Erste Bank analysts: Serbian economy on growth path, but needs institutional framework reforms and further FDI

- Tight race makes outcome of May 11 elections unpredictable
- GDP growth over 6% in 2008
- Controlling external imbalance to remain high on the agenda
- Restrictive monetary policy to continue

The outcome of the presidential elections at the beginning of 2008 clearly showed that the majority of people in Serbia would like to see the country on the road to the European Union. On February 17, Kosovo's temporary parliament formally declared independence for this southern Serbian province, which was supported by a majority of EU members and the US administration, but strongly opposed by the Serbian government, which remains determined to never recognize Kosovo as an independent state. In the aftermath the coalition broke up and new parliamentary elections were scheduled for May 11. The outcome is highly unpredictable - hence, political risk in Serbia remains high, with potential to influence economic developments strongly: "We continue to stick with the scenario that Serbia will remain on the EU track and, in the mid run, continue its successful convergence story. In the short run, the political situation will influence economic performance only mildly. If the situation turns out differently, it would most likely mean a significant negative revision of the forecasts," comments Alen Kovac, the macro analyst of Erste Group.

High GDP growth: Even with 2H07 slow down, overall 2007 showed an excellent performance
Strong domestic demand remained the growth impetus, pushing the service sector up further. The transport and communications sector performed especially well, recording a 24.3% y/y increase, supported by wholesale and retail trade activity (+18.1% y/y) and financial intermediation (+20% y/y). "We expect for the whole 2007 a GDP growth of 7.2% y/y and for 2008 the GDP growth rate at 6.3% y/y, still a reasonably high growth rate," predicts Alen Kovac.

The current account deficit has reached USD 6.9bn, increasing a robust 88% y/y and accounting for an estimated 16.9% of GDP (+5pp with respect to 2006). Stronger domestic demand, the solid exchange rate performance and higher energy prices negatively affected growth rates. Exports, on the other hand, were impacted by the lower level of competitiveness and appreciation of the real exchange rate as well as the negative affect by an administrative decision to ban exports of some agricultural products. FDI inflows were significantly lower than in 2006, accounting for 5.4% of GDP - only slightly above 30% of the total C/A deficit. FDI inflows are expected at around USD 3bn for 2008, but this forecast is sensitive to political conditions. Finally, indebtedness indicators are expected to remain stable, largely due to strong GDP and export performance in nominal terms", states the Erste Group analyst further.

Controlling external imbalance crucial
Serbia still needs to undergo further reforms to improve its institutional framework and attract new FDI - especially with regard to greenfield export-oriented projects. In order to remain on the EU track and resolve open issues, continuing negotiations should be considered a top priority. Currently, a focus on pursuing reforms is not expected, as the government (until the elections) is not expected to raise any controversial issues. Also, it is expect that the privatization process will be put on hold, at least as far as large projects are concerned. Hence, with a fiscal deficit at 2% of estimated GDP, fiscal policy in 2008 should remain prudent, in order not to worsen the external balance and show a positive signal to international investors.

Inflation to remain elevated
The NBS inflation target for 2007 was successfully achieved, as core inflation remained comfortably within the 4-8% target band, standing at 5.4% y/y in December. "On average, we expect the inflation rate at a higher level than in 2007 (around 9%); towards year-end, we see pressures moderating, bringing headline inflation close to the upper band of the NBS range (3-6%)", sums Kovac up.

Fundamentally, the dinar has room to appreciate
At the beginning of 2008, rising political risks related to the presidential election and Kosovo issue again confirmed how fragile the FX market is and how sensitive it is to political risks. Currently, the exchange rate is moving in the 83-84 range, under pressure from the government break-up and new parliamentary elections in May. Still, political risks are currently high and could possibly influence the exchange rate stability if the outcome of the elections results in a deterioration of EU prospects. "Our forecast assumes that the pro-Europe option will prevail in the upcoming elections, thus removing the political risks to some extent and stimulating FX inflows and boosting appreciation pressures in 2H08.“

CEE Research

March 2008

Country Report

Serbia

Macroeconomy

- Tight race makes outcome of May 11 elections unpredictable
- GDP growth over 6% in 2008
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- Restrictive monetary policy to continue

ERSTE BANK

Country Report

http://global.treasury.erstebank.com

Summary

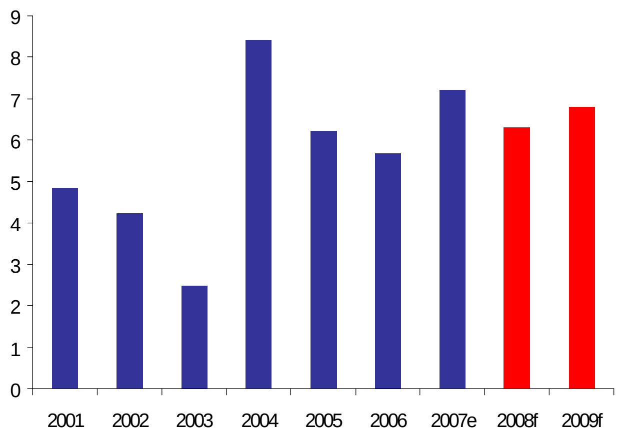
- **Political risks remain high after government break-up and Kosovo independence declaration**
- **EU negotiations are stalled until parliamentary elections**
- **GDP growth is expected to moderate in 2008**
- **External imbalances widened C/A deficit in 2007 to close to 17% of GDP**
- **NBS is in hiking cycle**
- **FX market is under strong political influence**
- **Banking sector catch-up continues**

