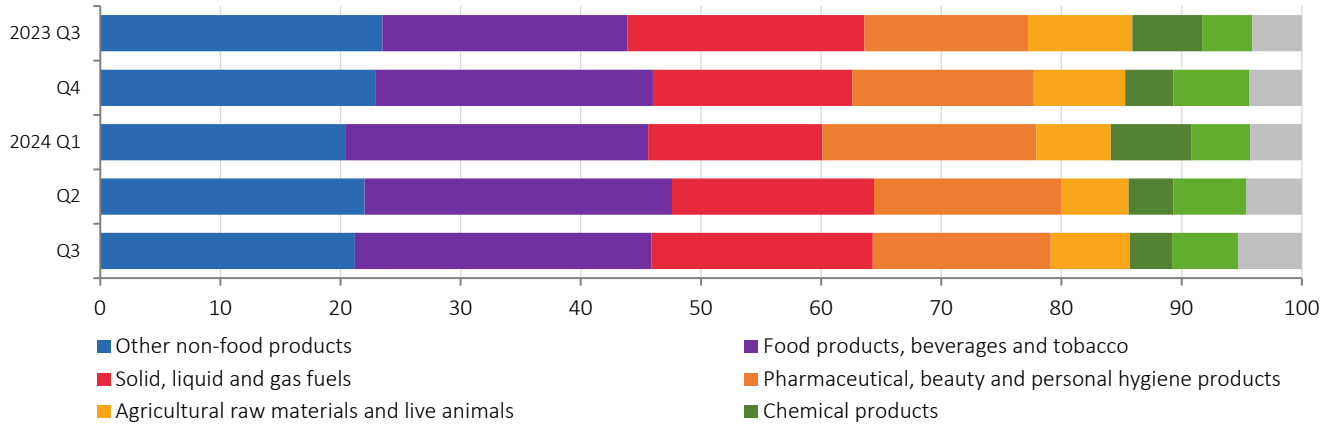
Wholesale trade turnover **in the third quarter 2024**, compared with the same quarter 2023, noted an increase of 0.3% at current prices. **In the first nine months of 2024**, compared to the same period 2023, wholesale trade turnover increased by 4.9% at current prices and by 6.0% at constant prices.

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

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	120.1	122.6	115.2	111.4	104.3	93.2	98.9	99.6	106.7	108.1	100.3

Observed by trade divisions and commodity groups, in the structure of wholesale trade turnover, in the third quarter of 2024, the most dominant were Food products, beverages and tobacco (24.7%), Other non - food products (21.2%), and Solid, liquid and gaseous fuels, (18.4%).

Chart 6.3. Structure of wholesale trade turnover by trade divisions and commodity groups (%)



6.3. TURNOVER IN WHOLESALE AND RETAIL TRADE AND REPAIR OF MOTOR VEHICLES
(Division 45 of the Classification of Activities)

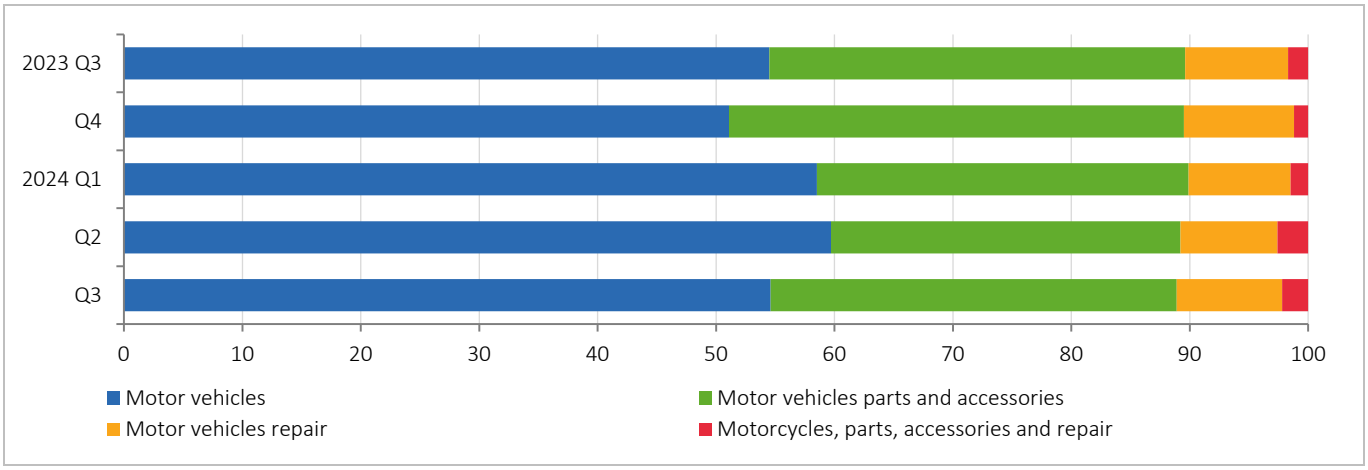
Turnover of goods in wholesale and retail trade and repair of motor vehicles **in the third quarter** 2024, relative to the same quarter 2023, recorded increase of 7.0% at current prices. In **the first nine months** of 2024, compared to the same period 2023, the recorded turnover increase by 11.0% at current prices and by 7.3% at constant prices.

Table 6.3. Turnover in wholesale and retail trade and repair of motor vehicles, indices (comparison with the same period of the previous year)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	124.5	124.8	118.8	121.3	112.5	111.7	111.7	112.1	117.9	109.5	107.0

Observed by trade divisions and commodity groups, in the third quarter 2024, similarly to the previous quarters, in the structure of wholesale and retail trade turnover and repair of motor vehicles, the most dominant were Motor vehicles (54.6%), and Motor vehicles parts and accessories (34.3%).

Chart 6.4. Turnover structure of wholesale and retail trade and repair of motor vehicles by trade divisions and commodity groups (%)



NOTE

Retail trade turnover indices (CA division 47) at constant prices are obtained by deflating the indices at current prices with the corresponding indices of consumer prices of goods, which exclude: water (from public utility systems), electricity, motor vehicles, motorcycles and parts.

The wholesale trade turnover indices (CA division 46) at constant prices are obtained by deflating the indices at current prices with the price indices obtained on the basis of the producer price index of industrial products in total (for the domestic market and for export) and the producer price index of agricultural and fishery products.

The turnover indices of wholesale and retail trade and repair of motor vehicles (CA division 45) at constant prices are obtained by deflating the indices at current prices with the consumer price indices (vehicles, parts thereof, maintenance and repair of passenger vehicles).

7. PRICES

Over the period Q1–Q3 2024 consumer prices saw an average annual growth of 4.8%, compared with the same period of 2023). The largest influence on the growth of consumer prices in Q1-Q3 2024 was that of **the prices of electricity for households, meat, health services, tobacco and fuels,** accounting for 42.2% of the total annual consumer price rate. **On the other hand, the prices of vegetables (-5.2%), solid fuels (-6.2%) and telephone equipment (-9.6%) were the only deflation products in the observed period.**

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

	2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Consumer prices	16.0	14.5	11.4	8.0	5.7	4.4	4.3	-

Chart 7.1. Inflation rate measured by consumer price indices (%) (**monthly** – month to the previous month, with seasonal influence excluded; **annual** – month to the same month of the previous year)

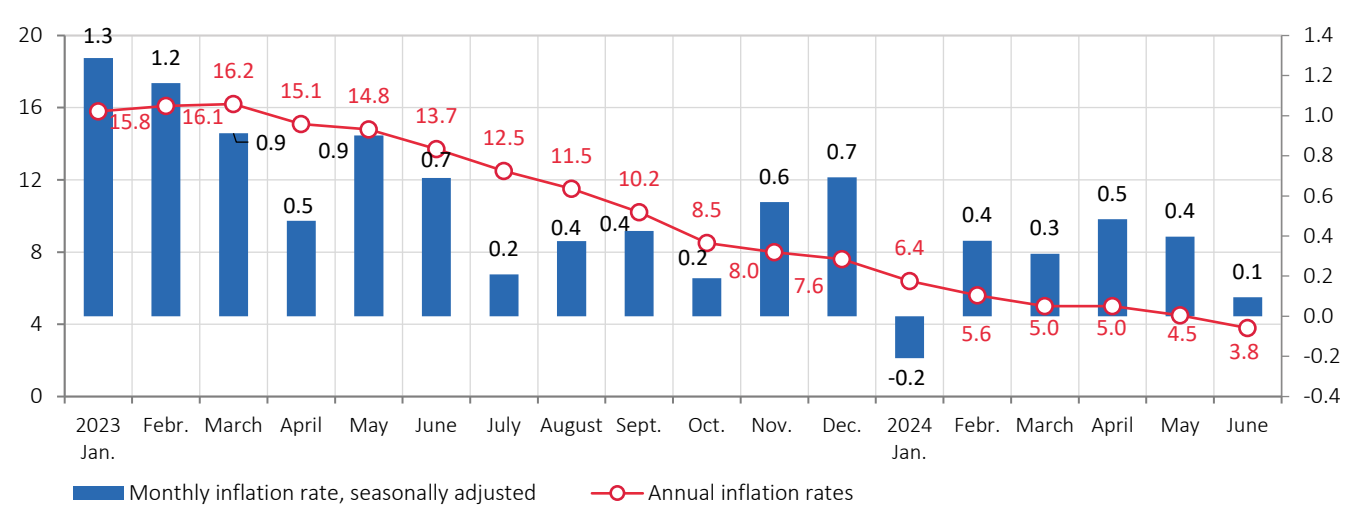
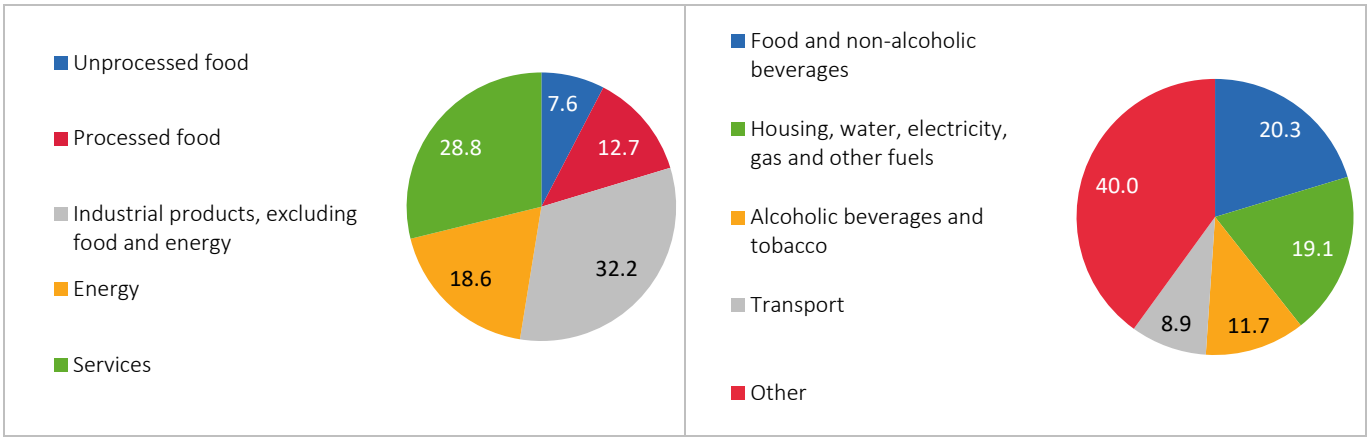


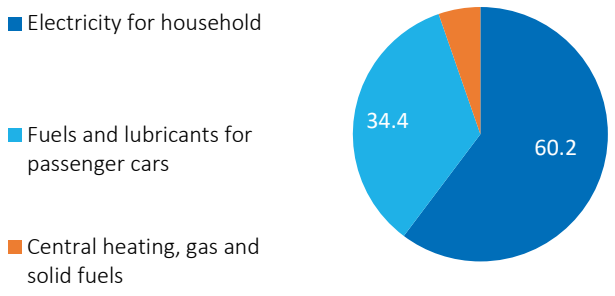
Chart 7.2. Structure of the **average annual** consumer price **growth rate in Q1–Q3 2024** (4.8%) by purpose and main groups of products (total = 100) (%)



7.1. ELECTRICITY FOR HOUSEHOLDS AND FUELS FOR PASSENGER CARS

(share in the annual consumer price growth rate in **Q1–Q3 2024** – 17.5%)

Chart 7.3. Structure of the **average annual** consumer price **growth rates** (5.9%) in Q1–Q3 2024 (total = 100) (%)



In Q1-Q3 2024, the annual growth of the prices of energy amounted to 5.9%. The influence of energy components on the formation of consumer prices is becoming weaker because it is expected that effects of growth for electricity from 2023 will decline and that the prices of fuels will fall, compared with the second half of 2023. Nevertheless, **the price of electricity for households had still the largest contribution to this growth** (due to the already mentioned consequences of rise from 2023), with an annual rise in the observed period of 10.6%. On the other hand, since mid-2024, **the influence of the prices of fuels and lubricants for passenger cars** on total consumer prices has started to decline, much more that the influence of electricity for households. In Q1–Q3 2024, the prices of fuels and lubricants for passenger cars saw a year-on-year growth of 5.1% (compared with the same period of 2023). Compared with the same period of 2023, the average price of gasoline was higher by even 10.1 dinars (5.7%), and of diesel by 8.8 dinars per litre (4.6%). In Q1–Q3 2024, the whole **group of energy accounted for 18.6% of the year-on-year growth rate of total inflation (4.8%)**.

7.2. MEAT (share in the annual consumer price growth rate in **Q1–Q3 2024** – 9.0%)

Over the period Q1–Q3 2024, the year-on-year **price meat growth** (6.2% relative to the same period of 2023) maintained undoubtedly the largest influence on forming the prices of food, and at the same time the growth of the price of electricity contributed the most to the increase in total consumer prices. Even after Q3 2024, the price of meat maintained, despite a decrease in relation to the first half of 2024, the undeniable largest share (44.0%) in the total structure of the growth rate of the price of food and non-alcoholic beverages. The price of **dried, smoked and cured meat** (especially bacon and sausages of pork, beef and mixed meat) and **pork** influenced the most the price of meat in Q1-Q3 2024. In the observed period, Q1–Q3 2024, poultry meat is still the only type of meat with an annual fall of price (-2.6%), compared with the same period of 2023.

Chart 7.4. Structure of the **average annual growth rate** of consumer prices of **pork and dried, smoked and cured meat**, Q1–Q3 2024 (total = 100) (%)

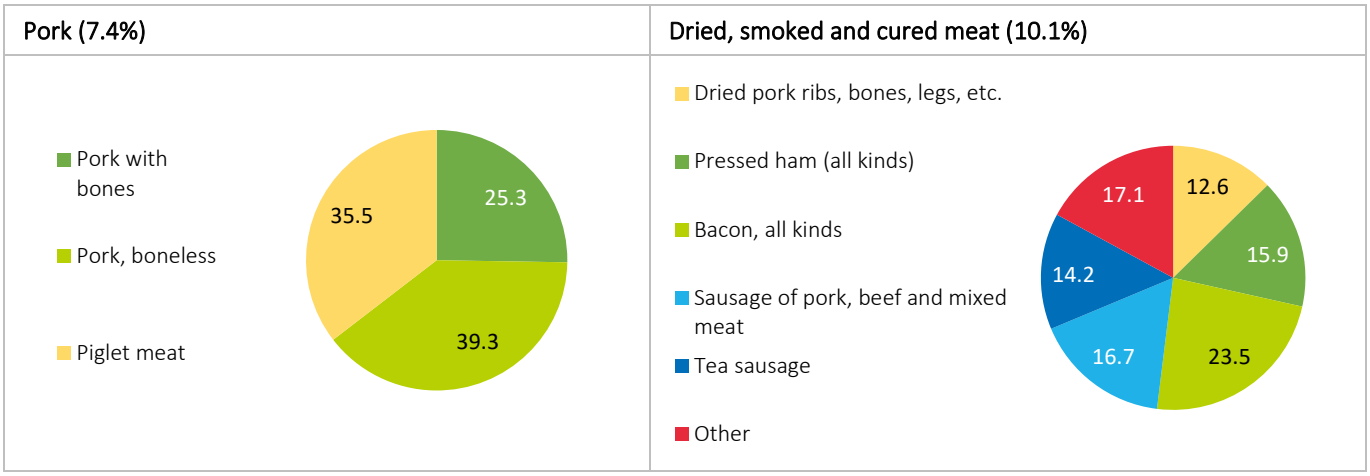


Chart 7.5. Structure of the **average annual rate of** consumer prices of **beef and poultry meat**, Q1–Q3 2024 (total = 100) (%)

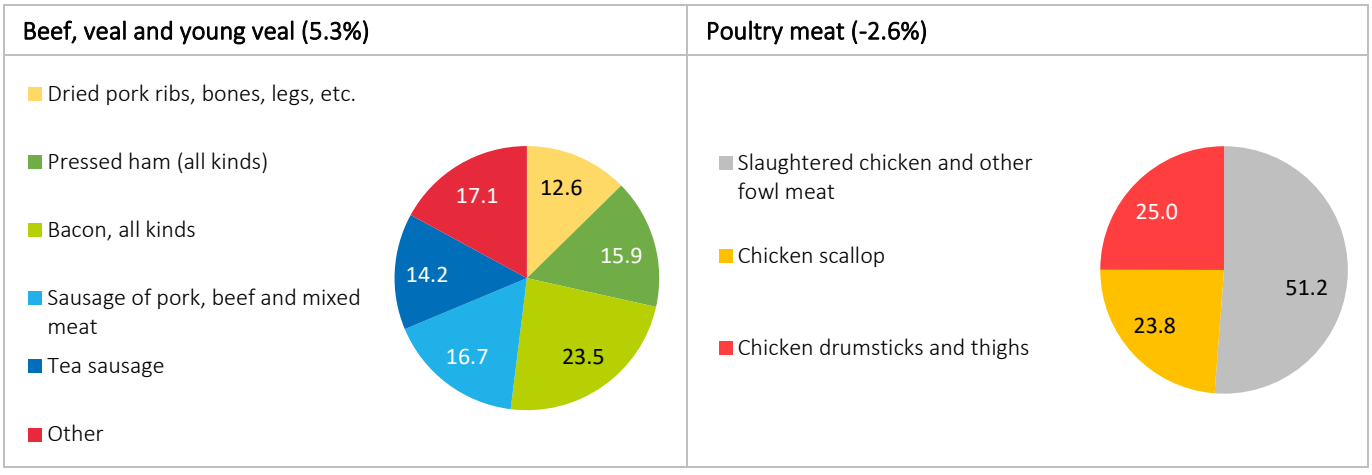


Table 7.2 presents the structure of household expenditure by type of meat. For each type of meat three countries with the highest and lowest expenditure are marked. Therefore, in the consumption of beef, veal and young veal the households with the highest expenditure in 2023 were those in Albania, Greece and Montenegro, while the largest expenses for pork were noted in Cyprus, Slovenia and Hungary. In Europe, Poles spent most for dried, smoked and cured meat, and Iceland is the only country with the highest expenses for lamb and goat meat, and the lowest for pork. In terms of expenses the Republic of Serbia, compared with the EU average, is significantly above the average for pork, while for other types of meat it is somewhat within the limits of the EU average.

Table 7.2. Structure of household expenditure by type of meat in the harmonized consumer price index by countries, 2023 (%)

Country	Meat	Beef, veal, young veal	Portk	Lamb and goat meat	Poultry meat	Offals	Dried, smoked and cured	Other processed meat
EU-27	100	16.3	14.2	2.0	17.4	1.5	35.2	13.4
Belgium	100	14.7	7.0	2.3	13.3	0.0	24.9	37.9
Bulgaria	100	3.5	23.9	3.4	15.9	2.8	30.0	20.6
Czech Republic	100	7.4	21.0	0.0	23.2	1.1	36.3	10.9
Denmark	100	22.0	12.5	4.2	15.3	0.3	22.8	22.9
Germany	100	12.8	12.7	1.1	11.2	0.4	43.8	17.9
Estonia	100	3.1	15.2	0.0	16.3	1.7	33.8	30.0
Ireland	100	16.3	5.8	4.7	23.6	0.2	17.8	31.6
Greece	100	37.3	17.9	9.0	20.4	0.6	9.9	4.9
Spain	100	14.1	14.5	3.1	19.6	1.6	37.5	9.6
France	100	21.2	6.3	2.3	14.1	1.1	37.1	17.9
Croatia	100	21.9	14.8	1.7	20.8	1.8	27.6	11.4
Italy	100	30.9	9.4	2.2	18.9	2.0	27.0	9.6
Cyprus	100	3.7	31.8	11.1	27.8	0.0	17.0	8.6
Latvia	100	3.4	24.6	0.0	22.9	0.0	38.4	10.7
Lithuania	100	6.0	21.2	0.0	15.2	1.3	42.3	14.0
Luxembourg	100	22.7	6.9	2.3	14.2	0.0	29.6	24.2
Hungary	100	2.4	26.5	0.0	23.3	1.9	42.8	3.1
Malta	100	17.8	8.9	0.0	35.7	0.0	23.7	13.9
The Netherlands	100	15.4	16.2	0.0	14.4	0.0	33.0	21.0
Austria	100	13.1	14.8	0.0	17.6	0.0	44.1	10.4
Poland	100	2.7	20.3	0.0	17.2	3.7	49.7	6.4
Portugal	100	20.2	20.3	2.4	24.2	0.0	23.6	9.3
Romania	100	11.5	23.4	3.9	23.3	3.4	26.4	8.1
Slovenia	100	22.8	27.6	-	25.4	1.0	10.3	12.9
Slovakia	100	4.0	18.0	0.0	22.2	0.9	44.1	10.8
Finland	100	13.9	8.2	0.0	20.4	0.0	45.6	11.8
Sweden	100	22.7	12.0	1.3	16.1	0.0	40.4	7.6
Iceland	100	17.4	5.0	19.8	19.1	-	25.4	13.3
Switzerland	100	25.0	10.4	2.9	18.2	0.0	36.2	7.4
Montenegro	100	32.6	23.4	6.3	10.4	1.2	22.7	3.5
North Macedonia	100	28.4	20.2	1.3	18.9	1.3	25.2	4.7
Albania	100	48.5	7.2	3.3	16.5	2.4	17.5	4.5
Serbia	100	13.4	22.6	0.4	19.9	0.2	37.9	5.6

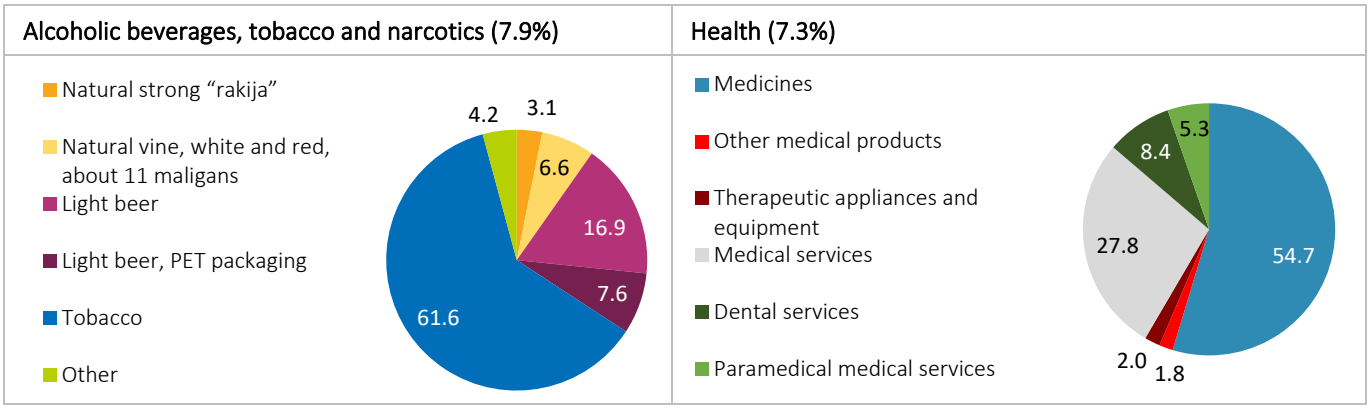
Note: The SORS analysis is based on Eurostat data. Green indicates the countries with the highest households' expenditure and orange those with the lowest expenditure. In the columns for goat meat and lamb, and offals, there are no marked countries with the lowest expenditure due to zero values for a certain number of countries.

7.3. HEALTH, ALCOHOLIC BEVERAGES AND TOBACCO

(share in the annual consumer price growth rate in Q1–Q3 2024 – 20.2%)

The regular growth of the tobacco excise from July 2024 (recorded only in August 2024) conditioned the annual rise of tobacco price in Q1–Q3 2024 of 7.8%, by 0.4 percentage points relative to the first half of 2024, accounting for 60.7% of the total growth of the price of the whole group of products alcoholic beverages and tobacco in the third quarter of 2024. The annual increase in the prices of medical products and services over Q1–Q3 2024 amounted to 7.3%, and was predominantly generated by the growth of the prices of medicines and medical (outpatient) services, accounting for 8.5% of the total inflation, as well as after the first half of 2024.

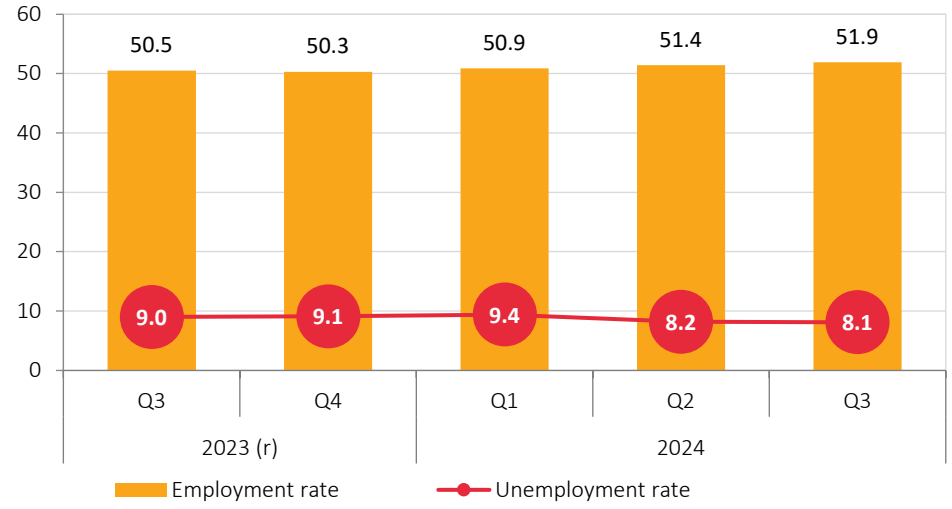
Chart 7.6. Structure of the **average annual growth rate of** consumer prices **of medical products and services** and **alcoholic beverages and tobacco** in retail sale stores, Q1–Q3 2024 (total = 100) (%)



8. LABOUR MARKET[10]

In the Republic of Serbia in the third quarter of 2024 there were 2.924 million employed persons, 257.1 thousand unemployed persons and 2.456 million persons outside labour force aged over 15.
The unemployment rate was 8.1%, by 0.1 p.p. lower than in the second quarter of 2024, while the number of the unemployed was down by 700 persons, the number of persons outside labour force going down by 28.5 thousand.
When looking at regions, the unemployed rate in the third quarter of 2024, compared with the previous quarter, saw a fall in almost all regions: in the Region of Belgrade, from 6.3% to 5.9%, Region of Sumadija and Western Serbia, from 7.8% to 7.6%, and in the Region of Southern and Eastern Serbia, from 12% to 11.4%, with the exception of the Region of Vojvodina where the unemployment rate saw a growth from from 7.6% to 8.3%.

Chart 8.1. Movement of the employment and unemployment rates for persons aged 15 and over (%)[11]



Labour market trends in the third quarter of 2024 are characterised by the increase in the employment rate by 1.4 pp. and decrease in the unemployment rate and rate of the population outside labour force by 0.9 pp. each, on year-on-year basis.

(p) – Data for 2021, 2022 and 2023 have been revised in compliance with the latest estimates based on current demographic estimates based on the 2022 Census. More information on the revision is available in the statistical release on: https://stat.gov.rs/vesti/statisticalrelease/?p=15166&a=24&s=2400

Table 8.1. Activity, employment and unemployment rates

	2023 (r)				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Activity rate (%)	55.0	55.6	55.5	55.3	56.2	56.0	56.4
Employment rate (%)	49.5	50.3	50.5	50.3	50.9	51.4	51.9
Unemployment rate (%)	10.0	9.6	9.0	9.1	9.4	8.2	8.1

[10] Based on the Labour Force Survey.
[11] Since 2021, the Statistical Office of the Republic of Serbia has been conducting the Labour Force Survey according to the new, revised Eurostat methodology. The methodology was changed in line with the Regulation of the European Parliament and of the Council that entered into force on 1 January 2021. More details on the methodology changes and their effects on major statistical indicators are available in the special publication that can be found on: https://www.stat.gov.rs/vesti/20210628-anketa-o-radnoj-snazi-nova-metodologija/

Table 8.2. Labour market – persons aged 15 and over

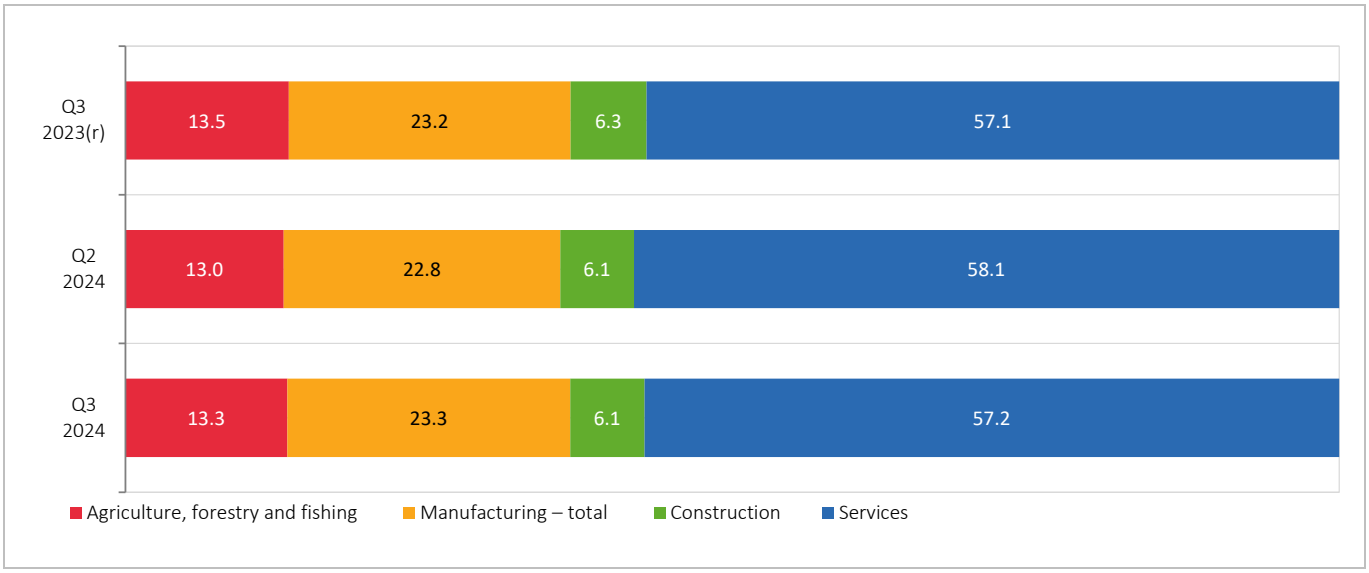
	Current quarter	Previous quarter		The same quarter of the previous year (r)	
	Q3 2024 (in thous.)	Q2 2024 (in thous.)	Change, %	Q3 2023 (in thous.)	Change, %
Unemployment	257,1	257,8	-0,3	282,4	-9.0
Employment	2 923,5	2 899,7	0,8	2 862,2	2.1
	%	%	Change, pp.	%	Change, pp.
Unemployment rate	8.1	8.2	-0.1	9.0	-0.9
Employment rate	51.9	51.4	0.5	50.5	1.4

(r) – revised data

Observed by sections, the largest share of the number of employed persons in the third quarter of 2024 was recorded in Services (57.2%), then in Manufacturing (23.3%) and Agriculture (13.3%), and the lowest in Construction (6.1%). When compared with the previous quarter, the share of employed persons went up in the sections Agriculture, forestry and fishing (from 13% to 13.3%) and Manufacturing (from 22.8% to 23.3%). On the other hand, the share of the number of employed in the section Construction (6.1%) remained unchanged.

