

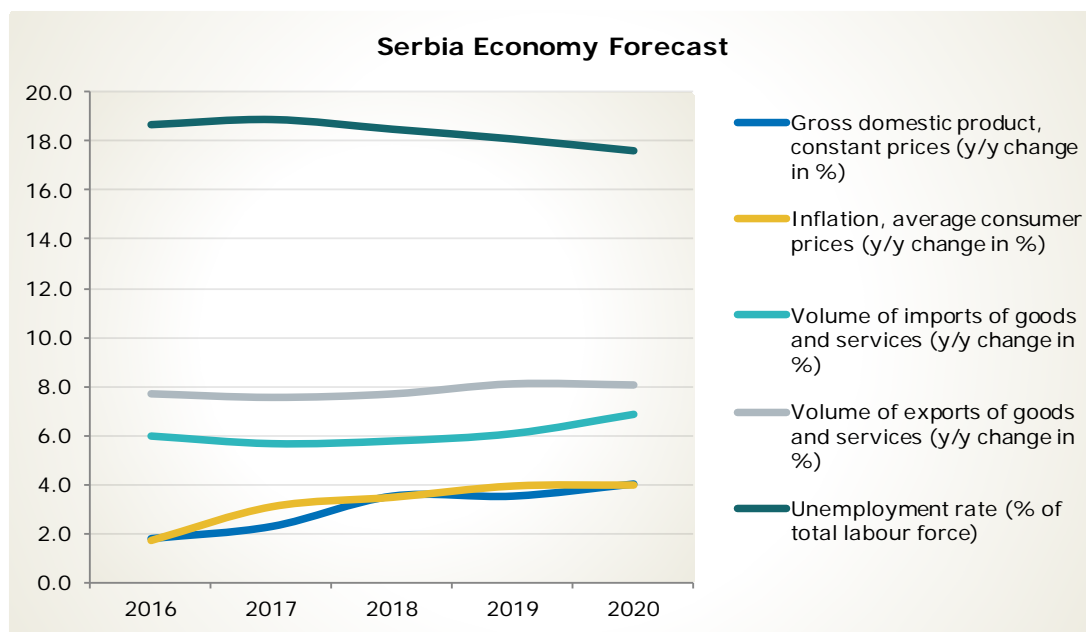
**SERBIA ECONOMY REPORT**  
2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

SERBIA – MACROECONOMIC SNAPSHOT AS OF END-2015	
GDP Growth	0.7% y/y
Industrial output	8.2% y/y
Industrial sales	5.2% y/y
Retail sales	1.8% y/y
Average annual inflation	1.9%
Unemployment rate	17.9%
Number of building permits	30.8% y/y
Money supply growth	7.2% y/y
Household loans	4.8% y/y
BELEX15 blue-chip index	-9.1% y/y
Gross external debt	EUR 26.358 bln
Current account gap	EUR 1.577 bln
FDI inflow	EUR 2.114 bln
Foreign trade deficit	EUR 3.001 bln
Number of foreign tourist overnights	11.5% y/y



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

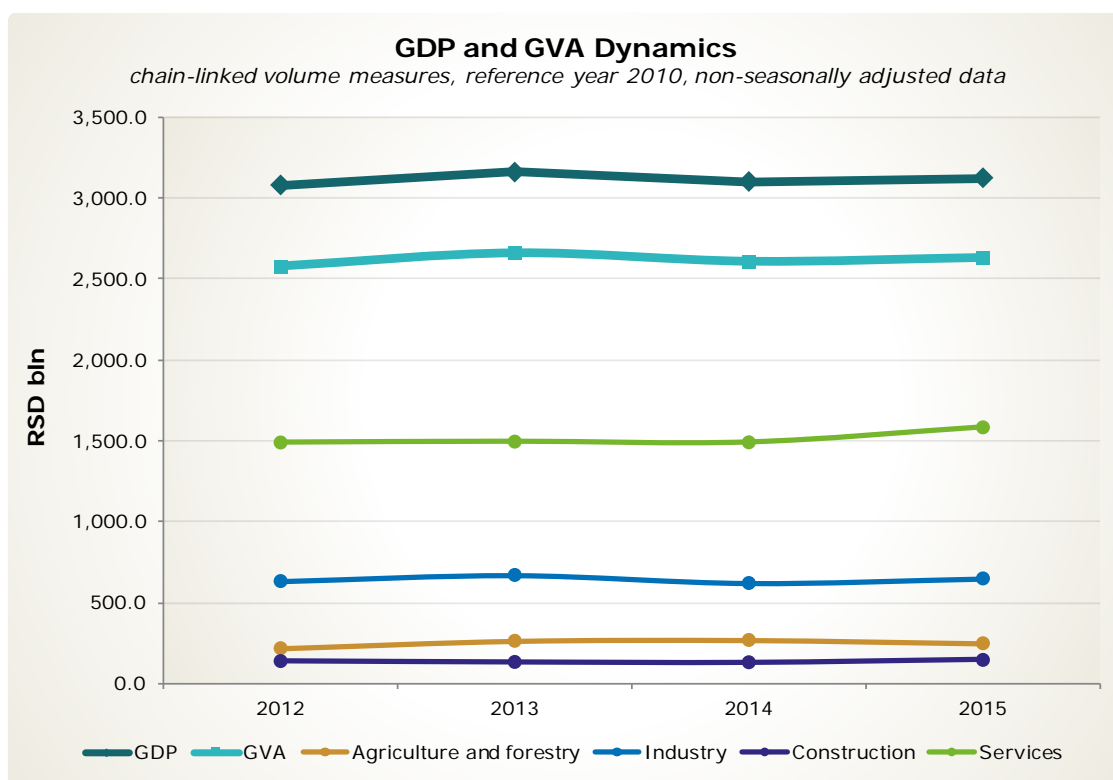
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

*GDP went up by 0.7% y/y in 2015, following a 1.8% decrease in the previous year*

Serbia's GDP, including changes in inventories and net acquisition of valuables, increased by a real 0.7% y/y and totalled RSD 3,122.949 bln in 2015, according to preliminary data of the Statistical Office of the Republic of Serbia (SORS).

Final consumption inched down by 0.7% y/y to RSD 2,876.566 bln in 2015. Gross capital formation rose by 8.3% on the year to RSD 620.0 bln. Exports and imports grew, by 7.8% and 5.5% y/y, respectively.