Summary forecasts

	2001	2002	2003	2004	2005	2006	2007e	2008f	2009f
Real GDP (% y-o-y)	4.8	4.2	2.5	8.4	6.2	5.7	7.2	6.3	6.8
Industrial production (avg.% y-o-y)	0.1	1.8	-3.0	7.1	0.7	4.7	3.3	4.5	7.5
Unemloyment rate (%) - ILO methodology	12.23	13.28	14.63	18.50	20.8	20.9	18.10	17.50	16.5
RPI (average % y-o-y)	91.8	19.5	11.7	10.1	16.5	12.8	6.5	9.2	5.6
Consolidated government balance (% of GDP)	0.0	-1.9	-2.0	0.5	3.9	-3.1	-2.0	-1.5	-1.5
Current account balance (% of GDP)	-2.4	-7.9	-7.2	-11.6	-8.5	-11.8	-16.9	-15.6	-15.3
Net FDI (% of GDP)	1.4	3.0	6.7	3.9	5.9	14.1	5.4	6.0	8.4
Gross external debt (% of GDP)	94.4	70.8	66.8	57.5	59.1	63.0	64.3	63.3	70.4
Gross external debt (% of exports)	455.9	378.3	343.5	272.1	234.7	228.1	222.1	217.0	211.8
Exchange rate (EUR/RSD) annual average	59.78	60.68	65.05	72.57	82.92	84.16	79.98	82.00	79.00

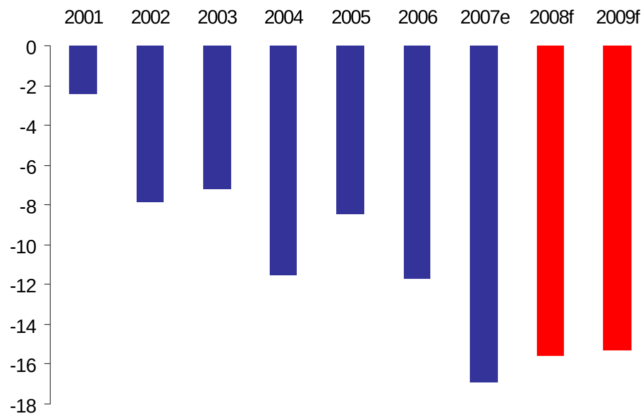
Source: SORS,NBS, EB, MoF

Real GDP, y/y, in %



Source: SORS, Erste Bank

Current account balance (% of GDP)



Source: NBS, Erste Bank

Politics

Outcome of presidental elections was clearly pro EU

The political situation has continued to attract heavy public interest. The beginning of 2008 brought presidential elections. As one could have expected, the outcome was tight, as the race between Democratic Party (DS) candidate Boris Tadic and Serbian Radical Party (SRS) candidate Tomislav Nikolic was close to the very end. Tadic won 50.49% against 47.93% for Nikolic. The importance of the election was indicated by the highest turnout in Serbia's modern history, as more than 67.6% of people cast ballots. The outcome of the elections somewhat lowered the political risks and clearly showed that the majority of people in Serbia would like to see the country on the road to the European Union. In the aftermath, the government should have signed the 'political understanding' agreement with the EU, followed (finally) by the Stabilization and Association Agreement, but this did not happen.

Nevertheless, another important issue remained unresolved, as the status of Kosovo remained opened. However, on February 17, Kosovo's temporary parliament formally declared independence for this southern Serbian province. The decision was supported by a majority of EU members and the US administration, but strongly opposed by the Serbian government, which remains determined to never recognize Kosovo as an independent state. Tensions were high, resulting in mass protests and some violence, but this eventually calmed down. As expected, the Serbian government has strong support from Russia and many other countries are reluctant to recognize Kosovo's independence. Intensified diplomatic activity is underway to bring Kosovo back to negotiations and there is still no unified stance on the issue.

Ruling coalition broke up over Kosovo issue

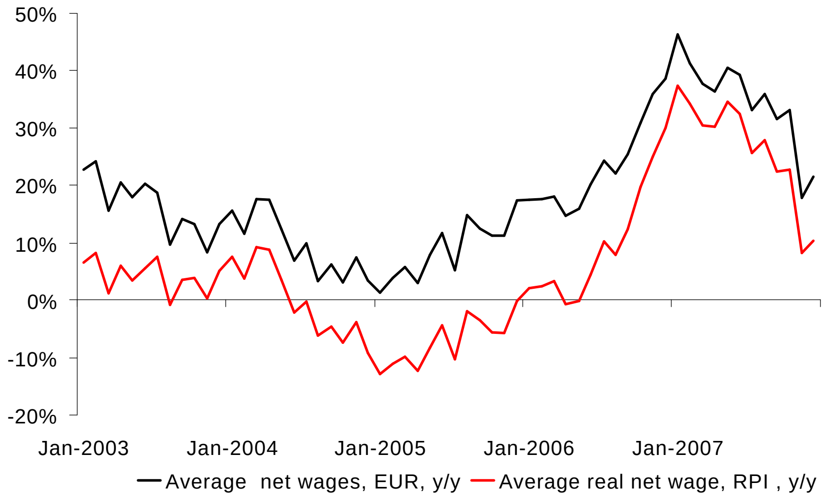
Meanwhile, the coalition started to break apart, as PM Vojislav Kostunica and the Serbian Radical Party supported the resolution to halt all negotiations on EU integration until Kosovo's independence is annulled. President Tadic and G17+ suggested that Serbia should join the EU and continue efforts to bring Kosovo back within its borders. In the end, the inability to find a unified policy on this important issue brought the government to an end and new parliamentary elections are scheduled for May 11. Hence, once again, citizens will cast ballots to decide on the future and, as always, the outcome is highly unpredictable - the pro-European coalition will face rising nationalist tensions and likely increased support for the radical option. Hence, political risk in Serbia remains high, with potential to influence economic developments strongly; 2007 showed that political developments can influence economic variables significantly. We continue to stick with the scenario that Serbia will remain on the EU track and, in the mid run, continue its successful convergence story. In the short run, the political situation will influence economic performance only mildly. If the situation turns out differently, it would most likely mean a significant negative revision of the forecasts.