In year-on-year periodicity (quarter III of 2024 – quarter III of 2023), a slight growth of the share of employed persons was recorded in Services (from 57.1% to 57.2%) and Manufacturing (from 23.2% to 23.3%), but fall was recorded in Agriculture, forestry and fishing (from 13.5% to 13.3%and Construction (from 6.3% to 6.1%).

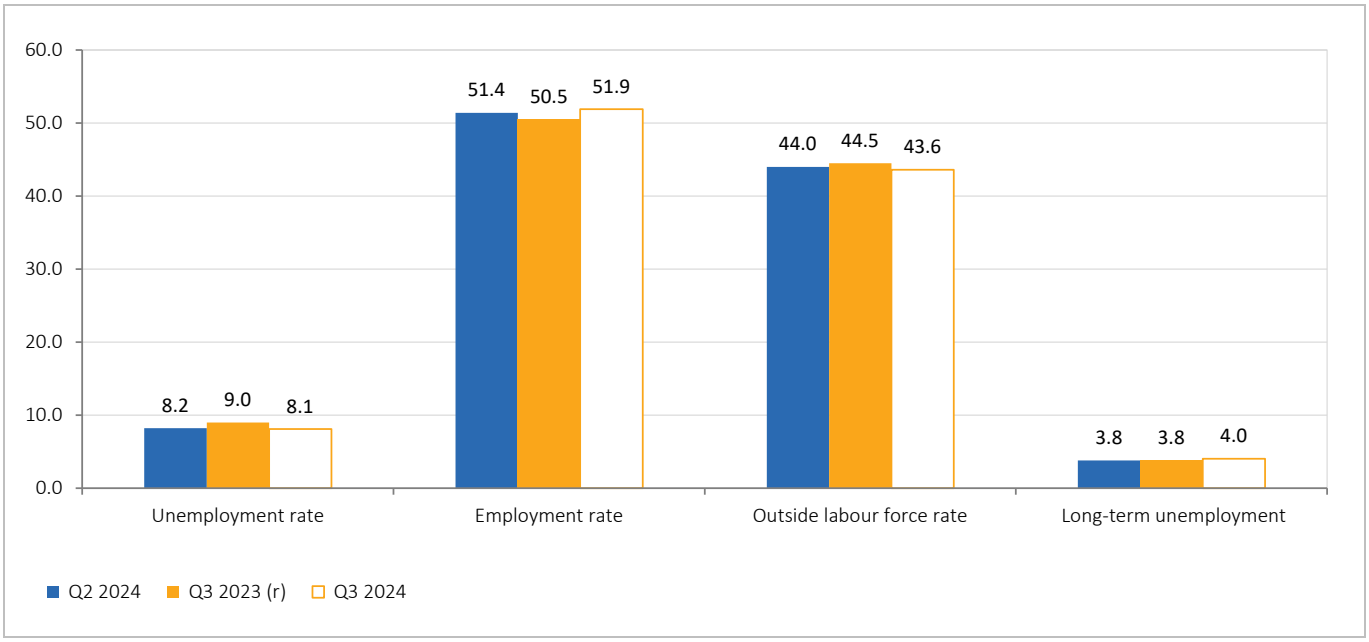
Chart 8.2. Share of employed persons by (%)



(r) – revised data

Labour market trends remained considerably resilient to the challenges in the global environment and to economic activity deceleration, primarily owing to the macroeconomic stability established in the previous period.

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



8.1. COMPARISON WITH THE PREVIOUS QUARTER

When compared with the previous, second quarter of 2024, the number of employed persons grew by 23.8 thousand, and the number of persons outside labour force fell by 28.5 thousand, while the number of unemployed persons is slightly lower than in the previous quarter (less than a thousand people). The employment rate went up by 0.5 pp., while unemployment and outside labour force rates went down by 0.1 pp. and 0.4 pp, respectively.

The number of employed youth (aged 15-24) grew by 5.8 thousand and the number of youth outside the labour force fell by 10.9 thousand. This trend led to the growth of the employment rate by 0.9 pp. but also of the unemployment rate, by 1.3 pp, with a decrease in the outside labour force rate, by 1.6 pp., compared with the second quarter of 2024.

The long-term unemployment rate was 4%, by 0.2 pp. more than in the previous quarter.

Observed by sex, the unemployment rate in the third quarter of 2024, compared with the previous quarter, saw a slight fall of 0.1 p.p. among men with an unchanged rate among men.

The unemployment rate among men increased in Belgrade Region, from 5.8% to 6% and Region of Vojvodina, from 7% and 8.5%, but a fall of this rate was recorded in Region of Sumadija and Western Serbia, from 8.2% to 6.5% and in Region of Southern and Eastern Serbia, from 11.9% to 11.5%.

As for the unemployment rate among women, fall was recorded in almost all the regions: in Belgrade Region, from 6.7% to 5.7%, Region of Vojvodina, 8.2% to 7.9% and Region of Southern and Eastern Serbia, from 12.2% to 11.3%. In contrast, growth was recorded only in Region Sumadija and Western Serbia, from 7.3% to 9%.

Observed by professional status, and compared with the previous quarter, the number of employed persons increased only in the categories of employed persons, mostly in contributing family members, 0.2%, then in employed persons, by 0.5%.

Table 8.3. Employment by professional status, comparison Q2 2024 – Q3 2024

	Q2 2024 (in thous.)	Q3 2024 (in thous.)	Change, %
Employed persons – total	**2 899,7**	**2 923,5**	**0.8**
Self-employed	464,2	465,2	0.2
Employed	2 271,1	2 283,5	0.5
Contributing family members	164,5	174,9	6.3

8.2. COMPARISON WITH THE SAME QUARTER OF THE PREVIOUS YEAR

Compared with the same quarter of the previous year, the number of unemployed persons decreased by 9% (from 282.4 thousand to 257.1 thousand). At the same time, the number of employed persons grew by 2.1% (from 2 862.2 in the third quarter of 2024 to 2 923.5 in the third quarter of 2024).

The youth unemployment rate (aged from 15 to 24) in the third quarter of 2024 amounted to 21.5%, by 3.4 pp. less than in the third quarter of 2023.

The long-term unemployment rate was 4% in the third quarter of 2024, by 0.2 pp. higher than in the same quarter of the previous year.

Observed by sex, the unemployment rate in the third quarter of 2024, compared with the same quarter of the previous year, saw a fall among of 0.5% among men and by 1.4 pp. among women.

Observed by regions, the unemployment rate among men saw a fall in almost all the regions: in Belgrade Region, from 6.4% to 6%, in Region of Vojvodina, from 10.4% to 8.5%, in Region of Sumadija and Western Serbia, from 7.6% to 6.5%, with the exception of Region of Southern and Eastern Serbia, where a slight growth from 9.8% to 11.5% was recorded.

Similarly, the unemployment rate went down among women in all of the regions: in Belgrade Region, from 6.5% to 5.7%, in Region Vojvodina, from 9.7% to 7.9%, in Region of Sumadija and Western Serbia, from 10.1% to 9%, and in Southern and Eastern Serbia, from 13.4% to 11.3%.

Observed by professional status, relative to the same quarter of 2023, the number of employed persons increased in the category of employed persons (by 2.6%) and contributing family members (by 5%), while the category of the self-employed saw a fall of 0.9%.

Table 8.4. Employment by professional status, comparison Q3 2023 – Q3 2024

	Q3 2023 (r) (in thous.)	Q3 2024 (in thous.)	Change, %
Employed persons – total	**2 862,2**	**2 923,5**	**2.1**
Self-employed	469,5	465,2	-0.9
Employed	2 226,0	2 283,5	2.6
Contributing family members	166,6	174,9	5.0

GLOSSARY

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

Employed persons are persons aged 15-89 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. According to the Classification of Employment Status, they are divided into *self-employed, employed and contributing family member.*

Self-employed are persons persons working solely in their own enterprise, institution, privately- owned store or on an agricultural holding, as well as persons performing solely a professional activity or any other job for own account. Self-employed are persons who solely define the conditions of their work (as well as of their employees) and bear the risk for their work.

Employed workers are persons who work for an employer in any ownership sector, whether having a formal employment contract or working on an oral contract. Family members who help in performing family business and are paid for their work are considered employed workers.

Contributing family members are persons who help another family member in running family business or agricultural holding, and are not paid for that work. Those persons are considered employed even if they are not paid for their work because they have benefits, such as accommodation, food, etc.

Unemployed persons are persons aged 15-74 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

Outside labour force 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 in the reference week 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.

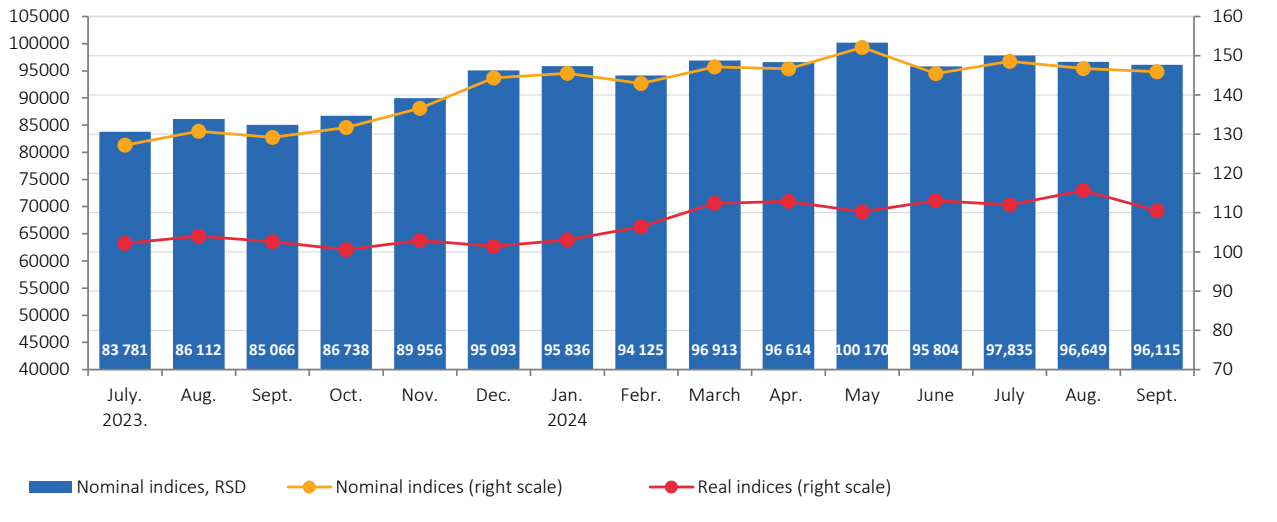
9. SALARIES AND WAGES

Average net salaries and wages in the Republic of Serbia for the third quarter of 2024 amounted to 96 866 dinars. Compared with the same period of the previous year, they increased nominally by 14%, and by 9.3% in real terms. Compared with the previous, i.e. second, quarter of 2024, they decreased nominally by 0.7% and by 1.6% in real terms. In the first nine months of 2024, the average net salaries and wages amounted to 96 675 dinars, and compared with the same period of the previous year, they increased nominally by 14.5% and by 9.3% in real.

Table 9.1. Net salaries and wages – real and nominal indices (comparison with the same period of the previous year)

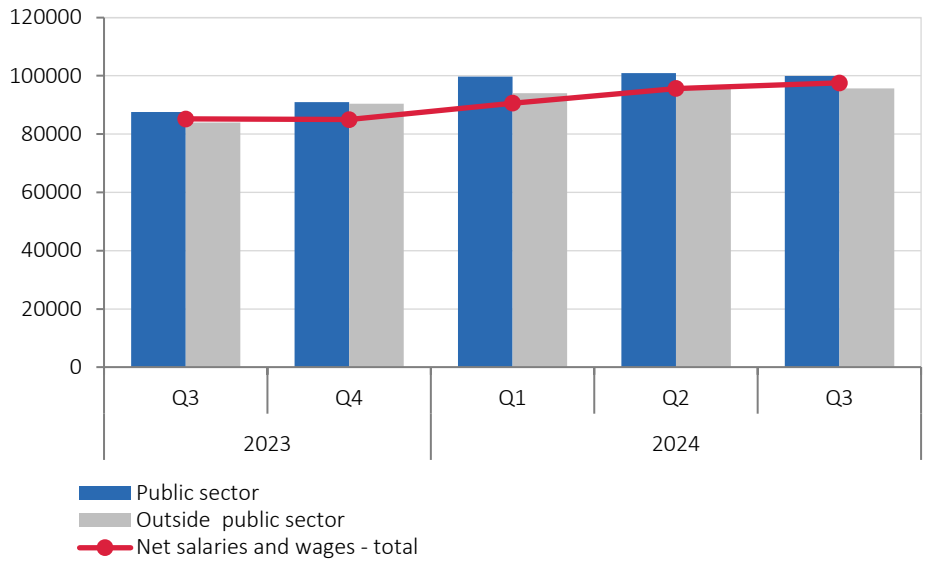
	2021				2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Real indices	105.8	106.4	104.5	104.5	104.3	102.7	101.3	98.6	99.5	100.8	102.5	105.8	108.7	109.6	109.3
Nominal indices	107.3	109.8	109.2	112.1	113.4	113.6	114.8	113.4	115.5	115.4	114.1	114.2	114.9	114.5	114.0

Chart 9.1. Net salaries and wages, movement of nominal and real indices (average 2021 = 100)



Since the beginning of the year, nominal salaries and wages have followed the real economy and budget, adapting themselves at the same time to trade indicators, i.e. offer and demand for labour force. Average net salaries and wages recorded also an upwards trend in September 2024, amounting to 95 115 dinars, reaching a year-on-year growth of 13, nominally, i.e. of 8.4% in real terms. The decision on increasing the minimal pay from 230 dinars per hour of work in 2023 to 271 dinars in 2024 influenced the growth of salaries and wages. Average net salaries and wages, expressed in euros, as an indicator of living standard and international economic competitiveness of Serbia, recorded growth also in September 2024, reaching the value of 821 euros or year-on-year growth of 13.1%, identical to the nominal growth of salaries and wages due to the stability of the exchange rate dinar to euro

Chart 9.2. Net salaries and wages in and outside the public sector (in RSD)



Average net salaries and wages for the third quarter of 2024 amounted to 95 630 dinars in the public sector and to 95 630 dinars outside it. The ratio of the movement of salaries and wages in and outside the public sector was variable for a long period of time, knowing that a successive growth of salaries and wages in the public sector led several times to their growth also outside the public sector, which resulted in the increase of total salaries and wages. The policy of salaries and wages management in the public sector proved itself as the catalyst of the impulse of domestic demand and regulator of labour market fluctuations. Since the beginning of 2024, salaries and wages in the public sector have been at a higher level than net salaries and wages outside it.

Average net salaries and wages in the public sector (January–September 2024)

Public sector – total	RSD 100 173
Public State-owned enterprises	RSD 110 175
Public local enterprises	RSD 89 949
Administration – all levels	RSD 106 861
Government level	RSD 111 639
Autonomous province level	RSD 107 201
Local authorities level	RSD 83 113
Human health and social work	RSD 98 206
Education and culture	RSD 93 558

When comparing net salaries and wages by CA (2010), one notices that the largest real growth in over January-September 2024, compared with the same period of 2023, was realised in the sections Education (12.3%), Accommodation and food service activities (11%) and Manufacturing (10.9%).

The highest net salaries and wages January-September 2024 was recorded in the following divisions: Computer programming and consultancy activities (282 545 dinars), Air transport (205 769 dinars), Scientific research and development activities (195 650) and Manufacture of tobacco products (176 228).

In all other divisions salaries and wages ranged from 54 777 dinars (Food and beverages service activities) to 164 392 dinars (Management consultancy services).

Observed by regions, the highest average net salaries and wages over January-September 2024 were paid in Belgrade Region, 121 854 dinars. In Region Vojvodina average salaries and wages totalled 91 354 dinars, in Region of Southern and Eastern Serbia, 83 292 dinars, and in Region of Sumadija and Western Serbia, 81 214.

Chart 9.3. Real net salaries and wages by CA sections (2010)
(January–September 2024 to the same period of 2023)

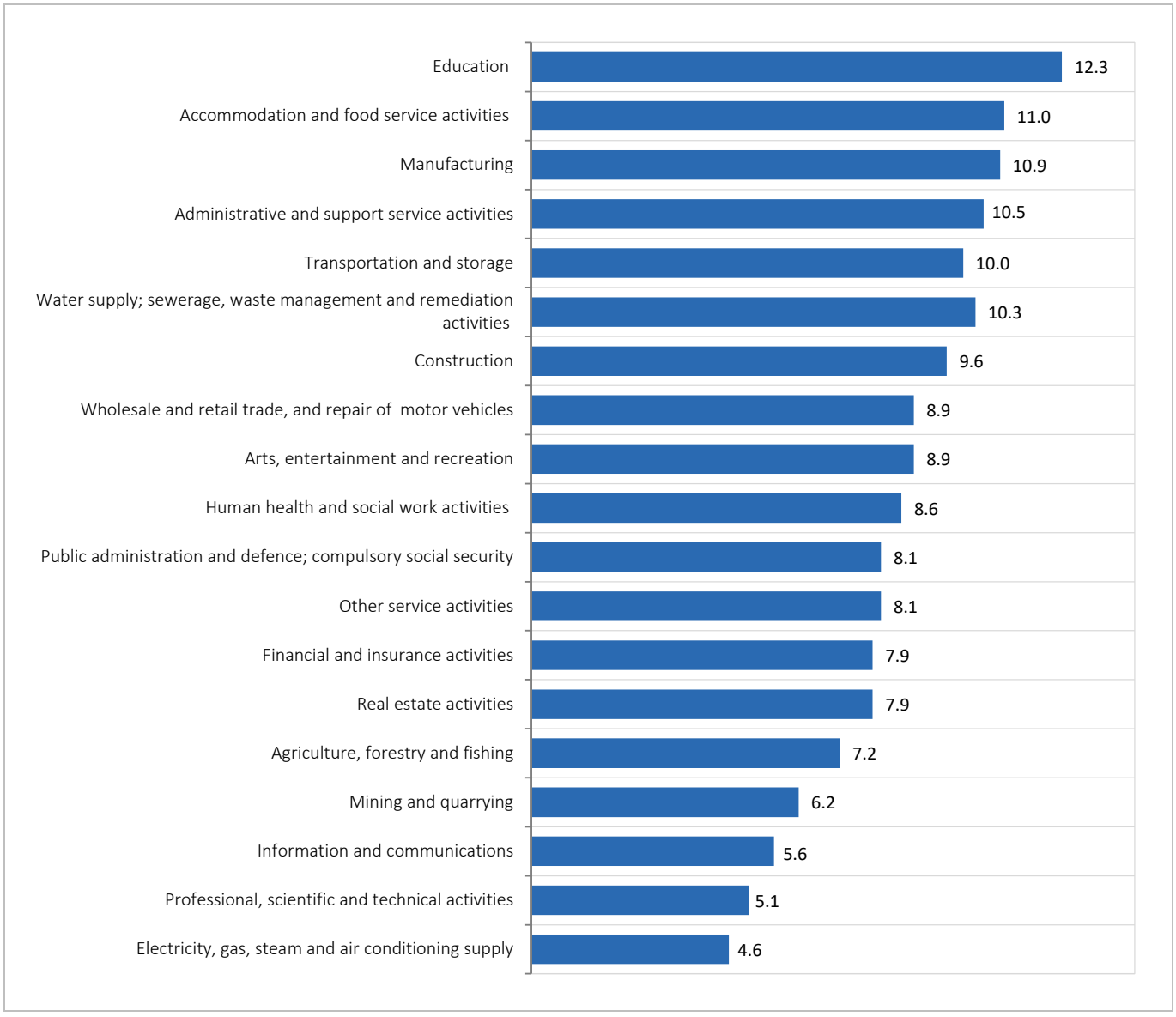
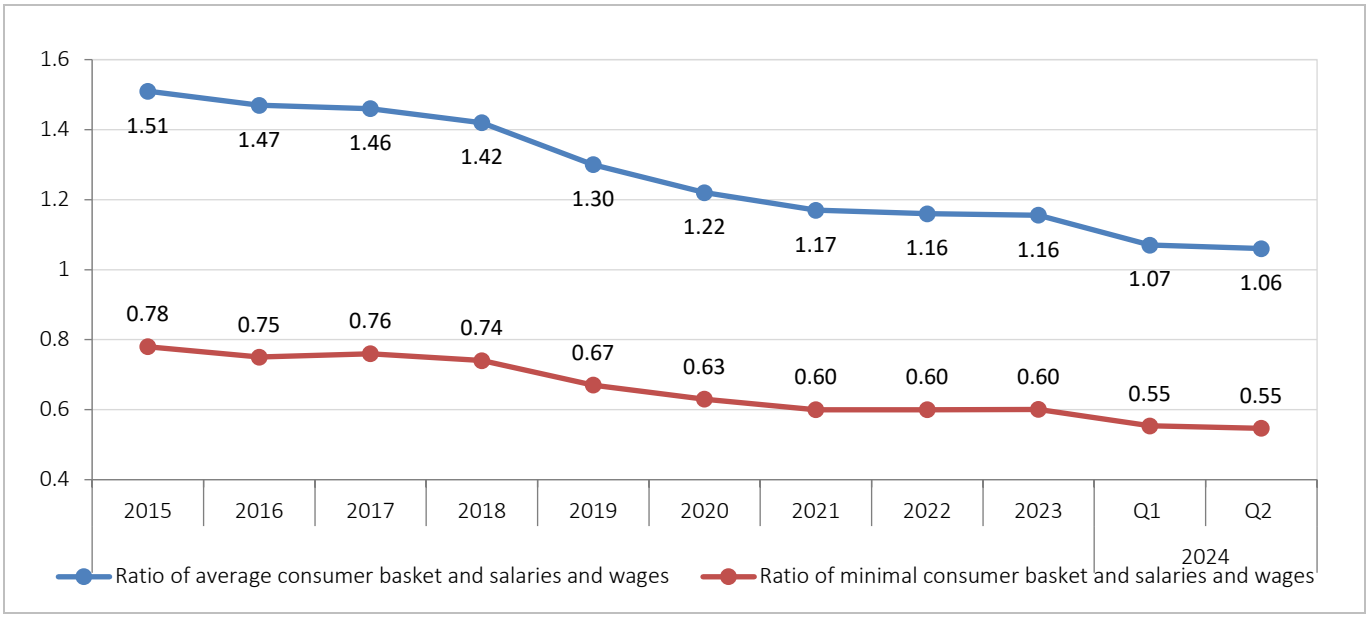


Chart 9.4. Ratio of consumer basket[13] and net salaries and wages[14]



Increased population living standard over 2015–2023 is primarily the result of a dynamic growth of salaries and wages. In 2015, the ratio of the average consumer basket and average net salaries and wages was 1.51, while in 2023 it was 1.16, indicating that, while in 2015 1.51 of the average salaries and wages was needed for the average consumer basket, in 2023 this ratio was improved so that 1.16 of the average salaries and wages was necessary for the average consumer basket.

The ratio of net salaries and wages and average consumer basket in the second quarter of 2024 indicates that the purchasing power grew, when compared with the previous quarter. To cover the average consumer basket in the second quarter of 2024 1.06 average average salaries and wages (in the first quarter of 2024, 1.07), and to cover the minimum consumer basket only 0.55 of average salaries and wages, as in the previous quarter.

When compared with the same quarter of the previous year, the ratio of the average consumer basket and net salaries and wages also showed that purchasing power grew (in the second quarter of 2023 – 1.16), the minimum consumer basket amounting to 0.55 average salaries and wages, while in the same quarter of the previous year this ratio was slightly disadvantageous (0.61).

Observed by towns, in the second quarter of 2024, purchasing power (ratio of the average consumer basket and average salaries and wages) above the average of the Republic (1.06) was recorded in Belgrade (0.88), Novi Sad (1.03) and Nis (1.03), as well as Kragujevac and Smederevo (1.05 each), while in other statistically monitored towns, average salaries and wages covered the minimum, but not average household consumer basket.

[13] *Minimum consumer basket* – refers household consumption, which provides for basic living and working capacity of household members, bearing in mind the optimal biochemical composition of food (carbohydrates, proteins, fats and calories). The total value of the minimum consumer basket is the sum of expenses for food and other products and services making up individual household consumption.
Average consumer basket – refers to the consumption of products and services of the individual consumption of an average household.
Since January 2011 New Average and New Minimum Consumer Basket have been published, which are calculated starting with January 2008 according to the new methodology of the Statistical Office of the Republic of Serbia.

[14] The report on the population purchasing power in the Republic of Serbia for September 2024, published by the Ministry of Domestic and International Trade, is not available. Therefore, the analysis of the population purchasing power in the Republic of Serbia is missing for the third quarter of 2024.

10. TOURISM

Tourism, having a multidimentional and complex nature, is an activity intertwined with many other economic activities, as, besides providing accommodation and restaurant services, indispensable activities related to tourism are the following ones: transport, cultural and recreational activities, payment operations, etc. It not only promotes and forms the national identity of a country but it also plays a big role in its economy – in some regions it is even the only factor for creating employment for the local population, and generally, the only factor of sustainable development — all the reasons to deserve special analytical attention.

10.1. TOURIST OVERNIGHT STAYS

Tourism in the Republic of Serbia started its expansion in 2015, primarily by means of incentive measures of domestic tourism, but also by increased interest of foreign tourists in this period. Expressed in number of overnight stays, tourist turnover was going up until 2019, when a record number of 10.1 million overnight stays was achieved. The year 2020 brought contraction of tourism activity and a fall of the number of overnight stays of 6.2 million, where domestic tourists spent almost 5 million, and foreign ones about 1.3 million nights. The year 2021 brought recovery and the number of overnight stays grew by 8.2 million. The upwards trend, expressed in tourist overnight stays in the Republic of Serbia, continued in the previous year 2023, when 12,4 million of overnight stays were recorded, 1.6% more than in 2022.

In the third quarter of 2024, the number of spent tourist nights amounted to 3.9 million, by 6.8% less than in the third quarter of 2023. Domestic tourists accounted for 52.5% and foreign ones for 47.5% of the total number of overnight stays.

Chart10.1. Tourist overnight stays – domestic, foreign and total; quarterly and annual data

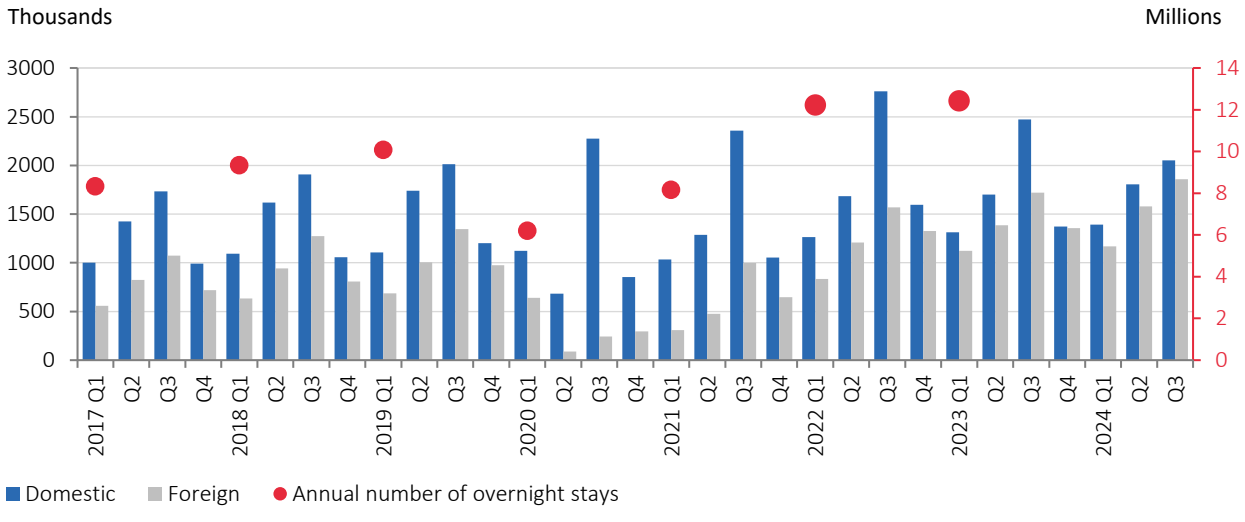


Chart 10.1. Tourist overnight stays, indices (comparison with the same period of the previous year)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total	156.3	164.1	129.2	171.7	116.0	106.6	96.9	93.3	105.3	109.7	93.2
Domestic tourists	122.2	130.8	117.2	151.4	103.9	100.8	89.6	86.0	106.2	106.3	82.9
Foreign tourists	270.1	253.8	157.5	204.7	134.4	114.5	109.6	102.2	104.2	113.9	108.0

10.2. MAJOR TOURIST RESORTS

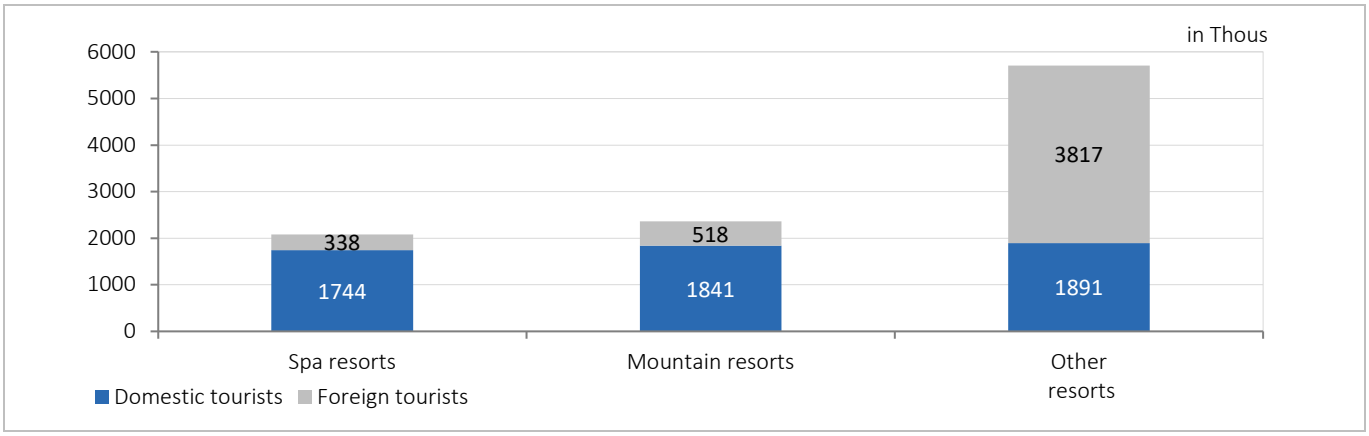
Expressed in number of tourist overnight stays[14], the most frequently visited tourist resorts in the first nine months of 2024 were **Other tourist resorts**, with 5.7 million overnight stays (or about 56.2% of total overnight stays), by 5.2% more than in the same period of the previous 2023 year. This category comprises Belgrade (2.7 million overnight stays) and larger towns of Serbia (Novi Sad, Nis, Subotica). Most of the visitors to Belgrade were foreign tourists (86.3%), and a similar situation was recorded in Novi Sad (74.7% foreign tourists), while domestic tourists were slightly predominant in Nis (51.3% domestic tourists) and Subotica (53.5% domestic tourists)

Mountain resorts, second by category in a row of resorts according to the number of tourist overnight stays in the first nine months of 2024 recorded 2.4 million overnight stays, accounting for 23.2% of total number of overnight stays, by 3.5% more than in the nine months of 2023. Zlatibor attracted most of the tourists (965.2 thousand), mainly coming from the Republic of Serbia (about 699 thousand). Kopaonik recorded 521.7 thousand tourist overnight stays, of whom most were also from the Republic of Serbia (396 thousand). These two mountains accommodated about 63% of the total number of tourists that spent nights in mountain centres.

