

## SERBIA ECONOMY REPORT

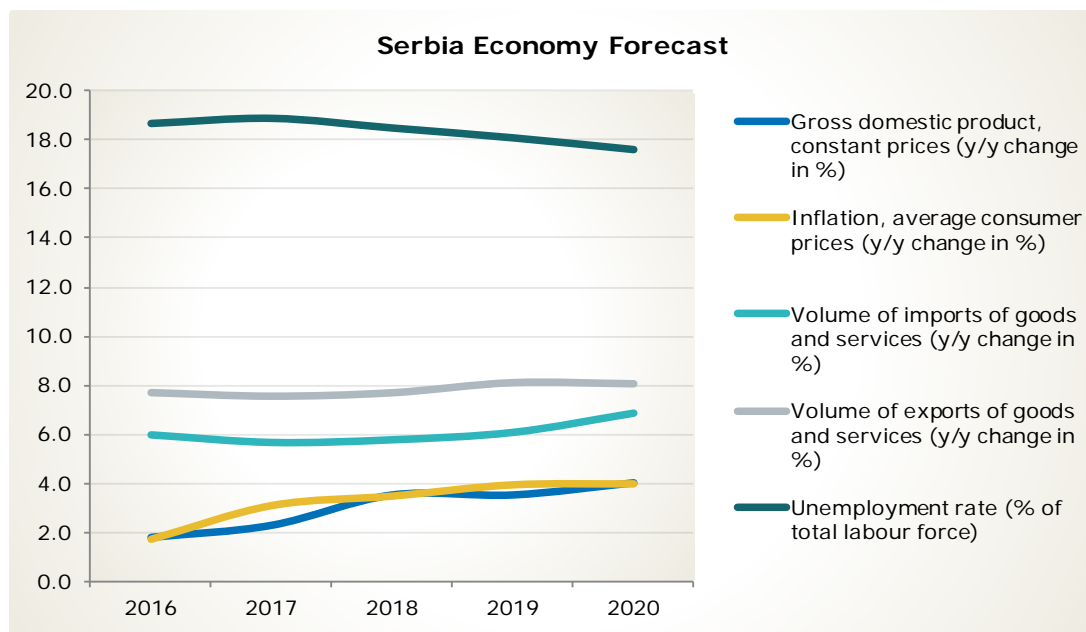
Q1 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

SERBIA – MACROECONOMIC SNAPSHOT AS OF Q1 2016	
<b>GDP Growth</b>	3.5% y/y
<b>Industrial output</b>	10.5% y/y
<b>Industrial sales</b>	7.2% y/y
<b>Retail sales</b>	8.4% y/y
<b>Average annual inflation</b>	1.5%
<b>Unemployment rate</b>	19.0%
<b>Number of building permits</b>	253 (data is for Jan-Feb 2016)
<b>Money supply growth</b>	7.9% y/y
<b>Household loans</b>	5.4% y/y
<b>BELEX15 blue-chip index</b>	-9.6% y/y
<b>Gross external debt</b>	EUR 25.926 bln
<b>Current account gap</b>	EUR 248.5 mln
<b>FDI inflow</b>	EUR 392.4 mln
<b>Foreign trade deficit</b>	EUR 892.2 mln
<b>Number of foreign tourist overnights</b>	24.0% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

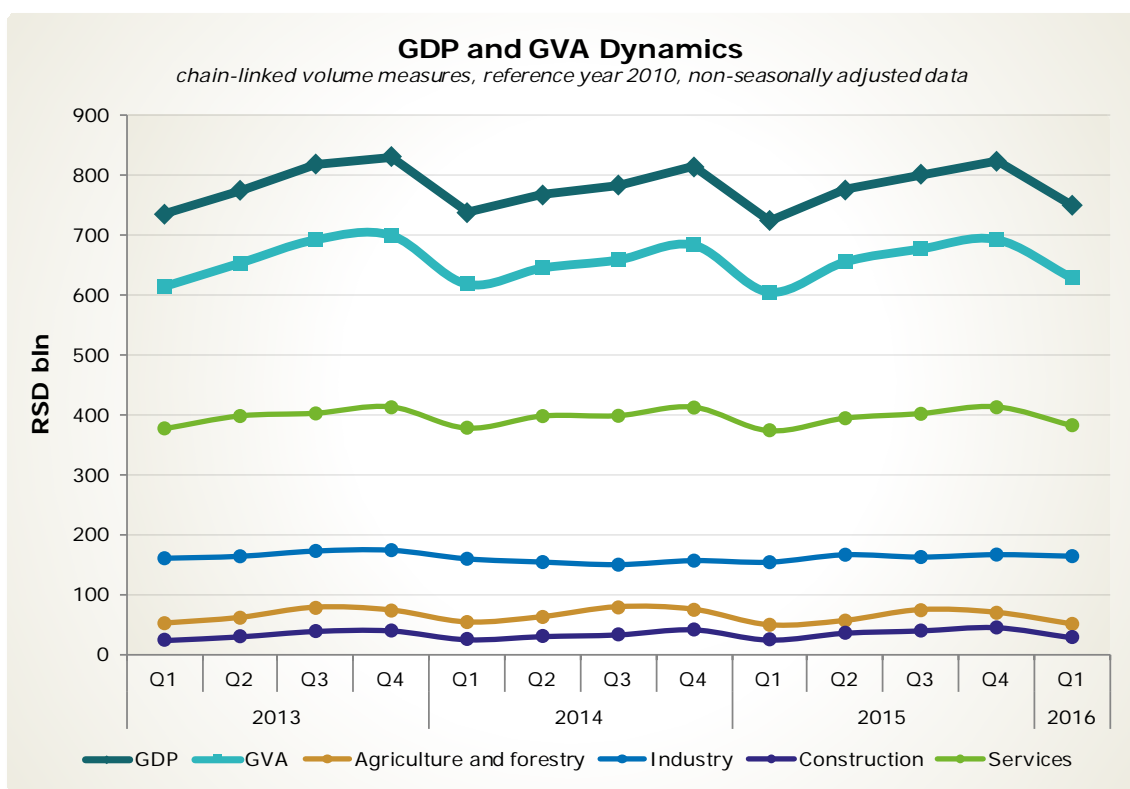
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

#### GDP went up by 3.5% y/y in Q1 2016

Serbia's GDP, including changes in inventories and net acquisition of valuables, increased by a real 3.5% y/y and totalled RSD 749.4 bln in Q1 2016, according to preliminary data of the Statistical Office of the Republic of Serbia (SORS).

Final consumption grew by 1.2% y/y to RSD 707.9 bln. Gross capital formation rose by 7.9% on the year to RSD 136.0 bln. Exports and imports also grew, by 11.5% and 4.7% y/y, respectively.