Labor market, reforms and fiscal policy

Labor market overall on an improving trend

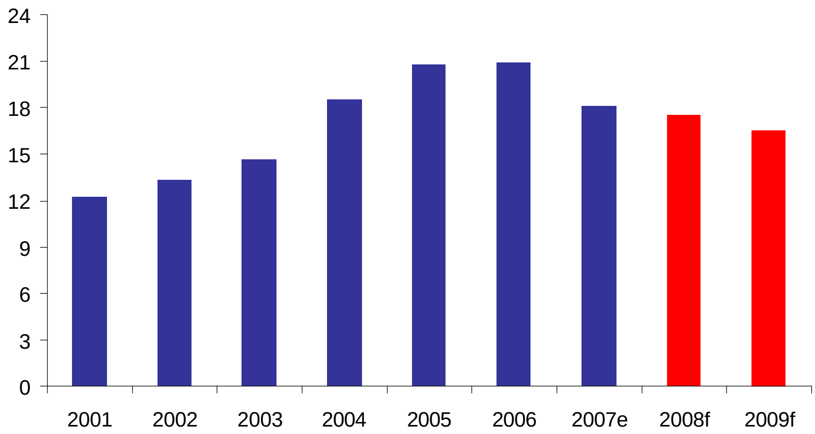
Labor market trends have shown some improvement recently, as the labor force survey for 2007 indicated a strong decline of the unemployment rate, from 20.9% in 2006 to 18.1% last year. Also, employment figures showed only a marginal deterioration since the last survey (March 2007) and an employment decline of 3ths. Employment at legal entities remained on a downward trajectory, albeit exhibiting much slower dynamics. SME segment employment showed some signs of recovery in the past half-year. The high unemployment rate remains one of the key challenges for policymakers. We continue to see a moderating unemployment rate, although a more significant decline would likely be jeopardized by eventual restructuring and privatization of some public enterprises, which would have a negative effect on the overall employment level. Wage growth remained high (20%+), falling only in December. Wage growth in euro terms has been lower, due to depreciation pressures, while in real terms, wage growth has slowed down significantly, due to accelerating inflation.

Wages



Source: NBS, SORS

Unemployment rate - ILO methodology

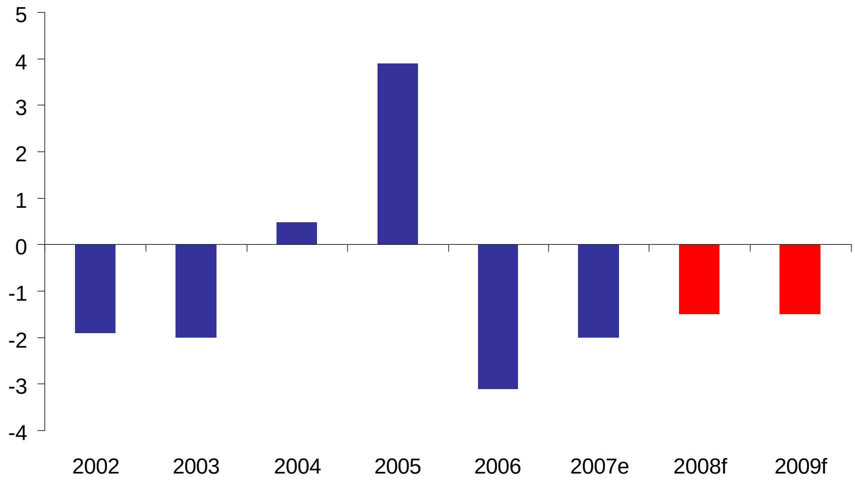


Source: SORS, Erste Bank

Controlling external imbalance crucial

Serbia still needs to undergo further reforms to improve its institutional framework and attract new FDI (especially greenfield export-oriented projects). Failing to do so and not improving the balance of payment trends would mean a continuation of high external imbalances, putting pressure on the indebtedness level and raising concerns over the long-term sustainability of domestic demand-driven GDP growth. In order to remain on the EU track and resolve open issues, the continuation of negotiations should be considered a top priority. Currently, significant dedication to pursuing reforms is not expected, as the technical government (until the elections) will not open any important issue. Also, the privatization process will be stalled, at least as far as big projects are concerned. In such a situation, fiscal policy is gaining in importance. Hence, after fiscal expansion in 2H07 (note: in 1H07, the budget was running on a temporary scheme, as no government had been formed, thereby limiting budget expenditures) and a fiscal deficit at 2% of estimated GDP, fiscal policy in 2008 should remain prudent, in order not to worsen the external balance and show a positive signal to international investors. Serbia currently has no formal agreement with the IMF, although, in the current turbulent global environment, one would be useful to further strengthen the country's external position.