In Spa resorts there were in the first nine months of 2024 about 2.1 thousand nights spent, by 8.6% less than in the same period of the previous year. Tourists were mainly from the Republic of Serbia (83.8%), and the most visited were Vrnjacka Banja with 502.5 thousand visitors, followed by Sokobanja (424.1 thousand), Banja Vrdnik (182 thousand), Lukovska Banja (143.9 thousand), and other spas.

The largest growth, expressed in number of overnight stays in the first nine months of 2024 relative to the same period of 2023, was recorded in Novopazarska banja (growth 100.5%), Selters banja (growth of 71.4%) and Vrnjacka banja (20.7%).

Chart 10.2. Tourist overnight stays by selected tourist resorts, January-September 2024



[14] The sum of data by type of resorts (spas, mountains, other resorts) does not give the correct number of tourist overnight stays in the Republic of Serbia knowing that the areas of some tourist resorts belong at the same time to different resorts (e.g. they are at the same time spa and mountain resorts).

10.3. COUNTRY OF ORIGIN OF FOREIGN TOURISTS

In the first nine of 2024, foreign tourists from about 50 different countries visited the Republic of Serbia. Tourists from Europe were the most numerous to have spent nights (81.5%).

Three countries which tourists spent the largest number of nights were the Russian Federation (476.5 thousand), Turkey (460.9 thousand), and China (288.5 thousand). Visitors from Bosnia and Herzegovina were at the fourth place (278.9 thousand, then from Germany (232 thousand), Romania (214.1 thousand) and North Macedonia (194.4 thousand). Overnight stays of tourists from these seven countries account for 46.6% of the total number of nights spent in the first three quarters of 2024.

For the purpose of comparison, chart 10.4 presents the number of tourist overnight stays in the first nine months of 2023.

Chart 10.3. Foreign tourist overnight stays by countries they come grom, January-September 2024

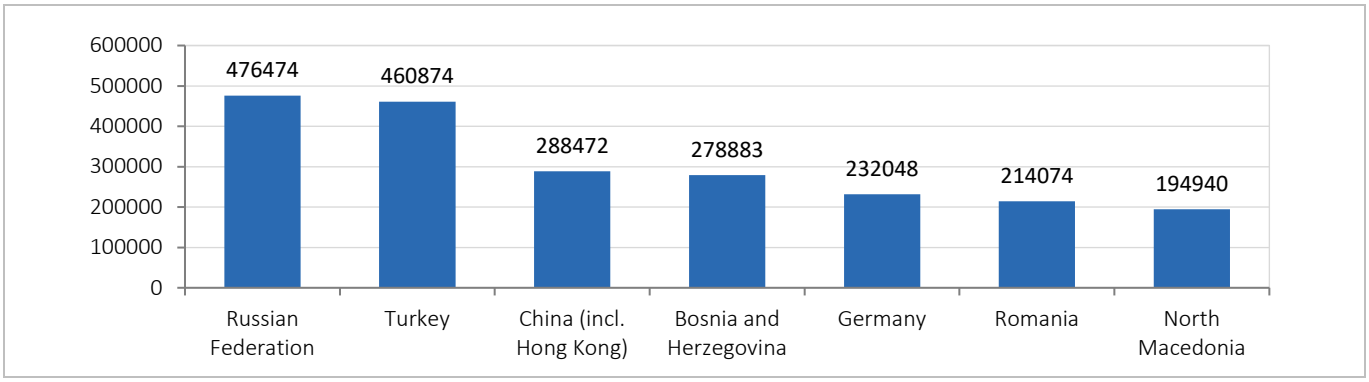


Chart 10.4. Foreign tourist overnight stays by countries they come from, January-September 2023

Note: in all the publication of the Statistical Office of the Republic of Serbia. Since 2022 data on tourism turnover have been published on the basis of the processing of data retrieved from the administrative source, Central Information System in Caterign and Tourism (Tourist). Until December 2021 included, data were collected, processed and published on the basis of a statistical survey on tourist arrivals and overnight stays in accommodation facilities (TU-11).

All indices of tourism turnover (tourist arrivals and overnight stays) in 2022 are calculated based on the data of the Central Information System in Catering and Tourism (eTourist) for 2022 and 2021. With the change of data source, and therefore of the coverage, the survey-based results (TU'-11, for the previous year) and those from the administrative source (eTourist) are not comparable.

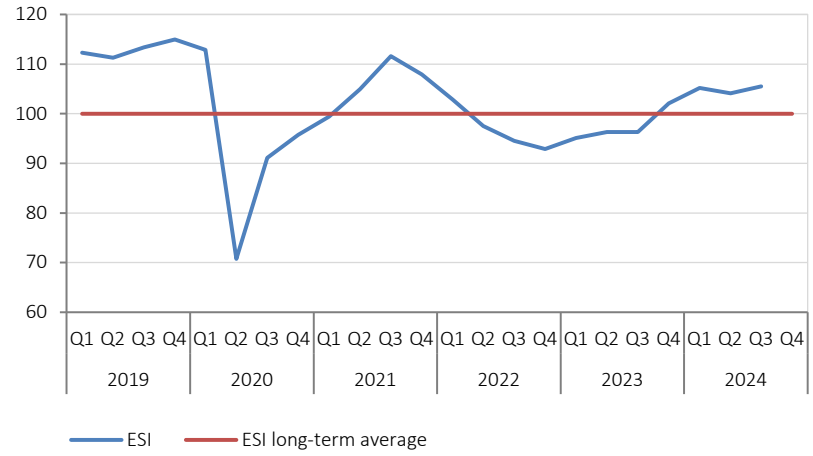
11. ECONOMIC SENTIMENT INDICATOR

11.1. ECONOMIC SENTIMENT INDICATOR - ESI

Economic Sentiment Indicator - ESI is a composite indicator which purpose is to present producers' and consumers' perceptions about economic movements and economic stability. As expectations of business subjects can be an important signal of changes in economic trends, this indicator is used to assess economic situation, make flash estimates, for scientific and analytical use, as well as for international comparisons and creating economic policies.

ESI has been developed by the General Directorate for Economic and Financial Affairs of the European Commission (DG ECFIN). 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 analysed sections are weighted in order to reflect as good as possible their influence on economic activity – manufacturing 40%, service activities 30%, household consumption 20%, construction 5% and retail trade 5%. Value of ESI index exceeding 100 indicates improvement or economic activity, while that below 100 suggests decline[15].

Chart 11.1. Economic Sentiment Indicator[16] (%) (seasonally adjusted data)



The Economic Sentiment Indicator (ESI) in Serbia in the third quarter of 2024, with a value of 105.5, saw a growth of 1.4 pp. compared with the previous quarter, when it was by 12.9 pp. above the 2020 average (92.6), which was marked by the coronavirus pandemic. However, ESI has still been lacking back from the average before the pandemic in 2019, by 7.5 pp. (113).

The value of the indicator reflects higher expectations in Manufacturing (+1.1 pp.), Services (+1.8 pp.) and Construction (+0.5 pp.), opposite to Consumption (-0.5 pp.) and Retail trade (-0.3 pp.), where expectations are more pessimistic than in the previous quarter.

Source: European Commission, processing: Statistical Office of the Republic of Serbia. Quarterly data represent quarterly average.

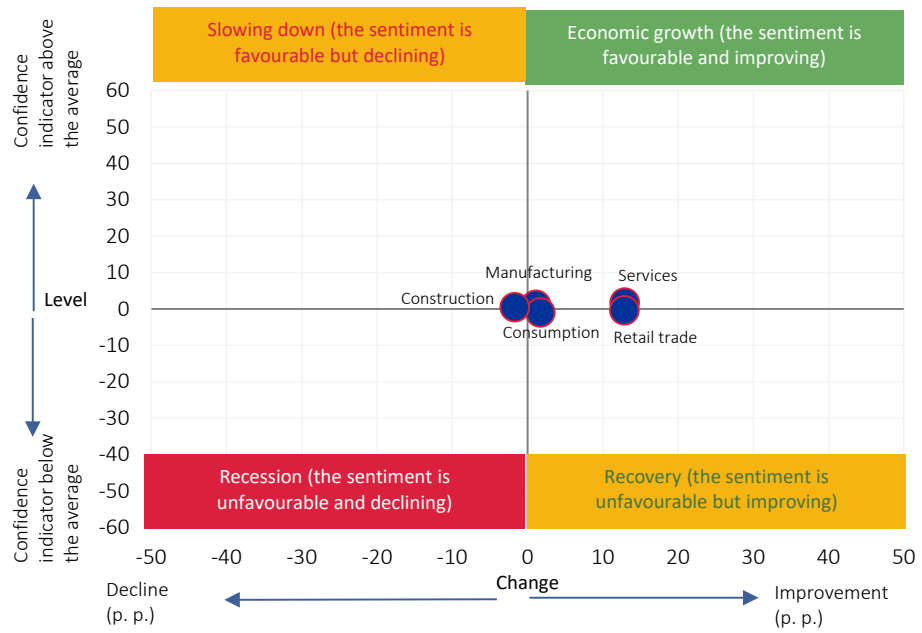
Table 11.1. Confidence indicators by section and Economic Sentiment Indicator – growth to the long-term average (%)

Confidence indicators	Minimum		Average	Maximum		2023				2024		
	Quarter	Value		Quarter	Value	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	Q2 2020	-8.9	3.2	Q3 2018	7.9	-1.8	-0.8	-2.1	1.0	2.1	0.0	1.1
Services	Q2 2020	-42.9	6.9	Q2 2016	16.3	4.7	4.3	5.4	8.4	9.8	11.1	12.9
Consumption	Q4 2014	-20.6	-4.5	Q1 2020	10.7	-8.4	-6.5	-5.5	-2.4	0.9	2.6	1.7
Retail trade	Q2 2020	-12.5	8.6	Q4 2019	16.3	7.6	8.7	11.3	12.0	12.3	13.2	12.9
Construction	Q3 2013	-40.8	-9.4	Q3 2019	7.1	-3.0	-3.8	-4.0	-2.2	-0.6	-2.2	-1.7
Economic Sentiment Indicator	*Q2 2020*	*70.8*	*102.5*	*Q4 2019*	*115.0*	95.1	96.3	96.3	102.1	105.2	104.1	105.5

[15] ESI is calculated as an index with a mean value of 100 and standardised deviation of 10. More on the methodology on: https://ec.europa.eu/economy_finance/db_indicators/surveys/documents/methodological_guidelines/bcs_user_guide.pdf

[16] Data for the Economic Sentiment Indicator (ESI) have bee revised in line with the improved methodology of data seasonal adjustment, which has been in use since April 2022.

Chart 11.2. Economic Sentiment Indicator

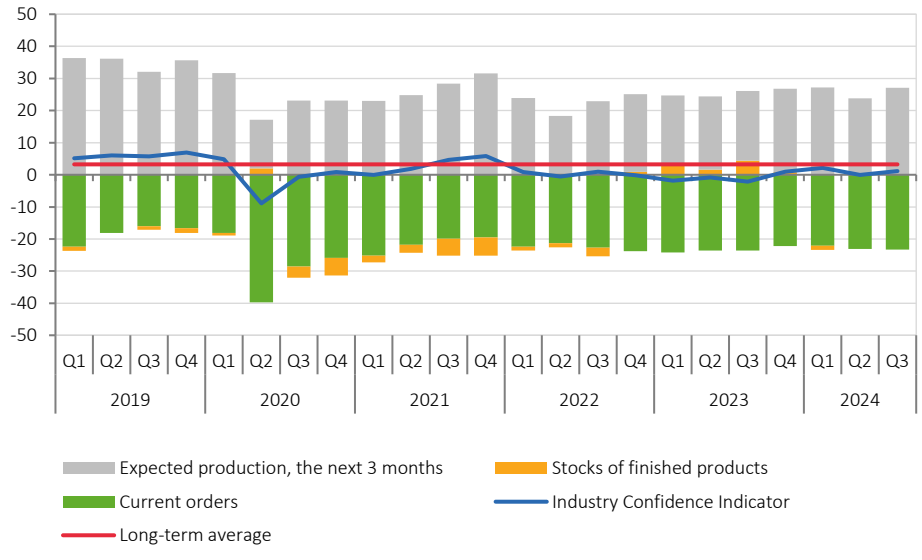


Economic Sentiment Tracer, created on the basis of seasonally adjusted confidence indicators, shows that Manufacturing and Services are recording growth (expansion), with an economic climate above the average and an improving tendency.
Retail trade is in the recovery phase, while Construction is slowing down.

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.

Chart 11.3. Industry Confidence Indicator (%) (seasonally adjusted data)

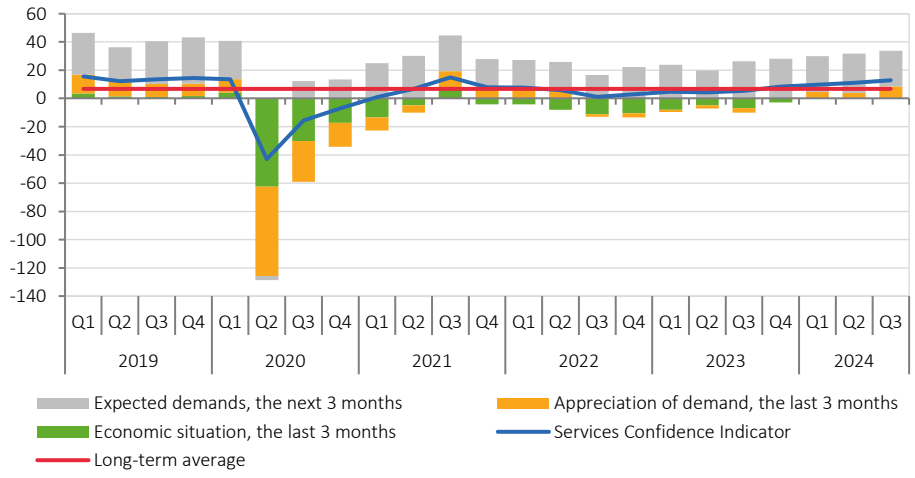


The Industry Confidence Indicator – ICI in the third quarter of 2024 went up by 1.1% compared with the previous quarter, by 2.1 pp. under the long-term average.
The fall of this indicator is mainly the result of negative appraisals of businessmen concerning current orders and stocks of finished products (by 0.2 pp. each), while the appraisals regarding current the expected production in the next three months products were significantly more optimistic and saw a growth of 3.6 pp.

11.3. SERVICE CONFIDENCE INDICATOR

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

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

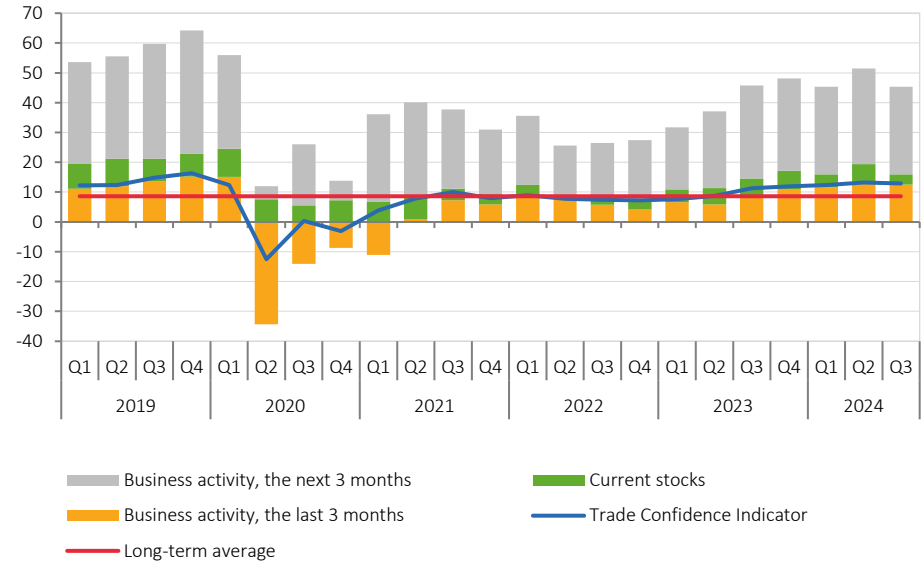


The Service Confidence Indicator – SCI, with a value of 12.91%, in the third quarter of 2024 is higher by 1.8 pp. than in the previous quarter, exceeding the long-term average by 6 pp.
Appraisals concerning **demand and economic situation in the previous** three months increased (4.6 pp. and 3.2 pp., respectively), while **pessimistic appraisals were expressed regarding expected demand in the next three month(-2.5 pp.) demand in the last three months** (-1 pp.).

11.4. TRADE CONFIDENCE INDICATOR

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

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

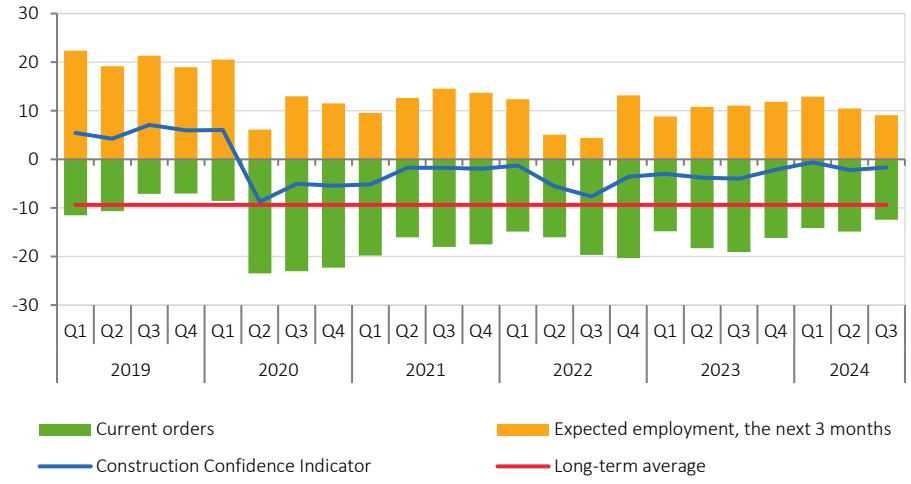


The Trade Confidence Indicator – TCI in the third quarter of 2024, with a value of 12.9%, was lower by 0.3 p. than in the previous quarter, exceeding by 4.2 pp. the long-term average (8.6%).
The value of the indicator expresses an increase in all three components: business activity in the previous quarter (0.9 pp.), business activity for the next three months (2.8 pp.) and current stocks (2.6 pp.).

11.5. CONSTRUCTION CONFIDENCE INDICATOR

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

Chart 11.6. Construction Confidence Indicator (%) (seasonally adjusted data)

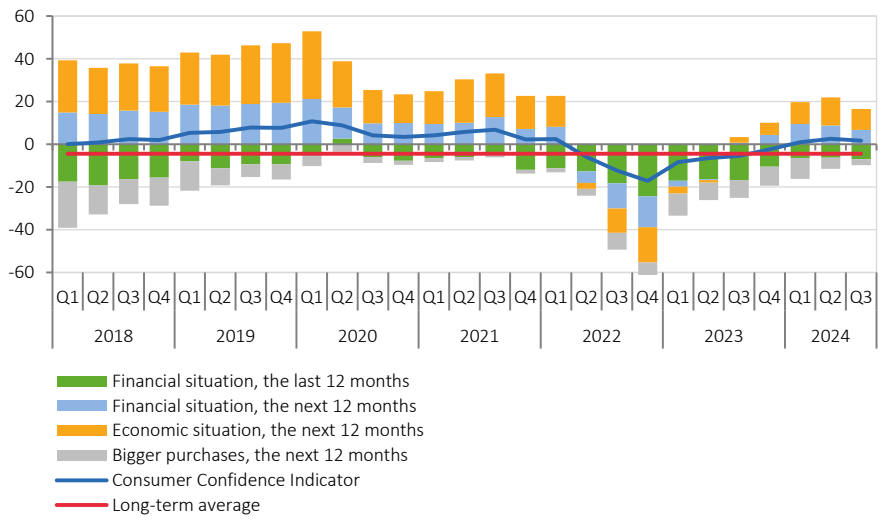


The Construction Confidence Indicator – CCI, with a value of -1.7% in the third quarter of 2024, noted a growth of 0.5% pp. in relation to the previous quarter, still being above the long-term average by 7.7 pp.
The value of this indicator expresses the fall of expectations concerning employment in the next three months (by 1.4 pp.), as well as the growth of appraisals of current orders (2.5 pp.).

11.6. CONSUMER CONFIDENCE INDICATOR[17]

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

Chart 11.7. Consumer Confidence Indicator (%) (seasonally adjusted data)



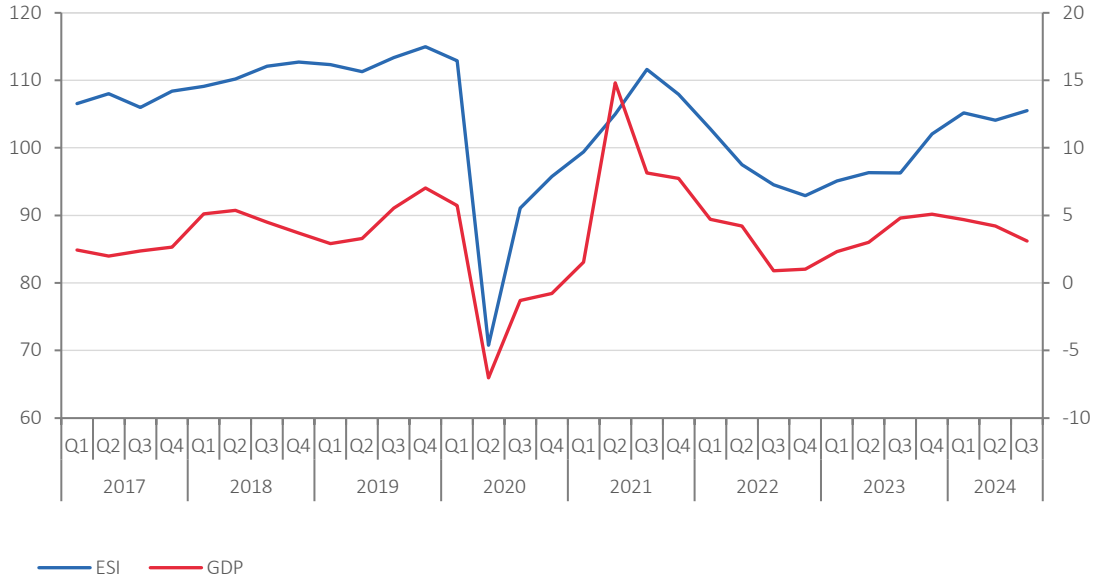
The Consumer Confidence Indicator – CCI in the third quarter of 2024 saw a fall of 0.9 pp. compared with the previous quarter, exceeding the long-term average by 6.2 pp. The value of the indicator expresses lower expectations concerning economic and financial situation in the next 12 months (3.3 pp. and 2.1 pp.), as well as of the financial situation in the last 12 months (-0.6 pp.). But the appraisal of big purchases in the next 12 months was higher by 2.4 pp.

[17] The methodology for calculating consumer confidence indicator was changed by the European Commission in 2018, thus the data have been revised.

11.7. CORRELATION OF ESI AND GDP OF SERBIA

Researchers and decision-makers in economic matters often include ESI as an explanatory variable with relevant pieces of information to model the economic growth, particularly if one takes into account that the data on the economic climate are available before most of the economic indicators. Gross Domestic Product (GDP) is the reference (explanatory) series that is most frequently used, because it reflects the movements in the economy as a whole. When considering that ESI represents a coincident indicator (showing changes at the same time when the changes are shown by the reference series), it can be concluded that it follows relatively well the GDP trend, which is confirmed also by the correlation coefficient of 0.66.

Chart 11.8. Correlation of ESI and GDP of Serbia[18]

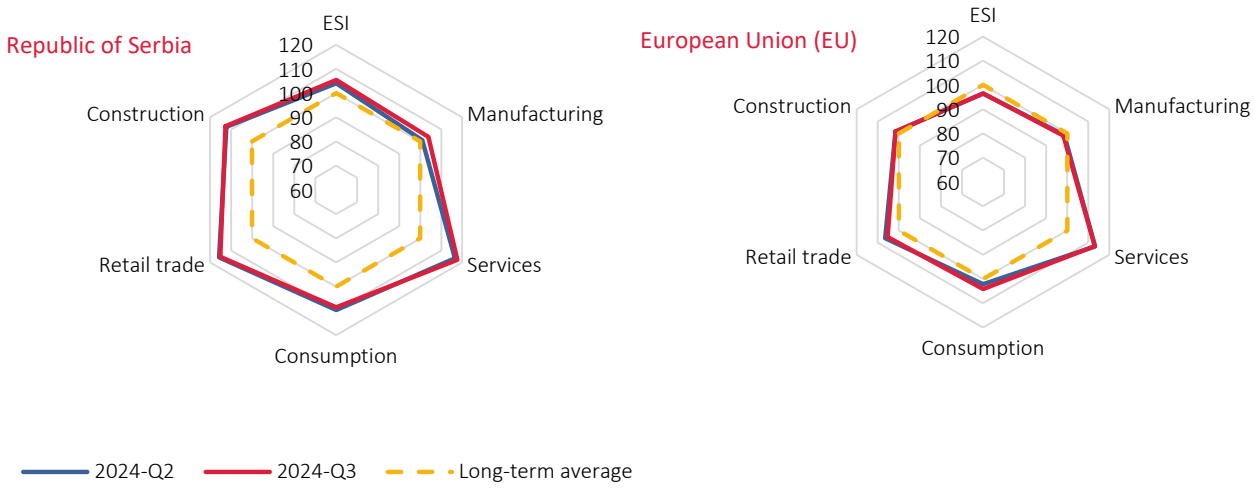


[18] The quarterly Gross Domestic Product (GDP) has been revised in line with the revised annual data.

11.8. ECONOMIC SENTIMENT INDICATOR IN THE EUROPEAN UNION

Economic expectations in most of EU member states improved in the third quarter of 2024 (relative to the previous quarter), which made ESI go up by 0.2 p.p. (from the value of 96.6). The largest growth in expectations in the EU was recorded in Consumption (+2 pp.).

Chart 11.9. Economic Sentiment Indicators



HOW TO INTERPRETE THE TRACER?

The tracer scale of the chart ranges from 60 to 120 (average = 100). The most recent quarterly outcomes (Q3 2024) are compared with the previous quarterly outcomes (Q2 2024) and long-term average (= 100) of the corresponding series of confidence indicators. Developments far from the center 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 Southern and Eastern Serbia has even 30 (out of total of 53), and in Region Sumadija and Western Serbia, such status is recorded in 13 out of 53 municipalities. On the other hand, there is no municipality in Region Vojvodina with the status of devastated municipality (devastated means that development level is below 50% of the Republic average – see Glossary), while in Region Sumadija and Western Serbia, the mentioned status is recorded in three municipalities, and in Region Southern and Eastern Serbia, 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

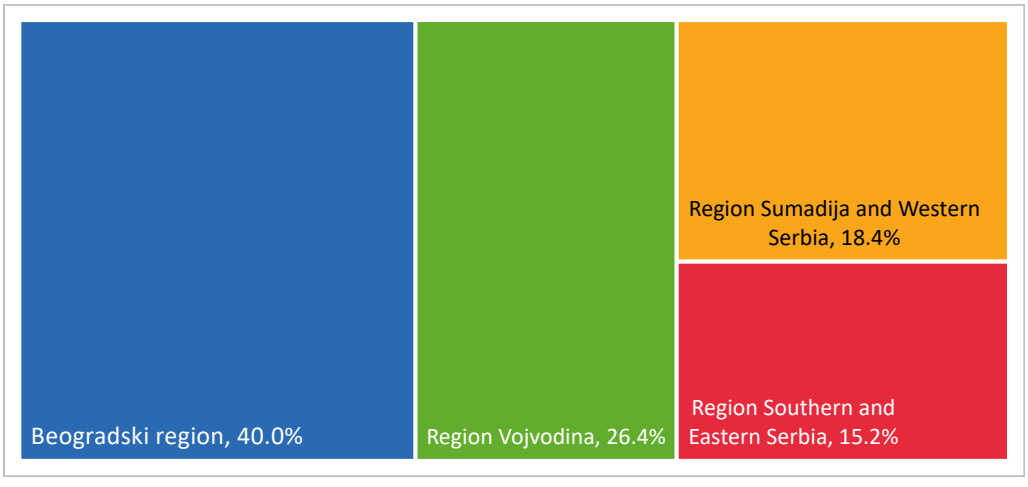
Gross domestic product

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 2023, observed by level of NSTU 2 regions, the greatest realized GDP was in Beogradski region (43.3%), followed by Region Vojvodina (24.6%), Region Šumadija and Western Serbia (17%) and Region Southern and Eastern Serbia (15.1%).

