# 4. Balance of Payments and Foreign Trade

**In Q2 2017, the current account deficit was 287 million euros, i.e. 3.2% of GDP. The current account deficit was slightly below the level of Q2 2016, while it was significantly lower than the deficit recorded in Q1 2017 – 8.9% of GDP. The lower level of current account deficit in Q2 compared to Q1 2017 was mostly the result of the changes in trade ratios, which were more favourable in Q2 than at the beginning of the year. Therefore, in the first six months of 2017, the current account deficit reached 5.9% of GDP. Exports and imports in Q2 recorded a significant growth, observed year-on-year, while their seasonally adjusted values indicate a growth compared to the previous quarter. During Q2, a significant inflow of capital was recorded, primarily because of the still high quarterly value of net FDI inflow. In Q2, the net FDI inflow was 487 million euros (5.4% of GDP), 992 million euros since the beginning of the year, which is by 12.2% above the net inflow of H1 2016. Despite certain fluctuations in foreign trade trends, which were determined both by external factors – primarily by economic growth in the Eurozone countries, trends in global prices of goods – and internal factors – delayed effects of the strengthening of the dinar, trends on domestic market – we expect, as we have stressed in the previous issue of QM, the current account deficit in 2017 to be around 5% of GDP and that it will be completely covered by the net inflow of FDI.**

*In Q2, current deficit was 287 million euros…*

*....i.e. 3.2% of GDP...*

Balance of payments current account deficit in Q2 2017 was 287 million euros, i.e. 3.2% of GDP (Table T4-1). Such a value of current account deficit is considerably lower compared to the level from the beginning of the year, when in the first three months the current account deficit reached 733 million euros, i.e. 8.9% of GDP (Graph T4-2). Therefore, in the first six months of 2017, the current account deficit reached 5.9% of GDP. Actually, the current account deficit in Q1 2017 was at a higher level as a result of the increase in the trade of goods deficit (due to accelerated imports, primarily because of the deteriorated trade ratio due to increased energy prices), as well as relatively high spending on the Primary Income account[1]. Compared to Q2 of the previous year, the current account deficit was by 0.4 pp of GDP lower, which was the net result of a lower level deficit on the Primary Income account (0.6 pp of GDP), higher goods deficit (0.1 pp of GDP), lower surplus on the Services account (0.3 pp of GDP), and higher level of deficit on the Secondary Income account (0.1 pp of GDP).

*Export of goods and services in Q2 was at a record high*

In Q2 2017, goods in the amount of 3,685 million euros were exported (40.5% of GDP), while the imports were 4,662 million euros (51.3% of GDP), making the coverage of imports by exports 79%[2]. Exports of goods and services in Q2 was at a record high 54.2% of the quarterly GDP value. In the period Q2 2016-Q2 2017, the share of exports of goods and services in GDP was higher by 3.7 pp (increase from 50.5% to 54.2%), while at the same time, a 4 pp of GDP growth of imports of goods and services was recorded (from 59.1% to 63.1%). Trade deficit in Q2 was 977 million euros (10.7% of GDP), while foreign trade deficit was 811 million euros (8.9% of GDP, Table T4-1). That is a slightly higher share of foreign trade deficit and slightly lower share of trade deficit in GDP compared to the previous year – in Q2 2016, foreign trade deficit was 8.6% of GDP, and trade deficit was 10.8% of GDP, while both deficits are significantly lower than in Q1 2017, when they were 9.7% and 12.3% of GDP, respectively.

*Exports and imports recorded a significant growth – both year-on-year and seasonally adjusted*

In Q2 2017, exports continued to record a significant year-on-year growth of 11.9%, while at the same time, the growth of imports was 10.2%. Compared to the previous quarter, exports slightly accelerated, while imports decelerated their growth (recorded year-on-year growth rates in Q1 2017 for exports and imports were 10.7% and 15.8%, respectively). Seasonally adjusted data indicate that exports were 2.3% above the last quarterly value, while imports recorded a 2% growth (Graph T4-4). Year-on-year growth rates of exports and imports since the beginning of

1For more details, see *QM*48.