Source: SORS

The gross value added (GVA) generated by the national economy increased by 4.0% y/y in Q1 2016 and totalled RSD 628.5 bln. The industrial sector grew in value by 6.6% y/y, and its share in the GVA structure rose to 26.1% from 25.5% in the previous year. The services sector recorded a 2.3% annual increase, slicing a 60.8% share in the GVA, down from 61.9% in Q1 2015. Construction sector's GVA grew by 15.0% to RSD 28.997 bln and accounted for 4.6% of the total GVA, up from 4.2% a year earlier. The agricultural sector registered an annual rise of 3.0% but its share in the GVA narrowed to 8.1%, from 8.2%.

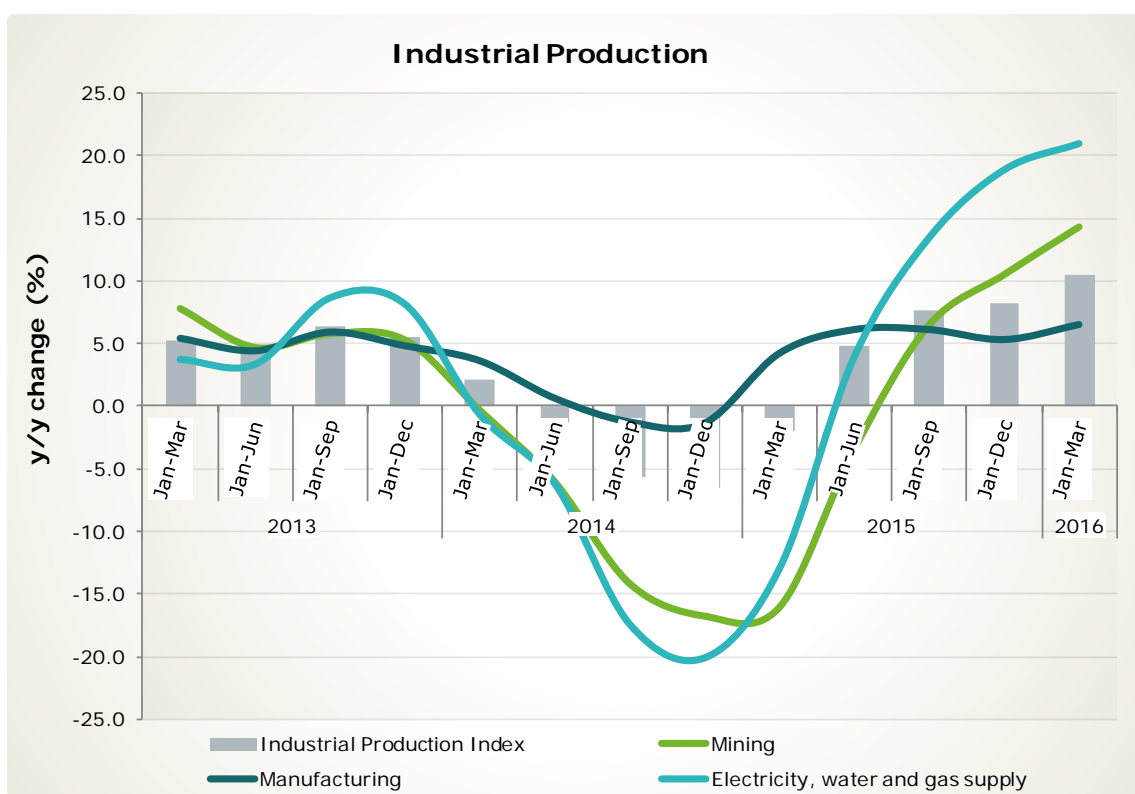
## 2.2. INDUSTRIAL OUTPUT

### *Industrial output went up by 10.5% y/y in January - March 2016*

The industrial output grew by 10.5% on the year in January to March 2016, according to SORS. The electricity, water and gas supply sector reported the highest annual increase, of 20.9%, followed by the mining and manufacturing sectors, where production rose by 14.3% and 6.5%, respectively.

Other manufacturing was the segment with the highest annual production growth, of 50.5%, followed by printing and reproduction of recorded media with 47.8%, and manufacture of other transport equipment, up by 44.1% y/y.

On the other end was manufacture of textiles, which reported an annual drop of 33.3%. The output of manufacture of machinery and equipment fell by 12.2% and the manufacture of motor vehicles, trailers and semi-trailers dropped by 11.0%.



Source: SORS

## 2.3. WHOLESALE/RETAIL

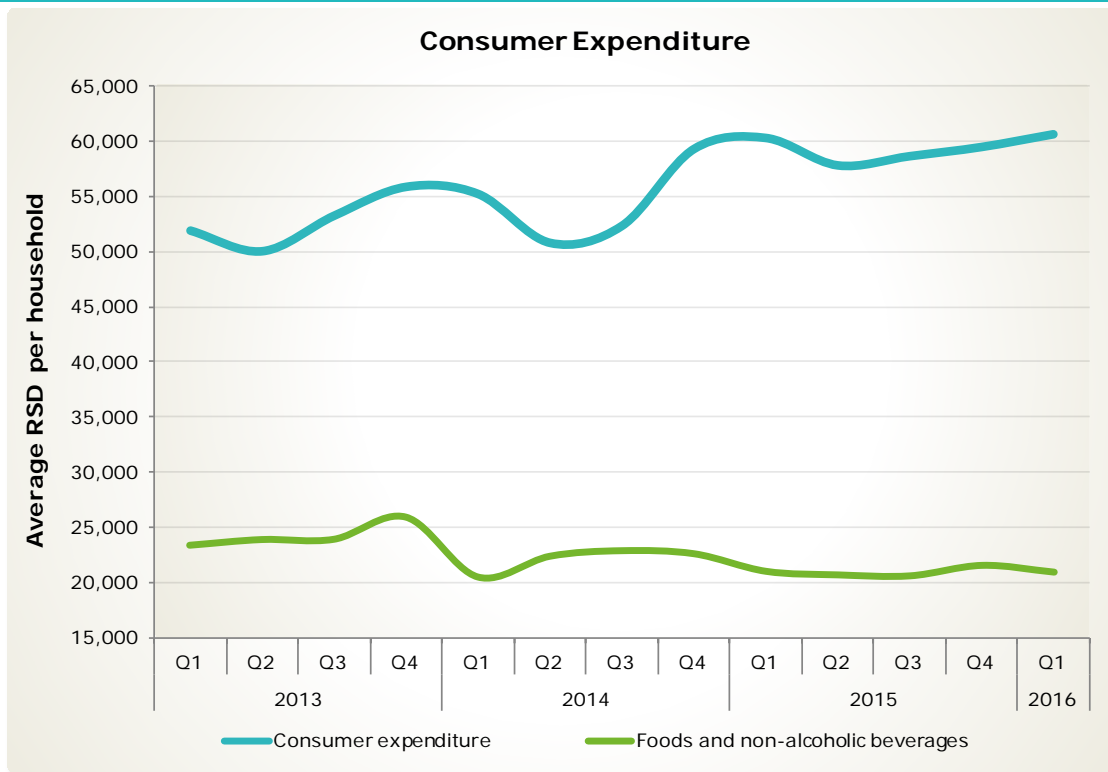
### Retail sales grew by 8.4% y/y in January - March 2016

In the first three months of 2016, the retail sector increased by 8.4% y/y, according to SORS. During the months in the period, the sharpest annual rise in retail sales was registered in March – 11.1%, while in February they grew by 7.1%, followed by 6.9% in January.



