2. Economic Activity

Economic activity failed to meet expectations in the first quarter of 2017. The year on year GDP growth was 1.2%, and the seasonally adjusted growth compared to the previous quarter was only 0.1%. According to both indicators, Q1 is the quarter with the lowest GDP growth since 2015. Additional analysis shows that economic growth in Q1 in Serbia was considerably lower compared to other countries in the region, which in Q1 recorded an average y-o-y GDP growth of about 4.5%. There are two groups of reasons for unfavourable economic activity in Q1. The first relates to one-off factors - a huge drop in production of EPS, which was a result of poor management of this company and a sharp drop in construction activity due to a somewhat colder winter than last year. However, even if there were no such one-off factors Serbia would, with economic growth rate of somewhere over 2%, lag behind almost all Central and Eastern European countries. So, there is another, more permanent, reason why Serbia has been behind the region for years - and that is, above all, a bad business environment. Serbia is not attractive for investment, which is best seen by the very low share of investments in GDP of about 18% of GDP (and it should be close to 25% of GDP). Despite the poor results in Q1, it is still possible to accelerate economic activity by the end of the year, which would make possible planned GDP growth rate of 3%. In the coming quarters, we should expect better results of construction and electricity production (if EPS solves problems with production). Also, since all of Europe in 2017 has achieved record growth rates since the outbreak of the crisis, part of this growth should also be transferred to Serbia. However, even if this happens, which is not certain - the only sustainable and secure way for Serbia to permanently accelerate its economic growth and start to catch up with the more developed countries of the CIE is to implement structural reforms for improvement of the economic environment.

Gross domestic product

In Q1, a relatively low GDP growth of 1.2% was achieved

According to the latest SORS data, y-o-y GDP growth in Q1 was 1.2%, which we rate as a bad result. Namely, during 2016 the y-o-y GDP growth by quarters ranged from 2.1% up to 3.8%, so the results from Q1 2017 indicate a significant slowdown in economic activity in relation to the previous year. Also, the y-o-y growth rate of 1.2% in Q1 makes it difficult to achieve the forecasted GDP growth of 3% in 2017, because in order to achieve this goal in the coming quarters relatively high average y-o-y GDP growth of 3,5% must be achieved.

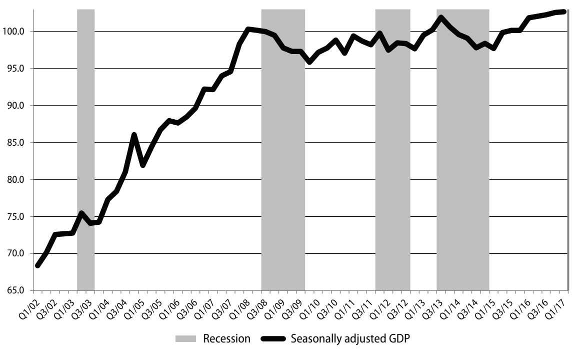
Seasonally adjusted GDP growth only 0.1%

Graph T2-1 shows series of seasonally adjusted GDP growth which somewhat more reliably shows the short-term trends of economic activity (shaded periods are recession-rated based on the Bry-Boschan procedures). The seasonally adjusted GDP growth in Q1 amounts to only 0.1% compared to the previous quarter, which is also the worst result since 2015. The analysis of seasonally adjusted GDP points to very similar conclusions as the analysis of its y-o-y growth - for example, a sharp acceleration of seasonally adjusted GDP is needed in the coming quarters in order to achieve a GDP growth rate of 3% in 2017. Converted to numbers, this means that for the growth of economic activity in 2017 of 3%, the seasonally adjusted quarterly GDP growth in the next three quarters should be 1.7% (average), which would represent a very high acceleration in comparison to the previous medium-term trends (in 33 quarters since 2009, the seasonally adjusted quarterly growth of more than 1.5% was recorded only four times in a span of several years, and now it should be expected in three consecutive quarters). In the second part of this text, we will explain in more detail why we believe that reaching a growth rate of 3% in 2017, although difficult, is still possible. In this part of the text, we will focus a little more on evaluating the results of the economic activity in Q1, considering them from the international context.