2NBS data on imports and exports of goods, as well as on trade balance are different than the SORS data (which we later use in *Exports and Imports*), becaue they don't include finishing goods (see Highlights 1 on the changes in methodology for calculating Balance of Payments in QM37). That is why there is a certain difference in the levels of exports and imports, as well as in growth rates, depending on whether the source of data was NBS or SORS.

the year, as has been the case since mid-2015, are under the considerable influence of the trade ratio – high index values in the second half of 2015 and during 2016, and then a decline and low levels since the beginning of 2017. In 2017, terms of trade ratio index was at a very low level in Q1 and a slightly higher level in Q2 – 93.4 and 99.6, respectively (see Graph T4-3). For the most part, it can be explained by the changes in the global energy prices. Expressed in dollars, in Q1 2017 they were by 56% higher, and in Q2 2017 by 13% higher than in the same quarters of the previous year.

### Table T4-1. Serbia: Balance of Payments

| | 2014 | 2015 | 2016 | 2016 | | | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| | | | | mil. euros | | | | | |
| **CURRENT ACCOUNT** | -1,985 | -1,577 | -1,370 | -378 | -309 | -293 | -390 | -733 | -287 |
| Goods | -4,111 | -3,993 | -3,476 | -745 | -935 | -808 | -988 | -1,013 | -977 |
| Credit | 10,641 | 11,357 | 12,732 | 2,956 | 3,294 | 3,131 | 3,351 | 3,271 | 3,685 |
| Debit | 14,752 | 15,350 | 16,209 | 3,701 | 4,230 | 3,939 | 4,339 | 4,284 | 4,662 |
| Services | 465 | 725 | 895 | 182 | 188 | 273 | 253 | 219 | 166 |
| Credit | 3,810 | 4,273 | 4,581 | 992 | 1,068 | 1,267 | 1,254 | 1,106 | 1,241 |
| Debit | 3,344 | 3,548 | 3,686 | 810 | 880 | 994 | 1,001 | 887 | 1,075 |
| Primary income | -1,343 | -1,658 | -1,950 | -486 | -456 | -550 | -458 | -652 | -423 |
| Credit | 642 | 682 | 630 | 142 | 185 | 140 | 164 | 101 | 149 |
| Debit | 1,985 | 2,340 | 2,581 | 628 | 641 | 690 | 623 | 753 | 572 |
| Secondary income | 3,003 | 3,349 | 3,161 | 670 | 895 | 793 | 804 | 713 | 947 |
| Credit | 3,400 | 3,795 | 3,637 | 772 | 1,010 | 922 | 933 | 849 | 1,086 |
| Debit | 397 | 446 | 476 | 102 | 115 | 130 | 129 | 135 | 139 |
| Personal transfers, net [1] | 2,442 | 2,671 | 2,510 | 521 | 735 | 624 | 630 | 564 | 765 |
| Of which: Workers' remittances | 1,863 | 2,077 | 1,874 | 379 | 577 | 458 | 460 | 414 | 595 |
| **CAPITAL ACCOUNT - NET** | 7 | -18 | -10 | 5 | -4 | -1 | -9 | 1 | -3 |
| **FINANCIAL ACCOUNT** | -1,705 | -1,205 | -790 | -184 | -197 | -127 | -282 | -512 | -236 |
| Direct investment - net | -1,236 | -1,804 | -1,861 | -480 | -404 | -492 | -485 | -505 | -487 |
| Portfolio investment | -369 | 289 | 916 | 363 | 331 | -10 | 232 | 219 | -30 |
| Financial derivatives | -6 | 2 | 9 | 0 | 1 | 5 | 3 | -5 | -2 |
| Other investment | 1,703 | 141 | 448 | 770 | 190 | 38 | -550 | 232 | 62 |
| Other equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency and deposits | 830 | -218 | 220 | 318 | 20 | -19 | -99 | -79 | -23 |
| Loans | 757 | 230 | 326 | 320 | 273 | -4 | -263 | 314 | 54 |
| Central banks | 574 | 153 | 23 | 12 | 7 | 4 | 0 | 4 | 0 |
| Deposit-taking corporations, | 795 | 434 | 279 | 100 | 197 | 80 | -97 | 271 | -289 |
| General government | -728 | -464 | -299 | 30 | 11 | 5 | -345 | 34 | 298 |
| Other sectors | 115 | 107 | 322 | 179 | 57 | -93 | 179 | 4 | 45 |
| Insurance, pension, and standardized | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade credit and advances | 116 | 129 | -98 | 131 | -102 | 61 | -188 | -3 | 31 |
| Other accounts receivable/payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SDR (Net incurrence of liabilities) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Reserve assets** | -1,797 | 166 | -302 | -836 | -317 | 332 | 519 | -455 | 222 |
| **ERRORS AND OMISSIONS, net** | 273 | 390 | 590 | 189 | 116 | 167 | 118 | 220 | 54 |
| **PRO MEMORIA** | | | | in % of GDP | | | | | |
| Current account | -5.9 | -4.7 | -4.0 | -4.8 | -3.6 | -3.3 | -4.5 | -8.9 | -3.2 |
| Balance of goods | -12.3 | -11.9 | -10.2 | -9.4 | -10.8 | -9.2 | -11.3 | -12.3 | -10.7 |
| Exports of goods | 31.8 | 33.8 | 37.3 | 37.2 | 38.1 | 35.6 | 38.3 | 39.9 | 40.5 |
| Imports of goods | 44.1 | 45.7 | 47.5 | 46.6 | 48.9 | 44.8 | 49.6 | 52.2 | 51.3 |
| Balance of goods and services | -10.9 | -9.7 | -7.6 | -7.1 | -8.6 | -6.1 | -8.4 | -9.7 | -8.9 |
| Personal transfers, net | 7.3 | 8.0 | 7.4 | 6.5 | 8.5 | 7.1 | 7.2 | 6.9 | 8.4 |
| GDP in euros [2] | 33,420 | 33,564 | 34,131 | 7,948 | 8,644 | 8,795 | 8,744 | 8,207 | 9,088 |