Source: SORS

Consumer expenditure inched up by 0.5% y/y to RSD 60,626 per household in Q1 2016. Expenditure on food and non-alcoholic beverages had the highest share in the total consumer expenditure, of 34.5%, followed by expenditure on housing, water, electricity, gas and other fuels with a 17.3% share and transport expenditure, which sliced a 9.4% share.



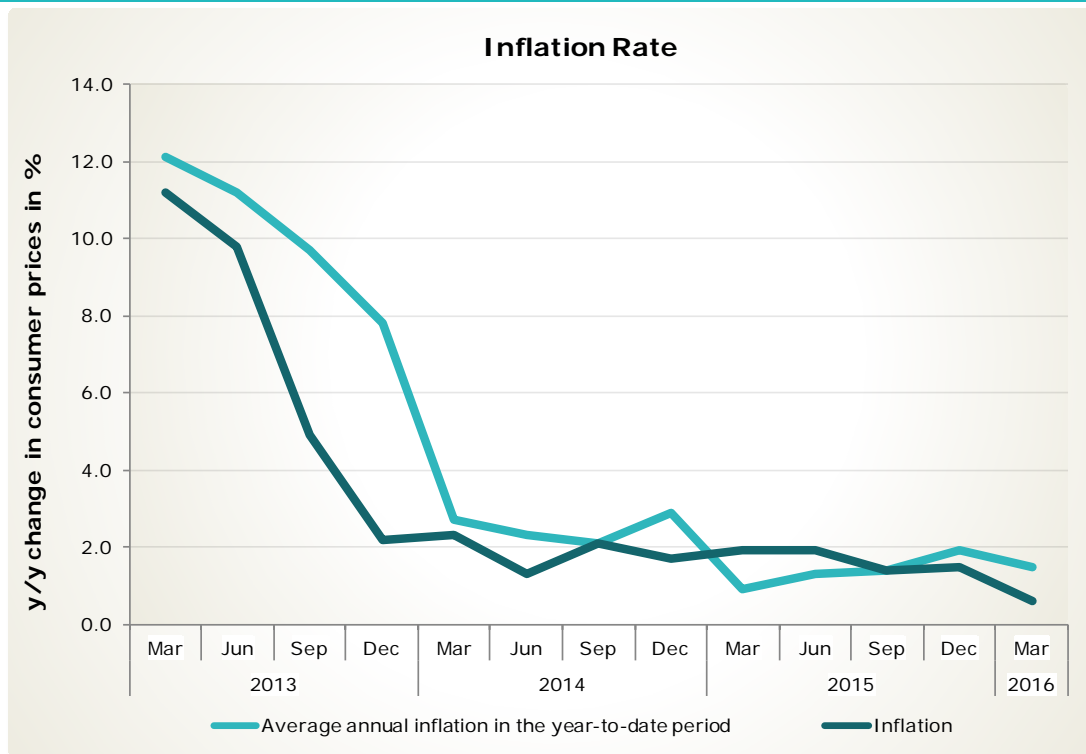
Source: SORS

## 2.4. INFLATION

### Average annual inflation of 1.5% in January - March 2016

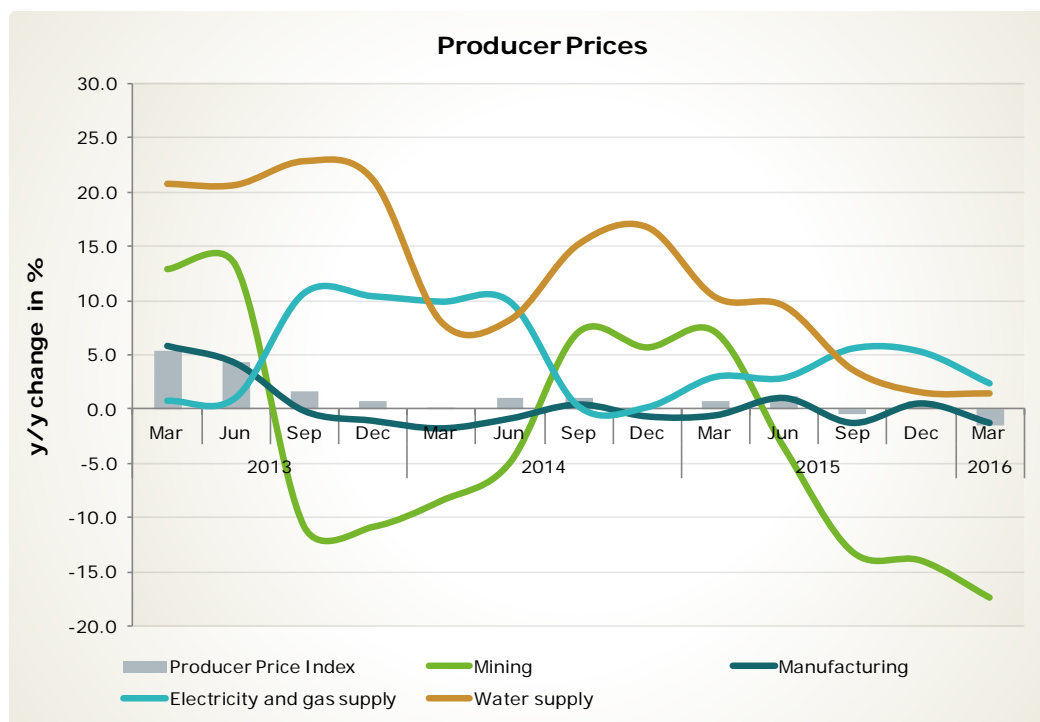
The average annual inflation was 1.5% in the first three months of 2016, compared to a 0.9% average annual inflation in the same period a year ago, according to SORS data.

The highest annual increase in consumer prices in January – March 2016, of 8.5% was registered in alcoholic beverages and tobacco, while prices of transport services dropped the most, by 2.6%.