GDP growth in Q1 is well below the regional average

Table T2-2 shows GDP growth in Serbia and countries in the region. Although we have only shown the last three years in the table, since the beginning of the recovery from the crisis (since 2010) Serbia has achieved below average economic growth rates in relation to the countries in

Graph T2-1. Serbia: Seasonally adjusted GDP growth, 2002-2017 (2008 = 100)



Source: *QM* estimates based on SORS

the region. In Q1, this lag was further deepened as the average y-o-y growth in the region was 4.5%, and in Serbia 1.2%. Of all the observed countries whose data for Q1 is available (Table T2-2), only Macedonia had a lower growth than Serbia, but that was also expected taking into account a great political instability in the country at the beginning of the year. Additional analysis showed that not only the countries of the region, but practically all of Europe, recorded a solid acceleration of economic activity at the beginning of 2017. The remaining countries of Central and Eastern Europe had a similar acceleration of growth in Q1 as the countries of the Serbian environment and achieved an average y-o-y growth of around 4% (Slovenia 5%, Poland 4,2%, the Baltic countries slightly over 4%, Slovakia and the Czech Republic 3%). In Q1, Eurozone accelerated its year-on-year GDP growth to 1.9%, and the seasonally adjusted growth of Eurozone compared to the previous quarter was 0.6%, which would, when annualized, correspond to the annual growth rate of around 2.5%.

Table T2-2. Serbia and countries in the region: GDP growth and share of investments in GDP, 2014-2017

	2014	2015	2016	Q1 2017	Share of investments in GDP
Serbia	-1.8	0.8	2.8	1.2	17.7
Neighbouring countries (weighted average)	2.7	3.4	3.5	4.5	22.7
Albania	1.8	2.6	3.4	-	27.2
Bosnia and Herzegovina	1.1	3.1	2.5	-	17.3
Bulgaria	1.3	3.6	3.4	3.8	21.0
Croatia	-0.5	1.6	2.9	2.5	19.5
Hungary	4.0	3.1	2.0	4.2	21.7
Macedonia	3.6	3.8	2.4	0.0	23.0
Montenegro	1.8	3.4	2.4	-	20.3
Romania	3.1	3.9	4.8	5.7	24.7

Source: EU Commission, European Economic Forecast – Winter 2017

Low GDP growth in Q1 in Serbia has been influenced by temporary factors

One part of the explanation of the low GDP growth in Serbia in Q1 refers to the one-off factors. Namely, there was a sharp drop in coal mining and electricity production by about 10% and 15% respectively in Q1, and the worst situation was in March, with coal production decline of 20% and electricity of almost 25%. This drop in production is attributed to many years of poor management of EPS. For years, EPS has not invested enough in opening new coal pits and the old ones are technologically harder to exploit with increasing risks of damage. According to the information from the media the inappropriate mode of mining resulted in landslide in Kolubara reducing coal production and consequently electricity. Along with EPS, construction activity had a solid annual drop of about 5% in Q1, and this fall is most likely one-off in its nature –i.e. the result of slightly colder winter in 2017 than in 2016, which resulted in fewer construction works. When looking at other indicators of construction activity that are not so susceptible to meteorological changes, it can be seen that the fall in Q1 was most likely temporary. Cement production had a y-o-y growth of over 10%, interest rates were at a historical minimum, etc. If the fall in the production of electricity and construction did not occurred, the annual growth of GDP in Q1 would be between 2 and 2.5% rather than 1.2%.

However, Serbia would have relatively low economic growth even withouth temporary factors

Even if Serbia had growth in Q1 in the range of 2-2.5%, it would again be the lowest economic growth compared to all Central and Eastern European countries (except Macedonia) - and we also recall that Serbia's lagging behind the region has lasted since 2010. Therefore, we conclude that not only temporary factors were the reason for relatively low GDP growth in Q1, but that such result is only a continuation of long-term unfavourable economic trends. Indications of structural problems that prevent high GDP growth are presented in Table T2-2. Namely, in the last column of the Table, we show that the share of investments in GDP in Serbia is significantly lower than in the countries of the region - it is only about 18%[1] of GDP compared to about 23% of the GDP of the countries in the region. And with such a low level of investment, far lower than in economically comparable countries, Serbia cannot expect that it will catch up in the near future. We have written about the reason for low investments in detail on several occasions in the previous editions of QM, so we will not describe them here again. What is important to note is that these reasons are mainly of structural character (rule of law, inefficiency of the state administration, high level of corruption, poor state of the infrastructure, etc.) and can be eliminated only by midterm reforms of these areas that are persistently avoided in Serbia.