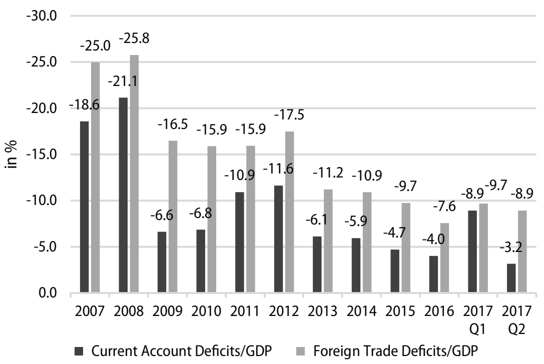
Note: Balance of Payments of the Republic of Serbia is aligned with international guidelines set out in the IMF's Balance of Payments Manual no. 6 (BPM6).
Source: NBS
1) Personal Transfers present current transfers between resident and non-resident households.
2) Quarterly values. Conversion of the annual GDP to euro was done according to the average annual exchange rate (average of official NBS daily middle exchange rates).

The value of trade and foreign trade deficit in Q2 2017, and by the same token, the value of current account deficit, was positively affected by the real depreciation of dinar at the end of the previous year, while year-on-year growth of global energy prices, as well as the continued recovery of domestic demand caused their increase.

***Net inflow at the Secondary Income account was relatively high – primarily the result of seasonal factors***

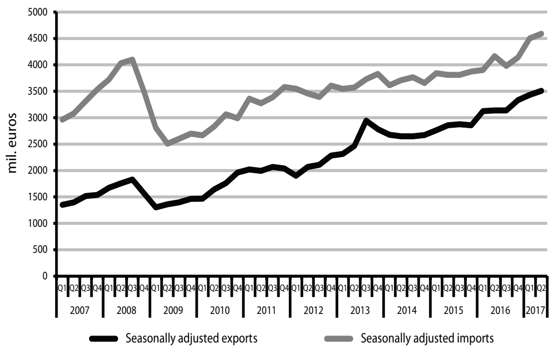
Net inflow at the Secondary Income account in Q2 was relatively high – 947 million euros, i.e. 10.4% of GDP, and was primarily the result of seasonal factors. The dominant part of this inflow were Personal Transfers, which were 765 million euro net in Q2, which was 8.4% of GDP. The outflow of net income was slightly above the value of Q2 2016, which is significantly below the value of the previous quarter due to lower spending (Table T4-1). In Q2, a relatively modest surplus of 166 million euros was recorded in the trade of services because of the higher level of spending.