Source: SORS

Producer prices went down 1.5% y/y in March 2016. The mining sector reported the sharpest fall in producer prices, of 17.3%, followed by the manufacturing sector with 1.3%. Producer prices in the electricity and gas supply sector went up by 2.4% and water supply prices grew by 1.4%.



Source: SORS



## 3. LABOUR MARKET

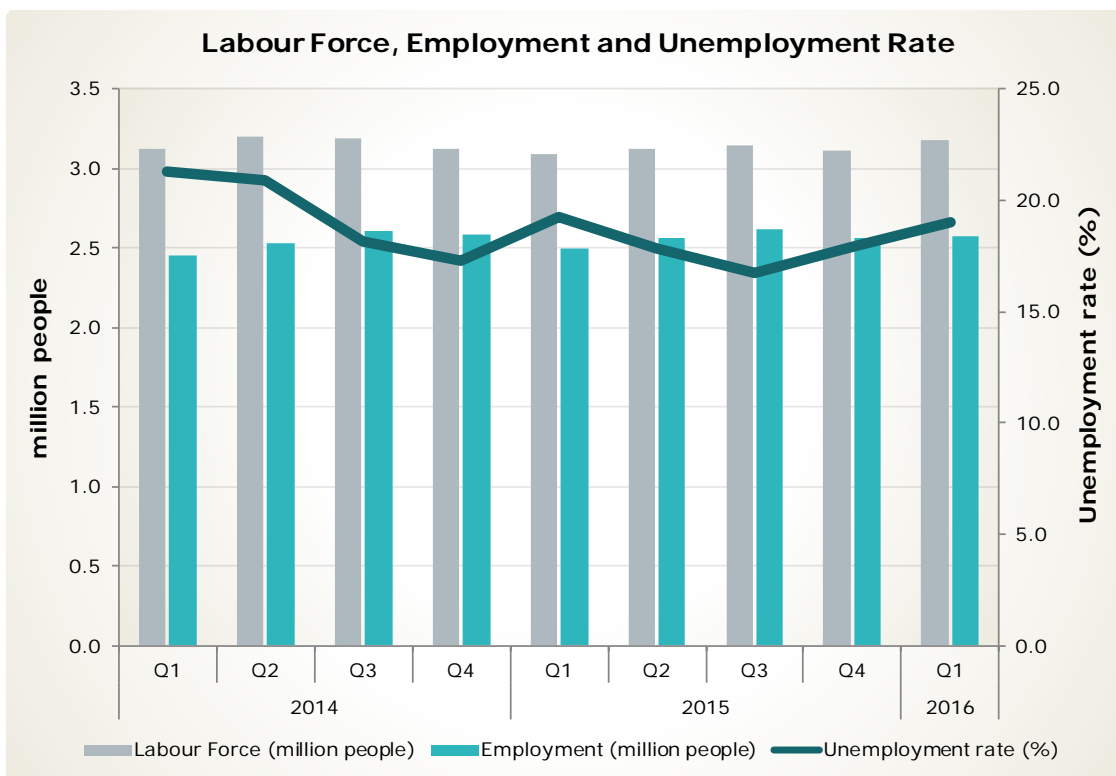
### Unemployment rate went down y/y to 19.0% in Q1 2016

Unemployment in Serbia decreased to 19.0% of the total labour force in Q1 2016 from 19.2% year earlier, according to data of SORS.

The employed population aged 15 years and older was 2.571 million, up by 3.1% y/y.

The youth (population aged 15-24) unemployment rate also went down, to 44.2%, compared to 47.7% a year earlier.

The average monthly net salary in the first three months of 2016 was RSD 43,588, up by 4.5% y/y.



Source: SORS

#### 4. CONSTRUCTION AND REAL ESTATE

##### *The number of building permits remained unchanged y/y in January – February 2016\**

*\*Data for March 2016 was not available as of the date of the preparation of this report*

The number of permits for new buildings in Serbia in January and February 2016 stood at 253, including 159 for housing projects and 11 for administrative buildings, according to SORS data.

The total number of permits for new buildings issued in the country in the period under review remained unchanged in comparison to the same period a year earlier. Permits for housing projects went down by 6.5%, while permits for office buildings rose to 11 from 8.

The total built-up area of office units, covered by the permits, jumped to 32,195 sq m from 6,634 sq m. The total built-up area of new housing also went up sharply – to 176,799 sq m from 70,188 sq m.

#### 5. MONEY SUPPLY AND BANKING SYSTEM

##### 5.1. RSD EXCHANGE RATE

The average exchange rate of the EUR against RSD increased to RSD 122.8513 in Q1 2016 from RSD 121.5535 a year earlier, according to National Bank of Serbia (NBS).

Average RSD Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
EUR	122.8513	120.8274	121.5535
USD	111.4157	110.3368	107.9669
GBP	159.3828	167.4397	163.5115
CHF	112.0265	111.3320	113.6635