Consolidated government balance (% of GDP)



Source: NBS, Erste Bank

Real sector, balance of payments and foreign debt

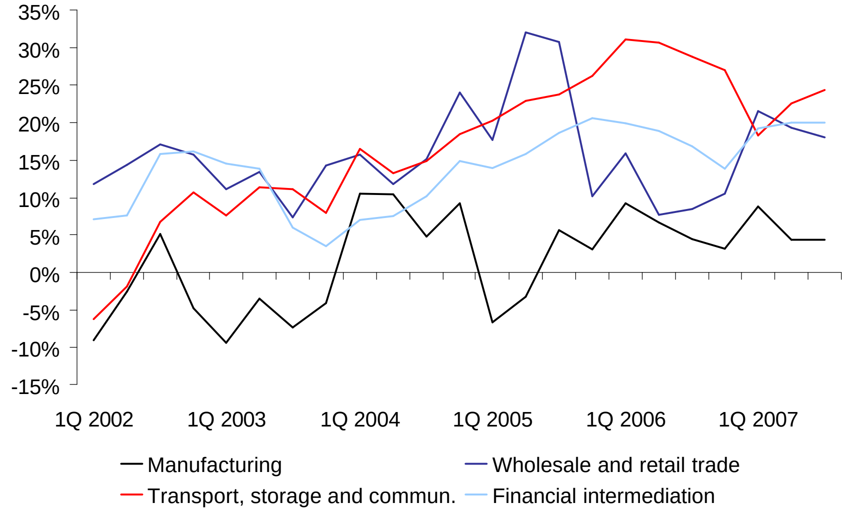
Even with 2H07 slowdown, growth was outstanding in 2007

After the buoyant economic activity in 1H07, 2H07 brought a slowdown. The 3Q GDP figure posted 7.2% y/y growth, thus moderating after the 8.1% y/y and 7.5% y/y growth recorded in 1H07 (1H07 was also revised downwards). Strong domestic demand remained the growth impetus, pushing the service sector up further. The transport and communications sector performed especially well, recording a 24.3% y/y increase, supported by wholesale and retail trade activity (+18.1% y/y) and financial intermediation (+20% y/y). As expected, agricultural production's contribution was negative (-8.7% y/y), due to adverse weather conditions. Construction activity also recorded a slowdown (-2.2% y/y), while manufacturing activity maintained its roughly +4% pace from the previous quarter. We expect economic activity to have further moderated in 4Q07, bringing the GDP growth rate into the 6-6.5% y/y region. The contribution of manufacturing activity should be low, declining with respect to previous quarters. Industrial production was to some extent influenced by exogenous factors such as an overhaul at the US Steel plant (with a significant negative effect on basic metal production). Construction activity indicators are showing some mixed signals. Hence, the contribution of the construction sector should be around zero. The service sector should continue to push strongly in 4Q, despite the deterioration of purchasing power and declining real wages. Domestic demand should further profit from strong credit growth and fiscal loosening underway in 2H07. Finally, that brings us to the FY07 forecast of 7.2% y/y, confirming the strong upswing in economic performance in 2007.

Slight slowdown expected for 2008

What will 2008 bring? Agricultural production should remain dependent on weather conditions. Construction activity should be overall supportive, as investment activity should accelerate on the basis of strong corporate sector lending and a continuation of the National Investment Program. Manufacturing activity should accelerate slightly with respect to 2007, but stronger performance should be prevented by deteriorating competitiveness and lower external demand. The service sector will again contribute a lot to economic performance, but on average we expect some moderation of growth rates, albeit remaining comfortably in the double-digit region. Accelerating inflation rates could have a negative effect on purchasing power. However, towards year-end, we see inflationary pressures at lower levels, again supporting domestic demand. The external environment should also slow down. Hence, the room for external demand to offset the pressures is limited. We see the GDP growth rate in 2008 at 6.3% y/y, still a reasonably high growth rate.

GDP growth structure

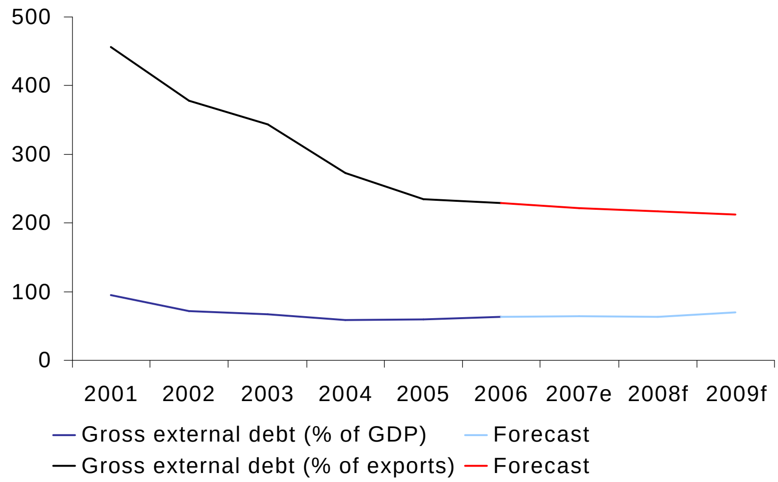


Source: SORS

Consumption spending and fixed capital formation contributed to current account deteriotation

The current account, on the other hand, suffered from the structure of GDP growth, and the imbalances were further boosted by some exogenous factors. Hence, the C/A deficit reached USD 6.9bn, increasing a robust 88% y/y and accounting for an estimated 16.9% of GDP (+5pp with respect to 2006). The merchandise account deficit increased by 42%, accounting for USD 8.8bn. Stronger domestic demand, the solid exchange rate performance and higher energy prices negatively affected growth rates. Exports, on the other hand, were impacted by the lower level of competitiveness and appreciation of the real exchange rate. Exports were also negatively affected by an administrative decision to ban exports of some agricultural products, due to shortages blamed on the draught-stricken summer and the slowdown of industrial production (due to the overhaul at the US Steel plant). Looking at the structure of imports, a shift towards investment goods occurred (+56% y/y). Nevertheless, both intermediary and consumer goods also grew strongly, which was in line with the assumption that fixed capital formation picked up, but was also accompanied by consumption spending.