**Graph T4-2. Serbia: Current and Foreign Trade Deficit, 2007-2017**




Source: SORS, *QM*

**Graph T4-3. Year-on-Year Indices of Trade Ratio, 2014-2017**




Source: SORS, *QM*

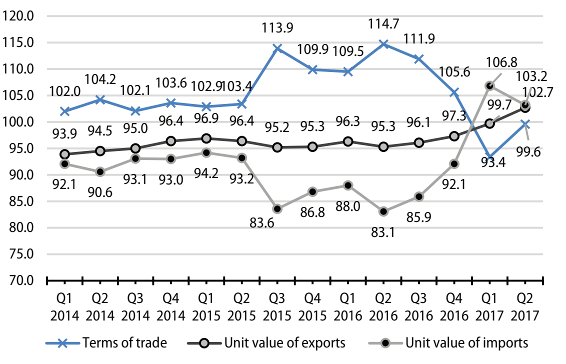
***In 2017, the current deficit was around 5% of GDP***

By the end of the year, the current account deficit will probably be around 5% of GDP. It will be determined by the positive outlook of economic growth of the Eurozone and surrounding countries, which will have a positive impact on domestic exports. On the other hand, the delayed effects of real appreciation of the local currency since the beginning of 2017 and especially in June will have a negative effect. Additionally, the factors that will influence the amount of the current account deficit in the coming period are the price of oil and agricultural products on the global market, as well as the impact of drought on this year's yield and exports. In addition, a possible increase of wages and pensions in the public sector would affect the accelerated growth of domestic demand and imports in the following year as well. We feel that even though the level of current account deficit is now significantly lower than before, it is still high. It is not good to keep the current account deficit on such a high level because the significant variability of capital inflow makes the coverage of deficit quite uncertain. In 2017, after 4-5 years of concurrent reduction, the current account deficit recorded its first increase. Therefore, we feel that economic policies should work on its reduction. Current trends, such as the fast growth of domestic demand and strengthening of the dinar jeopardise the results achieved so far.

***In Q2 2017, net capital inflow was 509 million euros…***

***…because of the considerable net inflow of FDI***

**Graph T4-4. Serbia: Seasonally Adjusted Exports and Imports, Quarterly, 2007-2017**




Source: NBS, SORS, *QM*

In Q2 2017, net capital inflow was 509 million euros[3], surpassing the current account deficit by 222 million euros, which was the growth amount of forex reserves. Net inflow of FDI was significant – 487 million euros (out of which 189 million euros net were from reinvested profits, 148 million euros from debt instruments, and 150 million euros from equity capital excluding reinvested profit). Therefore, capital inflow from the beginning of the year was 992 million euros. Unlike in Q1, when there was a significant outflow of portfolio investments, in Q2 a net inflow of 30 million euros was realised (Table T4-1). One of the factors that influenced the significant capital inflow was the expansionary fiscal policy of ECB, so the capital was mostly directed toward developing countries, including ours.

Net inflow from other investments in these three months of Q2 were 62 million euros. On the one hand, net deleveraging was recorded of financial (54 million euros) and trade loans (31 million euros), while a net inflow was realised on the Cash and Deposit account (23 million euros). The public sector deleveraged their financial loans by 298 million euros net, other sectors deleveraged 45 million euros, while other deposit institutions except the central bank increased their foreign debt by 289 million euros net.

[3] 455 million euros excluding the *Errors and Omissions* account.

***Growth of forex reserves in Q2 and July***

In Q2, inflow of capital with the lower value of current account deficit led to a 222 million euro increase in forex reserves. Reduction of forex reserves was actually recorded only in April (263 million euros), while they increased in May and June by 197 and 288 million euros, respectively.

The biggest part of foreign currency outflow in April is the result of a considerable deleveraging of the state in the amount of 333 million euros for loans, i.e. regular servicing of commitments to foreign creditors[4]. Increase of forex reserves in May and June occurred due to NBS activities on the interbank foreign exchange market (inflow from purchasing foreign currency of 145 million euros in May and 275 million euros in June). Outflow in the last two months of Q2 was mostly due to changes in inter-currency relations on the international financial market, and due to net deleveraging of loans by the state[5].