The structure of GDP growth in Q1 was not economically favourable

The structure of achieved GDP growth in Q1 by use is presented in Table T2-3. Unlike in 2016, when economic growth was triggered by investments (a growth of around 5%) and net exports (12% export growth was almost twice higher than the growth of imports), the growth structure in Q1 is significantly different. Personal consumption grew by almost 2% and this is its largest quarterly y-o-y growth since 2011. Although the goal of economic policy is certainly a faster growth of living standards and household spending, Serbia needs to increase personal spending for some time more slowly than GDP growth, as there is still an external imbalance (relatively high current deficit) - that is, Serbia still consumes significantly more than it produces, and investments are still low. In Q1, however, private consumption growth was significantly higher than GDP growth (Table T2-3). Another negative indicator that we see in the growth structure of GDP by use is a low investment growth of only 1.3%. In order for Serbia to hope for a high and sustainable growth of more than 4%, it is necessary that investments in the next few years grow at rates of over 5% in order to increase their share in GDP significantly. The third negative indicator is the faster growth of imports from exports, which leads to a relatively large decrease in net exports and further deterioration of the external imbalance.

Table T2-3. Serbia: GDP by expenditure method, 2009-2017

	Y-o-y indices													
	2009	2010	2011	2012	2013	2014	2015	2016	2016				2017	Share
									Q1	Q2	Q3	Q4	Q1	2015
GDP	96.9	100.6	101.4	99.0	102.6	98.2	100.8	102.8	103.8	102.1	102.8	102.5	101.2	100.0
Private consumption	99.4	99.4	100.9	98.2	99.4	98.7	100.5	100.8	100.8	101.0	100.5	101.0	101.9	74.7
State consumption	100.6	100.8	101.1	102.4	98.9	99.4	98.5	102.3	102.3	103.7	100.8	102.3	100.5	16.2
Investment	77.5	93.5	104.6	113.2	88.0	96.4	105.6	104.9	106.8	104.4	106.2	102.6	101.3	17.7
Export	93.1	115.0	105.0	100.8	121.3	105.7	110.2	111.9	112.4	110.7	110.7	113.8	108.7	46.7
Import	80.4	104.4	107.9	101.4	105.0	105.6	109.3	106.8	104.3	111.1	105.7	105.9	110.9	56.4

Source: SORS

There is, however, a basis for faster GDP growth in the coming quarters

A somewhat more detailed analysis of GDP by use shown in Table T2-3 shows some positive indicators that should be the basis for acceleration of the GDP growth in the coming quarters. First of all, that is the fact that exports continued with a high growth trend of almost 10%. We estimate that the growth of imports will slow down in the coming quarters, which was increased in Q1 by the temporary growth of energy imports of about 60%. Namely, part of this increase in energy imports was the result of higher oil and gas prices in Q1 2017 compared to Q1 2016, which is now no longer the case, as prices have returned to low levels. Also, the import of electricity was extremely high, due to the problems in EPS operations, and this trend will certainly slowdown in the summer months when electricity consumption in Serbia is lower. With almost certain slowdown in imports in the coming quarters, with sustained growth rates of exports (economic activity in Europe accelerates its growth which should positively affect Serbian exports) - we expect that net exports will start to contribute again positively to GDP growth starting from Q2, instead lowering it, as was the case in Q1. Also, the low level of investment was mainly a result of the decline in construction activity, which we consider as temporary, while credit activity and production of investment products recorded solid growth. Therefore, in the

1 Precise data on the participation of investments in GDP in 2016 for Serbia and the countries of the region still do not exist, but based on a slightly faster growth of investments than other components of GDP in 2016, we conclude that this share in Serbia will increase from 17,7% of GDP to around 18% of GDP.

coming quarters, we expect a significant increase in investment growth. In the end, it is positive that state spending in Q1 had a very low growth, which we hope will be extended in the coming quarters, and that private consumption, although somewhat higher than it would be desirable, is not completely out of control. With expected growth in net exports and investments in the coming quarters, GDP growth could increase to around 3%. This would then mean that the structure of economic growth will again be sustainable if private and state spending is kept at similar levels as in Q1 –i.e. private and state spending grow again slower than the GDP growth.

In Q1 service growth was faster than material production growth

The GDP growth by production (Table T2-4) was consistent with GDP growth per consumption. Growth structure was dominated by services - financial activities with 4.5% y-o-y growth and trade, traffic and tourism with growth of 2.8%. On the other hand, the biggest decline of about 5% was in the construction activity. The total industrial production recorded a modest growth of 1.3%, which was the result of a solid growth of the manufacturing industry of about 7%, a strong decline in electricity production of about 15% and a decrease of total mining (because of coal production) of about 6%. Agriculture had a lower annual decline of around 2%, based on preliminary estimates, but this isn't still a good indication of the trends in agricultural production in 2017. For this we will have to wait the results of summer and autumn agricultural cultures that dominate the movement of this sector.