Gross external debt



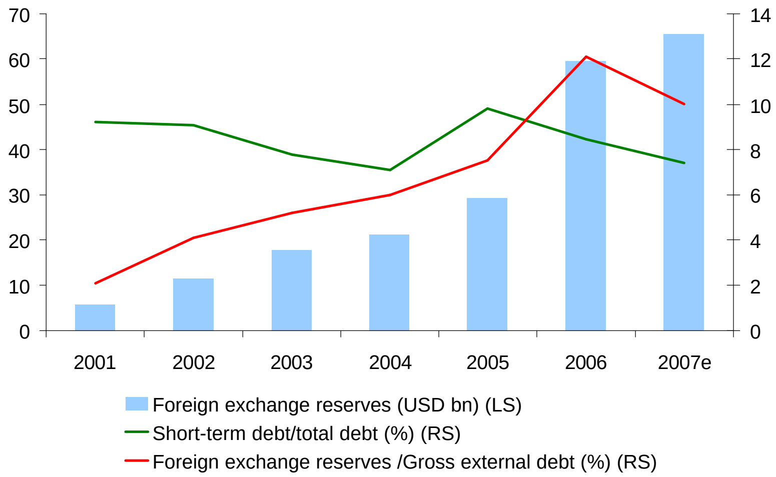
Source: NBS, Erste Bank

The service sector account again offered little movement, standing close to a zero balance and having a neutral effect on the current account performance. The income account deficit increased significantly in 2007 (+74% y/y), largely due to higher outflows. This is not a surprise, given the higher global interest rates and dividend payouts. Current transfers as usual had an important offsetting effect (USD 2.4bn, -15% y/y), but were not sufficient to offset the negative trends in the balance of payments. The financing side also worsened, as the proportion of debt financing increased. FDI inflows were significantly lower than in 2006, accounting for 5.4% of GDP - only slightly above 30% of the total C/A deficit. Net FDI figures were influenced by a large FDI outflow related to the purchase of Telekom Srpska. Nevertheless, as this transaction was financed via foreign credit, the effect on the BoP was neutral.

External imbalance to remain high in 2008

Debt financing accelerated, as a result of higher corporate sector direct foreign borrowing, while banks relied on financing through capital increases, boosting FDI inflows. Foreign debt growth thus accelerated to 34% y/y, reaching USD 26.2bn, or 64.1% of estimated GDP. The total debt to exports ratio remained high at 220%, but exhibited a downward trend, albeit a very mild one. Foreign exchange reserves remained comfortably high at USD 13.1bn, covering half of total foreign debt. The proportion of short-term debt was still low at 7.4%, hence reducing the sensitivity to short-term capital flow volatility. External imbalances remain high, having widened in 2007. At present levels, the calls for consolidation are getting louder and Serbia is becoming increasingly dependent on steady capital flows. Export performance should remain robust and we do not anticipate a significant slowdown from unfavorable real exchange rate movements, as the problem is more of a structural nature. Import trends should also remain at a high level, driven by both consumer and capital goods imports. Hence, in 2008, we anticipate high C/A levels - only slightly below the 2007 level. FDI inflows are expected at around USD 3bn, but this forecast is sensitive to political conditions. Finally, indebtedness indicators are expected to remain stable, largely due to strong GDP and export performance in nominal terms.

Foreign exchange reserves



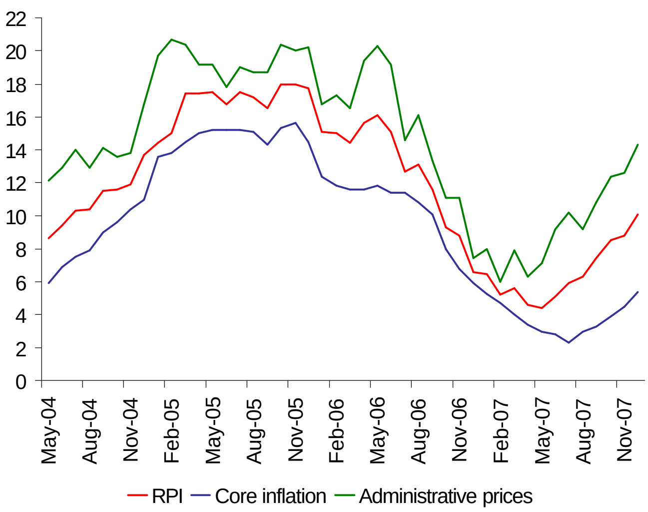
Source: NBS, Erste Bank

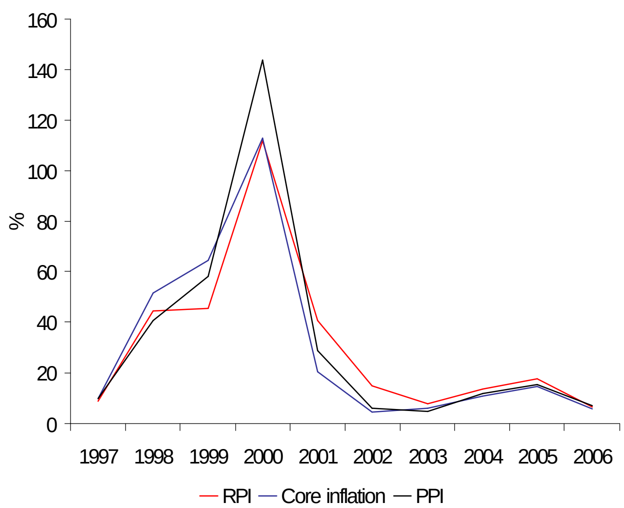
Inflation and exchange rate

Inflation increase mainly due to global factors so far, but pressure from domestic demand will remain