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 (1 331 000 RSD / per capita, i.e. 70.6 % above the republic average, followed by Region Vojvodina that is by 0.1% below the average, then Region Šumadija and Western Serbia by 37.9% and Region Southern and Eastern Serbia by 28.4% below the average of the Republic.

Chart 12.1. Share of the region in the national GDP, 2023



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 the lowest ones in Region Šumadija and Western Serbia. Average net salaries and wages in the period January – September 2024 in Beogradski region amounted to RSD 121 854, or 126% of RS average (RSD 96 675), in Region Vojvodina, they were insignificantly below RS average (RSD 91 354, or 94.5% of RS average), while in Region Southern and Eastern Serbia and Region Šumadija and Western Serbia, they were about 86% and 84% of the Republic average (RSD 83 292 and RSD 81 214, respectively). In all regions, average salaries and wages recorded growth relative to the same period of the previous year, and the greatest absolute and relative increase was noted in Region Šumadija and Western Serbia, by 15.3%.

In 75 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 65 374). Moreover, at the bottom of the list are the municipalities of Presevo (RSD 65 864), Crna Trava (RSD 66 172) and Vlasotince (RSD 66 924).

Labour market

The correlation of unemployment rate and development level of the region is very high, and in accordance with the mentioned, Region Southern and Eastern Serbia, with unemployment rate of 12.3% in the period January – September 2024, by 43.7% exceeds the average of Serbia (8.6%). On the other hand, in Beogradski Region, unemployment rate was the lowest, 6.2%, i.e. 27.3% below the national average. Additionally, referring to employment rate, it is the highest in Beogradski region (56% or 8.8% above the average of Serbia), while in Region Southern and Eastern Serbia, noted was the lowest employment rate of 46.9%, or 8.8% below the Republic average (51.4%).

In the period January – September 2024, Beogradski Region noted the highest share in total employment (27.5%), with the simultaneous lowest share in unemployment (19.5%). On the contrary, Region Southern and Eastern Serbia, with 19.4% has the lowest share in total employment, with the highest share in unemployment (29%) (according to the Labour Force Survey).

Export activity

In contrast to other indicators, in the period January – September 2024, Beogradski region was not on the first place regarding total export of Serbia (share of 23.5%). Region Vojvodina is on the first place with the share of 33.6% in export, followed by Region Southern and Eastern Serbia (21.6%) and Region Šumadija and Western Serbia (20.1%). Export per capita reflects regional asymmetries – Region Vojvodina records the export of EUR 4 224 per capita, and it is about the Republic average and exceeds by almost double the export value per capita in Region Šumadija and Western Serbia (EUR 2 419), which is by 27% below the average of the Republic. Region Vojvodina, as the leading exporter in the period January – September 2024, recorded the greatest share in export and the greatest share in export[19] of agricultural and food products (21.3%), primarily cereals (31.3%), the most important export product being corn (15% of export of agricultural and food products).

Demographic structure

According to the last available data for 2023, population density in Beogradski region is by 6.9 times greater than average population density in Serbia, while in Region Southern and Eastern Serbia, population density was the lowest – 29% below the Republic average. Although all regions participate equally in total population of Serbia, interregional differences are particularly apparent. For example, in eight towns in Region Vojvodina, lives even over a half of total population of Vojvodina (54.8%). However, the most obvious population inequality is in other two regions: Region Šumadija and Western Serbia comprises 10 towns in which 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 Southern and Eastern Serbia, as 56% of population lives in 9 cities, while even in 30 underdeveloped municipalities live 31% of population. Additionally, due to economic migrations, number of population in Beogradski region is constantly increasing (by 1.4% between 2011 and 2023), 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 Southern and Eastern Serbia is becoming more and more fragmented, while population density in Beogradski region becomes increasingly denser.

[19] According to the Standard International Trade Classification (ISTC).

Transport infrastructure

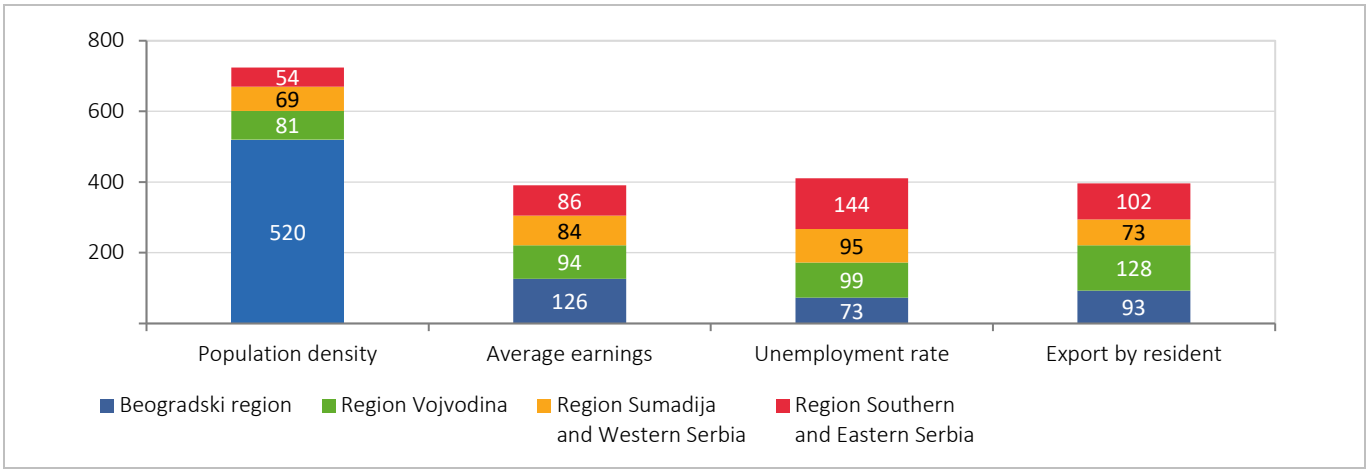
In the Republic of Serbia, there are huge regional and interregional differences regarding infrastructure equipment (transport, telecommunication and water management, i.e., accompanying supra structures). In roads' quality, telecommunication and modern living conditions, differences are, first of all, 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 41 municipalities[20] have an out-of-band participation of local roads with a modern roadway, while four 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 2023 from 3.8 in Region Šumadija and Western Serbia to 8.3 in Beogradski region, where a fourth part of the vehicles was registered. The number of first-time registered cars compared to the number of inhabitants in the period January – September 2024 reflects a similar ratio, with Beogradski region leading up to 43% above the average of the Republic of Serbia versus Region Southern and Eastern Serbia, with 27% below 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 10 times the population density in Region Southern and Eastern Serbia, where it is the lowest (Table 12.1).

Table 12.1. Extreme values and indicators of regional asymmetry, January – September 2024

Indicators	Population density, km², 2023	GDP/per capita, 2023	Average net salaries and wages	Unemployment rate	Export per capita	Demographic emptying, 2011–2023 (%)
	9.8 : 1	2.7 : 1	1.5 : 1	2 : 1	1.7 : 1	(-10.9) : (+1.4)
Extreme Values (the highest: the lowest)	Beogradski region: Region Southern and Eastern Serbia	Beogradski region: Region Šumadija and Western Serbia	Beogradski region: Region Šumadija and Western Serbia	Region Southern and Eastern Serbia: Beogradski region	Region Vojvodina: Region Šumadija and Western Serbia	Region Šumadija and Western Serbia: Beogradski region

Chart 12.2. Disproportions at the regional level in Serbia (RS level = 100%), January – September 2024



[20] Data relate to 2022

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

	2022				2023					2024	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Beogradski region											
Average salaries and wages in dinars	125.8	125.8	126.3	128.0	126.6	127.0	127.1	128.2	126.3	126.1	125.6
Employment rate	107.6	108.2	110.6	110.2	110.7	109.9	111.0	111.1	110.0	109.1	107.1
Unemployment rate	75.2	83.1	82.2	83.0	75.2	80.2	71.1	73.6	69.1	76.8	72.8
Exports per capita in euros	88.9	89.2	92.0	98.2	93.8	99.0	93.0	94.3	92.2	92.4	93.1
Number of first- time registered passengers' cars per 1000 inhabitants	123.4	132.6	129.5	131.9	133.1	145.8	140.0	141.4	140.6	152.8	134.5
Region Vojvodina											
Average salaries and wages in dinars	95.1	94.9	94.9	95.4	95.1	94.2	94.4	94.8	94.6	94.2	94.6
Employment rate	98.8	99.4	100.6	99.2	99.8	102.2	97.8	101.2	100.6	100.0	98.8
Unemployment rate	89.9	85.4	76.7	83.0	87.1	82.3	112.2	101.1	102.1	92.7	102.5
Exports per capita in euros	128.2	131.4	127.8	125.5	124.9	126.1	128.2	132.3	131.4	126.3	127.0
Number of first- time registered passengers' cars per 1000 inhabitants	97.2	92.3	90.4	93.4	95.1	88.5	88.3	91.6	92.0	86.7	92.4
Region Šumadija and Western Serbia											
Average salaries and wages in dinars	83.9	83.9	83.9	83.0	83.2	83.4	83.6	83.0	83.7	83.9	84.4
Employment rate	101.2	98.8	97.2	101.0	99.4	98.8	99.6	96.6	97.2	98.8	100.0
Unemployment rate	112.8	122.5	116.7	110.6	101.0	106.3	97.8	108.8	96.8	95.1	93.8
Exports per capita in euros	76.7	77.2	76.8	76.8	74.6	76.3	75.6	77.2	75.1	72.2	73.1
Number of first- time registered passengers' cars per 1000 inhabitants	96.7	94.2	100.0	97.7	95.2	91.0	92.5	91.9	90.6	87.4	93.6
Region Southern and Eastern Serbia											
Average salaries and wages in dinars	86.6	86.9	86.1	83.9	85.9	86.1	85.5	83.9	85.9	86.5	86.1
Employment rate	89.5	93.2	90.2	89.6	88.5	87.3	90.7	89.9	90.4	90.7	92.5
Unemployment rate	126.6	109.0	132.2	130.9	147.5	143.8	126.7	123.1	143.6	146.3	140.7
Exports per capita in euros	101.4	95.4	90.8	89.7	94.1	88.0	96.7	88.8	96.6	107.7	102.4
Number of first- time registered passengers' cars per 1000 inhabitants	79.0	77.1	76.0	72.7	72.4	70.9	76.0	71.1	73.1	69.2	76.2

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 Vojvodina). Insufficiently developed regions are the ones in which GDP value is below the Republic average, (Region Šumadija and Western Serbia and Region Southern and Eastern Serbia). 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.

13. AGRICULTURE

Agricultural production is made of two main branches: plant production and livestock production. Due to its specific nature, relevant data related to agricultural production are available mainly on annual basis. This issue of Trend presents the movement of occurrences in agriculture concerning:

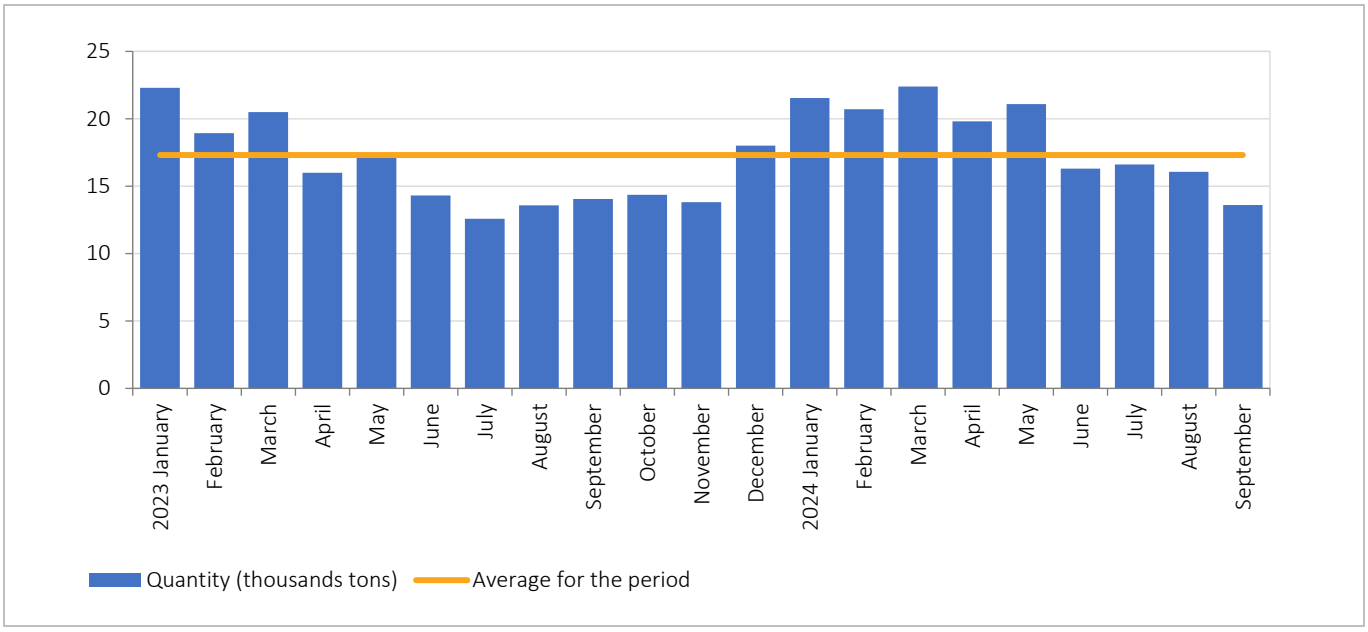
- Livestock production (production of consumption milk in dairy factories and slaughtering of livestock in slaughtering houses),
- Prices of agricultural products and intermediate materials,
- External trade in agricultural products,
- Realised and expected production of certain crops and fruit.

13.1. PRODUCTION AND PRICES OF MILK, CEREALS AND LIVESTOCK

Estimates show that farms dealing with the production of cow milk distribute to milk collection stations (dairy factories) account for about 59% of the total production[21]. Of the quantity of milk that stays on the holding (about 41%) about 10% are consumed for feeding household members and livestock on the holding and about 22% are processed into dairy products (mainly cheese and „kajmak"), and the remaining part (about 9%) is sold to direct consumers. According to the same source, losses on the holding are insignificant (up to 0.1%).

Cow milk accounts for 97% of the total production of milk on holdings, and the remaining milk is of sheep and goats. In the period January-September 2024 the production of consumption cow milk in dairy factories is higher by 12.5% than that in the same period of the previous year. Observed by months, in the third quarter of 2024 the production of cow milk saw a year-on-year growth of 15%, when compared with the third quarter of 2023.

Chart 13.1. Production of consumption milk in dairy factories (in thous. tons)



[21] Survey on Agricultural Production – Livestock Production, 2022

Purchase prices of cow milk decreased by 3.6% over January-September of the current year relative to the same period of the previous year[23]. Relative to the average price of cow milk of the previous year, in the first three quarters of the current year milk price fell by 2.9%.

Consumer prices of cow milk decreased by 3.4% over January-September of the current year relative to the same period of the previous year. When compared with the average price of milk of the previous year, in the first nine months of the current year milk price fell by 3.3%.

Based on the comparative review (table 13.1) it can be concluded that the purchase prices and consumer prices of cow milk kept a stable level in the first nine months of the current year.

As being the topic of analysis in this issue of *Trends,* besides livestock products, selected crops from plant production, as well as some categories of livestock, it is necessary to provide their purchase prices.

Over January-September **the price index of cereals** amounted to 84.8%. Over this period purchase prices of wheat decreased by 13%, of maize by 21.4%, compared with the same period of the previous year. In the first nine months of the current year the prices of **industrial crops** saw a growth of 6.2%, compared with the same period of the previous year.

Table 13.1. Comparative review of purchase and consumer prices of cow milk

Month	Price of milk, din./l.	
	Purchase price	Consumer price[22]
January 2023	65.0	150.9
February	63.0	150.8
March	60.5	151.2
April	57.6	150.9
May	54.8	150.1
June	53.5	151.1
July	53.3	150.4
August	53.6	148.7
September	54.1	148.2
October	54.8	148.2
November	55.6	149.7
December	55.9	150.3
January 2024	55.5	145.3
February	55.6	145.2
March	55.5	144.9
April	55.5	145.6
May	55.3	145.6
June	54.9	144.7
July	54.8	144.8
August	54.8	145.2
September	54.8	144.8

Looking at the **categories of livestock**, over January-September of the current year the purchase price of bovine animals increased by 5.1% and of pigs by 13.1%, compared with the same period of the previous year.

Table 13.2. Producers' prices of agricultural and fishing products

	IX 2024 / IX 2023	I–IX 2024 / I–IX 2023	I–IX 2024 / Ø 2023
Cereals	107.5	84.8	95.7
Wheat	101.6	87.0	90.8
Maize	109.8	78.6	97.8
Industrial crops	111.6	106.2	108.4
Livestock and poultry	91.9	107.9	106.8
Cattle	99.9	105.1	103.9
Pigs	87.4	113.1	111.0

[22] Consumer prices refer to cow milk with 2.8% fat.
[23] Those are producers' prices of agricultural and fishing products – prices at which purchase is done from family holdings and prices at which legal persons in the field of agriculture sell their products.

13.2. INTERMEDIATE GOODS

A stable and successful production in agriculture depends on many factors. As far as plant production is concerned, besides adequate land tillage for high and stable yields, the used inputs are extremely important. The latter refer to seeds and seeding materials, fertilizers and protection preparations. As for the other agricultural branch, i.e. livestock production, good animal health and increase require adequate animal feed and housing facilities. To meet all these conditions, one need not only human labour but also capital goods, i.e. agricultural machinery. Therefore, farmers have to have corresponding machinery or to engage others (fertilization, sprinkling, harvest, etc.). All these factors make the intermediate consumption (accounting for almost 60% of the total value of agricultural production) and their price indices are shown in table 13.3.

The total intermediate consumption, i.e. the prices of intermediate goods, capital goods and services in agriculture in the third quarter of 2024 decreased by 1.9% compared with the same quarter of the previous year. Observed by groups of products, the largest price decrease in the third quarter of 2024, relative to the same quarter of the previous year, was recorded in: Seeds (fall of 23.6%) and Plant protection preparations (fall of 16.8%).

The prices of intermediate goods, capital goods and services in agriculture in the third quarter of 2024 relative to the second quarter of 2024 remained, on average, on the same level (index 100).

Table 13.3. Indices of the prices of intermediate goods, capital goods and services in agriculture

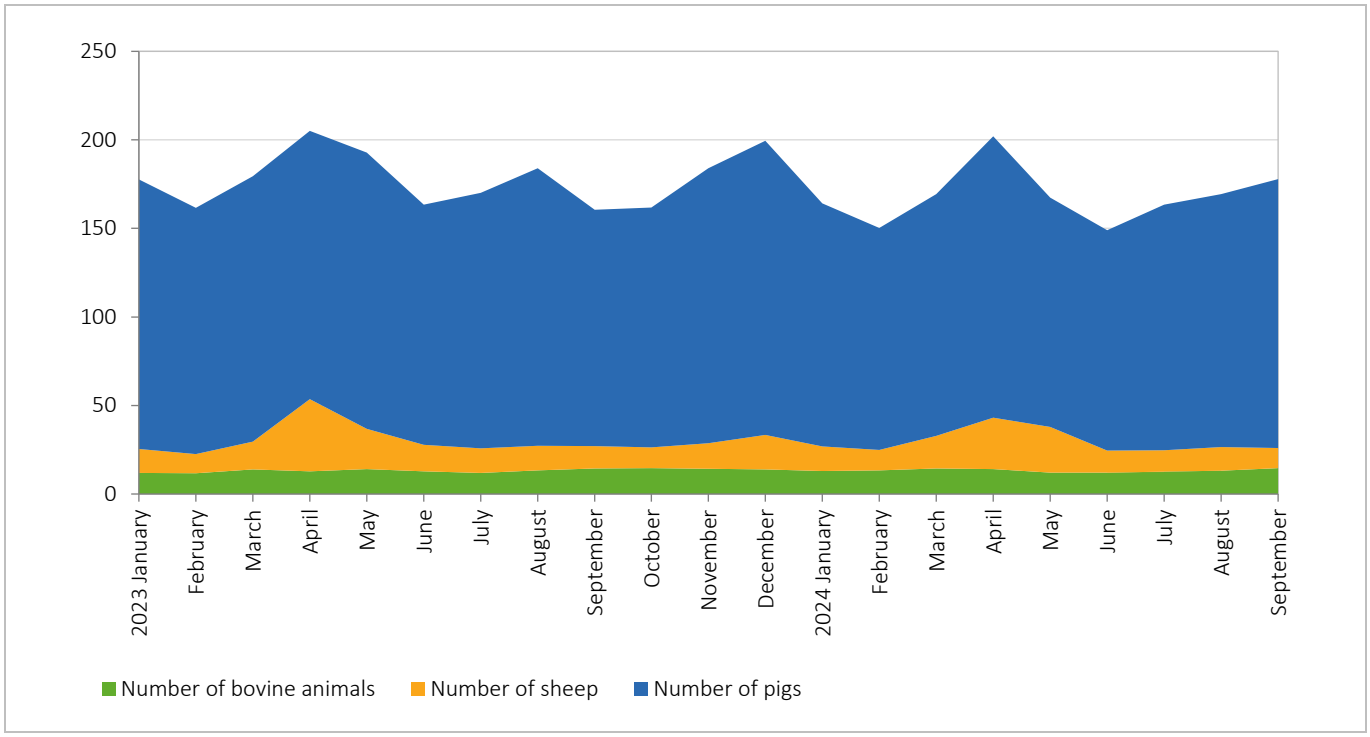
	Quarter III 2024 / Quarter III 2023	Quarter III 2024 / Quarter II 2024	III 2024 / Ø 2023
Total	**98.1**	**100.0**	**96.3**
Products and services for current use in agriculture	**98.0**	**100.0**	**96.2**
Seed	76.4	79.7	78.4
Energy commodities	104.4	98.4	105.4
Mineral fertilizers	90.3	103.5	81.9
Plant protection preparations	83.2	108.1	80.8
Animal feed	95.9	101.5	93.0
Equipment maintenance	105.9	101.0	106.4
Facilities maintenance	107.9	101.0	109.0
Other products and services	104.6	102.2	105.5
Products and services for investments in agriculture	**101.4**	**101.7**	**102.7**
Machinery in agriculture	101.4	101.7	102.7

13.3. LIVESTOCK SLAUGHTER

In the Republic of Serbia, livestock slaughter is performed in registered slaughtering houses and outside them, i.e. on agricultural holdings. As far as bovine animals are concerned, slaughter in slaughtering houses accounted for about 57% of total slaughter of this livestock species, while with pigs and sheep slaughter is mostly done outside slaughtering houses, about 60% and 83%, respectively. Data on livestock slaughter in slaughtering houses on the territory of the Republic of Serbia include slaughter in all registered slaughtering houses on the territory of the Republic of Serbia, totalling on 30 september 2024 to 371. In this issue of Trends, the analysis is focused on livestock slaughter in slaughtering houses.

In the first nine months of 2024, compared with the same period of the previous year, the total number of bovine animals slaughtered in slaughtering houses amounted to 119.4 thousand, by 2.1% higher than in the same period of the previous year. Observed quarterly, in the third quarter the number of bovine animals slaughtered in slaughtering houses went up by 1.5%. The category of slaughtered bovine animals of 1-2 years that recorded the largest growth of total slaughter of this livestock species was bovine animals of 1-2 years, totalling to 79.1%.

Chart 13.2. Number of slaughtered pigs, sheep and bovine animals in slaughtering houses (in thous.)



The number of pigs slaughtered in slaughtering houses (1.2 mill.) in the first nine months of 2024 was lower by 5.6% than in the same period of the previous year. Observed quarterly, in the third quarter the number of pigs in slaughtering houses (433.6 thous.) was lower by 0.2% than in the same period of the previous year. Of totally slaughtered pigs in slaughtering houses the largest share in total slaughter of this livestock species was that of pigs over 50 kg, 91.6%.

Of the total number of slaughtered **sheep** on the territory of the Republic of Serbia only approximately 17% are slaughtered in slaughtering houses. In the first nine months of the current year 2024 the number of slaughtered sheep in slaughtering houses amounted to about 148.2 thous. by 6.7% more than in the same quarter of the previous year. Of totally slaughtered sheep in slaughtering houses the largest share (95.5%) in the total slaughter of this species was that of the category of lambs up to six months.

13.4. EXTERNAL TRADE IN AGRICULTURAL PRODUCTS

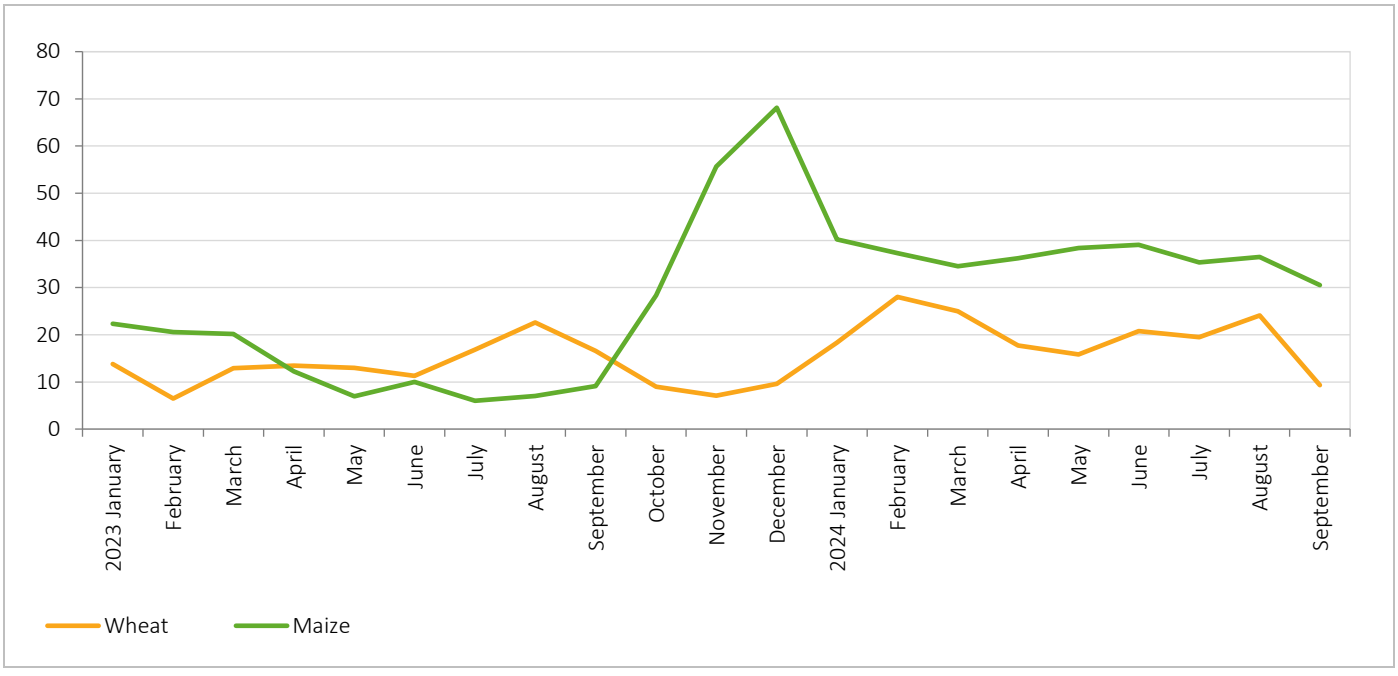
In the first nine months of 2024, the section Agriculture, forestry and fishing[24] realised a positive external trade balance of about EUR 165.8 million. Exports of this section amounted to EUR 965.5 million, by 43% more than in the same period of 2023, and the share in total exports in the observed period grew from 3.1% to 4.4%, amount reached in the first three quarters of 2024. Imports of this section in the first six months of the current year amounted to EUR 799.7 million, by 11.9% more than in the same period of the previous year, and the share in total imports grew from 2.6% to 2.8%.

Exports growth in the first nine months of the current year was mostly a result of a cumulative growth of 77.6% in exports of cereals (except for rice), leguminous and oil seed, the most representative groups in this section (share of 66.3%). Contrary to exports, the most representative group of products on import side in the section of Agriculture, forestry and fishing was Growing of vegetables, roots and tubers (share of 18.3%) which realized a cumulative growth of 2.2% in the first nine months of the current year.

Export of wheat in the first nine months of 2024 amounted to EUR 178.6 million, a growth of 40.7% relative to the same period of the previous year. In the first nine months of the current year, when looking at the value, wheat was the crop mostly exported to Romania (59.2% of total exports of this crop), then to Italy (18.9%), Bosnia and Herzegovina, North Macedonia and Albania, accounting for 8.7%, 5.0% and 3.8%, respectively of total export of this crops.

Export of maize over January-September of the current year amounted to EUR 328.0 million, a growth of 186.7%% relative to the same period of the previous year. Most of maize, when looking at the value, was exported to Romania (39.8% of total exports of this crop). To Italy 24.5% were exported, then to Bosnia and Herzegovina, Austria and Hungary, accounting respectively for 9.3%, 8.3% and 3.4% of total export of this crop.

Chart 13.3. Export of wheat and maize by months (in mill. Euros)



[24] According to CA (2010).

13.5. REALISED AND EXPECTED PRODUCTION OF SELECTED CROPS AND FRUIT

The very beginning of the year, i.e. starting period when first estimates are produced in May and June, has rendered optimistic results concerning the yield of crops. As for wheat, the first estimates were identical to the last ones, where the average yield saw a slight growth, thus in 2024 the expected average yield of wheat is 5.3 t/ha. However, weather conditions in June, July and August, marked by intervals of high temperature, caused heavy drought and consequently influenced the quality of grains and slower estimated yield in other crops.

According to the available available data and estimates produced by SORS and other institutions experts, it is expected that the production of almost all crops (except for sugar beet) will decline in the current year, compared with the previous year.

In 2024, the expected production of wheat amounts to 2 900 thousand tons, by 15.9% less that the production realised in the previous year. The situation is similar in fruit production, the amount of produced raspberries being about 94.0 thousand tons (4.7% less than in the previous year) and of sour cherries about 136.8 thousand tons (5.5% less than in the previous year).

On the other hand, the expected production of maize is 5 425 thousand tons, by 18.2% less than the production realised last year. Compared with the previous year, the production of other crops is also expected to be lower: sunflower, by 7.1% and soya beans by 32.3%, while the production of sugar beet is expected to go up by 4.3%.