Table T2-4. Serbia: Gross Domestic Product by Activity, 2009-2017

	2009	2010	2011	2012	2013	2014	2015	2016	2016				2017	Share
									Q1	Q2	Q3	Q4	Q1	2015
Total	96.9	100.6	101.4	99.0	102.6	98.2	100.8	102.8	103.8	102.1	102.8	102.5	101.2	100.0
Taxes minus subsidies	98.6	99.5	101.1	97.8	98.9	99.2	100.9	101.1	101.0	101.7	100.2	101.4	102.0	16.0
Value Added at basic prices	96.6	100.8	101.5	99.2	103.3	98.0	100.7	103.1	104.4	102.2	103.3	102.7	101.0	84.0
Non agricultural Value Added	96.7	100.2	101.5	101.1	101.6	97.5	101.7	102.6	104.1	102.0	102.3	102.1	101.3	90,5[2)]
Agriculture	95.2	106.4	100.9	82.7	120.9	102.0	92.3	108.3	107.7	104.6	111.8	108.1	97.8	9,5[2)]
Industry	96.8	100.8	103.2	105.6	106.0	92.4	103.2	103.0	106.9	100.3	102.7	102.3	101.3	24,4[2)]
Construction	87.1	97.6	105.9	90.2	96.1	98.5	102.7	106.4	112.9	107.8	108.6	99.4	94.9	5,2[2)]
Trade, transport and tourism	92.9	100.0	99.5	99.3	102.3	101.1	102.2	103.9	105.1	103.1	103.4	104.2	102.8	18,4[2)]
Informations and communications	97.0	103.2	102.6	102.8	99.9	96.1	101.7	102.3	102.3	102.3	102.0	102.6	101.4	5,1[2)]
Financial sector and insurance	102.6	101.9	98.4	92.0	90.5	97.2	102.3	103.4	102.7	103.5	104.2	103.2	104.5	3,2[2)]
Other	99.7	99.8	100.9	101.8	100.2	99.9	99.8	101.1	101.4	101.4	100.6	101.2	100.6	34,3[2)]

Source: SORS

Despite poor results from Q1, we still keep the GDP growth rate estimate at 3% in 2017

Some of the main arguments because of which we expect acceleration of the economic growth in the coming quarters are already outlined in the previous section of the text. Namely, in the coming quarters we expect temporary factors that lowered economic growth in Q1 to be exhausted - above all in construction and electricity production. We also expect stronger positive influence of external factors on Serbia's economic activity. The accelerated economic growth of the EU countries with which the Serbian economy is cooperating will have positive impact on Serbia's exports. Also, if the acceleration of growth of the EU turns out to be more permanent, this will also affect the increase of foreign direct investments, which in Serbia come mainly from the EU countries. Another external factor, which in the past already had a significant impact on accelerating economic activity in Serbia, is a new strong drop in energy prices. This fall was particularly pronounced in June and completely annulled all effects of steady rise in energy prices over the previous year. More importantly, analysts expect low oil prices to remain for some time. The third factor is the low interest rates that continue to hedge their historical records and there is no indication that the situation will change in the near future. It is important, however, to point out that although we expect a solid acceleration of economic growth in the coming quarters and possible reach of the projected GDP growth at an annual level of 3%, Serbia will continue to be at the bottom when compared to the Central and Eastern European countries by economic growth. In order to change this the structural reforms are needed aimed at improving the economic environment and consequently a strong increase in the share of investment in GDP.

Industrial production

The weak growth of total industrial production in Q1 is due to two completely divergent trends

Industrial production in Q1 recorded a growth of 0.7% (Table T2-5), which is its lowest year-on-year growth over the previous two years. However, behind this result there are two completely divergent trends. On the one hand, the manufacturing industry had a high y-o-y growth of 7.3%, which was the largest since 2013, when Fiat Cars Serbia (FAS) was in full expansion of production. On the other hand, the drop in electricity production by about 15% and the decline of mining by about 6% are almost comparable with the results that these sectors recorded during the natural disasters (floods in 2014).