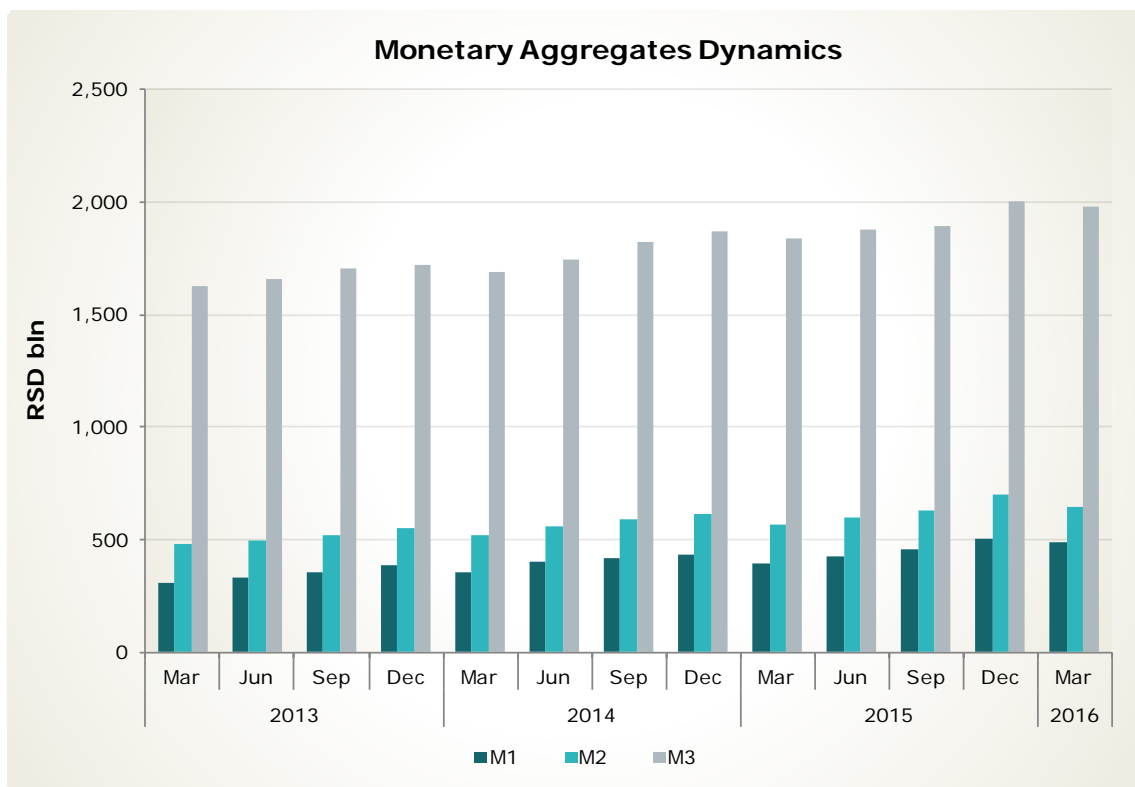
##### 5.2. MONETARY AGGREGATES

##### *Money supply growth was 7.9% y/y at end-March 2016*

Broad money (money aggregate M3) increased by 7.9% y/y and reached RSD 1,979.597 bln as of March 2016, according to data provided by NBS.

The M2 money supply also grew, by 13.7% to RSD 645.5 bln.

Money aggregate M1, or narrow money, jumped by 23.5% to RSD 489.8 bln.



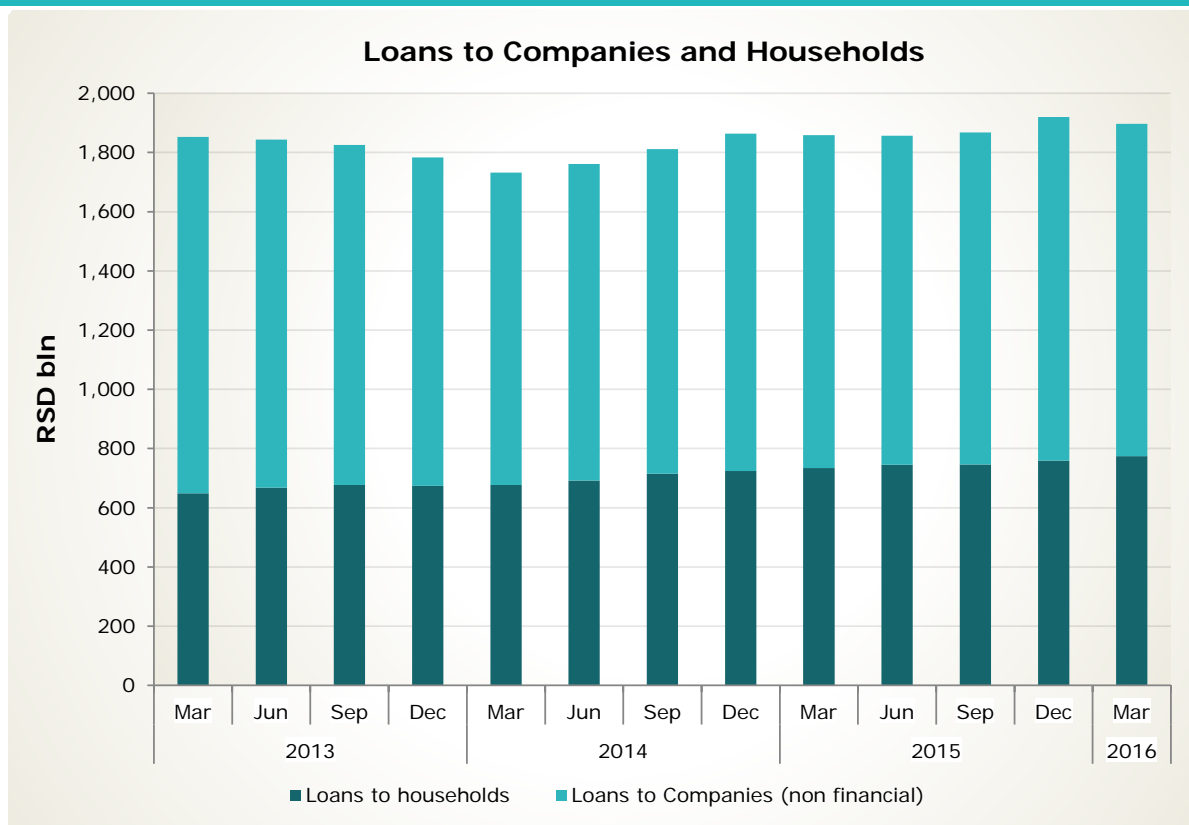
Source: NBS

### 5.3. BANKING AND INSURANCE

#### *Household loans increased by 5.4% y/y in March 2016*

Loans to the non-government sector totalled RSD 1,896.832 bln as of March 2016, up by 2.1% y/y, according to NBS.

Loans to non-financial corporations inched down by 0.1% y/y to RSD 1,122.966 bln, while household loans rose by 5.4% to RSD 773.9 bln. House purchasing loans inched up by 0.7% to RSD 348.9 bln, while consumer loans grew by 2.6% to RSD 19.765 bln.



Source: NBS

At the end of March 2016 the assets of the banking system totalled RSD 3,043.290 bln, compared to RSD 2,943.653 bln at the end of March 2015. In comparison to end-December 2015, the total assets inched down by 0.1%.

Non-performing loans (NPL) amounted to RSD 406.6 bln as of end-March 2016, down from RSD 424.6 bln in December 2015 and RSD 437.0 bln as of end-March 2015.