Table 13.4. Realised and expected production of selected crops in plant production[25]

	Realised production			Expected production			
	Wheat	Raspberries	Sour-cherries	Maize	Sugar beet	Sunflower	Soya beans
Area	549 032	18 625	19 878	961 268	46 839	248 607	219 083
Yield per h, t	5.3	5.0	6.9	5.6	45.5	2.6	1.9
Production, t	2 900 536	94 026	136 820	5 425 397	2 129 114	637 428	406 180
Index, 2023=100	84.1	95.3	94.5	81.8	104.3	92.9	67.7

[25] Source – Realised production of wheat and early fruit and expected yield of late crops, fruit and grapes, as of 05/09/2024 – https://publikacije.stat.gov.rs/G2024/Html/G20241262.html

14. BUSINESS SERVICES

Business services are the key factor to driver a knowledge-based economy as their are labour-intensive suggests their potential importance as providers of new businesses and jobs in the future. Business services are a subset of economic activities having in business operations an auxiliary character and where there is no delivery of goods and products in the material sense. It is not possible to store or transport the final "products" of these activities. The activities covered by business services are characterized by the provision of technical or intellectual services.

Enterprises, from the coverage of business services, create service systems which they deliver to their customers. Business services comprise a large spectrum of activities such as: transport, information, communication and other business services (e.g. engineering, legal assistance, employment services, management), excluding financial services

The content presented below covers the services which end users are mostly enterprises and/or public administrations, but also physical persons and/or households. Business services include:

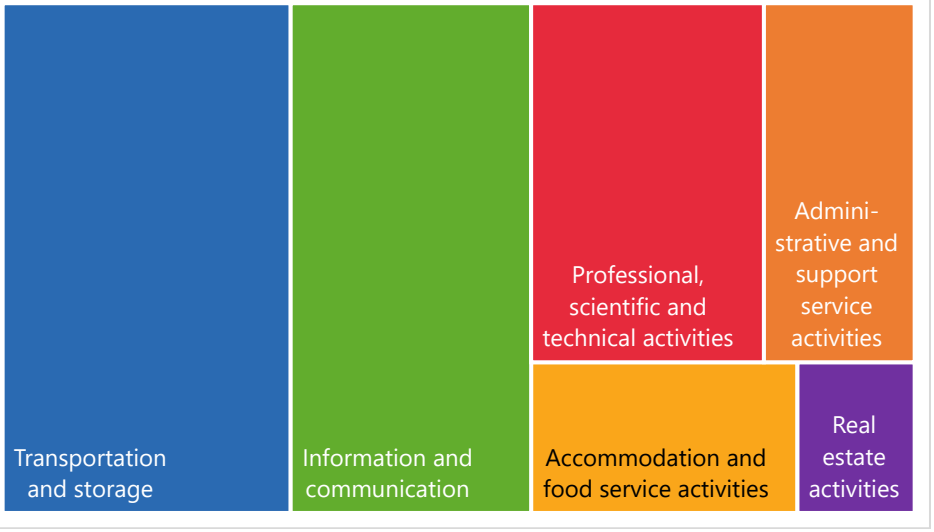
– Transport services, such as: road and railway transportation and storage and postal/courier services;
– Technical services, such as: engineering, architecture and technical studies;
– Computer services, such as: software design and database management;
– Other professional services, such as: legal, accounting, consultancy and managerial services.

Many of these services could be performed by the enterprises itself, but their outsourcing from service suppliers allows the enterprise to focus on its principal activity and to take advantage of the specialisation offered by service providers. Thus, an efficient and successful sector of business services can contribute to economy competitiveness.

The index of service turnover is one of the most essential indicator of the development of service activities. It is used to analyse the trends of business cycles in the service part of the economy, as well as an input for statistics of national accounts.

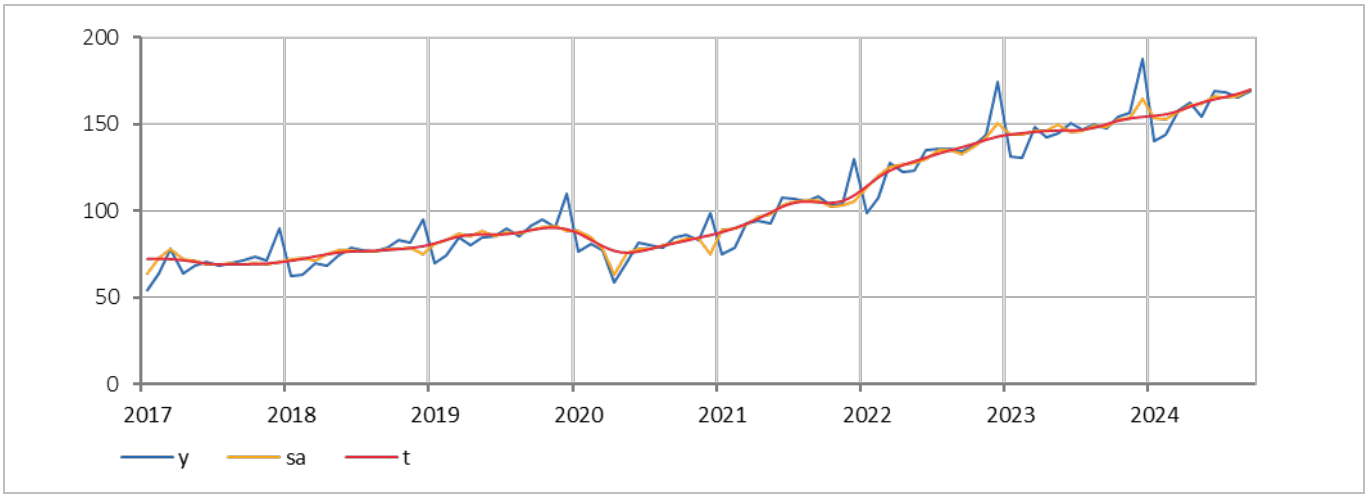
Business services cover service activities of the non-financial economy, specifically activities according to the official national Classification of Activities (2010), from the section H – Transportation and storage (divisions 49–53); I – Accommodation and food services (divisions 55 and 56); J – Information and communications (divisions 58–63); L – Real estate activities (division 68); M – Professional, scientific, innovation and technical activities (divisions 69–74, excluding 72 and 75) and N – Administrative and support service activities (divisions 77–82).

Chart 14.1. Structure of the turnover by sections of business services



The largest share in the turnover in the structure of the turnover of business services in the third quarter of 2024 was recorded in the sections H – Transportation and storage, with 31.6%, and J – Information and communications, with 26.4%. M – Professional, scientific, innovation and technical activities, and N – Administrative and support service activities participated with 18.0% and 11.6%, respectively, and I – Accommodation and food service activities, and L – Real estate activities with 8.6% and 3.8%, respectively.

Chart 14.2. Components of the time series of the turnover in business services
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component; average 2021 = 100)



During the crisis caused by COVID-19 pandemic, which started at the end of the first quarter of 2020, the development trend in the series of business services' turnover changed significantly. In the second quarter of 2020 business services' turnover was lower by about 16% than in the same quarter of 2019. Starting from the third quarter of 2020 a period of recovery began, and after almost a year in the second quarter of 2021 the level of turnover returned to its level before the crisis. The post-pandemic long-term trend is stable and slightly going upward.

In the period January – September 2024 the total realised turnover in business services was higher by 10.7% than in the same period of 2023. For the same observed period, the largest growth of turnover was recorded in the section M – Professional, scientific and technical activities (20.7%), and the smallest in the section H – Transportation and storage (1.8%).

14.1. COMPARISON WITH THE SAME QUARTER OF THE PREVIOUS YEAR

The turnover of business services in the third quarter of 2024 saw a growth of 13.1% compared with the previous quarter. Observed by sections, the largest growth rate in the third quarter of 2024, compared with the same quarter of 2023, was recorded in the sections M – Professional, scientific and technical activities and N – Administrative and support service activities, 27.6% and 17.9%, respectively.

Table 14.1. Turnover of business services, indices (previous quarter = 100)

	2022				2023[1]				2024[2]		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Services – total	**135.4**	**128.8**	**126.5**	**135.3**	**122.6**	**115.0**	**109.4**	**109.5**	**107.8**	**111.0**	**113.1**
H – Transportation and storage	126.5	127.6	123.4	148.5	133.4	116.2	110.2	101.7	95.8	104.3	105.4
I – Accommodation and food service activities	185.9	169.1	155.2	175.8	134.8	124.2	118.8	119.2	121.8	121.7	117.6
J – Information and communications	132.6	122.1	128.9	125.5	122.2	124.7	113.7	120.7	115.4	109.5	111.9
L – Real estate activities	126.2	146.3	133.8	137.7	133.4	120.1	121.2	121.2	109.6	101.5	105.1
M – Professional, scientific and technical activities	147.5	124.1	117.2	125.8	103.8	101.9	100.0	106.0	114.0	119.9	127.6
N – Administrative support service activities	133.2	131.3	127.8	120.9	109.9	104.8	102.2	102.4	111.2	117.2	117.9

[1] Final data.
[2] Provisional data.

14.2. COMPARISON WITH THE PREVIOUS QUARTER

The turnover of business services in the third quarter of 2024 was higher by 3.5% than in the same quarter of the previous year. This growth was mostly conditioned by the growth of the realised turnover in the sections H – Transportation and storage (growth of 4.9%), and J – Information and communications (growth of 1.8%).

Table 14.2. Turnover of business services, indices (the same quarter of the previous year = 100)

	2022				2023[1]				2024[2]		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Services – total	**99.1**	**113.9**	**106.8**	**112.2**	**89.9**	**106.8**	**101.6**	**112.3**	**88.5**	**110.0**	**103.5**
H – Transportation and storage	110.1	110.1	109.5	111.9	98.9	95.9	103.8	103.2	93.3	104.3	104.9
I – Accommodation and food service activities	125.8	119.7	111.1	105.0	96.5	110.3	106.4	105.3	98.6	110.2	102.8
J – Information and communications	91.4	110.2	109.2	114.1	89.0	112.4	99.6	121.1	85.1	106.7	101.8
L – Real estate activities	103.0	120.6	99.0	112.1	99.7	108.6	99.9	112.1	90.2	100.5	103.4
M – Professional, scientific and technical activities	89.8	118.7	97.9	120.6	74.1	116.5	96.1	127.8	79.7	122.5	102.3
N – Administrative support service activities	91.6	120.0	108.4	101.4	83.3	114.4	105.7	101.7	90.4	120.5	106.4

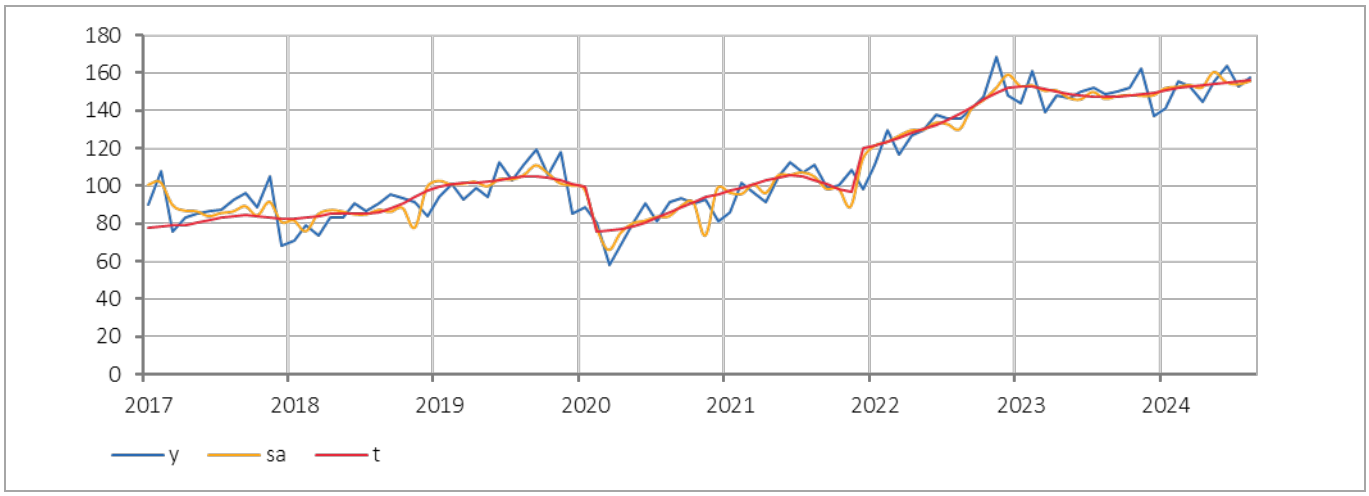
[1] Final data.
[2] Provisional data.

Growth was recorded in all the sections of business services in the third quarter of 2024, compared with the previous quarter. The largest growth of the turnover was realised in the sections N – Administrative support service activities and H – Transportation and storage, 6.4% and 4.9%, respectively.

14.3. TRANSPORTATION AND STORAGE (section H)

(share of 31.6% in the total turnover of business services in the third quarter of 2024)

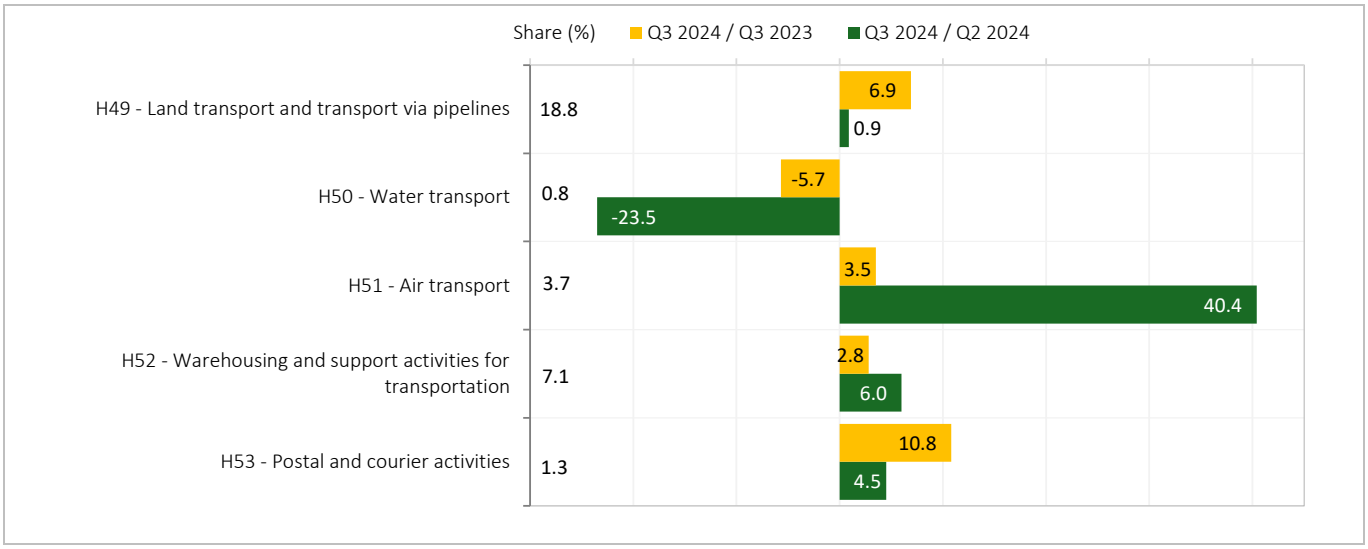
Chart 14.3. . Components of the time series of the turnover in section H – Transportation and storage
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component; average 2021 = 100)



Service activities of Transportation and storage were affected by the pandemic – a decrease of 30% was recorded in the period from February to April 2020. In the second half of 2020 and during most of 2021 these activities developed rather positively, and the intensive upward trend continued till the first half of 2023, after which there was a period of slow growth that shifted into stagnation.

In the period January – September 2024, compared with the same period 2023, the turnover in the section Transportation and storage saw a growth of 1.8%.

Chart 14.4. Turnover in the section H – Transportation and storage by divisions, growth rates (%)



The *share* is the percentage portion of the turnover of a division of activity in the total turnover of business services in the third quarter of 2024.

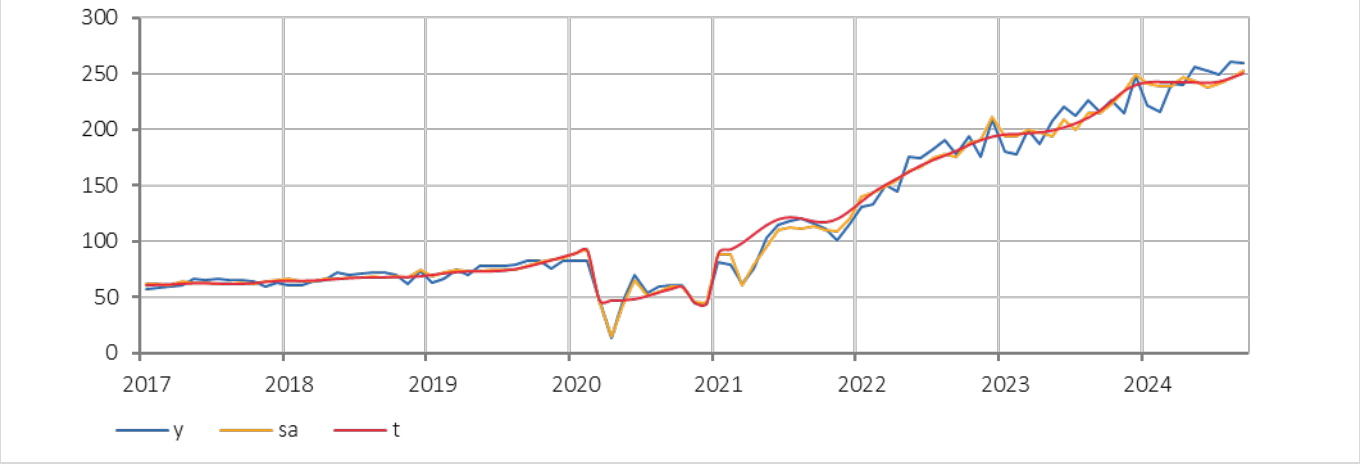
The turnover in the section of Transportation and storage in the third quarter of 2024 saw a growth of 5.4% compared with the previous quarter. The largest growth was realised in the divisions H53 – Postal and courier activities and H49 – Land and transport via pipelines, 10.8% and 6.9%, respectively. Decrease of turnover, compared with the same quarter of 2023, was recorded in the division H50 – Water transport (-5.7%).

Compared with the previous quarter, turnover grew by 4.9% in the section Transportation and storage. The largest growth in the third quarter of 2024, compared with the previous quarter, was recorded in the division H51 – Air transport (growth of 40.4%), and the smallest in H49 – Land transport and transport via pipelines (growth 0.9%). The division of H50 – Water transport was only one that saw a decrease of the turnover (-23.5%).

14.4. ACCOMMODATION AND FOOD SERVICE ACTIVITIES (section I)

(share of 8.6% in the total turnover of business services in the third quarter of 2024)

Chart 14.5. Components of the time series of the turnover in section Accommodation and food service activities
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component; average 2021 = 100)



Accommodation and food service activities were particularly affected by COVID-19 pandemic – from February to April 2020 the turnover realised in this section of business services decreased by more than 80%. Except from the initial economic shock that occurred with the pandemic, faster and significant recovery of this section were hindered also by epidemiological measures for suppressing the COVID-19 virus, which were introduced during 2020 and 2021. The realised turnover in the section of Accommodation and food service activities returned to the level before the pandemic by the end of 2021 and since then has been intensively going upward

In the period January – September 2024, compared with the same period of 2023, the turnover in the section Accommodation and food service activities grew by 20.3%.

In the third quarter of 2024, compared with the same quarter of the previous year, the turnover realised in the division I56 – Food and beverage service activities went up by 22.8%, while in I55 – Accommodation the growth was 1.7%.

On the other hand, in the third quarter of 2024 compared with the same quarter of the previous year, the turnover grew by 8.0% in the division I55 – Accommodation, and by 1.4% in I56 – Food and beverage service activities.

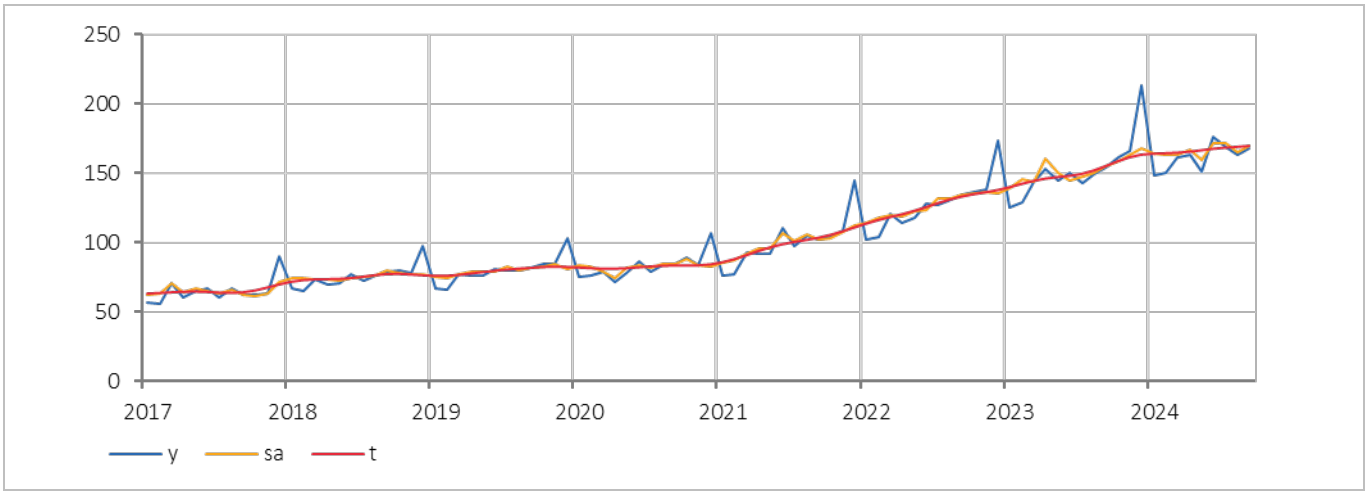
Table 14.3. Accommodation and food service activities, indices

	Q3 2024 / Q3 2023	Q3 2024 / Q2 2024
Accommodation	101.7	108.0
Food and beverage service activities	122.8	101.4

14.5. INFORMATION AND COMMUNICATION (section J)

(share of 26.4% in the total turnover of business services in the third quarter of 2024)

Chart 14.6. Component of the time series of the turnover in section Information and communications
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component; average 2021 = 100)



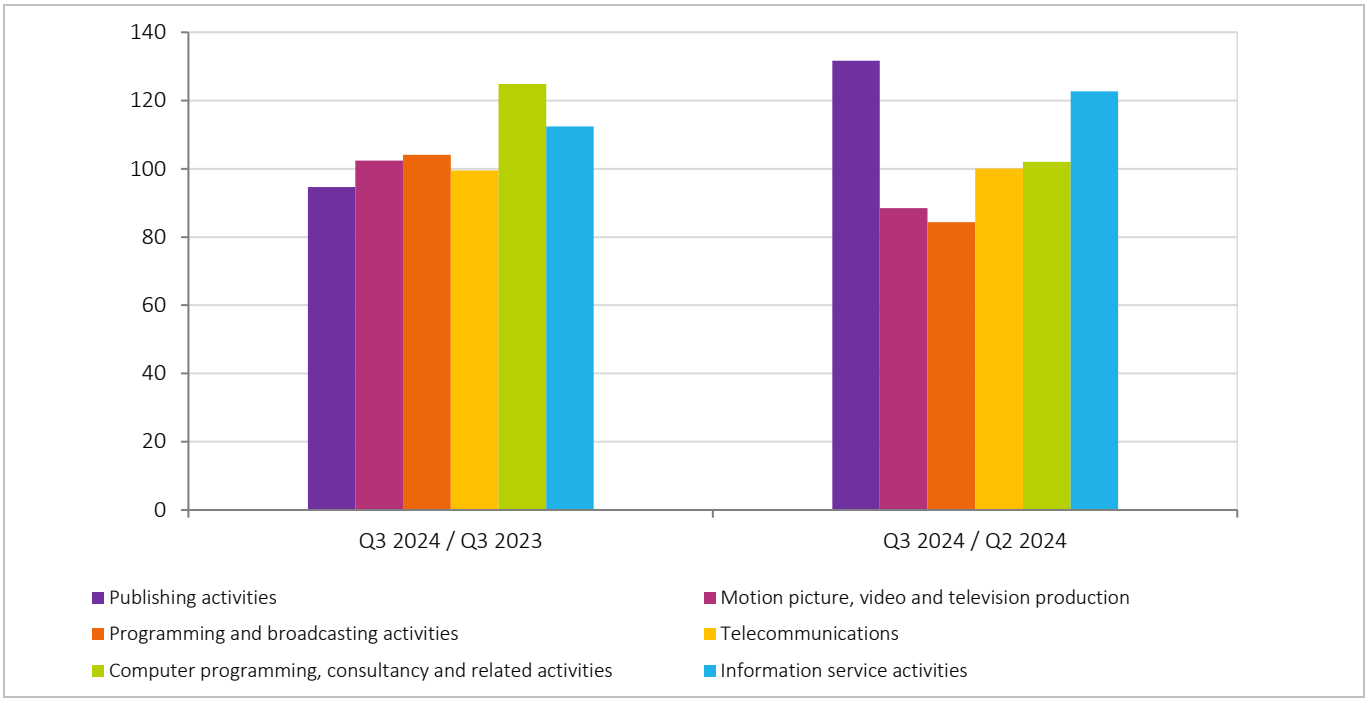
The section Information and communication includes the production and distribution of information and cultural content, activities providing telecommunication and related services, as well as information technologies and data processing activities, and other information service activities. This is one of the rare area of the economy that was not stricken by crisis of the corona virus pandemic. The section J - Information and communication is characterised by a stable and upward long-term trend, present since 2021.

In the period January – September 2024, compared with the same period of 2023, the turnover of the section Information and communication increased by 12.1%.

In the third quarter of 2024, there was a growth of business operations in the section Information and communications of 11.9%, compared with the same quarter of 2023. The division J62 – Computer programming and consultancy activities saw the largest growth (24.8%). Business activities saw a decline in the divisions J58 – Publishing activities and J61 – Telecommunications decreased by 5.4% and 0.4%, respectively.

Compared with the previous quarter, the turnover in the section Information and communication recorded a growth of 1.8%. The largest growth of the turnover was realised in J58 – publishing activities (+31.7%) and J63 – Information service activities (+22.7%). A decline in business activities was recorded in the divisions J60 - Programming and broadcasting activities (- 15.6%) and J59 – Motion picture and television production (- 11.5%).

Chart 14.7. Turnover by divisions of the section Information and communication, indices

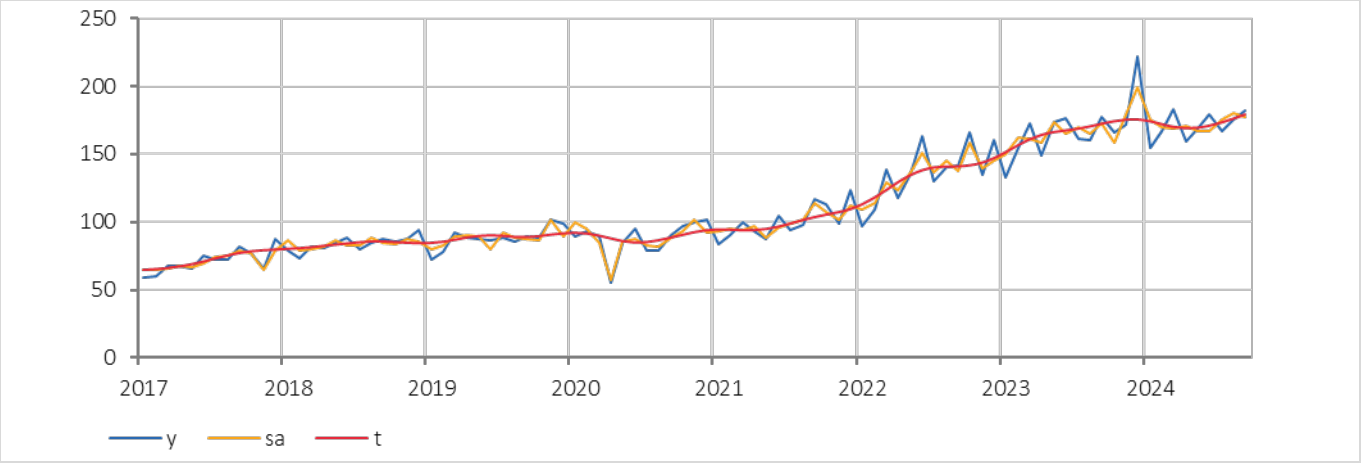


14.6. REAL ESTATE ACTIVITIES (section L)

(share of 3.8% in the total turnover of business services in the third quarter of 2024)

The crisis caused by COVID-19 pandemic had a negative imapct on the development of business operations in the section Real estate activities. The index of Real estate activities saw a decrease of 40% from February to April 2020. Except of the initial economic shock, the turnover generated in this section has returned very quickly to the level that preceded the pandemic and has been recording an intensive upward trend ever since.

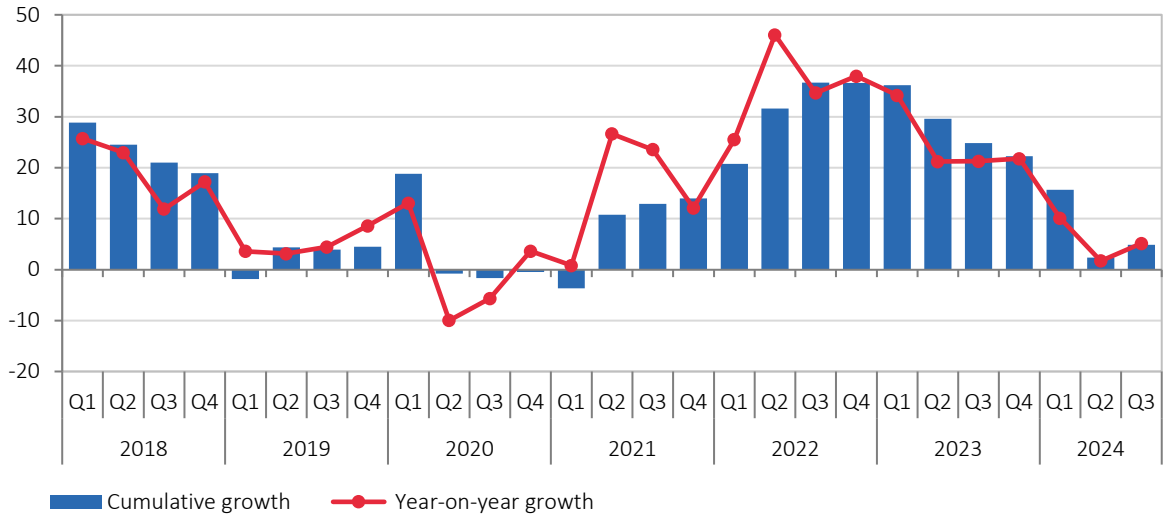
Chart 14.8. Component of the time series of the turnover in section Real estate activities
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component 2021 = 100)



In the period January – September 2024, compared with the same period of 2023, the turnover in the section Real estate activities increased by 5.3%.

The realised turnover in the section Real estate activities in the third quarter of 2024, compared with the same quarter of 2023, increased by 5.1%, while when compared with the previous quarter it saw a growth of 3.4%.