Further increase of forex reserves occurred in July. The biggest outflow was due to the reduction in the mandatory forex reserve of the banks, as well as servicing of old foreign currency savings, while forex reserves increased primarily due to purchasing of foreign currency on the interbank foreign currency market by NBS (220 million euros)[6]. Actually, from the beginning of April to the end of July, NBS intervened on the interbank foreign currency market by purchasing 670 million euros with the aim of mitigating excessive short-term fluctuations of the foreign exchange rate.

## Exports

***Since the beginning of the year, exports recorded a fast growth…***

***...even though they slightly decelerated in July***

Exports recorded a high year-on-year growth of 13.2% in Q2 and reached 3,933 million euros. Therefore, exports continued their fast growth from the first quarter (year-on-year increase of 13.4% in Q1, Table T4-5), even though in July, they slightly decelerated their growth and were 10.3% above the level recorded in July of the previous year. Growth of exports in Q2 was realised thanks to the growth of all export groups except *Energy*. However, since energy exports make only 2.4% of the total exports, the realised decrease in value did not have any major effect on total exports. In July, exports of energy products also recorded a year-on-year growth, while only exports of Capital Goods were at a lower level compared to July 2016. As the value of exports of road vehicles in Q2 and July was below the last year's value (by 13.6% in Q2 and by 29.7% in July), exports excluding road vehicles recorded a year-on-year growth of 16.9% and 14.1%, respectively. Dominant contribution to the growth of exports came from the exports of basic metals as a result of increased investments, production and exports in the national steelworks[7].

**Table T4-5. Serbia: Exports, Year-on-Year Growth Rates, 2014–2017**

| | Exports share in 2016 | 2014 | 2015 | 2016 | 2017 | | | 2016 | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | July | Q3 | Q4 | Q1 | Q2 | July |
| | in % | in mil. euros | | | | | | in % | | | | |
| Total | 100.0 | 11,159 | 12,041 | 13,432 | 3,504 | 3,933 | 1,231 | 9.9 | 15.7 | 13.4 | 13.2 | 10.3 |
| Total excluding road vehicles | 89.8 | 9,621 | 10,630 | 12,057 | 3,143 | 3,562 | 1,162 | 10.8 | 18.7 | 16.7 | 16.9 | 14.1 |
| Energy | 2.4 | 414 | 342 | 329 | 67 | 81 | 32 | -18.4 | 15.9 | -15.2 | -6.8 | 19.8 |
| Intermediate products | 34.8 | 3,687 | 4,084 | 4,669 | 1,297 | 1,496 | 479 | 12.1 | 19.5 | 23.3 | 24.4 | 22.3 |
| Capital products | 25.0 | 2,877 | 3,064 | 3,352 | 872 | 961 | 245 | 11.6 | 7.3 | 4.3 | 4.3 | -1.3 |
| Capital products excluding road vehicles | 14.7 | 1,340 | 1,653 | 1,977 | 511 | 589 | 176 | 18.7 | 19.2 | 16.5 | 20.0 | 17.3 |
| Durable consumer goods | 5.5 | 586 | 664 | 739 | 186 | 214 | 62 | 6.6 | 11.6 | 19.1 | 14.3 | 4.9 |
| Non-durable consumer goods | 23.8 | 2,614 | 2,847 | 3,198 | 774 | 835 | 309 | 9.6 | 12.1 | 7.4 | 4.6 | 7.6 |
| Other | 8.5 | 981 | 1,040 | 1,145 | 307 | 347 | 105 | 10.6 | 41.5 | 24.4 | 23.7 | 0.4 |

Source: SORS

In H1 2017, exports recorded a significant growth thanks to the growth of all export groups except Energy. Still, Energy exports in July recorded a year-on-year growth. Exports of Intermediate Goods recorded a certain acceleration of growth – year-on-year growth of 23.3% in Q1 and 24.4% in Q2, only to slightly decelerate in July. Capital Goods recorded a constant growth