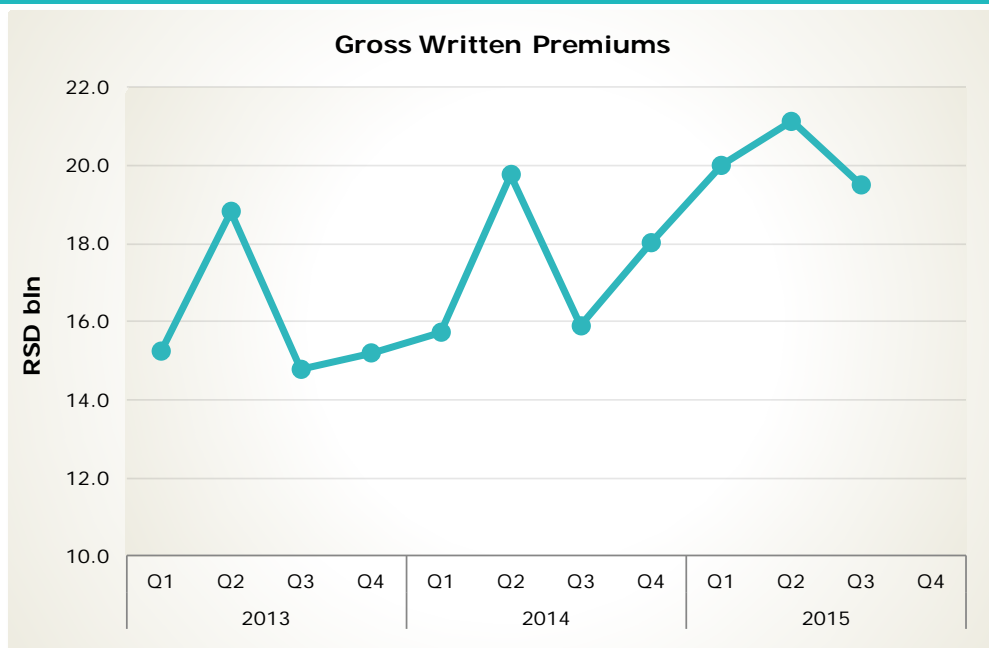
The total deposits amounted to RSD 2,002.561 bln at end-March 2016, or by 7.3% more than at the end of March 2015. Deposits of households accounted for the bulk, or 57.0% of the total deposits, while the corporate sector had a 26.1% share.

### Premium income up 22.7% y/y in Q3 2015\*

*\*No more recent data was available as of the data of the preparation of this report*

The total gross written premiums of the non-life and life insurance companies stood at RSD 19.499 bln, up by 22.7% y/y in the third quarter 2015, according to NBS data.

In the period Jan-Sep 2015, the gross written premiums totalled RSD 60.622 bln, an 18.0% increase in comparison to the corresponding period of the previous year.



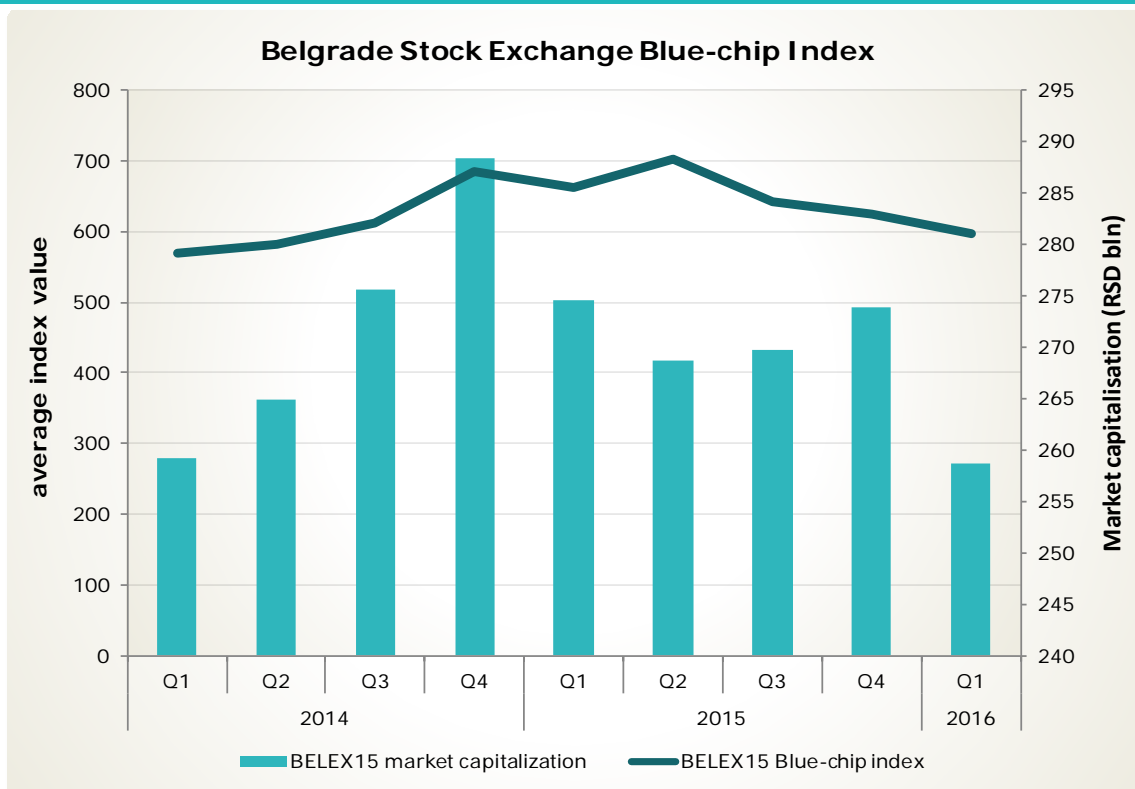
Source: NBS

## 6. CAPITAL MARKETS

### *Blue-chip index BELEX15 went down by 9.6% y/y in Q1 2016*

The average value of BELEX15, the blue-chip index of the Belgrade Stock Exchange (BELEX), decreased by 9.6% to 597.7 points in the first quarter of 2016, compared to a year earlier.

The total turnover on BELEX went down by 23.5% on the year to RSD 6.405 bln in Q1 2016. The number of transactions was 20,064 versus 51,077 a year ago.