Chart 14.9. Cumulative and year-on-year growth rates in Real estate activities (%) (cumulative – period to the same period of the previous year; year-on-year – quarter to the same quarter of the previous year)

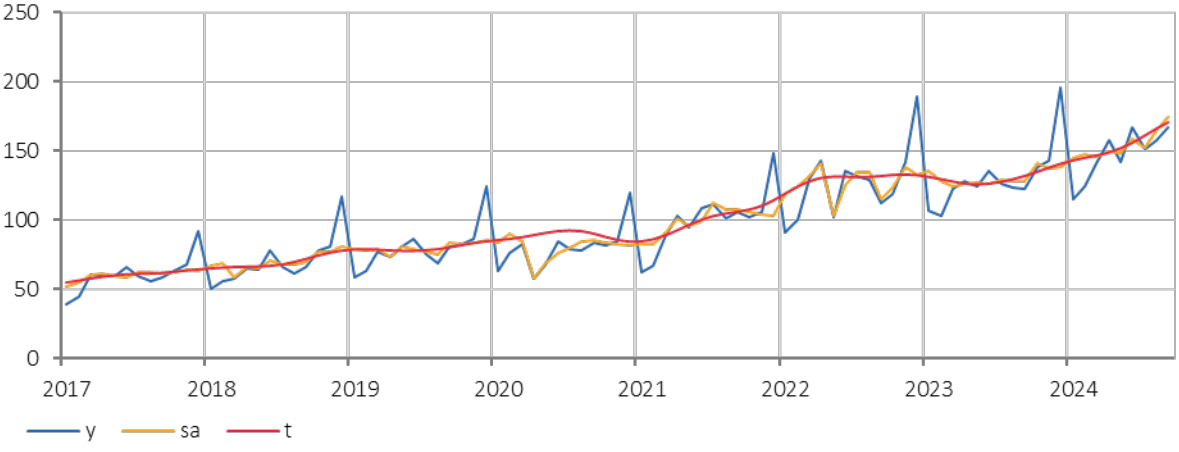


14.7. PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES (section M)

(share of 18.0% in the total turnover of business services in the third quarter of 2024)

Business services do not include all the activities of the section M – Professional, scientific and technical activities. According to the European definition[26], the divisions that fall into business activities are M69 – Legal and accounting activities, M71 – Architectural and engineering activities, M73 – Advertising and market research, M74 – Other professional, scientific and technical activities, and group M70.2 – Management consultancy activities; the other activities of the section M *are not included* in business services.

Chart 14.10. Components of the time series of the turnover in section Professional, scientific and technical activities (y – original series, sa – series with seasonal component excluded, t – trend-cycle component, average 2021 = 100)



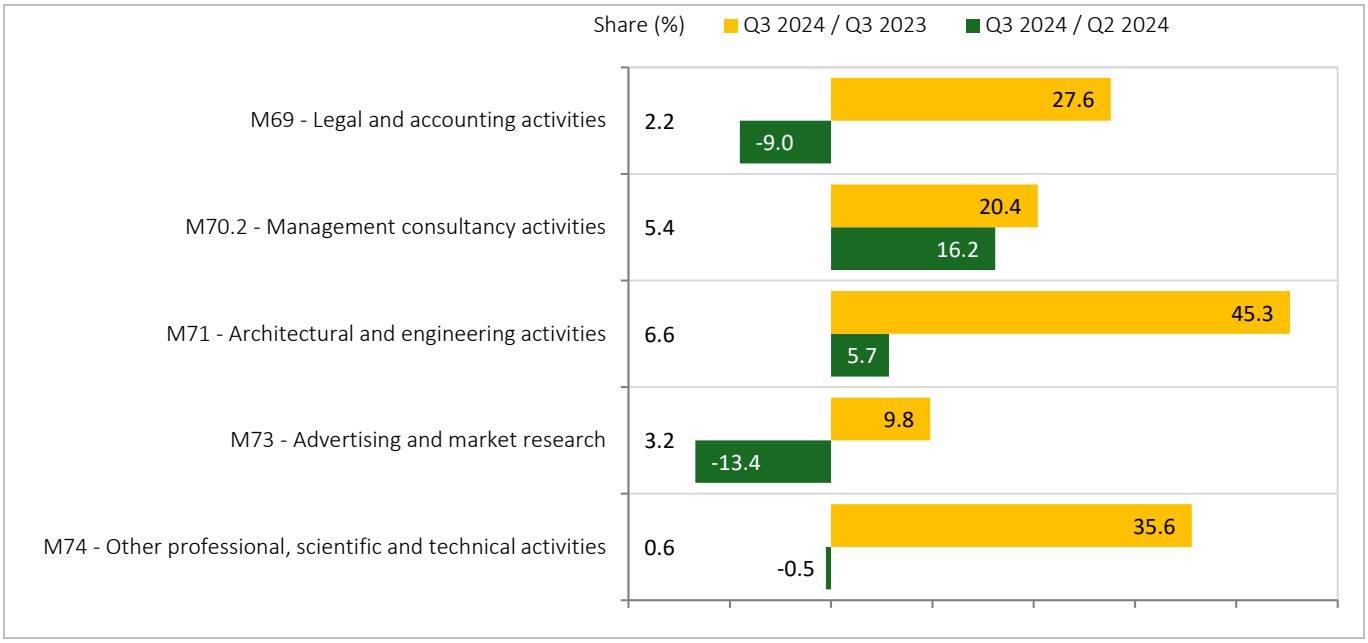
The section Professional, scientific and technical activities includes specialised professional, scientific and technical activities, which require a high degree of training and make specialised knowledge and skills available to users. The crisis caused by the COVID-19 pandemic had a negative impact on the development of business operations in this section – a decline of 24% in the

[26] The selection of a section, division and group of activities that fall into business services is regulated by the European Business Statistics (EBS) Regulation (EU) 2019/2152 of the European Parliament and of the Council and Commission Implementing Regulation 2020/1197 laying down technical specifications and arrangements pursuant to the mentioned EBS Regulation (General Implementing Act).

generated turnover was recorded from February to April 2020. Business operations in these activities returned very quickly, after the initial economic shock, to the level that preceded the pandemic and has been recording an intensive upward trend ever since

In the period January – September 2024, compared with the same period of 2023, the turnover in the section Professional, scientific and technical activities increased by 20.7%.

Chart 14.11. Turnover in the section Professional, scientific and technical activities, growth rates (%)



The *share* is the percentage portion of the turnover of a division of activity in the total turnover of business services in the third quarter of 2024.

The section Professional, scientific and technical activities is the section where the highest growth of turnover was registered in the third quarter of 2024, compared with the turnover of the previous quarter (27.6%); an increase was recorded also when compared with the same quarter of the previous year (+ 2.3%).

Observed by main aggregates of CA (2010), in the third quarter of 2024, compared with the same quarter of 2023, growth was recorded in all the divisions of this section. The largest growth was in M71 – Architectural and engineering activities (+45.3%) and M74 – Other professional, scientific and technical activities (35.6%).

On the other hand, relative to the second quarter of 2024, growth was realised in the group M70.2 – Management consultancy activities (16.2%) and division M71 – Architectural and engineering activities (+ 5.7%). All other divisions of this section saw a decrease of generated turnover in the third quarter relative to the second quarter.

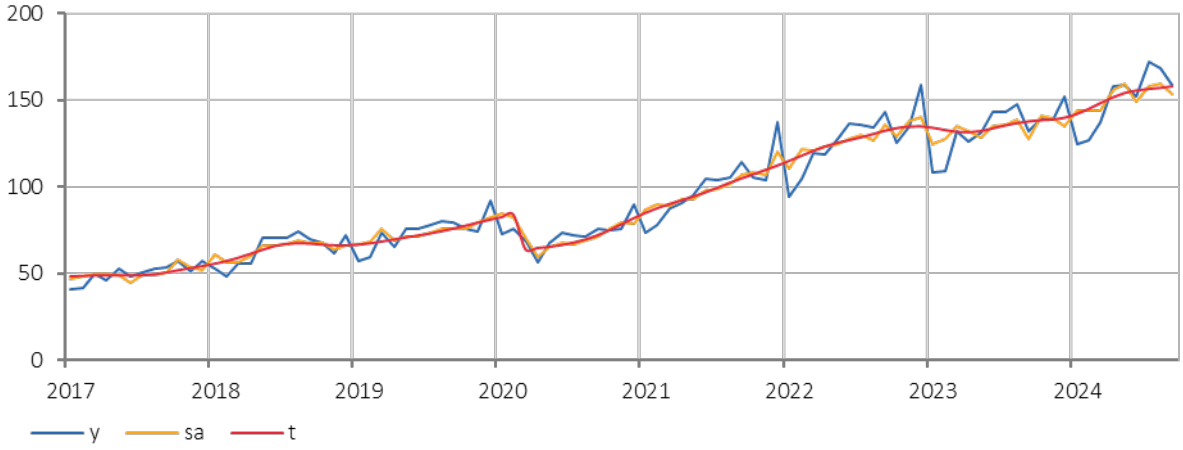
14.8. ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES (section N)

(share of 11.6% in the total turnover of business services in the third quarter of 2024)

The activities of the section N – Administrative and support service activities were also affected by the COVID-19 pandemic. The economic impact of the pandemic and the state of emergency introduced in mid-March 2020 was extremely negative – the turnover in April 2020 was by 25% smaller than in the month preceding the pandemic (February 2020). As the enterprises performing these activities adapted quickly to new circumstances and epidemiologic measures, the initial shock was followed by a fast stabilisation and recovery of this part of the economy. The turnover generated in the section Administrative and support service activities in the third quarter of 2020 returned to the level before the beginning of the pandemic, and the positive trend continued ever since.

In the period January – September 2024, compared with the same period 2023, the turnover in the section Administrative and support service activities increased by 15.7%.

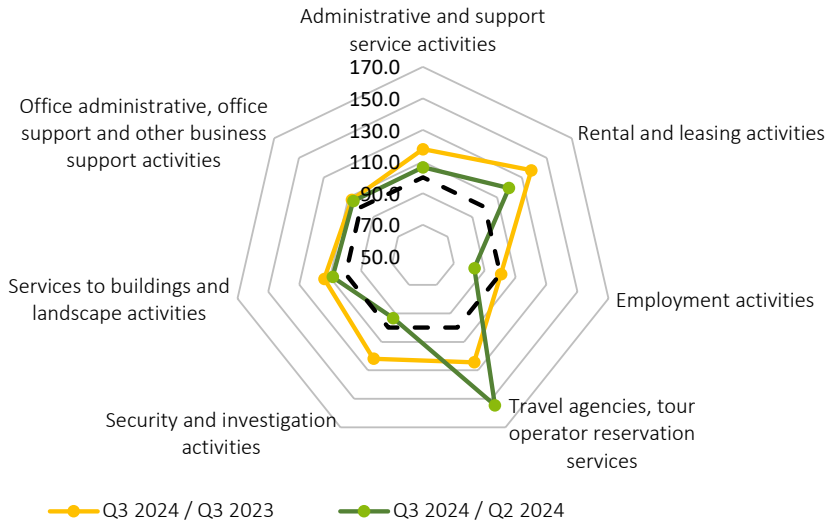
Chart 14.12. Components of the time series of the turnover in section Administrative and support activities
(y – original series, sa – series with seasonal component excluded, t – trend-cycle component; average 2021 = 100)



In the third quarter of 2024, when compared with the same quarter of the previous year, the turnover in the section Administrative and support service activities recorded a growth of 17.9%. The divisions recording major positive results in the third quarters of 2024, compared with the same quarter of 2023 are: N77 – Rental and leasing activities (37.5%) and N79 – Travel agency, tour operator reservation services (24.4%). The division with the smallest increase in the turnover relative to the same quarter of the previous year is N78 – Employment activities (+0.5%).

The turnover in the section Administrative and support service activities in the third quarter of 2024 increased by 6.4% compared with the turnover from the previous quarter. In the third quarter of 2024, compared with the previous quarter and looking at the divisions, the largest growth was recorded in the division N79 – Travel agency, tour operator reservation services (54.6%; share of 11.2% in the total turnover of section N), and the smallest in the division N82 – Office administrative, office support and other support business activities (6.1%). Decrease of turnover was recorded in the divisions N78 – Employment activities and N80 –Security and investigation activities, 16.7% and 6.7%, respectively

Chart 14.13. Indices of the turnover in the section Administrative and support service activities



The black heptagon represents the long-term average (100%).

The values closer to the centre corresponds to negative growth rates.

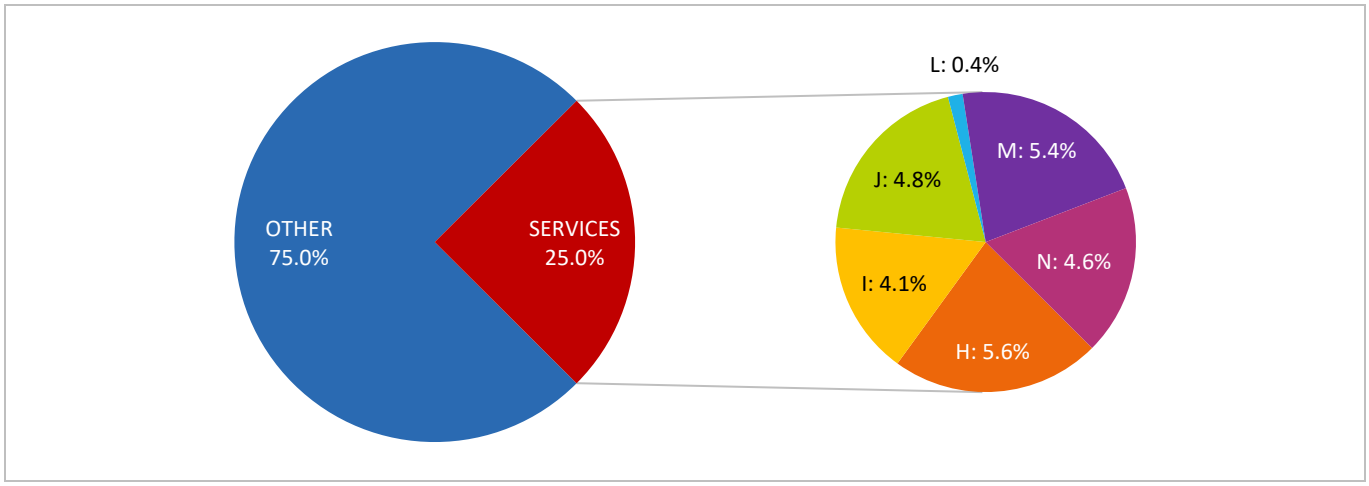
The values outside the black heptagon represent positive growth rates.

The further we get from the black heptagon (and centre), the growth rates become higher.

14.9. NUMBER OF EMPLOYED PERSONS[27] IN BUSINESS SERVICES

In the third quarter of 2024, more than 578 thousand persons were unemployed in business service activities in the Republic of Serbia. In other words, every fourth registered employed person (in legal entities, persons individually running business, entrepreneurs and their employees) performed operations covered by business services.

Chart 14.14. Registered employment – share of business services in the total number of employed persons in the Republic of Serbia



Employed persons in service activities are almost equally distributed by sections that fall in the coverage of business services; except for the section L – Real estate activities which cover only 1.6% employed (about nine thousand) of the total number of registered employed persons in business services. Among other sections, the sections H – Transportation and storage and M – Professional, scientific and technical activities employ more than 120 thousand workers, and in the section I – Accommodation and food service activities there are about 95 thousand persons working.

NOTE

The *turnover* in business services is defined as the total amount which an enterprise invoices for sold goods or for rendered services, and corresponds to market sale of goods or services delivered to third parties.

Employed persons include persons who have a formal contract of employment with an employer for a fixed or indefinite period of time; persons who have temporary and occasional employment, having a formal contract of performing temporary and occasional work, service contract, author contract or any other contract of employment (whatever the duration); persons performing solely an activities or being founders of enterprises or entrepreneur shops; as well as persons performing agricultural activities and being registered in the Central Register of Compulsory Social Insurance.

[27] According to the official statistics: *registered persons* in legal entities, persons performing independently an activity, entrepreneurs and their employees.

15. TRANSPORT AND TELECOMMUNICATIONS

Statistics of transport services include statistics of the main transport branches: road transport, rail transport, city transport, inland waterway transport, air transport and pipeline transport. The most important trend indicators in transport statistics are: number of transported passengers and number of passenger kilometres (pkm) for transportation of passengers and the amount of transported goods and the number of ton kilometres (tkm) for transportation of goods.

Statistics of postal activities and telecommunication services include statistics of the number of shipments and payments, that is, the number of minutes in the fixed and mobile network, and the number of messages sent.

In order to enable the comparison of transport services between transport branches, index of physical volume of transport services was established, and based on it, the development of the entire transport branch or the entire activity of transport and telecommunications can be observed. **Indices of physical volume of transport services** are calculated based on weighted **passenger (pkm) and ton (tkm) kilometres** of each transport branch separately. Work in each branch of traffic expressed in passenger and ton kilometres is weighted differently, depending on the applied technological and economic criteria.

Quarterly index of physical traffic volume recorded a growth of 3.2% in the third quarter of 2024 compared to the same quarter of the previous year, and a growth of 23.0% compared to the previous quarter.

In the period January-September 2024, index of physical traffic volume is higher by 6.7% compared to the same period in 2023.

Table 15.1. Physical volume indices

	Q3 2024 / Q3 2023	Q3 2024 / Q2 2024	Q3 2024 / Ø 2023
TRANSPORT – TOTAL[1]	**103.2**	**123.0**	**130.0**
Railway transport[1]	94.8	85.0	95.4
Road transport [1]	103.8	102.1	105.3
City transport[1]	104.6	99.8	99.2
Pipeline transport[1]	118.0	113.0	100.9
Inland waterway transport[1]	68.9	82.4	74.8
Air transport[1]	103.2	140.9	152.6
Passenger transport[1]	103.8	131.4	141.0
Freight transport[1]	101.4	100.2	101.8
Post activities[2]	**94.5**	**88.9**	**88.8**
Telecommunications[2]	**98.4**	**97.9**	**97.6**

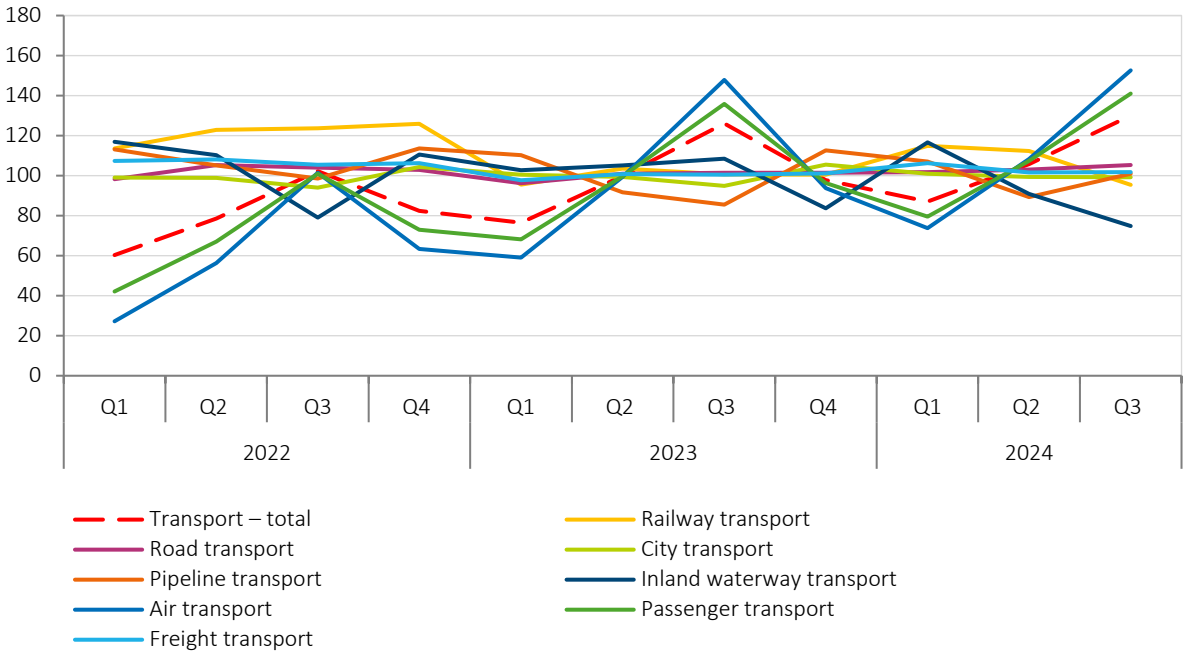
In the third quarter of 2024, compared to the same quarter of the previous year, the indices of physical volume of passenger and freight transport recorded growth of 3.8% and 1.4%, respectively. In the same observed period, the index of physical volume of postal activities and telecommunications services recorded a decrease of 5.5% and 1.6%, respectively.

When the third quarter of 2024 is compared with the previous quarter, it can be seen that index of physical volume in freight and passenger transport recorded increase of 31.4% and 0.2%, respectively. In the same observed period, indices of physical volume of post activities and telecommunications services recorded decrease of 11.1% and 2.1%, respectively.

[1] Indices are calculated based on weighted passenger and ton kilometres.
[2] Indices are calculated based on weighted postal and telecommunication services.

In the period January-September 2024, compared to the same period in 2023, index of physical volume of postal activities and telecommunications services is lower by 3.1% and 0.3%, respectively. In the same observed period, indices of physical volume of passenger and freight transport recorded growth of 8.0% and 3.6%, respectively.

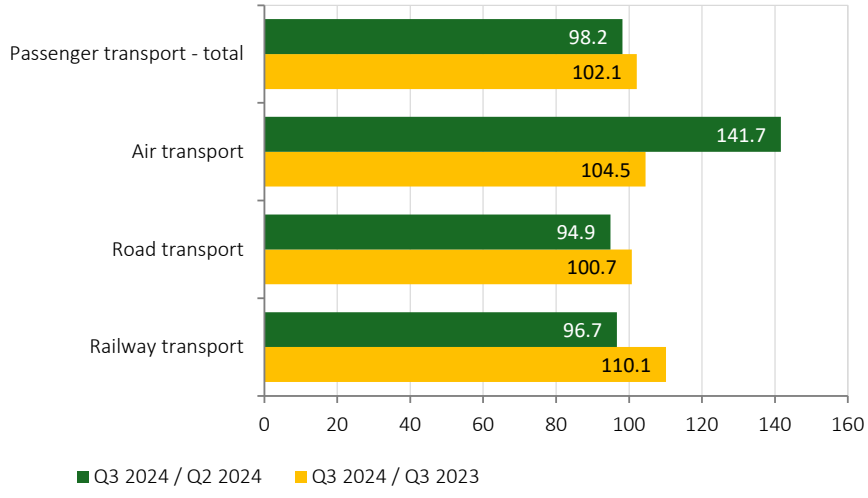
Chart 15.1. Quarterly index of physical traffic volume, 2023=100



15.1. PASSENGER TRANSPORT

In the period January-September 2024, the total number of transported passengers is by 4.2% higher compared to the same period in 2023. In the same observed period, all transport branches recorded increase in the number of transported passengers. The highest growth was recorded in railway transport (16.4%).

Chart 15.2. Transported passengers by branches of traffic, indices

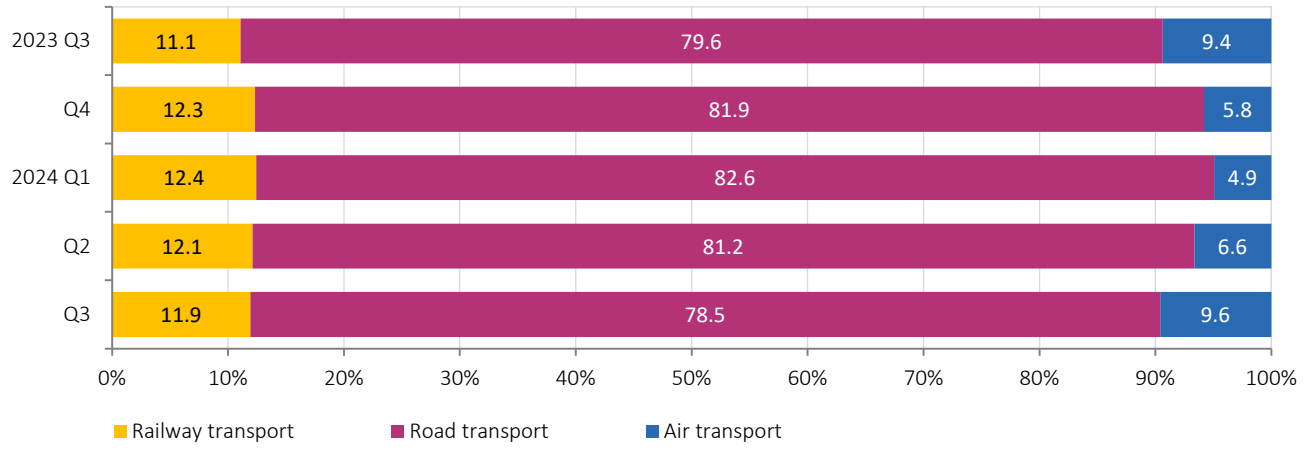


Total number of transported passengers in the third quarter of 2024, compared to the same quarter of the previous year, achieves a growth of 2.1%, and compared to the previous quarter, records a decrease of 1.8%.

Observed by transport branches and the number of transported passengers, **in the third quarter of 2024, compared to the same quarter of the previous year**, all transport branches recorded growth. The highest growth was achieved in railway transport (10.1%). **Compared to the previous quarter**, decrease was recorded in road transport (5.1%) and railway transport (3.3%), while growth was noted in air transport (41.7%).

Observed by transport branches, in the third quarter of 2024, the largest number of passengers (78.5%) was transported by road, and only 9.6% by air transport.

Chart 15.3. Structure of the number of transported passengers by transport branches (%)



In the period January-September 2024, compared to the same period in 2023, a growth in the number of passenger kilometres was realized, by 8.2%. In the same observed period, the highest growth was recorded in railway transport (16.3%), and the lowest in road transport (6.3%).

In the third quarter of 2024, compared to the same quarter of the previous year, all transport branches recorded an increase in the number of passenger kilometres. The highest growth was recorded in road (9.2%), and the lowest in air (3.0%) transport.

Compared to the previous quarter, railway transport recorded decrease in the number of passenger kilometres in the third quarter of 2024. Growth was recorded in air (41.1%), and in road (2.0%) transport.

Table 15.2. Passenger kilometres, indices

	Q3 2024 / Q3 2023	Q3 2024 / Q2 2024
Passenger kilometres - total	105.4	120.8
Railway transport	105.7	94.9
Road transport	109.2	102.0
Air transport	103.0	141.1

In the period January-June 2024, compared to the same period 2023, total number of passenger motor vehicles and passengers that entered the Republic of Serbia increased by 3.2%, that is 2.1%, respectively. In the same observed period, the exit of passenger motor vehicles from the Republic of Serbia increased by 1.1%, while the exit of passengers from the Republic of Serbia increased by 1.7%.

Total number of passenger motor vehicles and passengers that entered the Republic of Serbia in the third quarter of 2024 decreased by 1.0%, while total number of passengers increased by 0.4%, compared to the same quarter of the previous year. In the same observed period, the **exit of passenger motor vehicles and passengers** from the Republic of Serbia increased by 4.2% and 1.5%, respectively.

In the third quarter of 2024, compared to the previous period, total number of passenger motor vehicles and passengers that entered the Republic of Serbia increased by 56.3% and 76.0%, respectively. In the same observed period, the exit of passenger motor vehicles and passengers from the Republic of Serbia increased by 71.0% and 81.3%, respectively.

The countries with the most frequent registration of passenger motor vehicles entering and leaving the Republic of Serbia belong to the following countries: Germany, Hungary, Austria, Romania, Switzerland, North Macedonia.

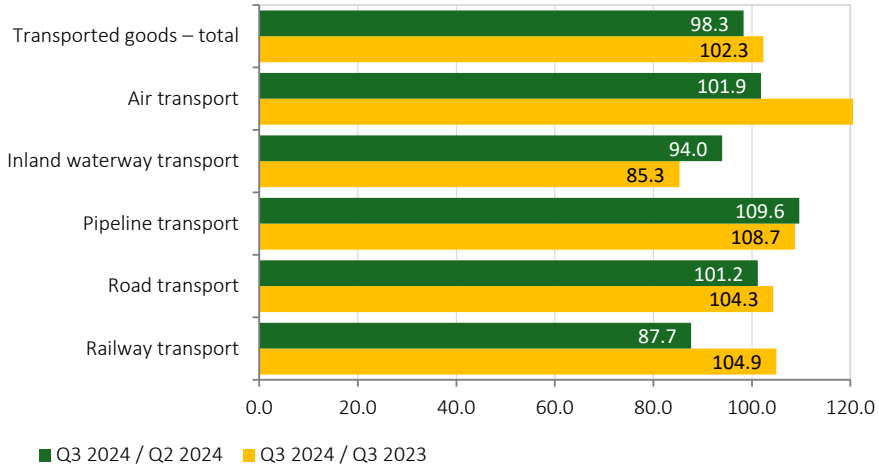
Table 15.3. The most frequent registrations of passenger motor vehicles on entering the Republic of Serbia and exiting the Republic of Serbia in the third quarter 2024

Entry		Exit	
Foreign registration	number of passenger motor vehicles, thousand	Foreign registration	number of passenger motor vehicles, thousand
Austria	166.6	Germany	140.3
Germany	146.1	Hungary	95.6
Hungary	94.1	Austria	88.2
Romania	80.9	Romania	76.3
Switzerland	63.2	North Macedonia	61.4

15.2. FREIGHT TRENSPORT

In the period January-September 2024, total quantity of transported goods is by 2.8% higher compared to the same period in 2023. In the same observed period, the increase in the amount of transported goods was recorded in air transport (31.7%), while the decrease was recorded only in Inland waterway transport (10.4%).