Source: SORS

The gross value added (GVA) generated by the national economy increased by 0.9% y/y in 2015 and totalled RSD 2,628.793 bln. The industrial sector grew in value by 4.6% y/y, and its share in the GVA structure rose to 24.7% from 23.8% in the previous year. The services sector recorded a 6.2% annual increase, slicing a 60.2% share in the GVA, up from 57.2%. Construction sector's GVA grew by 11.1% to RSD 146.1 bln and accounted for 5.6% of the total GVA, up from 5.1% a year earlier. The agricultural sector registered an annual decline of 7.5% and narrowed its share in the GVA to 9.5%, from 10.3%.

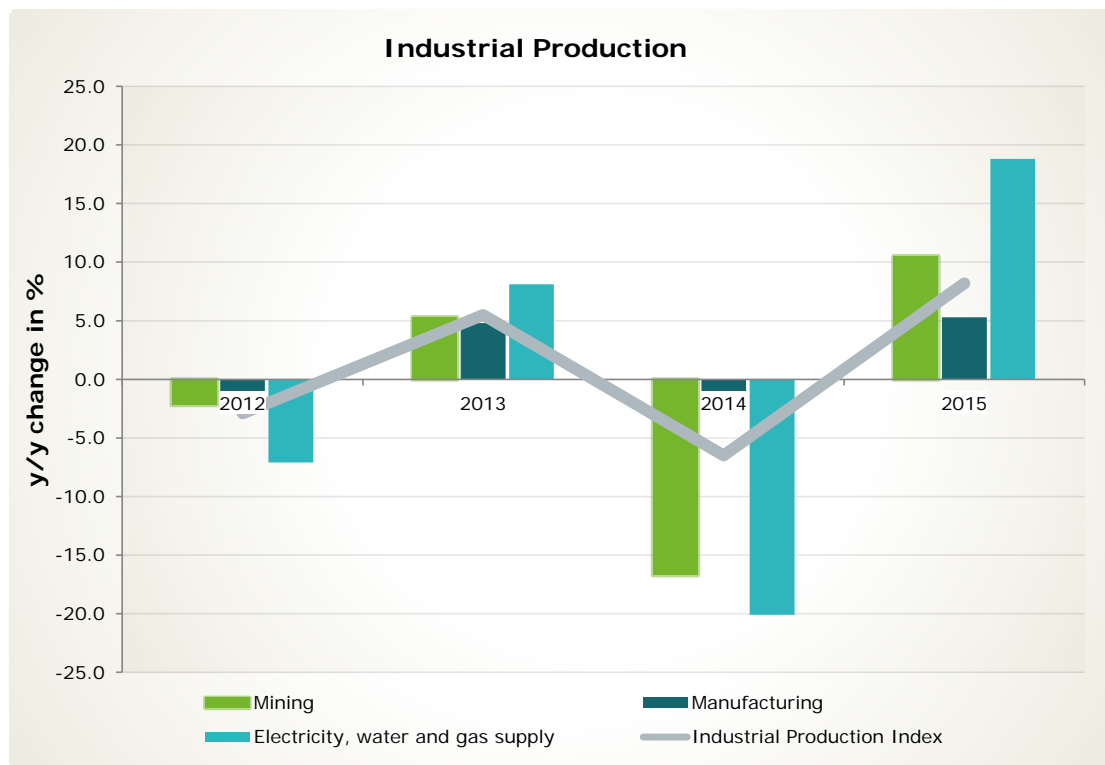
## 2.2. INDUSTRIAL OUTPUT

### *Industrial output went up by 8.2% y/y in 2015*

The industrial output grew by 8.2% on the year in 2015, according to SORS. The electricity, water and gas supply sector reported the highest annual increase, of 18.8%, followed by the mining and manufacturing sectors, where production rose by 10.5% and 5.3%, respectively.

Manufacture of tobacco products was the segment with the highest annual production growth, of 57.7%, followed by other manufacturing with 44.9%, and mining of coal and lignite, up by 25.2% y/y.

On the other end were manufacture of computer, electronic and optical products, which reported an annual drop of 22.2%, the output of the manufacture of leather and related products fell by 16.1% and the output of the manufacture of other transport equipment dropped by 14.9%.