The NBS inflation target for 2007 was successfully achieved, as core inflation remained comfortably within the 4-8% target band, standing at 5.4% y/y in December. Nevertheless, 2H07 brought stronger than expected inflationary pressures and an upswing in headline inflation to 10.1% y/y in December, bringing inflation back to the double-digit region. Where did the pressures come from? Supply-side pressure dominated, as food prices increased, due to adverse weather conditions and overall global pressure on food price levels, having a hefty effect on the overall inflation performance. On top of that, several other factors also spurred inflation pressures - oil prices induced a spill-over effect on other prices. Fiscal expansion in 4Q was particularly strong, accompanied by strong credit and wage growth, which fuelled demand pressure. Also, we should take into account the negative base effect contribution, due to the low base from the end of 2006 and 1H07. Hence, inflation is expected to remain on an upward trajectory, as domestic demand should remain strong and supply-side pressure should not significantly moderate (at least in 1H08), which, in combination with the low base, means y/y rates at higher levels. Meeting the NBS' 3-6% band in 2008 will be challenging and will depend on external factors; further negative shocks would lower the likelihood of meeting the target. 2008 could also bring higher inflation expectations. Up to now, higher inflation figures have influenced real wage growth, but have not affected nominal wage growth. On average, we expect the inflation rate at a higher level than in 2007 (around 9%); towards year-end, we see pressures moderating, bringing headline inflation close to the upper band of the NBS range.

Inflation developments





Source: NBS

FX-market saw high volatility during the last several months

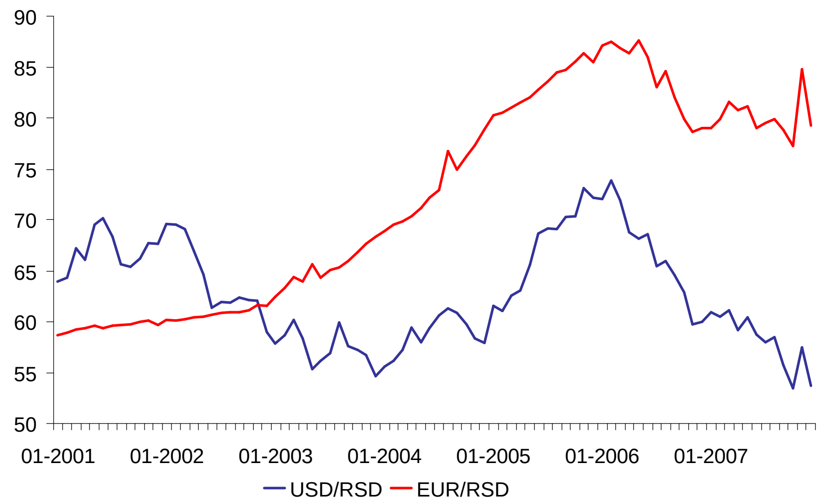
In recent months, the FX market saw a lot of volatility and strong exchange rate oscillations. The beginning of 4Q brought strong appreciation pressures and the exchange rate moving outside the broadly stable 78-82 range, in which it had hovered in previous quarters. Appreciation to below 77 RSD per EUR was triggered by strong FX inflows, due to banking sector capital intakes and intensified corporate sector foreign borrowing. The trend soon reversed and, due to political uncertainties, depreciation pressures mounted quickly, bringing the exchange rate to the 85 level, thus depreciating by over 10% in a short period of time. The situation calmed down and the exchange rate soon returned to the 78-80 band. At the beginning of 2008, rising political risks related to the presidential election and Kosovo issue again confirmed how fragile the FX market is and how sensitive it is to political risks. Currently, the exchange rate is moving in the

83-84 range, under pressure from the government break-up and new parliamentary elections in May.

Exchange rate to appreciate in 2H08, short term political risks prevail

The exchange rate outlook is dimmed. We stick to the scenario that, in the mid run, appreciation pressures will be dominant, due to strong FX inflows from various channels. Still, political risks are currently high and could possibly influence the exchange rate stability if the outcome of the elections results in a deterioration of EU prospects. The stock of international reserves is high and the NBS would be able to control the exchange rate, at least in the short run. We see exchange rate stability as an important prerequisite for inflation rate stability and inflation rate expectations, as the exchange rate channel is still strong in Serbia, especially in the upward direction. Our forecast assumes that the pro-Europe option will prevail in the upcoming elections, thus removing the political risks to some extent and stimulating FX inflows and boosting appreciation pressures in 2H08. The NBS will not formally target an exchange rate, but should continue to enter the FX market in case of short-term imbalances, especially in the depreciation direction. The NBS is to continue to support the dinar by influencing the interest rate differential, as in early March, when the NBS hiked the 2W rate by 300bps to 14.5%