Chart 15.4. Transported goods by transport branches, indices

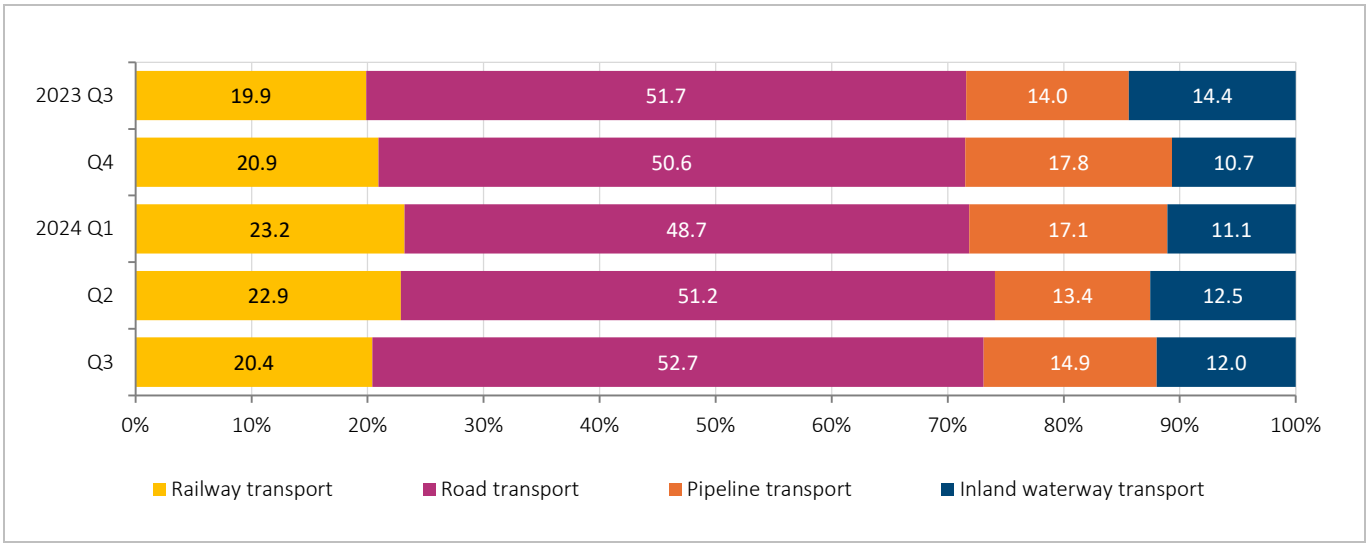


The total amount of transported goods in the third quarter of 2024, compared to the same quarter of the previous year, achieves a growth of 2.3%, and compared to the previous quarter, records a decrease of 1.7%.

Observed by transport branches and in the amount of transported goods, **in the third quarter of 2024, compared to the same quarter of the previous year**, the decrease was noted only in inland waterway transport (14.7%). Air transport noted the highest increase (40.2%). **Compared to the previous quarter**, the decrease was recorded railway transport (12.3%) and inland waterway transport (6.0%). The smallest growth was noted in road transport (1.2%).

Total amount of transported goods in the third quarter of 2024, observed by the transport branches is distributed as follows: 52.7% of goods were transported by road, 20.4% by rail, 14.9% by pipeline transport, and 12.0% by inland waterway transport.

Chart 15.5. Structure of the amount of transported goods by transport branches (%)



Air transport data is omitted from the chart due to small values.

In the period January-September 2024, compared to the same period in 2023, there was a growth in the number of ton kilometres, by 1.9%. For the same observed period, air transport recorded the highest growth (45.0%), and inland waterway transport recorded the largest decrease (10.7%).

In the third quarter of 2024, compared to the same quarter of the previous year, inland waterways transport recorded the largest decrease in the number of ton kilometres (31.1%), while the largest growth was recorded in air transport (43.7%).

On the other hand, in the third quarter of 2024, compared to the previous quarter, railway transport and inland waterway transport recorded decrease of 17.7%. The greatest increase was recorded in pipeline transport (13.1%).

Table 15.4. Ton kilometres, indices

	Q3 2024 / Q3 2023	Q3 2024 / Q2 2024
Ton kilometres – total	97.4	97.4
Railway transport	92.0	82.3
Road transport	101.9	102.1
Pipeline transport	118.0	113.1
Inland waterway transport	68.9	82.3
Air transport	143.7	110.2

Total amount of cargo handling the third quarter of 2024 was reduced by 15.5% compared to the same quarter of the previous year.

Table 15.5. Cargo handling (comparison with the same period of the previous year)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Handled tons	82.0	111.0	79.4	112.5	95.8	74.5	112.2	92.6	84.4	89.5	84.5

15.3. POST ACTIVITIES AND TELECOMMUNICATIONS

In the period January-September 2024, package and express shipments recorded a growth of 19.2% and 9.5%, respectively, and letter shipments and payment services decreased by 4.3% and 5.5%, respectively, in relation to the same period 2023.

In the third quarter of 2024, compared to the same quarter of the previous year, express shipments recorded a growth of 17.6%. For the same observed period, payment services, letter and parcel shipments recorded a decrease of 5.7%, 4.0% and 18.3%, respectively.

Package service has experienced exponential growth during the coronavirus pandemic years (2020-2021), and since 2020 these services have taken over the forefront of postal activities.

Table 15.6. Post activities, indices (comparison with the same period of the previous year)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Letter shipments	116.4	89.2	87.1	89.2	74.4	91.4	92.6	106.9	87.9	103.8	96.0
Package shipments	158.7	115.4	155.6	222.2	190.2	156.4	195.5	119.5	120.7	155.4	81.7
Express shipments	99.1	102.3	100.4	93.9	98.9	96.0	102.0	105.3	104.2	106.4	117.6
Payment service	97.1	88.9	93.4	89.0	95.3	95.5	95.6	94.0	95.3	93.8	94.3

In the period January-September 2024, a decrease of 23.0% was recorded in the number of minutes in fixed network, a decrease of 0.3% in the number of outgoing calls' minutes and a decrease of 17.9% in the number of short messages sending (SMS), compared to the same period in 2023.

In the field of telecommunications, there is a decreasing trend in the number of minutes realized in fixed network. In the third quarter of 2024, compared to the same quarter of the previous year, a decrease of 24.4% was recorded. In the same observed period, a decline was also noticed in mobile network: in number of outgoing calls' minutes by 1.7%, and in number of SMS (short messages sent) by 18.3%.

Table 15.7 Telecommunications, indices (comparison with the same period of the previous year)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Fixed telephone network, minutes	83.6	82.5	84.7	77.8	78.1	87.3	88.1	92.0	80.0	75.2	75.6
Mobile telephone network – outgoing calls, minutes	99.0	97.6	97.8	96.8	97.1	100.4	101.0	100.0	101.7	99.2	98.3
Mobile telephone network – SMS	100.9	97.5	90.7	92.1	90.0	88.8	88.4	84.5	82.2	82.4	81.7

16. INDICATORS FOR MONITORING MACROECONOMIC IMBALANCES IN THE EUROPEAN UNION - RESULTS FOR SERBIA

DEVELOPMENT OF THE PROCEDURE FOR IDENTIFYING AND CORRECTING MACROECONOMIC IMBALANCES OF THE EU MEMBER COUNTRIES (Macroeconomic Imbalance Procedure - MIP)

The global financial crisis in 2007 was followed by the Eurozone crisis in 2010, which strongly influenced the eEuropean economic system and greatly questioned the original concept of the single European market and the European Monetary Union as a part of the European Union. There was a need for stronger economic management and better coordination of policies among the member states of the European Union. In this regard, the European Council decided to establish the *European Semester* in 2010 as a special instrument for monitoring and joint coordination of budget, economic and structural policies of member states with goals and rules agreed at the level of the European Union. The structure of the European Semester stands on three pillars, one of which is the *Macroeconomic Imbalance Procedure* (MIP). The other two pillars are Europe 2020 strategy and Stability and Growth Pact (SGP).

Macroeconomic Imbalance Procedure (MIP) is the main mechanism for monitoring and correcting harmful macroeconomic imbalances in member states and its ultimate goal is to strengthen their resilience and the resilience of the entire European Union economy to similar shocks in the future. MIP is one of six legal proposals on economic governance adopted by the European Parliament and the Council in November 2011, and, as such, forms part of the EU acquis, which candidate countries will adopt by the date of accession.

The starting point of the Procedure in case of macroeconomic imbalances is the *Alert Mechanism Report* (AMR) of the European Commission. The report is based on the economic interpretation of defined indicators for monitoring macroeconomic imbalances - MIP indicators, presented in the form of an achievement table (MIP Scoreboard). It is about 14 basic indicators of conditions and flows that should indicate the appearance of macroeconomic imbalances that arise in the short term and imbalances that arise due to structural and long-term trends. For each indicator, a reference value is defined, in relation to which the achievements of the member states are evaluated. Based on the results of a detailed review of the mentioned indicators, the European Commission decides on the eventual initiation of the procedure in case of excessive macroeconomic imbalances.

Bearing in mind that some imbalances may be part of the dynamic adjustment of the economy and that all imbalances do not require policy intervention, the basic indicators (MIP Scoreboard) should not be interpreted mechanically. Their economic interpretation is complemented by the analysis of a wider set of auxiliary indicators (MIP Auxiliary), which, however, do not have associated reference values (thresholds). There are 28 auxiliary indicators that provide additional information on aspects related to the general macroeconomic situation.

Each AMR report is accompanied by a statistical annex, which contains basic and auxiliary MIP indicators for each member state and covers a period of 10 years. The list and structure of basic and auxiliary indicators are subject to changes over time in order to best reflect changes or threats to macroeconomic stability.

16.1. BASIC INDICATORS (MIP Scoreboard) FOR MONITORING MACROECONOMIC IMBALANCES IN THE EUROPEAN UNION

The main analytical tool for monitoring macroeconomic imbalances in the European Union are MIP indicators (Macroeconomic Imbalances Procedure indicators), which represent a warning instrument by identifying potential macroeconomic risks in their early stages, in order to both prevent emergence of severe macroeconomic imbalances, and also to correct the already created imbalances.

There are 14 basic (MIP Scoreboard) indicators, and they include internal and external imbalance indicators, as well as employment indicators. They are presented in the form of a table of achievements, where a reference value is defined for each indicator, in relation to which the achievements of the member states are evaluated. Indicators for monitoring macroeconomic imbalances include: *indicators of internal imbalance* (indebtedness, indicators of movements in the financial and real estate markets [real estate prices], unemployment), *indicators of external imbalance and competitiveness* (current account of the balance of payments, Real Effective Exchange Rate - REER, share in export markets and nominal unit labour costs) and *employment indicators*. There are 28 MIP Auxiliary indicators, and they provide additional support for the economic interpretation of data.

MIP basic (MIP Scoreboard) indicators

Indicators of external imbalance

- **Current account balance** (% GDP) – 3 -year average
- **International investment position** (% GDP) – current year
- **Real effective exchange rate,** % change (3- year)
- **Export market shares** – % change (5- year)
- **Nominal unit labour costs** – % change (3- year)

Indicators of internal imbalance

- **House price index- deflated,** % change (1 year)
- **Private sector credit flow,** consolidated, (% GDP)
- **Private sector debt, consolidated,** (% GDP)
- **General government sector debt,** (% GDP)
- **Unemployment rate –** three- year average (%)
- **Total financial sector liabilities, non-consolidted** – % change (1 year)

Employment indicators

- **Activity rate % of total popuation aged 15-64** (3- year change in p.p.)
- **Long-term unemployment rate – % of active population aged 15 – 74** (3 – year change in p.p.)
- **Youth unemployment rate – % of active population aged 15 – 24** (3 – year change in p.p.)

16.2. BASIC INDICATORS OF MACROECONOMIC IMBALANCES IN SERBIA

Out of a total of fourteen basic MIP Scoreboard indicators, the analysis included eight, for which data are directly available. These are the following indicators: current account balance, international investment position, export market shares, gross general government debt, unemployment rate, activity rate, long-term unemployment rate and youth unemployment rate.

The analysis refers to the results that Serbia would achieve by hypothetically participating in the regular annual cycle of the implementation of the MIP procedure. With the aim of ensuring comparability among EU member states, the European Commission prescribes that when calculating individual indicators, specific databases of relevant international institutions are used. It is, in fact, MIP indicators that are calculated as the quotient of the two quantities, whereby the data for the quantity in the denominator is taken from the mentioned databases. This is the case, for example, with the indicator of the share in the world export of goods and services, for the calculation of which data from the database of the International Monetary Fund[27] is used. Since it is an annual data, the last available data refers to 2023.

Table 16.1. Serbia's achievements according to the basic indicators of macroeconomic imbalances, 2015–2023

	Definition	Referent value	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current account balance	3-year average, % of GDP	-4% of GDP / 6% of GDP	-4.73	-3.83	-3.72	-4.16	-5.41	-5.05	-4.85	-4.85	-4.33
Net international investment position	Current year, % of GDP	-35% of GDP	-91.02	-90.85	-87.14	-83.99	-84.15	-86.23	-79.22	-77.78	-66.60
Share in world export of goods and services	5-year change, %	-6%	22.45	36.41	45.60	25.21	30.56	37.46	31.26	33.79	44.46
Gross general government debt	Current year, % of GDP	60% of GDP	66.43	64.74	54.84	50.95	49.63	54.10	53.50	52.04	47.25
Unemployment rate	3-year average, %	10%	21.16	18.62	16.60	14.85	13.14	11.55	10.69	10.11	10.02
Activity rate of population aged 15-64	3-year change in p.p.	-0,2 p. p.	0.05	0.05	0.05	0.07	0.02	0.00	0.04	0.07	0.09
Long-term unemployment rate of active population aged 15–74	3-year change in p.p.	0,5 p. p.	-0.39	-0.41	-0.36	-0.33	-0.39	-0.40	-	-	-
Unemployment rate of youth aged 15–24	3-year change in p.p.	2 p. p.	-0.16	-0.30	-0.33	-0.31	-0.19	-0.17	-0.16	-0.17	-0.09

Out of the observed number of indicators (eight), Serbia in 2023 exceeds the reference values in an unfavourable direction for two indicators (current account balance, net international investment position).

The level of the current deficit in Serbia, which meets the criteria only in 2016 and 2017, mostly exceeds the reference range (the lower limit of the reference range is -4.0%), as a consequence of the increase in the foreign trade deficit due to a significant increase in the goods deficit (despite the simultaneous surplus growth on the services account).

The high negative balance of the international investment position as a % of GDP, which exceeds the reference value (-35% of GDP), during the entire observed period, indicates Serbia's high dependence on foreign funds.

When it comes to the indicator of the share of exports in world exports (dynamics of five-year change), Serbia, in the observed period, achieves values above the set lower limit for this indicator (reference value -6%), and continuously fulfils the criteria for this indicator.

[27] https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1542633711584

According to the unemployment rate, in the entire observed period, Serbia records values that are above the reference value for this indicator (10%), whereby the indisputable contribution of the package of economic measures to the preservation of jobs and the absence of major negative effects of the coronavirus pandemic on labour market indicators should be emphasized. Serbia has an unemployment rate of 10.19% in 2022, slightly above the defined limit value of MIP (10%).

For other indicators of the labour market, instead of annual values, three-year changes are taken, expressed in percentage points, in order to emphasize the medium-term ability to adjust the labour market.

The dynamics of other indicators of the labour market (activity rate of the working-age population, long-term unemployment rate and youth unemployment rate) is moving in a positive direction and in the observed period exceeds the reference values of three-year changes.

16.3. BALANCE OF THE CURRENT ACCOUNT OF BALANCE OF PAYMENT (REFERENCE RANGE FROM -4% TO +6% OF NOMINAL GROSS DOMESTIC PRODUCT IN A THREE-YEAR AVERAGE)

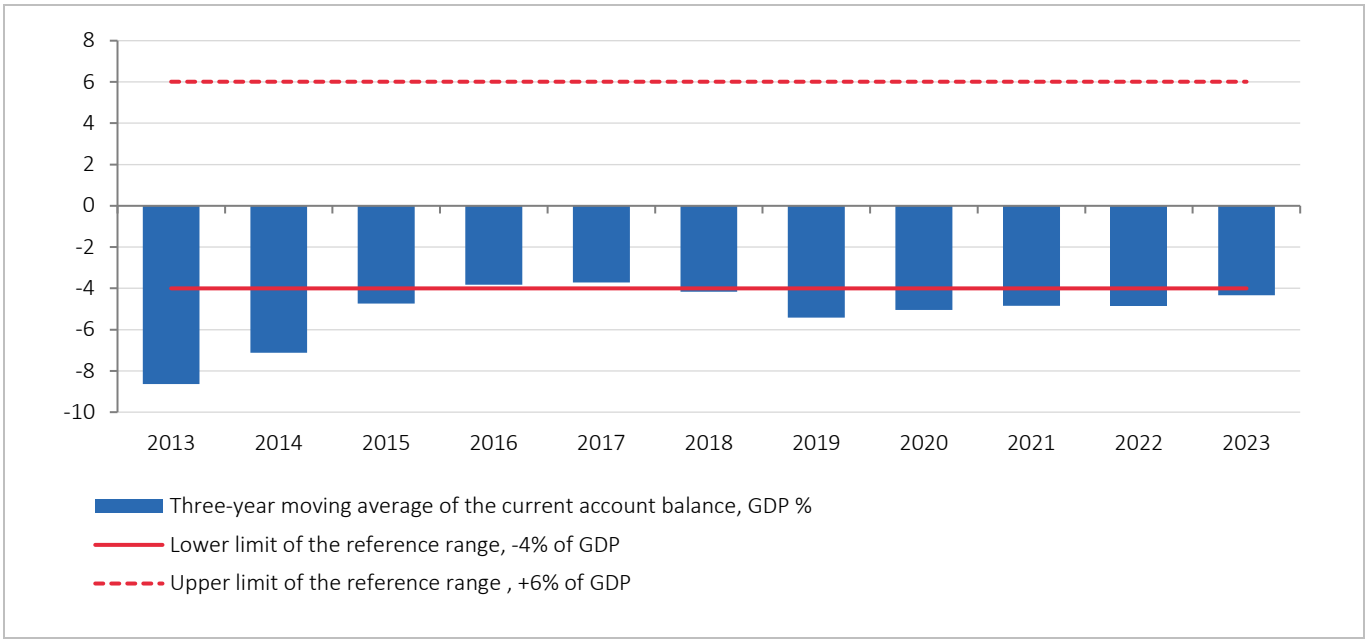
The current account balance of the balance of payments represents one of the most important and most frequently used indicators of the country's external macroeconomic position. The existence of imbalances on the current account may indicate increased exposure of the economy to external shocks, but also the presence of other macroeconomic imbalances. At the same time, the European Commission does not evaluate current account imbalances symmetrically. Greater importance is attached to deficits, which are often linked to a number of other macroeconomic imbalances and risks. The risks arising from current account surpluses are not negligible, but they are still significantly milder than the risks associated with deficits.

When choosing indicators for the current account balance, instead of the annual ratio of the current account balance to GDP, a three-year moving average of that ratio is used, with the aim of mitigating the effects of possible sudden annual fluctuations in the current account balance. The limits of the reference range are set at -4% of GDP and +6% of GDP.

According to this indicator, Serbia meets the criteria only in 2016 and 2017, when the three-year average of the ratio of the current account balance to GDP was -3.8% and -3.7%, respectively (the lower limit of the reference range is -4 .0%). In all other years, Serbia does not meet the criteria for this indicator.

It should be expected that Serbia will not meet the criteria for this indicator in the coming years, given the way it is calculated and the fact that starting from 2017, the growth of the share of the current account deficit in GDP varies at the level of around 5%.

Chart 16.1. Current account balance, three-year moving averages, 2013–2023 (% of GDP)



In 2023, a current account deficit of EUR 1.8 billion (-2.4% of GDP) was recorded, with a record inflow of FDI (EUR 4.6 billion), which fully covered the current deficit starting in 2015, contributing to the long-term sustainability of the external position of the Republic of Serbia.

The current account deficit at its lowest level so far is the result of a reduction in the foreign trade deficit due to a significant decline in the goods deficit, with a simultaneous increase in the surplus on the services account. The continued growth of export activity despite lower external demand can be attributed to investments in tradable sectors from the previous period, while the decrease in imports is related to the decline in energy prices and the stabilization of the domestic energy sector. The manufacturing had the greatest impact on export growth, which recorded a growth of 5.4% year-on-year. Thanks to high investments in export sectors, export growth was widespread (in 16 out of 23 divisions), and those that contributed most to export growth are Manufacture of electrical equipment and Manufacture of motor vehicles. The adoption of the Decision on the formation of strategic energy reserves in conditions of growing uncertainty in international environment in 2022 also had a significant impact on the reduction of the goods deficit, which contributed to an increase in the so-called base effect. The foreign trade balance amounted to EUR 6 628 million in 2023, which is 8.8% of GDP.

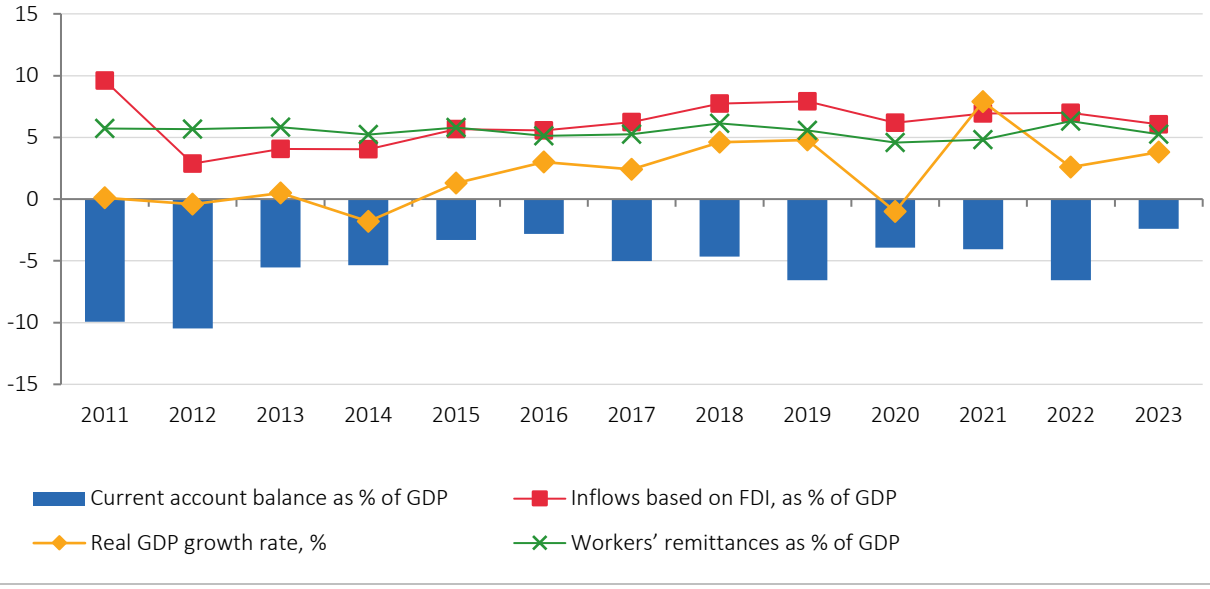
Also, foreign trade in services continued to grow in 2023 and contributed to the reduction of the current account deficit. The growth in exports of services (18%, to EUR 13.1 billion) was more pronounced than the growth in imports (13%, to EUR 10 billion), which led to the surplus in the exchange of services reaching EUR 3.1 billion or 34.1% more than in 2022, which is also a record value. The exchange of all types of services increased during 2023, primarily referring to tourism, ICT and business services, while transport and tourism services contributed the most to imports growth. The realized surplus in services trade amounted to EUR 3 104 million, which represents 4.1% of GDP.

In addition to the constant trade deficit, the current account deficit is also significantly affected by the increase in primary income deficit (by EUR 917 million in 2023), primarily due to expenditures on foreign direct investments. Secondary income also has an important impact on the current account balance, which, despite a slight decrease, records a surplus of EUR 5.6 billion in 2023.

Table 16.2. Balance of payments of Serbia, 2015–2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current account balance, EUR mill.	-1.233,8	-1.074,9	-2.050,8	-2.076,1	-3.160,9	-1.928,8	-2.265,6	-4.162,2	-1.803,7
Current account balance, % of GDP	-3,3	-2,8	-5,0	-4,6	-6,6	-3,9	-4,1	-6,6	-2,4
External trade balance (goods and services), EUR mill.	-2.915,4	-2.211,9	-3.031,4	-4.090,6	-4.611,6	-4.099,1	-4.621,3	-7.049,9	-3.524,8
External trade balance, % of GDP	-7,8	-5,8	-7,4	-9,1	-9,6	-8,4	-8,3	-11,1	-4,7
Export of goods and services, EUR mill.	15.727,6	17.384,9	19.312,0	21.166,3	23.348,6	22.270,8	28.818,2	38.003,9	41.017,7
Export of goods and services, indices, previous year=100	108,8	110,5	111,1	109,6	110,3	95,4	129,4	131,9	107,9
Import of goods and services, EUR mill.	18.643,0	19.596,8	22.343,4	25.256,9	27.960,2	26.369,9	33.439,5	45.053,8	44.542,5
Import of goods and services, indices, previous year=100	103.0	105.1	114.0	113.0	110.7	94.3	126.8	134.7	98.9
Export import ratio, %	84.4	88.7	86.4	83.8	83.5	84.5	86.2	84.4	92.1

Chart 16.2. Current account balance by selected components, 2011–2023 (% of GDP)



16.4. INTERNATIONAL INVESTMENT POSITION (REFERENCE VALUE OF -35% OF NOMINAL GDP IN THE CURRENT PERIOD)

The international investment position represents the difference between a country's foreign financial assets and liabilities. In other words, the difference between the financial assets that an economy has and the assets it owes reflects the state of its international investments. So, depending on the sign of the international investment position, the country can be a net creditor or a net debtor in relation to the rest of the world.

Together with the indicator of the current balance of payments account, it is used in the analysis of the state and dynamics of the country's external position, stock-flow analysis and serves to assess the country's risk exposure in economic relations with foreign countries.

The ratio of international investments and GDP in the current period is used as an indicator. The reference value is -35% of GDP, which means that countries whose net foreign liabilities exceed 35% of GDP do not meet this indicator.

The international net investment position (MIP) [28] of the country is an important indicator of macroeconomic risks in the future, because in addition to net liabilities based on foreign loans, it also includes liabilities based on foreign capital. With the average share of net foreign liabilities, in the period 2013–2023, of about 83% in nominal GDP, Serbia significantly exceeds the established reference value for the indicator of the state of international investments (-35% of GDP).

A high negative value of net foreign liabilities indicates high dependence on foreign funds, as well as the potential danger of a debt crisis.

Direct investments appear as the main driver of negative MIP in all years. The share of the negative position of direct investments in GDP ranged between 55% and 79%. A negative position in all observed years was also recorded in other investments (between 19% and 39% of GDP) and portfolio investments (between 10% and 19% of GDP). A positive net position was recorded in all years for foreign exchange reserves, whose participation in GDP in the observed period ranged between 24% and 33% and are well above the level required for adequate protection against external shocks.

The decrease in negative share of MFA in GDP in 2023 compared to 2022 (from 77.8% to 66.6%) can be attributed to faster growth of nominal GDP.

It can be said that the movement of MIP is completely in line with the deficit of the current account of the balance of payments, which is continuously present in the entire observed period. The immediate cause of Serbia's unfavourable international net asset position is a high deficit in the current balance of payments, as a consequence of the low level of domestic savings. Therefore, a significant part of investments is financed by foreign funds - loans or foreign investments.

[28] The international net investment position represents the difference between foreign exchange reserves, loans granted abroad and capital invested abroad, on one hand, and loans taken from abroad and foreign capital invested in the country, on the other hand.

Chart 16.3. Structure of the international investment position by functional categories, 2013–2023 (% of GDP)

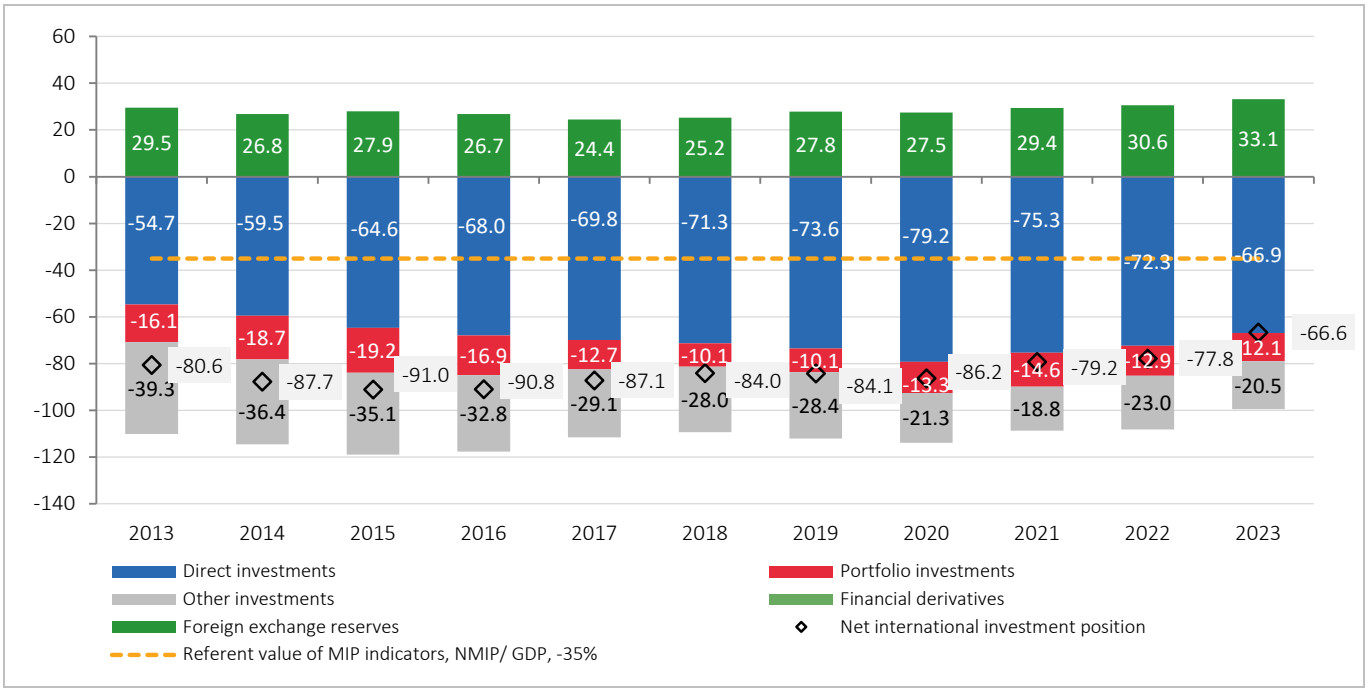


Table 16.3. Net investment position of Serbia, as of the end of the year, 2015–2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Direct investments	-24.060	-25.941	-28.510	-31.868	-35.388	-38.849	-42.112	-45.929	-50.304
Portfolio investments	-7.147	-6.453	-5.184	-4.500	-4.836	-6.517	-8.178	-8.209	-9.122
Financial derivatives	32	38	28	49	50	53	29	-90	-163
Other investments	-13.081	-12.520	-11.875	-12.497	-13.682	-10.452	-10.504	-14.577	-15.410
Foreign exchange reserves	10.378	10.205	9.962	11.262	13.378	13.492	16.455	19.416	24.909
Net international investment position (MIP), in EUR mill.	**-33.877**	**-34.672**	**-35.579**	**-37.555**	**-40.478**	**-42.274**	**-44.310**	**-49.390**	**-50.090**
				% of GDP					
Direct investments	-64,6	-68,0	-69,8	-71,3	-73,6	-79,2	-75,3	-72,3	-66,9
Portfolio investments	-19,2	-16,8	-12,7	-10,1	-10,1	-13,3	-14,6	-12,9	-12,1
Financial derivatives	0,1	0,1	0,1	0,1	0,1	0,1	0,1	-0,1	-0,2
Other investments	-35,1	-32,8	-29,1	-28,0	-28,4	-21,3	-18,8	-23,0	-20,5
Foreign exchange reserves	27,9	26,7	24,4	25,2	27,8	27,5	29,4	30,6	33,1
MIP/GDP, % (referent value is -35% of GDP)	**-91,0**	**-90,8**	**-87,1**	**-84,0**	**-84,1**	**-86,2**	**-79,2**	**-77,8**	**-66,6**

16.5. SHARE IN WORLD EXPORTS OF GOODS AND SERVICES (REFERENCE VALUE OF -6% FOR A FIVE-YEAR PERCENTAGE CHANGE)

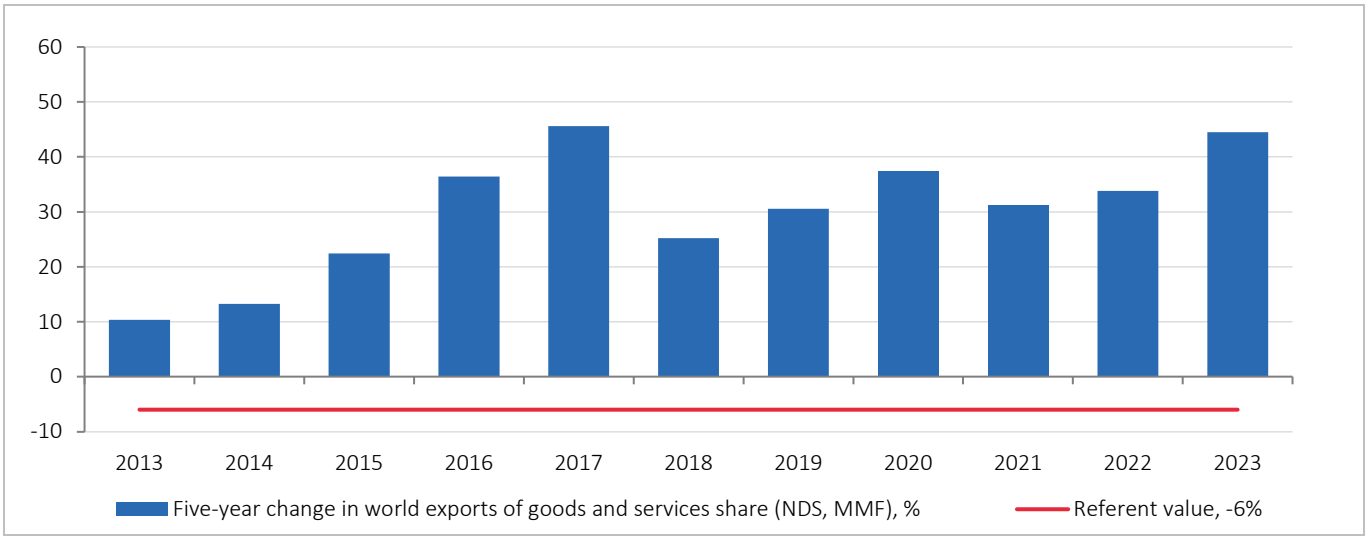
As an indicator for monitoring the dynamics of the share in world exports, the five-year change in the share of an individual country in total world exports is taken. By using a longer reference period, it is tried to capture longer-term changes in the relative competitiveness of the economy. The reference value is -6%, which means that a country whose loss of share in world exports in the past five years was greater than 6% will not meet this indicator.
The indicator of the share in the world export of goods and services aims to reveal structural losses in competitiveness. Namely, the change in the share of world exports does not have to be the result of a change in price or cost competitiveness, but rather a reflection of structural and qualitative changes in the structure of exports, geographic specialization of exports or movements in relative productivity, which, in the long term, presents a key factor in exports.