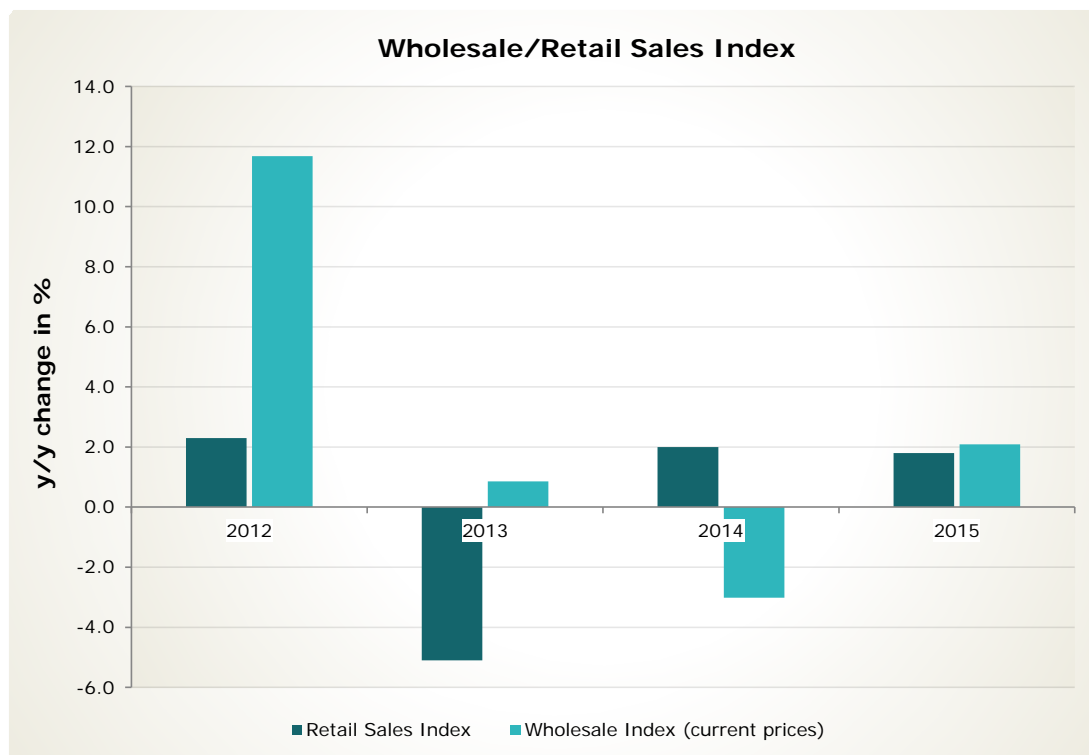


Source: SORS

### 2.3. WHOLESALE/RETAIL

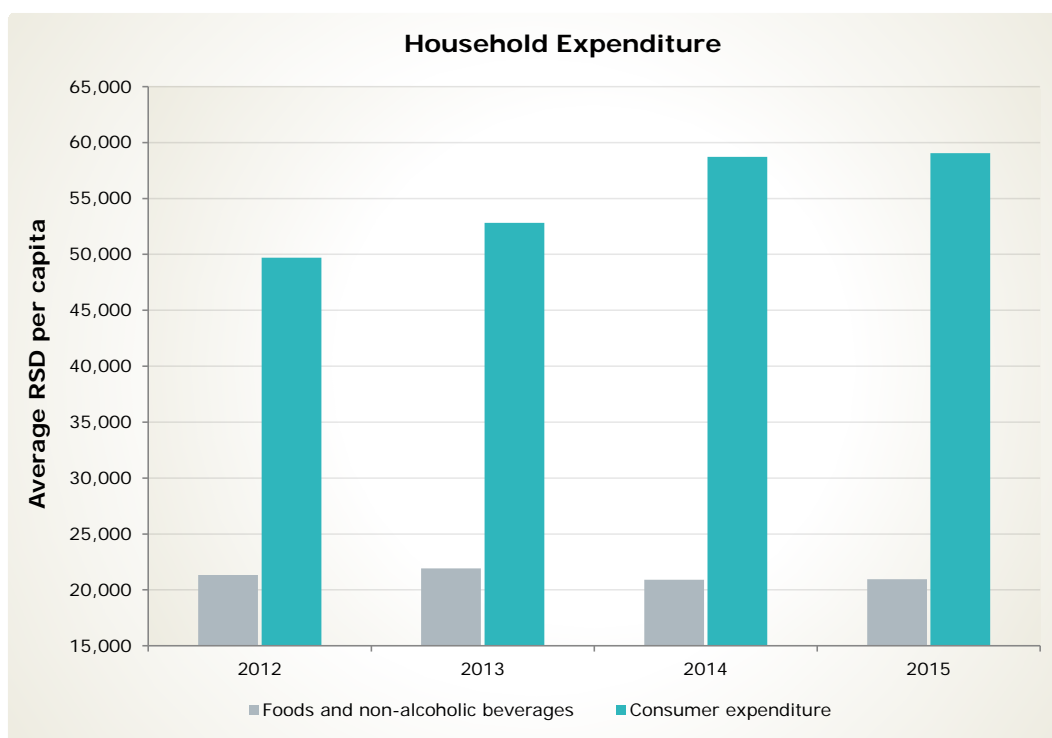
#### *Wholesale and retail sale grew y/y in 2015*

In 2015, the wholesale sector increased by 2.1% y/y and the retail sales went up by 1.8% y/y, according to SORS.



Source: SORS

Consumer expenditure inched up by 0.6% y/y to RSD 59,052 per household in 2015. Expenditure on food and non-alcoholic beverages had the highest share in the total consumer expenditure, of 35.5%, followed by expenditure on housing, water, electricity, gas and other fuels with a 16.6% share and transport expenditure, which sliced a 9.5% share.