4 https://www.nbs.rs/internet/cirilica/scripts/showContent.html?id=11388&konverzija=no
5 https://www.nbs.rs/internet/cirilica/scripts/showContent.html?id=11513&konverzija=no, https://www.nbs.rs/internet/cirilica/scripts/showContent.html?id=11617&konverzija=no
6 https://www.nbs.rs/internet/cirilica/scripts/showContent.html?id=11749&konverzija=no
7 Growth of 15.3% seasonally adjusted in Q2, over 50% year-on-year, and „Hestil Srbija" company is the second largest individual exporter. *Inflation Report,* August 2017, p.37

*In Q2 2017, exports recorded a significant growth thanks to the growth of all groups except Energy…*

of exports in the first half of 2017, at a rate of 4.3% year-on-year, only to decrease their exports in July to a value 1.3% below the last year's value. Capital Goods after excluding road vehicles had a considerable year-on-year growth of 20% in Q2 and 17.3% in July. Growth of Durable Consumer Goods export decelerated at the beginning of the year, while exports of Non-Durable Consumer Goods decelerated in Q2 and accelerated in July. Growth of non-classified exports was 23.7% in Q2, and in July, it increased by 0.4% compared to the same period of 2016 (Table T4-5).

*…in July, Energy exports recorded a year-on-year growth, while exports of Capital Goods were below last year's*

Recorded fast growth of exports in several consecutive quarters is very important to the economy of Serbia. As we mentioned in previous issues, together with investments, it should be the major pillar of growth, and that is why we feel it should be supported with all economic policies. Therefore, the real appreciation of the foreign exchange rate since the beginning of 2017 will certainly have a positive effect on the level of exports in the second half of the year. In addition, this year's drought and cold could have a negative effect on the exports of agricultural products and by the same token on the total export result. On the other hand, further growth of exports of metal is expected. Additionally, as higher growth is expected in the EU and surrounding countries, it will certainly have a favourable impact on our exports in the coming period. In the coming period, the exports will also be influenced by the level of global prices, primarily of agricultural products and metal.

## Imports

*In Q2, imports decelerated their growth, only to record an acceleration in July*

In Q2 2017, import of goods was five billion euros, which is a deceleration of growth (year-on-year increase in Q2 was 10.2% compared to 15.4% in Q1, Table T4-6). Imports in July accelerated their growth and were by 14.1% above the value of July 2016. This type of trend in domestic imports is partly the result of the fluctuations in the global price of energy, although imports excluding energy also had a similar dynamic (after 11.7% from Q1, the year-on-year growth rate was 9.4% in Q2 and 12.5% in July). While all other groups recorded a year-on-year increase, only the import of capital goods was at a lower level than last year (which has been the case for the last four quarters, as well as in July).

Growth of Energy imports was 55.2% in Q1, 19.2% in Q2, and 31.2% in July. At the same time, prices recorded a decrease since the beginning of the year – according to IMF data, price of energy in dollars was by 7.1% lower in Q2 compared to the previous quarter, but was above the value of Q2 2016. The global price of energy in dollars in Q2 2017 was by 12.8% above the price from the same period last year, i.e. by 15.8% if we observe prices in euros. Therefore, when we exclude the effects of the price on the changes in the value of energy exports, the imports in Q2 in real terms had a year-on-year growth of only 2.9%.

*Except Capital Goods, all other groups realised a year-on-year increase*

Import of Capital Goods was at a lower level observed year-on-year – by 3.8% in Q2 and by 15% in July. On the other hand, import of Intermediate Goods recorded a dynamic year-on-year growth of 15.9% in Q2 and 21.7% in July. This can be explained by the recorded growth of industrial production[8]. Therefore, the growth of imports is in big part determined by the recovery of the industry, which can be estimated as good. Year-on-year growth of imports was also recorded in Durable and Non-Durable Consumer Goods, as well as in Other Imports in both Q2 and July. These groups had a similar growth dynamic – deceleration in Q2 and acceleration in July (Table T4-6).