Exchange rate



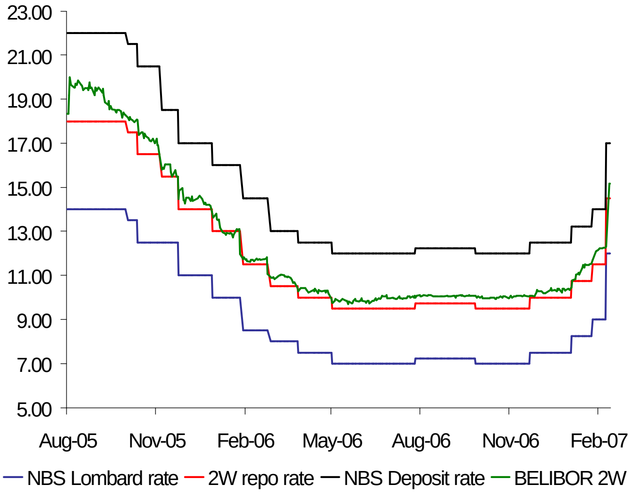
Source: NBS

Monetary policy and banking sector

Interest rates to remain high for most of this year

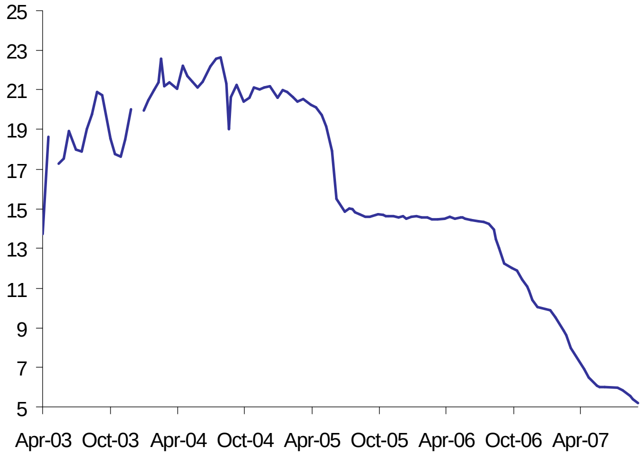
As we presumed, the NBS easing cycle ended in 1H07 and the bank entered a hiking mode. After raising the 2W key rate for the first time in August (+25bps), the NBS again nudged it up 25bps at the very end of October, setting the rate at 9.5%. The rationale at that point was that supply-side pressures would diminish and exchange rate appreciation would support inflation movements. Soon, the perception changed and the NBS decided to tighten its stance, more aggressively hiking with a 50bps move in late December and another two moves up in February by 75bps each, bringing the rate to 11.5%. This sent a clear signal to the markets and lowered the demand pressures. March again brought another harsh reaction, as the NBS hiked by 300bps to 14.5%, driven by continued high inflation rates and rising inflation fears, as well as political instability. After lower interest at NBS REPO tenders in 1H07, the second half brought an upward trend, despite declining real interest rates bringing the sterilized amount above RSD 200bn. In 2008, the NBS is expected to remain cautious and keep the rates at higher levels, but with an expected decline towards year-end in a scenario of diminishing inflation pressures and a stronger dinar.

MM rates



Source: Reuters, NBS

91-day T-bill rate



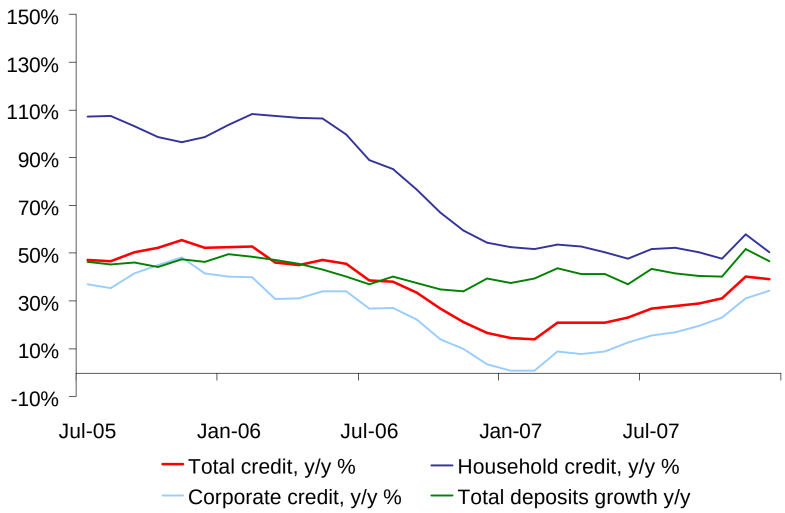
Source: Ministry of Finance

New NBS measure to restrict household loans

Prudential measures changed to a lesser extent. The reserve requirement was modified slightly, as the dinar base reserve requirement was lowered to 5% for term deposits with the maturity over one month, in an effort to further shift preferences towards dinar deposits. Also, as announced at the beginning of 2008, banks have to limit consumer loans to households to 150% of the bank's capital, in order to further moderate household credit growth. Banking sector trends remained relatively stable. Banks continued to avoid using external sources of financing and relied on capital increases, as capital increased by a robust 49% y/y in 2007. These capital increases were due to regulatory requirements aimed at keeping the lending business running. On the other hand, capital remains the most acceptable financing channel.

Lending activity further accelerated in 2H07, recording +39.2% y/y at the end of 2007. To some extent, the acceleration can be explained by the weaker dinar, which affected FX-linked placements. A strong impetus for growth came from corporate sector credit, which accelerated from practically zero to 34.5% y/y at the end of 2007. The lower base and higher orientation among banks toward the corporate segment (due to monetary regulations aiming to moderate household credit) spurred the growth. Household credit

Credit and deposits



Source: NBS

maintained high growth rates in the region (around 50% y/y). However, the structure of the credit activity changed, as housing loans were especially propulsive, growing at a 90% y/y pace.