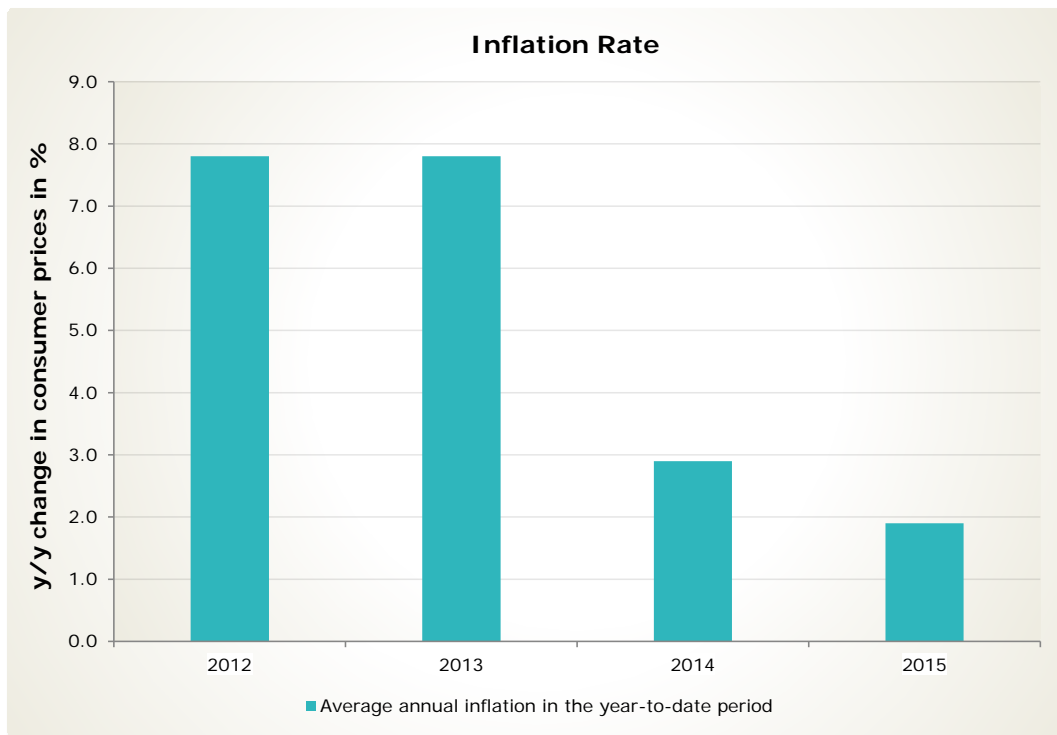
Source: SORS

## 2.4. INFLATION

### *Average annual inflation of 1.9% in 2015*

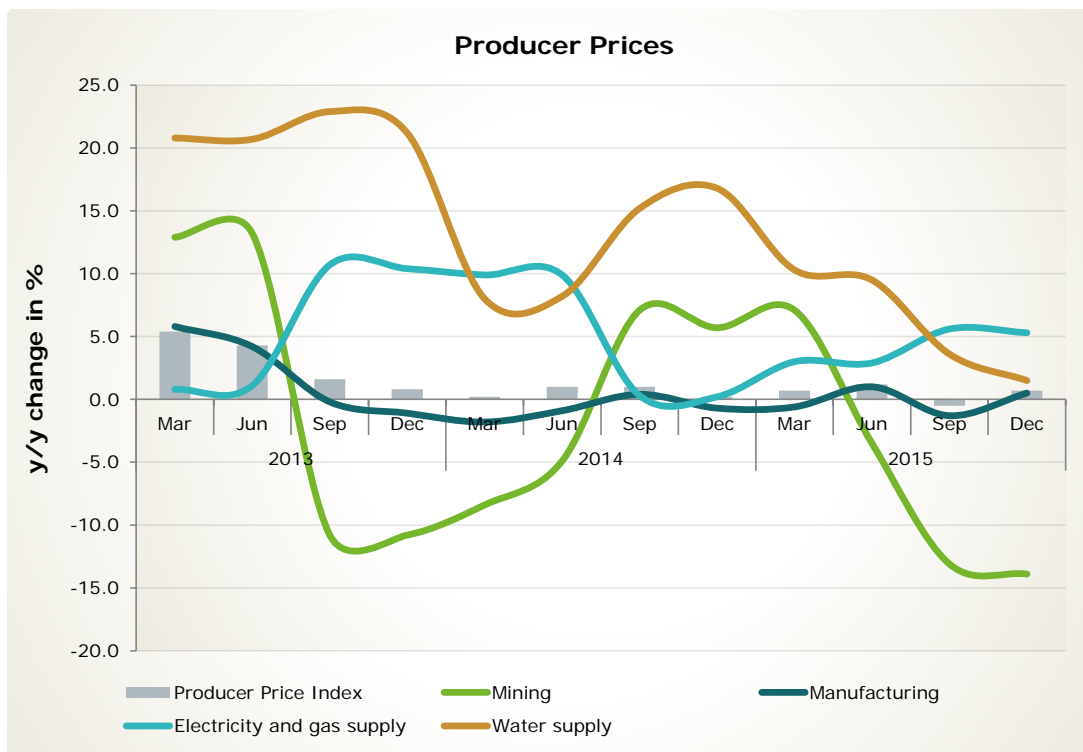
The average annual inflation was 1.9% in 2015, compared to a 2.9% average annual inflation in the previous year, according to SORS data.

The highest annual increase in consumer prices, of 4.4% in 2015 was registered in recreation and culture services, while prices of transport dropped the most, by 2.1%.



Source: SORS

Producer prices inched up 0.7% y/y in December 2015. The electricity and gas supply sector reported the highest growth in producer prices, of 5.30%, followed by the water supply sector and by the manufacturing sector with 1.5% and 0.5%, respectively. The mining sector reported a fall of 13.9%.



Source: SORS



### 3. LABOUR MARKET

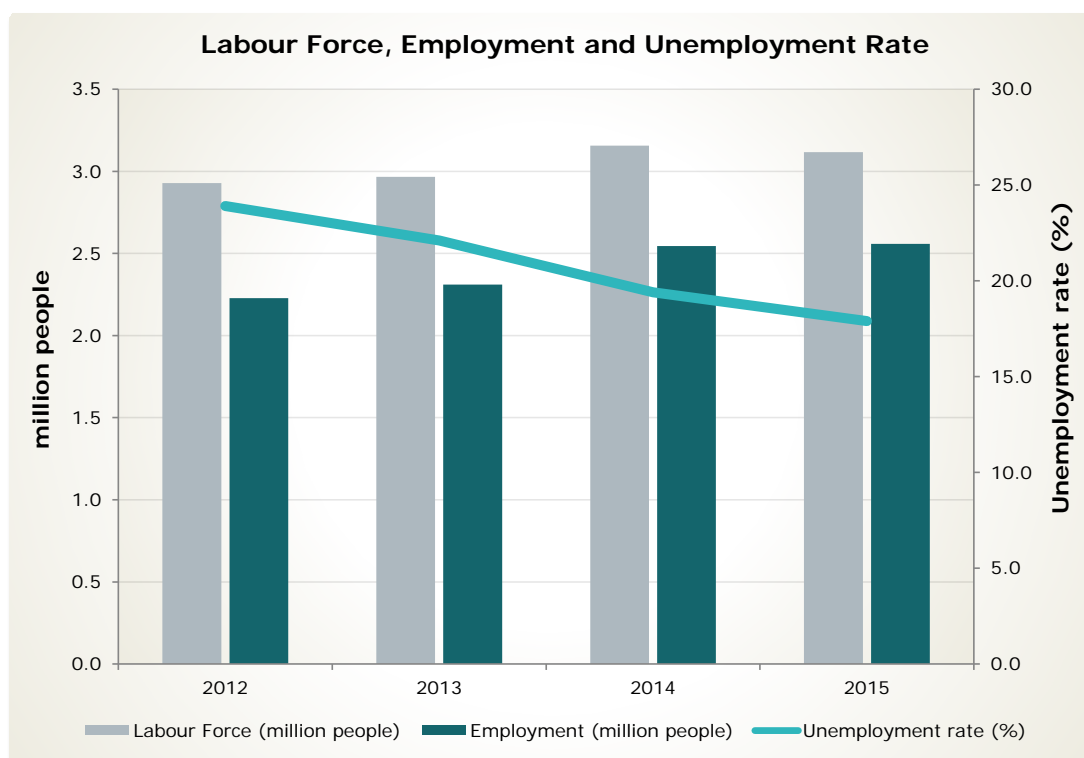
#### *Unemployment rate went down to 17.9% in 2015*

Unemployment in Serbia decreased to 17.9% of the total labour force in 2015 from 19.4% year earlier, according to data of SORS.

The employed population aged 15 years and older was 2.558 million in 2015, up by 0.6% y/y.

The youth (population aged 15-24) unemployment rate went down, to 43.3%, compared to 47.3% in a year earlier.