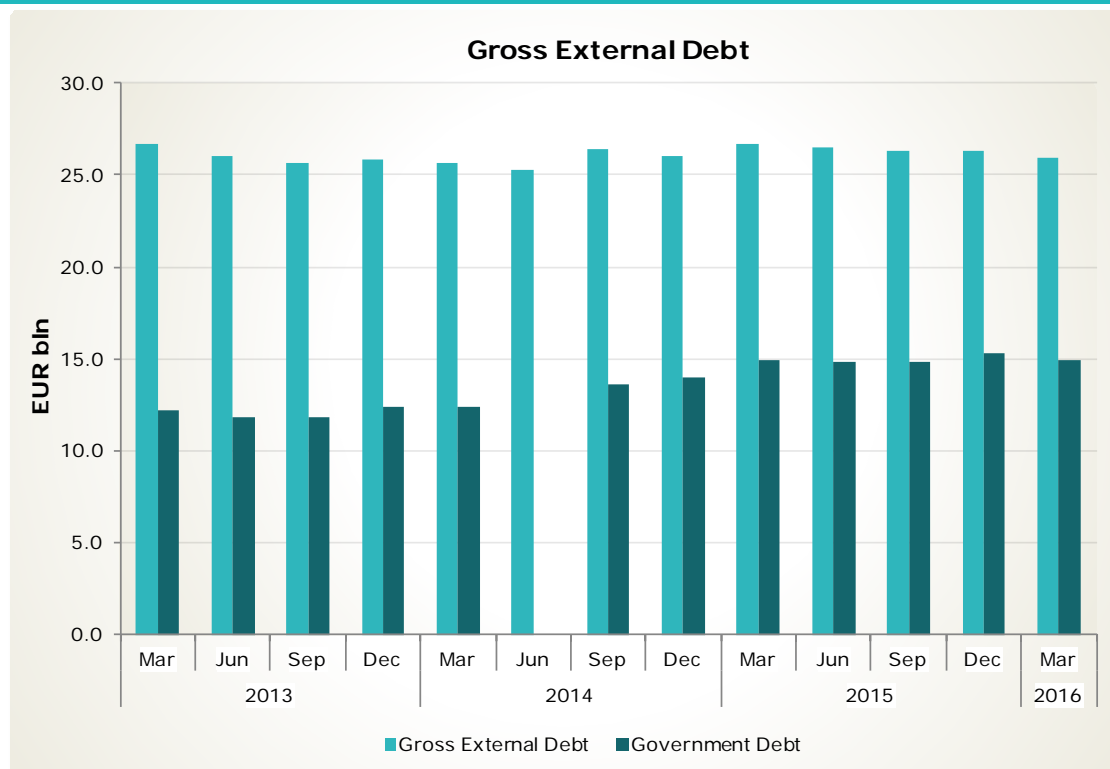
Source: BELEX

## 7. EXTERNAL SECTOR

### 7.1. FOREIGN DEBT

*The gross external debt shrank y/y to EUR 25.926 bln at end-March 2016*

The gross external debt decreased by 3.0% y/y, totalling EUR 25.926 bln at the end of March 2016, according to NBS. In comparison to December 2015 the gross external debt narrowed by 1.6% or EUR 431.5 mln.



Source: NBS

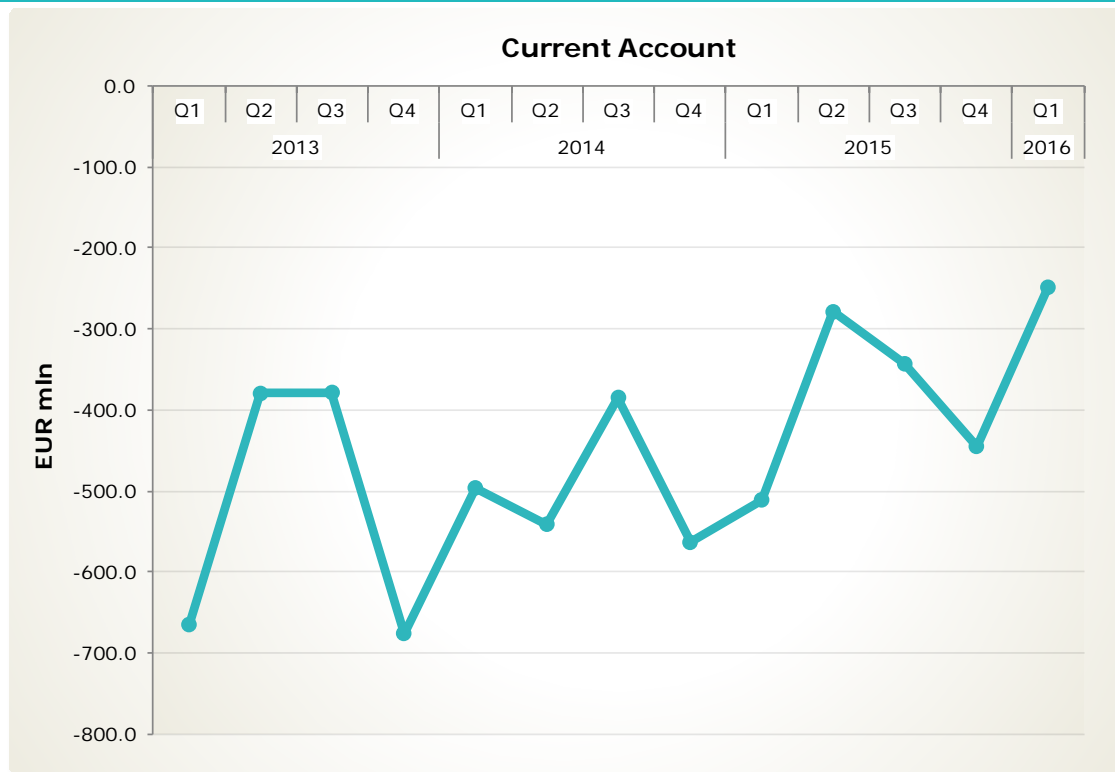
Editor's note: No data is available for gross external government debt for June 2014

## 7.2. BALANCE OF PAYMENTS

### Current account gap at EUR 248.5 mln in Q1 2016

The current account gap shrank to EUR 248.5 mln from EUR 510.8 mln in the same quarter a year earlier, according to central bank data. In comparison to the previous quarter, Q4 2015, the decline was EUR 196.3 mln.

Secondary income in Q1 2016 amounted to EUR 670.3 mln, down from EUR 877.2 mln in Q4 2015 and EUR 695.5 mln in Q1 2015.