Considerable growth of imports since the beginning of 2017 is primarily owed to the year-on-year growth of energy prices due to last year's big decline of these prices and therefore a very low base. In the coming period, the imports will be affected by further trends of global energy prices and low last year's base could cause each higher level of this year to contribute to the year-on-year growth of total imports. Additionally, further growth of domestic demand in Serbia is expected, which will be additionally accelerated if there is the announced increase of pensions and public sector wages. Therefore, the growth of domestic demand that is faster than the growth of GDP will lead to the new growth of external imbalance. Also, the real appreciation of dinar could be one of the factors of the growth of imports in the coming period.

8See section „Economic Activity" in this issue of QM.

Trends

**Table T4-6. Serbia: Imports, Year-on-Year Growth Rates, 2014-2017**

| | Imports share in 2016 | 2014 | 2015 | 2016 | 2017 | | | 2016 | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | April | Q3 | Q4 | Q1 | Q2 | April |
| | in % | | | in mil. euros | | | | | | in % | | |
| Total | 100.0 | 15,490 | 16,387 | 17,382 | 4,587 | 5,004 | 1,583 | 5.0 | 7.2 | 15.4 | 10.2 | 14.1 |
| Energy | 8.9 | 2,180 | 1,873 | 1,552 | 526 | 462 | 155 | -19.2 | -3.6 | 55.2 | 19.2 | 31.2 |
| Intermediate products | 34.4 | 5,156 | 5,529 | 5,982 | 1,513 | 1,734 | 586 | 3.7 | 3.0 | 16.8 | 15.9 | 21.7 |
| Capital products | 24.4 | 3,757 | 4,021 | 4,241 | 821 | 1,086 | 299 | -1.5 | -4.9 | -9.3 | -3.8 | -15.0 |
| Durable consumer goods | 2.3 | 328 | 416 | 394 | 93 | 104 | 32 | -5.0 | -8.4 | 14.9 | 4.2 | 8.7 |
| Non-durable consumer goods | 15.3 | 2,360 | 2,512 | 2,660 | 648 | 686 | 228 | 1.8 | -1.1 | 17.7 | 6.5 | 11.0 |
| Other | 14.7 | 1,709 | 2,037 | 2,553 | 987 | 932 | 282 | 51.4 | 61.4 | 22.7 | 19.1 | 40.6 |
| Imports excluding energy | 91.1 | 13,311 | 14,514 | 15,830 | 4,061 | 4,542 | 1,427 | 8.1 | 8.5 | 11.7 | 9.4 | 12.5 |

Source: SORS

## Foreign Debt

***Serbia's foreign debt at the end of March 2017 was 26,174 million euros, i.e. 76.1% of GDP***

Serbia's foreign debt at the end of March 2017 was 26,174 million euros (Table T4-7). In Q1 2017, the reduction of foreign debt was 374 million euros. Foreign debt expressed as a percentage of GDP was 76.1%, and by 1.7 pp of GDP below the value recorded three months earlier. Out of that increase in share, the 0.6 pp reduction of share of GDP was due to the somewhat higher value of GDP that is used as a denominator. Reduction of foreign debt since the beginning of 2017 is partly owed to the appreciation of the euro against the dollar.

The total reduction of foreign debt by 374 million euros in the first three months of 2017 was the result of the reduction of public sector's debt by 176 million euros (by 0.9 pp of GDP), as well as the reduction of private sector's debt by 199 million euros (0.8 pp of GDP). The effects of fiscal consolidation can be seen to a certain extent in the recorded decline of public sector's debt. Reduction of private sector's foreign debt in Q1 was the result of deleveraging long-term debt of 59 million euros on the one hand, and on the other of the lower level of short-term debt by 139 million euros. The banking sector deleveraged 61 million euros in long-term loans, while the business sector's long-term debt at the end of Q1 was at the same level as three months earlier. The banks reduced their short-term debt by 208 million euros, while businesses had a higher level of short-term debt by 68 million euros than in the previous quarter.

***Compared to the situation of one year ago, the total foreign debt is higher by 466 million euros…***

Compared to March 2016, total foreign debt is higher by 466 million euros (Table T4-7). Still, we should keep in mind that the amounts of foreign debt and its components, as well their changes, are mostly determined by the changes in the value of currencies.