The average monthly net salary in 2015 was RSD 44,432, down by 0.2% y/y.



Source: SORS

### 4. CONSTRUCTION AND REAL ESTATE

#### *The number of building permits in 2015 increased by 30.8% y/y*

The number of building permits in Serbia in 2015 stood at 3,849, of which 2,422 were for housing projects and 99 for administrative buildings, according to SORS data.

The number of building permits issued in the country in the period under review jumped by 30.8% y/y. Permits for housing projects went up by 21.8% and permits for office buildings inched up by 1.0%.

The total built-up area of office units, covered by the permits, more than doubled annually to 148,298 sq m. The total built-up area of the housing units climbed by 39.1% to 1,175,406 sq m.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. RSD EXCHANGE RATE

The average annual exchange rate of the EUR against RSD increased to RSD 120.7324 in 2015 from RSD 117.3060 a year earlier, according to National Bank of Serbia (NBS).

Average Annual RSD Exchange Rate			
Foreign Currency	2015	2014	2013
EUR	120.7328	117.3060	113.1369
USD	108.8543	88.5408	85.1731
GBP	166.4218	145.6441	133.1761
CHF	113.1283	96.5738	91.8747

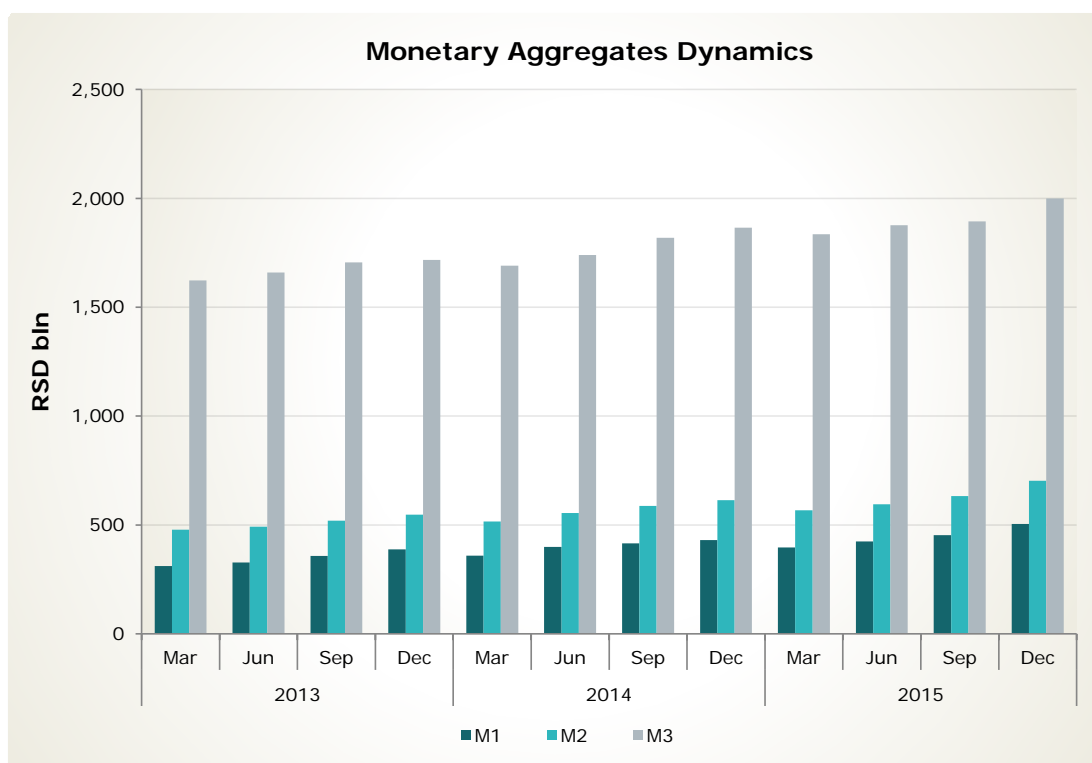
### 5.2. MONETARY AGGREGATES

#### *Money supply growth was 7.2% y/y at end-December 2015*

Broad money (money aggregate M3) increased by 7.2% y/y and reached RSD 1,999.568 bln as of December 2015, according to data provided by NBS.

The M2 money supply grew by 14.4% to RSD 702.589 bln.

Money aggregate M1, or narrow money, rose by 17.1% to RSD 504.515 bln.



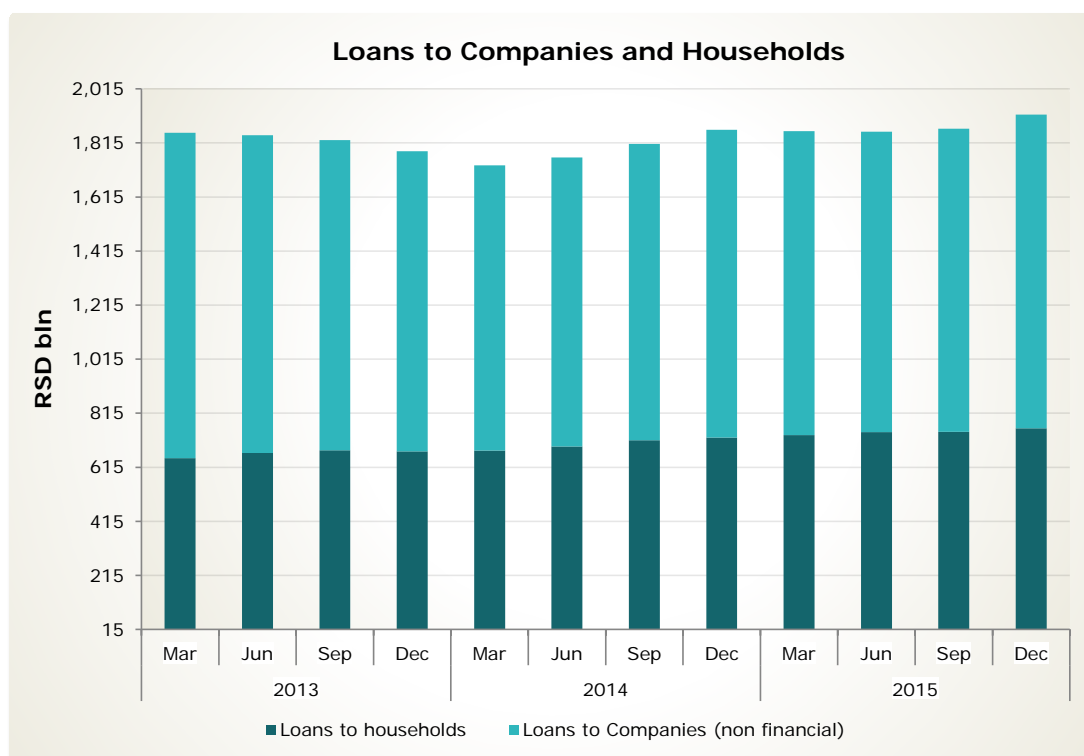
Source: NBS

### 5.3. BANKING AND INSURANCE

#### *Household loans increased by 4.8% y/y in December 2015*

Loans to the non-government sector totalled RSD 1,919.625 bln as of December 2015, up by 2.8% y/y, according to NBS.