Source: NBS

### 7.3. FDI

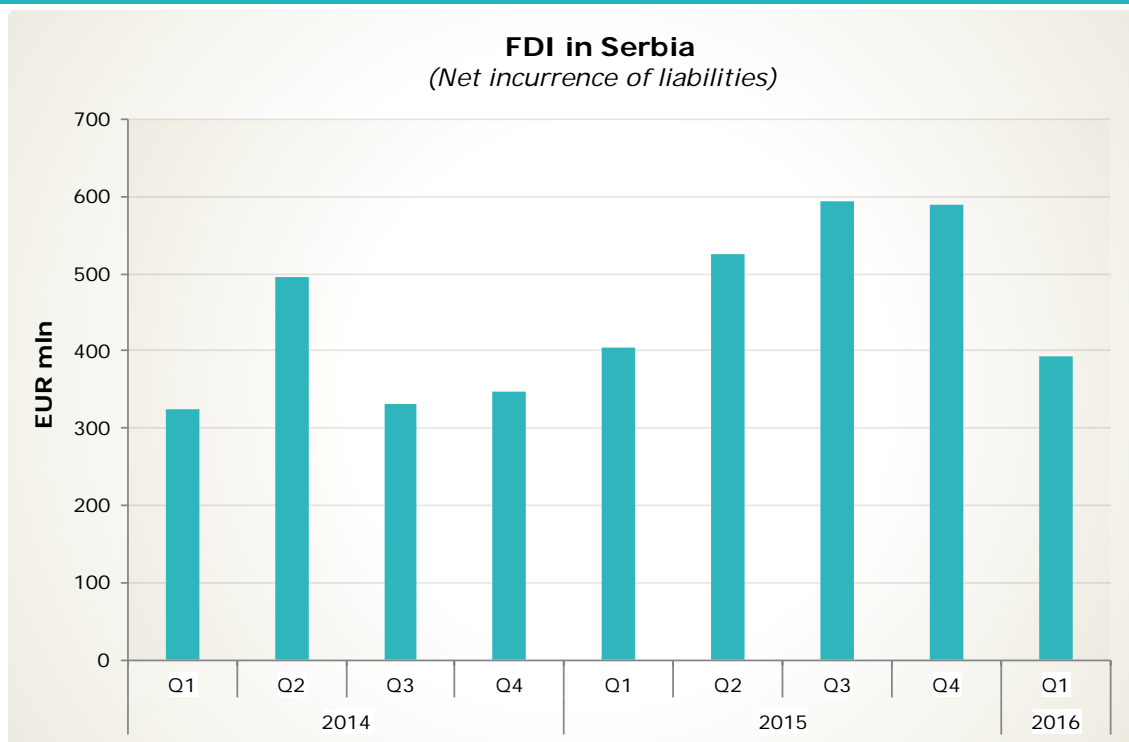
#### FDI at EUR 392.4 mln in Q1 2016

Foreign Direct Investments (FDI) in Serbia totalled EUR 392.4 mln in Q1 2016, according to NBS data. In comparison to the previous year the FDI inflow shrank by 3.0%, or EUR 12.3 mln.

Austria was the biggest foreign investor in Serbia in Q1 2015 with FDI of EUR 105.6 mln, followed by the Netherlands with EUR 34.816 mln and Slovenia with EUR 27.880 mln.

A breakdown by industries shows that the leading sector in terms of attracted FDI was financial intermediation, except insurance and pension funding, accounting for 29.6% of the total FDI inflow. Telecommunications came second with an 11.0% share and the motor vehicles, trailers and semi trailers sector was the third most attractive sector for foreign investors with a 8.1% share.





Source: NBS

#### 7.4. FOREIGN TRADE

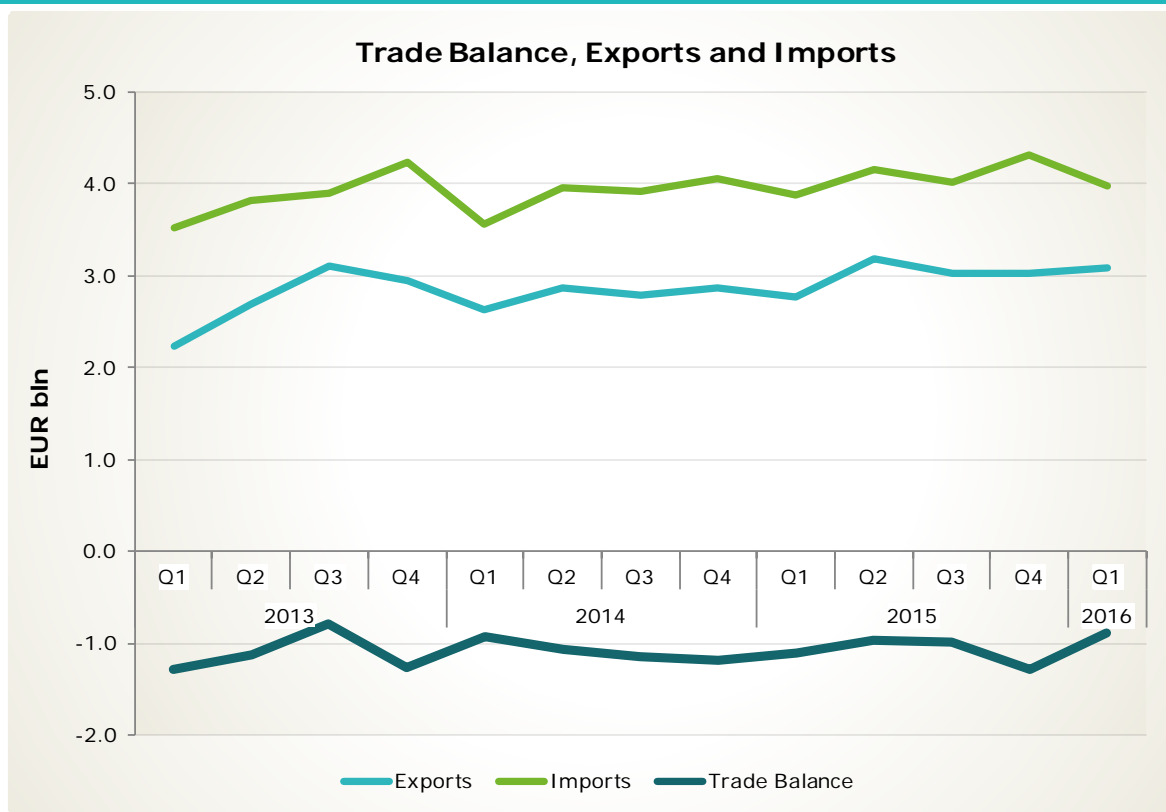
##### *Foreign trade deficit narrowed by 18.9% y/y in Q1 2016*

The trade deficit stood at EUR 892.2 mln in Q1 2016, down by 18.9% compared to the corresponding quarter of the previous year, according to SORS.

In Q1 2016 the exports totalled EUR 3.084 bln, up from EUR 2.775 bln a year earlier, while imports grew by EUR 101.8 mln to EUR 3.977 bln.

Serbia's leading sectors in terms of exports were manufacture of motor vehicles, trailers and semi-trailers, which accounted for 16.8% of the total exports, followed by manufacture of food products with a 10.5% share, and manufacture of rubber and plastic products with 7.6%.

In terms of imports, the main sectors were not else classified goods, which made up 17.5% of the total, followed by manufacture of chemicals and chemical products, slicing a 11.2% share, and manufacture of motor vehicles, trailers and semi-trailers, which had a 11.1% share.



Source: NBS

## 7.5. TOURSIM

### Number of foreign tourist overnights rose by 24.0% y/y in Q1 2016

Tourist overnights of foreigners jumped by an annual 24.0% to 528,030 in Q1 2016, slicing a 34.4% share of the total number of tourist overnights in the country, according to SORS data. The total number of tourist overnights increased by 20.6% on the year to 1,534,170.

The number of foreign tourists also went up - by 18.5% y/y to 212,476. Most foreign tourists visiting Serbia in the first quarter of 2016 came from Bulgaria - 20,485, followed by tourists from Bosnia and Herzegovina - 17,280, and Croatia - 16,190.



Source: SORS

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