In the entire observed period 2013–2023, the dynamics of the five-year change in the share of Serbian exports in the world export of goods and services moved above the set lower limit for this indicator (reference value -6%). In this regard, Serbia continuously met the criteria for this indicator for the entire observation period.

After the drop in the share of Serbian exports in world exports to only 0.4% in 2012, due to low foreign demand and unfavourable economic trends in the EU countries, in the following five-year period (2013–2017) a double-digit growth of Serbia's export market share was recorded, increasing from year to year. This kind of growth in the years after 2013 is associated with low production costs and therefore with the strengthening of the country's price competitiveness. In the next five-year period, there was a slight slowdown in the growth of the share of Serbian exports in the world export of goods and services, from 45.6% in 2017, when it was the highest, to 44.5% in 2023

The total value of exports of goods in the Republic of Serbia in 2023 is by 3.7% higher than in 2022. The trend in total exports was most influenced by 5.4% growth in exports of the manufacturing sector, which accounts for 86.2% of total exports. Exports of services increased by 18% compared to the previous year, mainly as a result of higher exports of ICT services, tourism and other business services.

Chart 16.4. Share in world exports of goods and services, 2013–2023 (five-year change in %)



Also, the participation of the number of foreign-owned export companies in the total number of exporters in Serbia is significant, which represents an indirect channel of foreign direct investment inflows, affecting the GDP and improving the country's export performance. External trade in goods in 2023 was the largest with the countries with which Serbia has signed free trade agreements. European Union member countries account for about 59.7% of total external trade, while the APEC (Asia- Pacific Economic Cooperation) countries, was on the second place, with the share of 17.8%.

16.6. GENERAL DEBT OF THE STATE (REFERENCE VALUE OF 60% OF NOMINAL GDP IN THE CURRENT PERIOD)

The debt of the general level of the state is defined within the *Excessive Deficit Procedure (EDP)* as the nominally expressed total gross debt at the end of the year. It is about the consolidated amount of debt between and within the general government sector. General government debt is included in the MIP indicators in order to gain insight into the total indebtedness of all sectors of the economy, together with the private sector debt indicator[29].

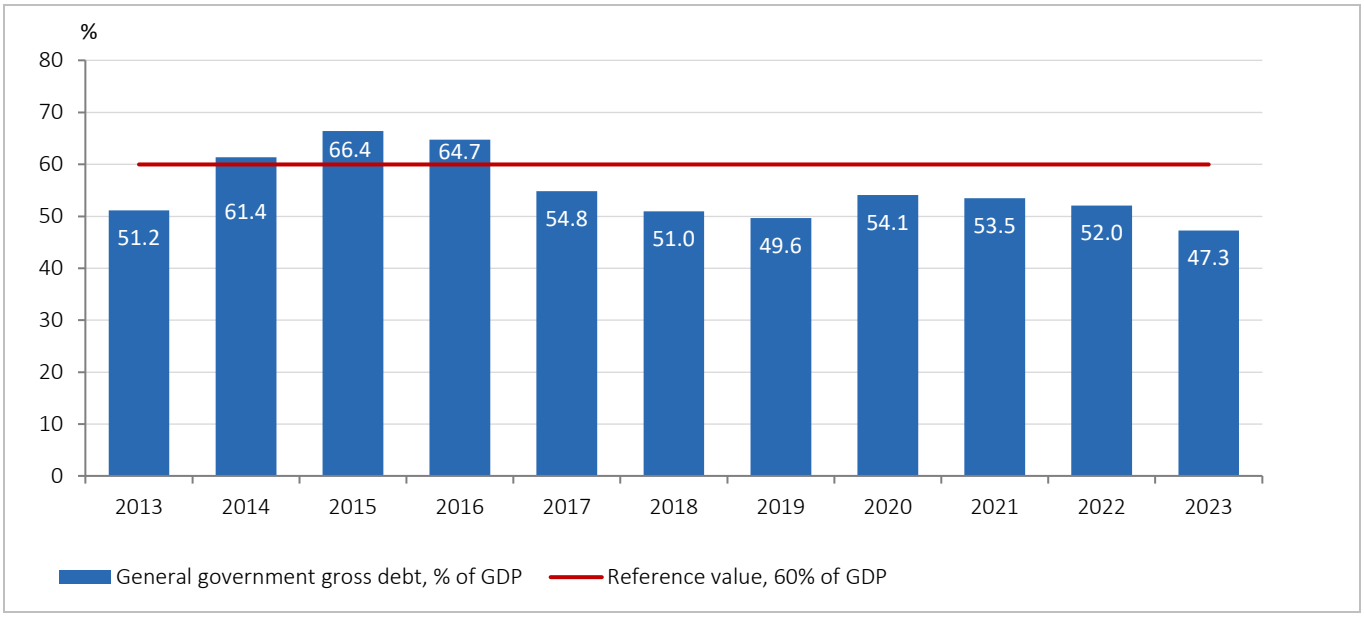
The reference value for this indicator is 60% of GDP.

In the observed period, Serbia did not meet the criteria for the debt indicator of the general state level only in the period 2014–2016, when the share of general government debt in nominal GDP was above the reference value of 60%. The highest share of debt was recorded in 2015 and amounted to 66.4%.

The financing of the fiscal deficit contributed the most to the increase in debt, followed by the approval of guarantees to public and state-owned enterprises, but also the negative exchange rate difference, as well as covering the losses of state-owned banks. In the period after 2016, a decrease in the share of general government debt was recorded. The trend of reducing the share of debt was interrupted in 2020, whereby the upward trend is closely related to the coronavirus pandemic and the Government's anti-crisis measures. In 2023, the general government debt in GDP was 47.3% of nominal GDP (a decrease of 4.7 p.p. compared to 2022).

The share of national debt in GDP decreased in 2021 in almost all EU member states, while it is still significantly above the pre-pandemic level in 2019. Deficits remain high, but strong economic growth has reduced the share of debt. The share of government debt generally declined in 2023 as a result of continued economic growth.

Chart **16.5.** Trends in general government debt, 2013–2023



Failure to meet the criteria for the ratio of general government debt and GDP would represent a significant risk for Serbia, because the same reference value for government debt is also prescribed within the criteria of nominal convergence that countries must meet before the introduction of the euro. In this regard, by exceeding the reference value for this indicator, Serbia would jeopardize the prospect of meeting, first of all, the criteria for EU membership in the economic union, and then in the monetary union, in the near future.

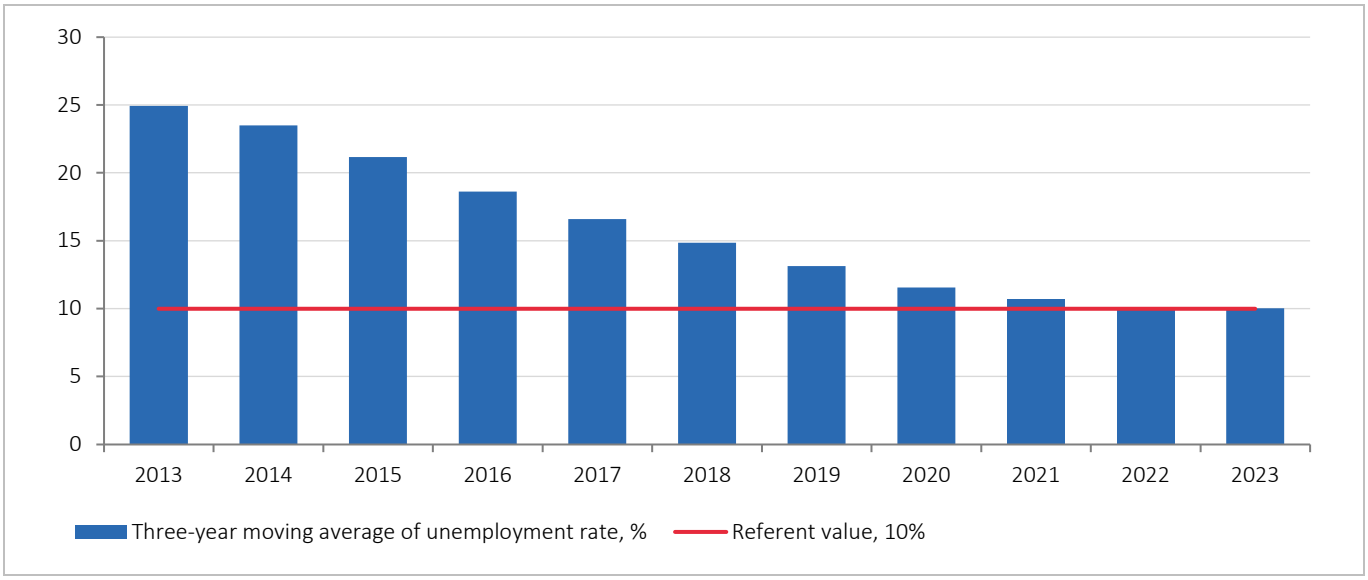
[29] The debt of the private sector is defined as the ratio of the liabilities of the household sector and the non-financial sector by taken loans and issued securities and GDP. It is calculated using non-consolidated data, within the statistics of annual financial accounts. The collection and publication of this data is the responsibility of the NBS.

16.7. UNEMPLOYMENT RATE (REFERENCE VALUE OF 10% IN A THREE-YEAR MOVING AVERAGE, %)

The unemployment rate represents the percentage of unemployed persons in the total number of active population aged 15 and over. It is included among the indicators because high unemployment can indicate an unfavourable allocation of resources in the economy and an insufficient ability to adjust the economy. Instead of annual values, this indicator uses three-year moving averages of the unemployment rate in order to emphasize the medium-term ability of the labour market to adapt. The reference value for this indicator is 10%.

According to the unemployment rate, in almost entire observed period 2013-2022, Serbia records values that are above the reference value for this indicator (10%). In 2013, this deviation was the highest and amounted to 15 p. p. After that, its continuous reduction occurs, so that in 2023, according to this indicator, Serbia would be around the threshold value of 10% within the *MIP*.

Chart 16.6. Unemployment rate, three-year moving average, 2013–2023



According to the Labour Force Survey, the unemployment rate in 2023 was 9.4%, and the number of unemployed persons was about 295 800. Compared to 2022, the number of unemployed insignificantly decreased, with the decreased unemployment rate by only 0.1 p. p.

The success of the economic package of measures was verified by the absence of major negative effects of the pandemic on the labour market in 2020, and jobs and wages were preserved to a significant extent, both in the private and public sectors, and the scenario of a significant increase in unemployment was avoided. The continuation of positive trends on the labour market is primarily the result of the establishment of macroeconomic stability, despite the slowdown in the dynamics of economic activity. The decline in the unemployment rate shows that the labour market is stabilizing, and new employment opportunities are opening up.

In addition to the above, certain structural improvements were recorded in the labour market, in terms of an increase in the number of employed women by 29.3 thousand, with a decrease in the informal employment rate by 0.5 p. p., to 12.5%, and the long-term unemployment rate by 0.2 p. p., to 4.2%.

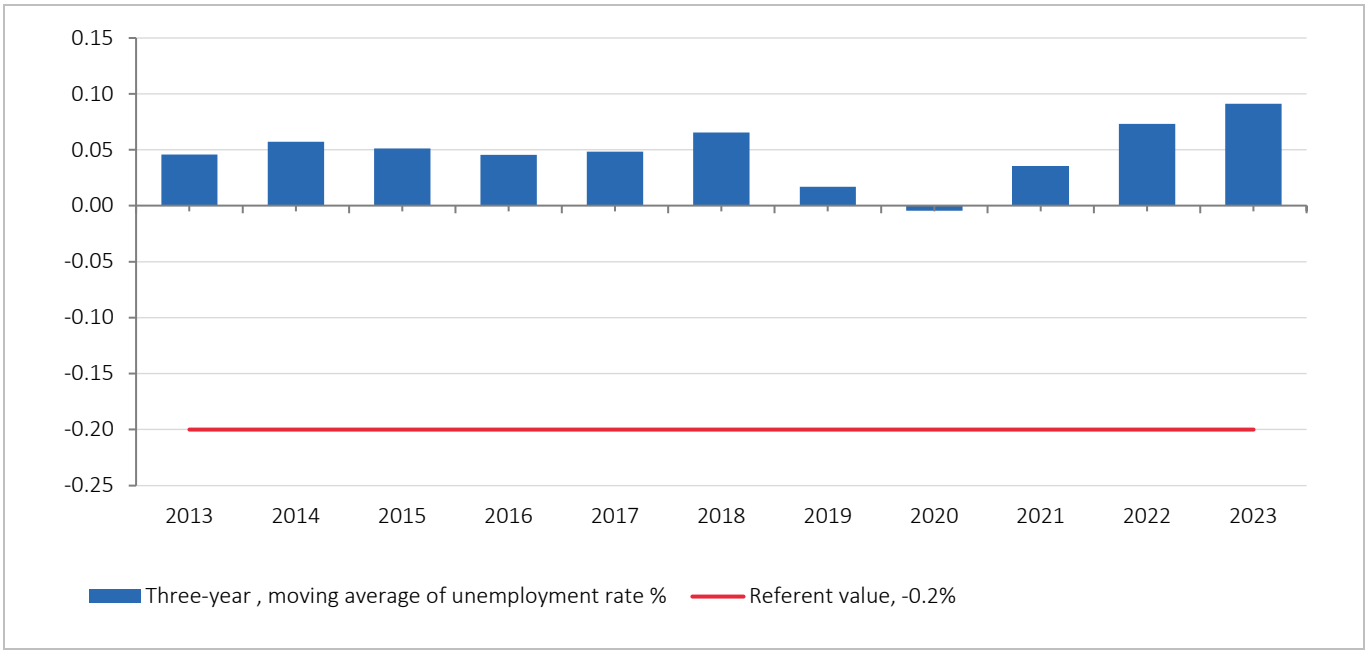
However, despite the improvement of indicators on the labour market, they are still less favourable than in the EU. The unemployment rate in Serbia is higher, while the employment rate is lower than in the EU. There is also a difference in the structure of employed persons by sectors: in Serbia, compared to the EU, there is a far greater share of employees in agriculture, and a smaller share in service activities.

16.8. ACTIVITY RATE OF THE POPULATION AGED 15-64 (REFERENCE VALUE OF -0.2 P.P. FOR THE THREE-YEAR CHANGE IN P.P.)

The dynamics of the activity rate allows tracking the transition of the labour force from active to inactive status (out-of-labour population) [30] - which includes people who retire, the "discouraged" labour force, which gives up on finding work, and the "new labour force", which enters to the labour market. The activity rate is also relevant when analysing the impact on potential output, i.e. GDP, since low activity implies a reduced labour supply, and thus unused production capacity in the country's economy. The reference value for this indicator is -0.2 p. p. for the three-year change.

In the period 2013-2023, Serbia exceeded the reference value for the indicator of the activity rate of the population aged 15-64 within the MIP. In 2023, the three-year change in the activity rate of the population aged 15–64 reached the highest value in the entire observed period and amounted to 0.09%. The activity rate has proved quite resilient to the slowdown that began before the pandemic.

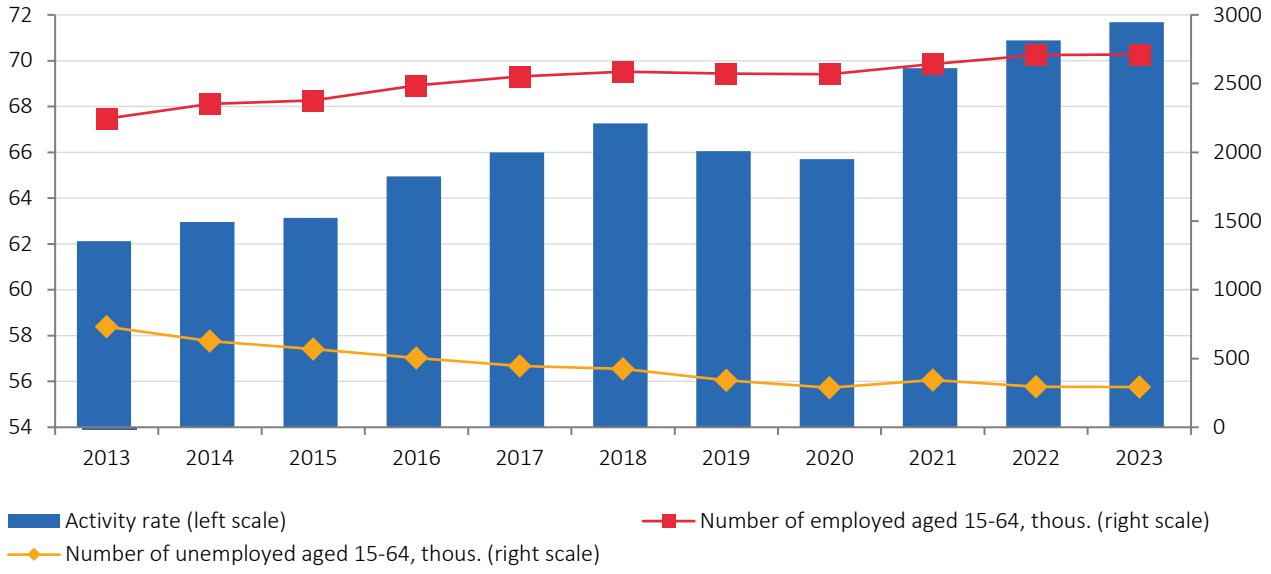
Chart 16.7. Activity rate of the population aged 15-64, three-year moving average, 2013-2023



The activity rate or labour force participation rate shows the degree of labour force activity in the labour market. This means that in 2023, 71.7% of working age population was available and could engage in the production of goods and services.

[30] According to the Labor Force Survey, the population outside the labor force consists of all persons aged 15 and over who are not classified as employed or unemployed.

Chart 16.8. Activity rate of the population aged 15-64, 2013-2023

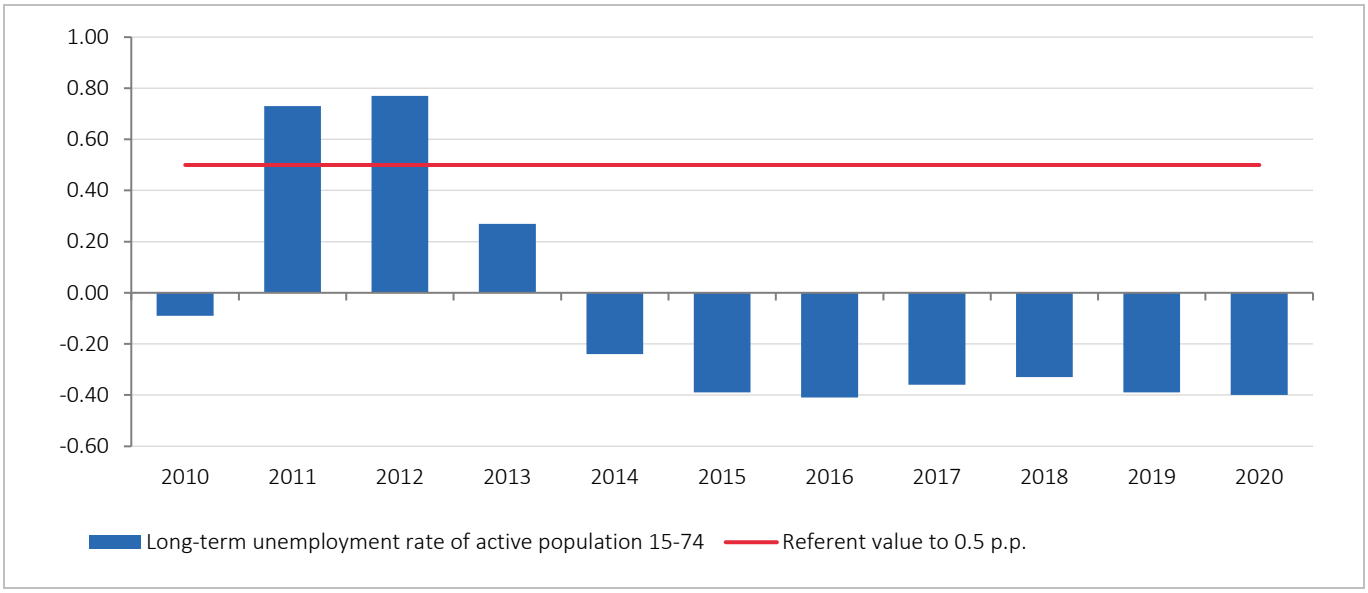


16.9. LONG-TERM UNEMPLOYMENT RATE OF THE ACTIVE POPULATION AGED 15-74 (REFERENCE VALUE OF 0.5 P.P. FOR THE THREE-YEAR CHANGE IN P.P.)

The long-term unemployment rate (state of unemployment for more than a year) represents the percentage share of the long-term unemployed in active population. Monitoring long-term unemployment helps to assess employment trends, since a longer state of unemployment significantly reduces the prospects for re-employment. The decrease in the prospects for re-employment is also associated with psychological moments of discouragement and a kind of stigmatization and, finally, the loss of acquired skills. Also, the social cost of long-term unemployment is high, and it is paid in poverty, growing social exclusion, rising health insurance costs and creating conditions for the appearance of negative forms of social behaviour (violence, crime, etc.). The reference value for this indicator is 0.5 p. p. for the three-year change.

According to this indicator, Serbia was in imbalance in 2011 and 2012, and after that recorded rate values within the reference limits. Although there has been a downward trend in the long-term unemployment rate since 2014, the share of the long-term unemployed in total unemployment (15-74) in Serbia is still high, and in 2020 this share in Serbia amounts to 54.8%. High rates of long-term unemployment indicate insufficiently good functioning of the labour market, which is reflected in the existence of certain obstacles that prevent those who are looking for a job for the first time to start an employment relationship or those who have been employed, to be employed again. In addition, long-term unemployment should be seen as one of the key sources of structural unemployment growth (in addition to high youth unemployment and high participation of early school leavers).

Chart 16.9. Long-term unemployment rate of the active population aged 15-74, three-year moving average, 2010-2020[36]



16.10. UNEMPLOYMENT RATE OF THE ACTIVE POPULATION AGED 15-24 (REFERENCE VALUE OF 2 P.P. FOR THE THREE-YEAR CHANGE IN P.P.)

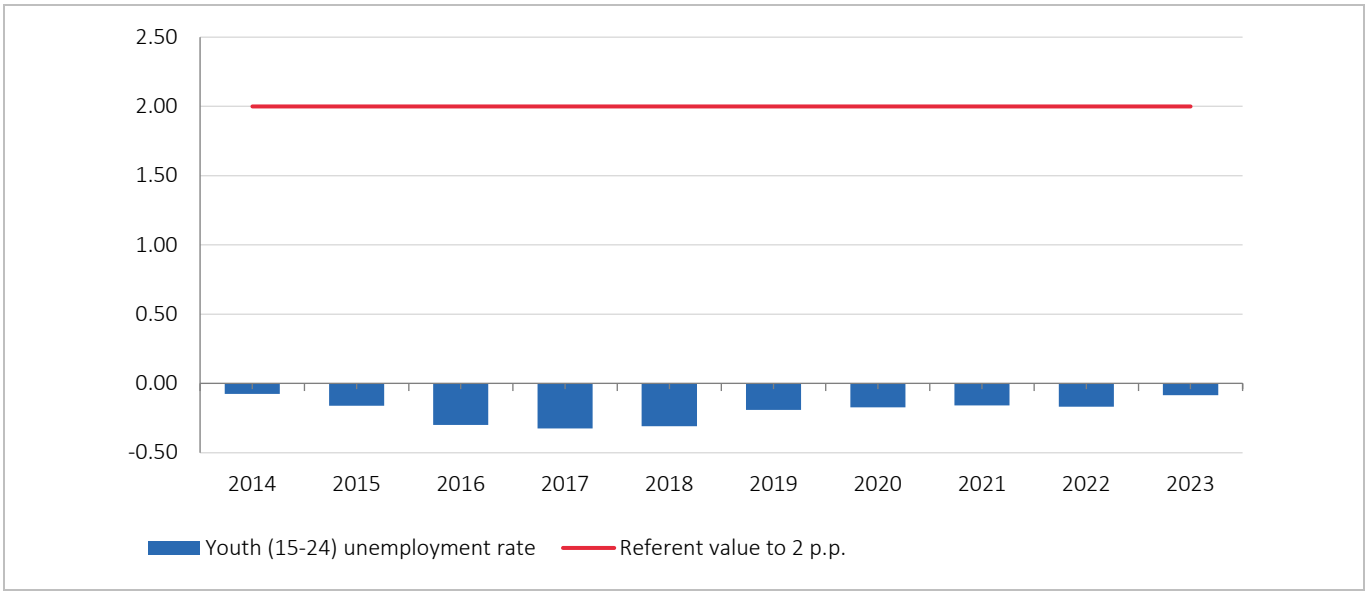
The youth unemployment rate, i.e. the economically active population aged 15 to 24, is an indicator for early warning of worsening conditions on the labour market. It actually signals reduced potential output due to the deterioration of acquired skills and lost earnings in future, with multiple social consequences and increased social exclusion. The reference value set in the Alert Mechanism Report (AMR) for this indicator is the growth of the youth unemployment rate in the last three years by a maximum of 2 p. p.

According to this indicator, Serbia was in balance in the entire observed period. After the highest recorded youth unemployment rate of 52% in 2013, followed the period of continuous reduction of this rate, so that in 2023 it fell to 25%. However, although the position of young people on the labour market has improved, it is still worse relative to other age groups. The youth unemployment rate is still significantly higher than the overall unemployment rate.

The youth unemployment rate (15-24), which amounts to 25% in 2023, is an indicator according to which young people in the Republic of Serbia are in the most unfavourable position compared to young people in the EU, that is, this rate is higher by 10.5 p. p. of the youth unemployment rate in the EU (14.5%).

Despite the achieved economic growth and positive trends in basic labour market indicators in the Republic of Serbia, the position of young people on the labour market requires a systemic intervention aimed at removing the barriers faced by young people on the labour market.

Chart 17.0. Unemployment rate of the active population aged 15-24, three-year moving average, 2014-2023



Despite the challenges faced by the EU economy in 2023, some part of macroeconomic stability has been established through the application of response mechanisms such as the Macroeconomic Imbalance Procedure, fiscal consolidation, as well as investments from EU recovery funds.

According to the European Commission's 2024 Alert Mechanism Report, addressing persistent challenges related to inflationary developments, private sector vulnerabilities, and demographic trends within the EU is key to maintaining the long-term macroeconomic stability of EU countries, which requires continued reforms and cooperation among member states.

When it comes to the EU labour market, it has shown significant resilience despite the slowdown in economic growth during 2022. The unemployment rate continued its downward trend and reached a historic low in 2023 (6.1%), with a simultaneous increase in the employment rate (75.3%). However, despite the evident positive trends, the EU labour market faces challenges such as youth unemployment, relatively low levels of labour mobility within the EU, as well as unfavourable demographic trends, which indicate the need to establish coordinated policies among member states.

Despite the challenging global and regional environment, the economy of the Republic of Serbia has shown significant resilience, as evidenced by GDP growth, record FDI inflows, a reduction in the current account deficit, a high level of foreign exchange reserves, a drop in inflation, as well as positive trends in the labour market.

Economic policymakers in the Republic of Serbia are faced with the imperative of stimulating export capacities, which would undoubtedly alleviate both the foreign trade and current account deficits, but also stimulate the growth of the national economy.

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