Loans to non-financial corporations grew by 1.9% y/y to RSD 1,160.575 bln, while household loans rose by 4.8% to RSD 759.1 bln. House purchasing loans climbed by 2.8% to RSD 346.5 bln, while consumer loans inched down by 0.8% to RSD 19.833 bln.



Source: NBS

At the end of September 2015<sup>1</sup> the assets of the banking system totalled RSD 3,007.6 bln, compared to RSD 2,968.9 bln at the end of 2014.

Non-performing loans (NPL) amounted to RSD 425.0 bln in Q3 2015, down from RSD 438.5 bln in the previous quarter and RSD 437.0 bln in Q1 2015.

The total deposits amounted to RSD 1,921.5 bln at end-September 2015, or by 1.6% more than at the end of 2014. Deposits of households accounted for the bulk, or 57.0% of the total deposits, while the corporate sector had a 25.8% share.

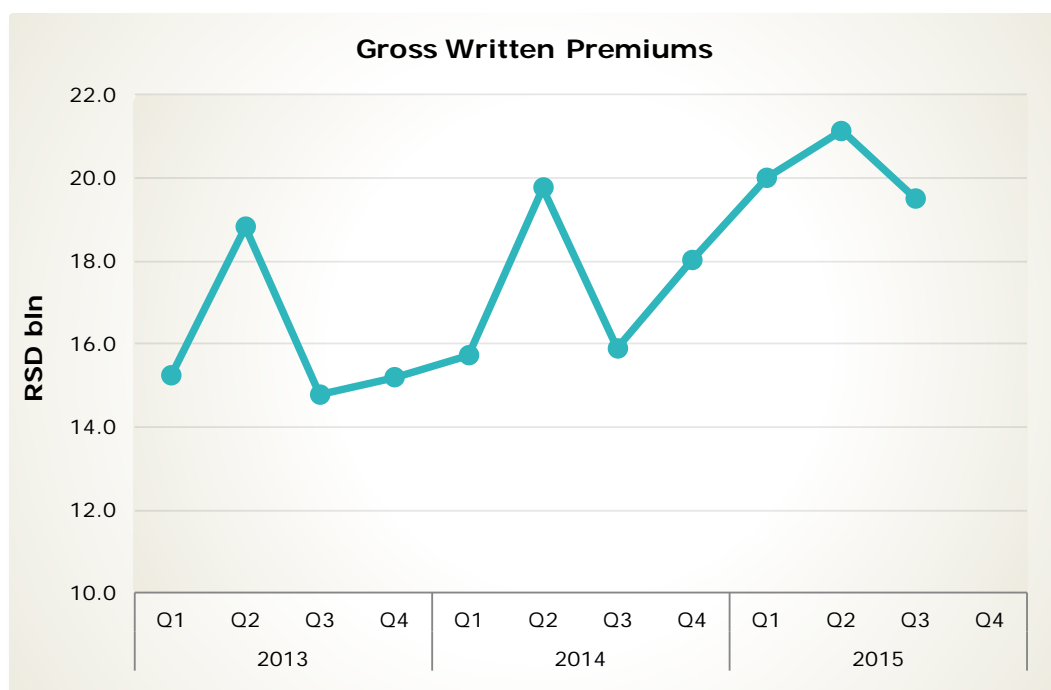
### **Premium income up 22.7% y/y in Q3 2015<sup>1</sup>**

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.

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<sup>1</sup> Data for Q4 2015/December 2015 was not available as of the date of the preparation of the report