***…which is the net result of public sector's borrowing and private sector's deleveraging***

Public sector's foreign debt was by 570 million euros higher than last year's. On the other hand, a reduction of private sector's foreign debt was recorded compared to the end of March 2016 of 104 million euros – exclusively the result of the banking sector's deleveraging of long-term debt by 570 million euros. On the other hand, banks' short-term debt was by 147 million euros higher in Q1 2017 than in the same quarter of the previous year. At the same time, businesses increased their long-term debt by 235 million euros, and their short-term debt by 80 million euros.

## Table T4-7. Serbia: Foreign Debt Trend Dynamic, 2013–2017

| | 2013 | 2014 | 2015 | 2016 | | | | 2017 |
|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Jun | Sep. | Dec. | Mar. |
| | stocks, in EUR millions, end of the period | | | | | | | |
| Total foreign debt | 25,644 | 25,679 | 26,234 | 25,709 | 25,667 | 25,648 | 26,549 | 26,174 |
| *(in % of GDP) [4)]* | *74.8* | *76.8* | *78.2* | *75.8* | *75.7* | *75.4* | *77.8* | *76.1* |
| Public debt[1)] | 13,120 | 14,145 | 15,295 | 14,934 | 15,031 | 14,923 | 15,679 | 15,504 |
| (in % of GDP)[4)] | *38.3* | *42.3* | *45.6* | *44.1* | *44.3* | *43.9* | *45.9* | *45.1* |
| Long term | 13,120 | 14,140 | 15,295 | 14,934 | 15,031 | 14,923 | 15,679 | 15,504 |
| o/w: to IMF | 697 | 152 | 15 | 7 | 0 | 0 | 0 | 0 |
| o/w: Government obligation under IMF SDR allocation | 434 | 463 | 493 | 483 | 488 | 484 | 494 | 495 |
| Short term | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Private debt[2)] | 12,525 | 11,534 | 10,939 | 10,775 | 10,636 | 10,725 | 10,869 | 10,671 |
| *(in % of GDP) [4)]* | *36.5* | *34.5* | *32.6* | *31.8* | *31.4* | *31.5* | *31.8* | *31.0* |
| Long term | 12,328 | 11,441 | 10,636 | 10,463 | 10,358 | 10,272 | 10,190 | 10,131 |
| o/w: Banks debt | 3,219 | 2,503 | 2,057 | 1,912 | 1,730 | 1,514 | 1,403 | 1,342 |
| o/w: Enterprises debt | 9,108 | 8,935 | 8,575 | 8,547 | 8,624 | 8,752 | 8,781 | 8,782 |
| o/w: Others | 1 | 3 | 4 | 4 | 4 | 6 | 6 | 7 |
| Short term | 196 | 94 | 303 | 312 | 277 | 453 | 679 | 540 |
| o/w: Banks debt | 171 | 57 | 186 | 237 | 222 | 406 | 592 | 384 |
| o/w: Enterprises debt | 25 | 37 | 117 | 75 | 55 | 48 | 87 | 156 |
| Foreign debt, net 3), (in% of GDP)[4)] | 42.2 | 47.2 | 47.2 | 47.8 | 48.3 | 47.3 | 47.9 | 47.8 |

Note: Foreign debt of the Republic of Serbia is calculated according to the "matured debt" principle, which includes amounts of debt from capital and amounts of calculated interest not paid in the moment of agreed maturity.
Source: NBS, QM
1) Foreign debt of the Republic of Serbia's public sector includes the debt of the state (not including the debt of Kosovo and Metohija, for loans concluded before the arrival of KFOR, unregulated debt toward Libya and the clearing debt toward former Czechoslovakia), National Bank of Serbia, local self-governments, funds and agencies formed by the state, and the debt for which state guarantee was issued.
2) Foreign debt of Republic of Serbia's private sector includes the debt of banks, companies and other sectors for which no state guarantee has been issued. Foreign debt of the private sector does not include loans concluded before December 20, 2000 for which no payments are done (1,022.0 million euro, out of which 445.6 million euro is from domestic banks, and 576.4 million euro is from domestic companies).
3) Total foreign debt reduced by NBS forex reserves.
4) Sum value of GDP of the observed quarter and previous three quarterly values of GDP.