Strong increase of domestic deposits

Deposit activity was also robust, as total deposit growth accelerated to 47% y/y, driven by the strong household contribution (+45.9% y/y), which was additionally supported by a savings promotion in November (banks offered more attractive interest rates, as there was no deposit reserve requirement). The corporate sector performed even more robustly, as deposits grew by 61% y/y. The reason for the strong performance can be found in corporate sector foreign borrowing, which translated into higher domestic deposit stock. Also, the gradual shift towards pure dinar financing also continued, as a proportion of dinar deposits in total savings and term deposits increased to 21.6% (from 18.2% a year earlier).

In 2008, we anticipate monetary trends maintaining a relatively robust pace, continuing the catch-up process. The structure of the business should not alter dramatically, and the NBS is expected to keep its stance tight. Money market rates continued to follow shifts in the 2W key rates, hovering in the ± 2.5% band. T-bill auctions saw little action, offering a further rate decline of 80bps to 4.4%, thus continuing to offer unattractive returns. The bond market remained thin, recording a turnover decline, while the yield curve maintained its inverted shape.

Alen Kovac

Summary table

	2001	2002	2003	2004	2005	2006	2007
Area (square km, without Kosovo)	88,361	88,361	88,361	88,361	88,361	88,361	88,361
Population (mn, without Kosovo)	7.5	7.5	7.6	7.6	7.6	7.6	7.6
Macroeconomy							
Real GDP (% y-o-y)	4.8	4.2	2.5	8.4	6.2	5.7	7.2
Industrial production (avg.% y-o-y)	0.1	1.8	-3.0	7.1	0.7	4.7	3.3
Unemloyment rate (%) - ILO methodology	12.23	13.28	14.63	18.50	20.8	20.9	18.10
GDP Constant Prices 2002 (RSD bn)	*979*	*1,020*	*1,046*	*1,134*	*1,204*	1,273	1,364
GDP Current Prices (RSD bn)	*784*	*1,020*	*1,172*	*1,431*	*1,750*	2,086	2,383
GDP Current Prices (EUR bn)	13.1	16.8	18.0	19.7	21.1	24.8	29.8
GDP Current Prices (USD bn)	11.8	15.8	20.4	24.5	26.2	31.1	40.8
GDP per capita (USD)	1,567	2,110	2,678	3,225	3,452	4,091	5,365
GDP per capita (EUR)	1,748	2,242	2,370	2,595	2,777	3,262	3,920
Prices							
RPI (average % y-o-y)	91.8	19.5	11.7	10.1	16.5	12.8	6.5
RPI (end-year % y-o-y)	40.7	14.8	7.8	13.7	17.7	6.6	10.1
PPI (average % y-o-y)	29.0	6.2	4.6	12.0	15.4	14.0	5.9
Core Inflation (% y-o-y)	20.5	4.4	6.1	11.0	14.5	5.9	5.4
Wage rates (% y-o-y, nominal)	129.6	51.7	25.3	23.7	24.1	24.4	28.0
Fiscal balance (% of GDP)							
Consolidated government balance	0.0	-1.9	-2.0	0.5	3.9	-3.1	-2.0
Total public debt	106.5	73.7	67.9	53.7	46.2	38.8	30.5
External balance							
Exports (USD bn)	1.8	2.2	2.9	3.7	5.0	6.5	8.9
Imports (USD bn)	4.1	5.4	7.2	10.4	10.3	12.7	17.7
Trade balance (USD bn)	-2.3	-3.2	-4.3	-6.6	-5.3	-6.2	-8.8
Trade balance (% of GDP)	-19.6	-20.4	-21.2	-27.1	-20.2	-20.0	-21.7
Current account balance (USD bn)	-0.3	-1.2	-1.5	-2.8	-2.2	-3.7	-6.9
Current account balance (% of GDP)	-2.4	-7.9	-7.2	-11.6	-8.5	-11.8	-16.9
Net FDI (USD bn)	0.2	0.5	1.4	1.0	1.6	4.4	2.2
Net FDI (% of GDP)	1.4	3.0	6.7	3.9	5.9	14.1	5.4
Export volume (% y-o-y)	13.8	21.5	32.7	26.9	33.4	30.5	36.6
Import volume (% y-o-y)	25.1	31.8	33.2	43.1	-1.1	23.9	39.1
Foreign exchange reserves (USD bn)	1.2	2.3	3.6	4.2	5.8	11.9	13.1
Debt & international liqudity indicators							
Gross external debt (USD bn)	11.1	11.2	13.6	14.1	15.5	19.6	26.2
Gross external debt (% of GDP)	94.4	70.8	66.8	57.5	59.1	63.0	64.3
Gross external debt (% of exports)	455.9	378.3	343.5	272.1	234.7	228.1	222.1
Foreign exchange reserves /Gross external debt (%)	10.5	20.4	26.1	30.1	37.7	60.7	50.0
Interest and exchange rates							
2-weeks Repo Rate						14.0	10.0
3-month interest rate (T-bill avg %)	N/A	N/A	18.4	21.2	16.9	13.4	6.4
Broad money supply M3 (% y-o-y)	202.0	52.5	27.9	32.0	42.0	38.3	42.4
Exchange rate (USD/RSD) year-end	67.67	58.98	54.64	57.94	72.22	59.98	53.73
Exchange rate (USD/RSD) annual average	66.68	64.46	57.56	58.39	66.70	67.10	58.44
Exchange rate (EUR/RSD) year-end	59.71	61.52	68.31	78.89	85.50	79.00	79.24
Exchange rate (EUR/RSD) annual average	59.78	60.68	65.05	72.57	82.92	84.16	79.98

Source: SORS,NBS, EB, MoF

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