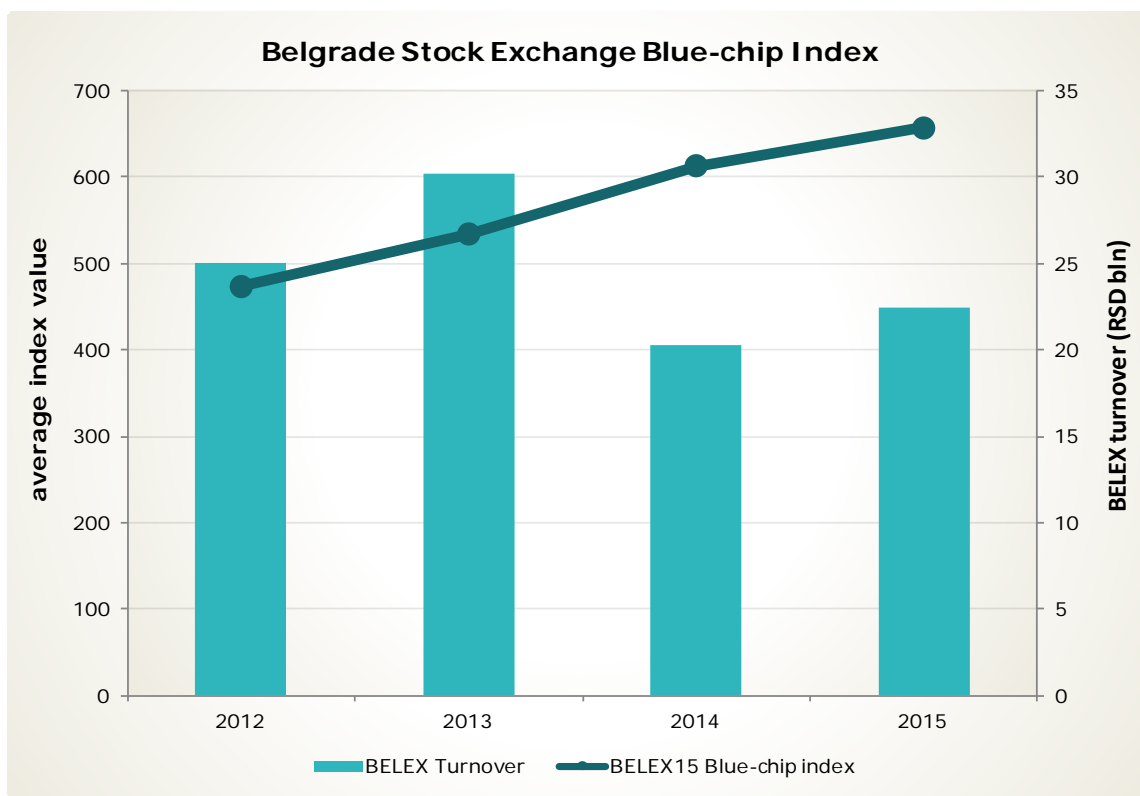
Source: NBS

## 6. CAPITAL MARKETS

### *Blue-chip index BELEX15 grew by 7.1% y/y in 2015*

The average annual value of BELEX15, the blue-chip index of the Belgrade Stock Exchange (BELEX), increased by 7.1% to 656.7 points in 2015 compared to a year earlier.

The total turnover on BELEX went up by 10.7% on the year to RSD 22.429 bln in 2015. The number of transactions was 146,232 versus 238,023 in the previous year.



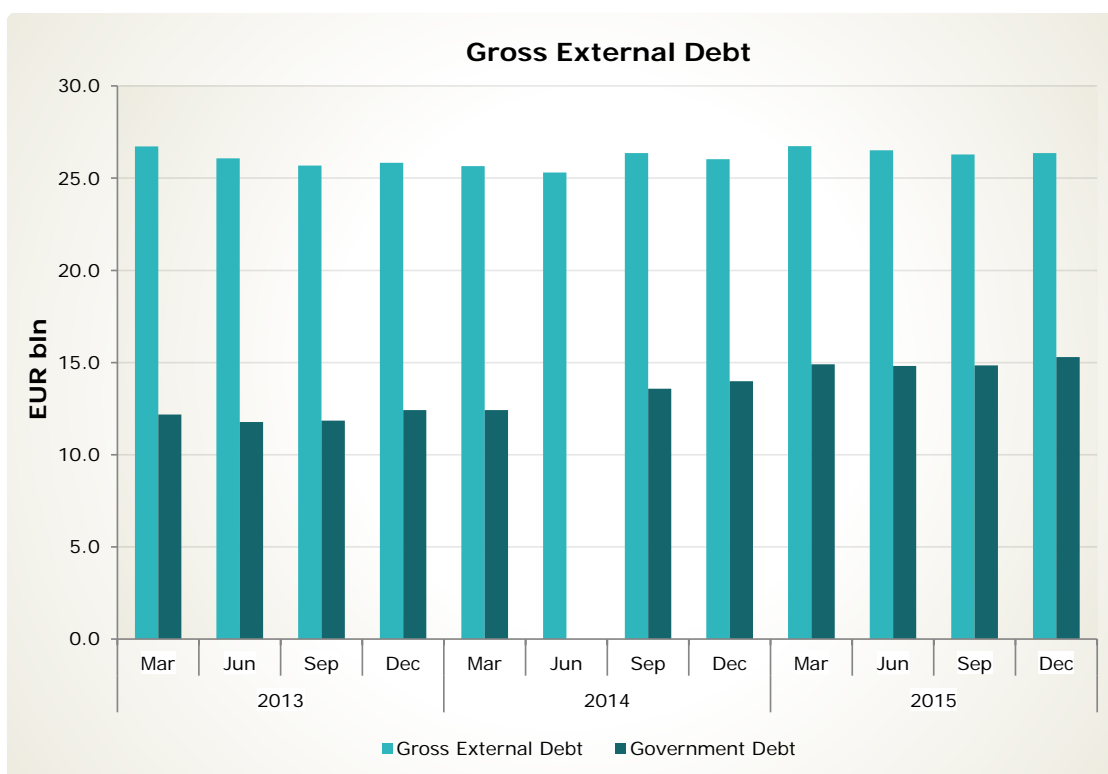
Source: BELEX

## 7. EXTERNAL SECTOR

### 7.1. FOREIGN DEBT

#### *The gross external debt widened to EUR 26.358 bln at end-December 2015*

The gross external debt increased by 1.3% y/y, totalling EUR 26.358 bln at the end of December 2015, according to NBS. In comparison to September 2015 the gross external debt inched up by 0.3% or EUR 65.769 mln.



Source: NBS

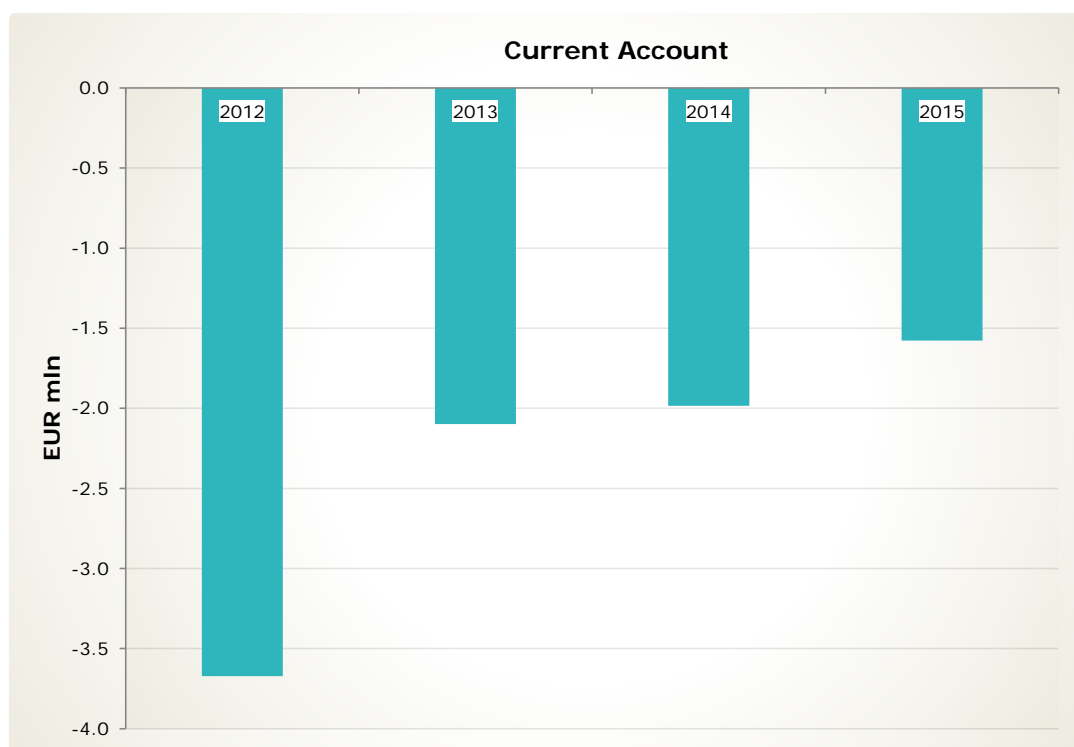
Editor's note: No data is available for gross external government debt for June 2014

## 7.2. BALANCE OF PAYMENTS

### Current account gap at EUR 1.577 bln in 2015

The current account gap shrank to EUR 1.577 bln from EUR 1.985 bln in 2014, according to central bank data.

Secondary income in 2015 amounted to EUR 3.349 bln, up from RSD 3.003 bln a year earlier.



Source: NBS

### 7.3. FDI

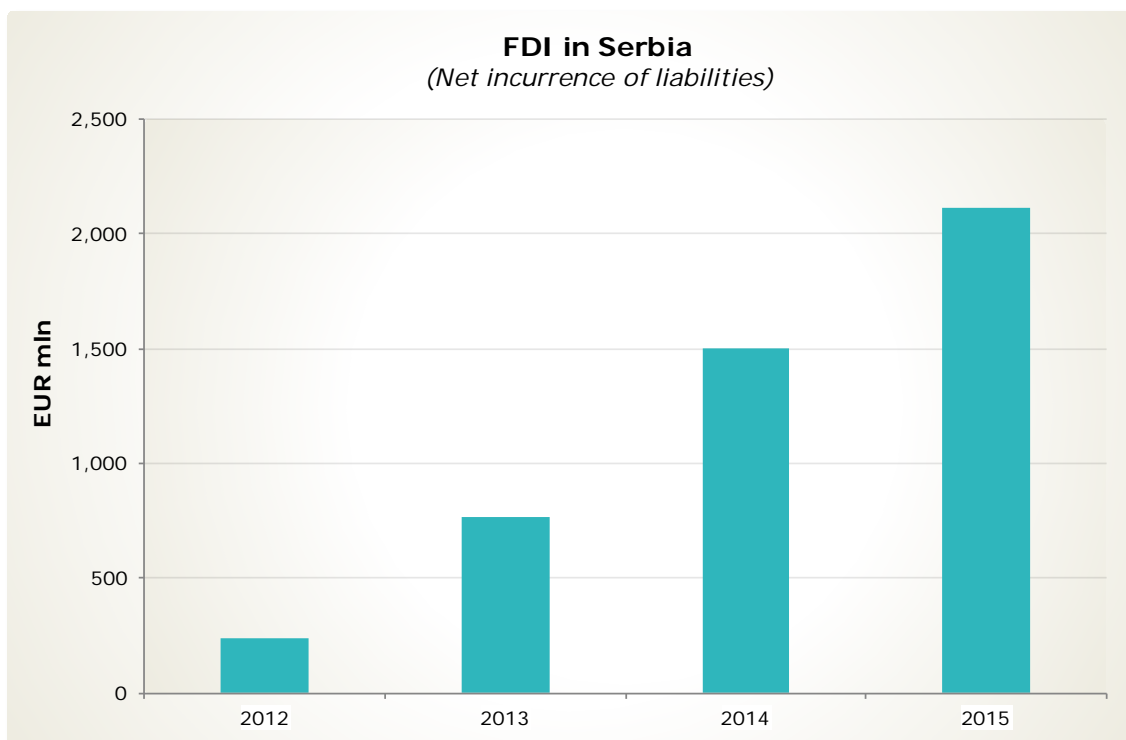
#### *FDI at EUR 2.114 bln in 2015*

Foreign Direct Investments (FDI) in Serbia totalled EUR 2.114 bln in 2015, according to NBS data. In comparison to the previous year the FDI inflow rose by 40.9%, or EUR 613.8 mln.

Netherlands was the biggest foreign investor in Serbia in 2015 with FDI of EUR 361.7 mln, followed by Austria with EUR 352.5 mln and Luxembourg with EUR 172.3 mln.

A breakdown by industries shows that the leading sector in terms of attracted FDI was financial intermediation, except insurance and pension funding with EUR 402.6 mln, construction came second with EUR 264.5 mln and the rubber and plastic products sector was the third most attractive sector with FDI of EUR 141.9 mln.





Source: NBS

#### 7.4. FOREIGN TRADE

##### *Foreign trade deficit down by 30.8% y/y in 2015*

The trade deficit stood at EUR 3.001 bln in 2015, down by 30.8% compared to the previous year, according to SORS.

In 2015 the exports totalled RSD 12.028 bln, while imports stood at RSD 16.393 bln.

Serbia's leading sectors in terms of exports were manufacture of motor vehicles, trailers and semi-trailers, which accounted for 15.0% of the total exports, followed by manufacture of food products with an 11.5% share, and manufacture of basic metals with an 8.1% share.

In terms of imports, the main sectors were not else classified goods, which made up 11.7% of the total, followed by manufacture of motor vehicles, trailers and semi-trailers, slicing a 10.5% share, and manufacture of chemicals and chemical products, which had a 10.3% share.



Source: NBS

## 7.5. TOURSIM

### *Number of foreign tourist overnights rose by 11.5% y/y in 2015*

Tourist overnights of foreigners increased by an annual 11.5% to 2,409,680 in 2015, slicing a 36.2% share of the total number of tourist overnights, according to SORS data. The total number of tourist overnights increased by 9.3% on the year to 6,651,852.

The number of foreign tourists also went up - by 10.0% y/y to 1,132,221. Most foreign tourists visiting Serbia in 2015 came from Bosnia and Herzegovina - 87,387, followed by tourists from Bulgaria - 70,891, and Montenegro - 70,861.



Source: SORS

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