Table T2-5. Serbia: Industrial Production Indices, 2009-2017

	Y-o-y indices													Share
	2009	2010	2011	2012	2013	2014	2015	2016	2016				2017	2015
									Q1	Q2	Q3	Q4	Q1	
Total	87.4	102.5	102.2	97.1	105.5	93.5	108.2	104.7	110.5	102.4	103.7	102.8	100.7	100.0
Mining and quarrying	96.2	105.8	110.4	97.8	105.3	83.3	110.5	104	114.3	99.2	103.4	100.5	93.7	7.0
Manufacturing	83.9	103.9	99.6	98.2	104.8	98.6	105.3	105.3	106.5	105.9	104.4	105.3	107.3	80.1
Electricity, gas, and water supply	100.8	95.6	109.7	92.9	108.1	79.9	118.8	102.7	120.9	90.2	102.1	95.9	85.5	12.9

Source: SORS

The decline in electricity production and mining is the consequence of problems in EPS

Only one, and at the same time the largest company in Serbia - EPS is responsible for the bad results of electricity production and mining. This company has been poorly managed for years, resulting in huge cumulative losses and debt growth, as well as systematically very low investment levels. In the last ten years EPS has invested considerably less than the depreciation value in each year, which has led to the collapse of electricity generation capacity. One of the consequences of chronically low investments is a lack of investments in new coal mines, and the old ones are being slowly exhausted. In order to overcome this situation in the short term, EPS began with a risky undermining to reach the coal that has not been completely stripped. According to information from the media, the landslide in Kolubara led to its mix with the coal, which prevented efficient production in the winter months when coal and electricity production is seasonally the biggest. Since EPS did not provide sufficient coal reserves on time to overcome the period of reduced production in Kolubara, electricity production in Q1 fell by about 15% compared to the same period of the previous year, and the electricity shortage was imported (which also affected the deterioration of the trade balance of the country). We expect that during the period of reduced electricity production (from April to November) EPS will manage to solve this problem and to be ready for the next heating season with full capacity production.

The high growth of the manufacturing industry is widespread

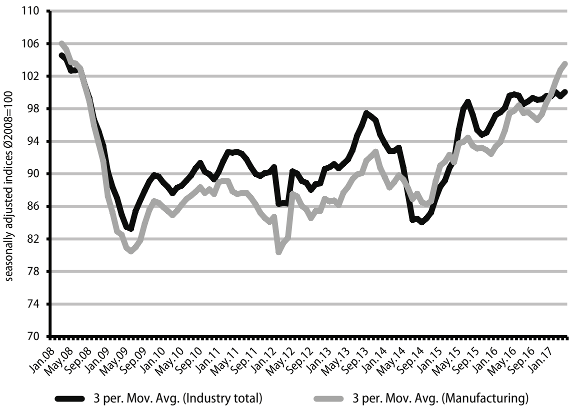
High y-o-y growth of the manufacturing industry by more than 7% in Q1 was fairly widespread by activities, which increases the likelihood that this will continue in the coming quarters. Out of a total of 24 manufacturing activities, 19 had a positive y-o-y growth rates, with by far the largest activity, the food industry had a very solid Q1 growth of 5.5%. With y-o-y growth of 30% in Q1 dominated the production of basic metals, which is the result of the privatization of ŽelezaraSmederevo, which occurred in 2016. Also, FAS entered 2017 with the production of the restored Fiat 500L model, so in 2017, for the first time in few years, the motor vehicle production has had a positive y-o-y growth. Among other manufacturing activities, the production of non-metallic minerals had a strong, two digit growth had (where cement production also belongs) as well as export-oriented and for many years already successful production of rubber and plastic products.

The manufacturing industry came to its pre-crisis level of production

Tendencies similar to the y-o-y indices in Q1 are also indicated by the seasonally adjusted indices of industrial production and manufacturing industry as shown in Chart T2-6. The graph shows that a total industrial production in Q1 approximately stagnated compared to Q4 2016, but that within this result the manufacturing industry (lighter line on the chart) strongly accelerated its growth, which means that seasonally adjusted production of electricity and mining were in huge drop compared to Q4. The graph also shows that manufacturing industry after the last strong growth in Q1 reached its pre-crisis level from 2008. Although this was undeniably a very

Trends

Graph T2-6. Serbia: Seasonally Adjusted Industrial Production Indices, 2008-2017



Source: SORS

long period and relatively slow recovery of the manufacturing industry, we have already said in previous QM issues that this recovery is actually much more positive than it looks at first glance. Namely, the current manufacturing industry is far more competitive than nine years ago, which is best seen by strong growth in exports compared to 2008 by over 60% (and the manufacturing industry produces the by far the most products which are exported). The competitive manufacturing industry from 2017, although identical by scale to that of 2008, now has much better prospects for future strong growth.

The production of investment goods has a high growth

Observed by use of industrial products (Table T2-7), the only group that recorded a strong year-on-year fall in Q1 was production of energy, while other groups had relatively high growth - from about 6% (consumer goods) to 13% (investment goods). Since most of these trends have already been practically described in the previous section of the text we will now hold a bit longer on the analysis of production of investment goods. This analysis is of special significance as the investments are the component of GDP which in Q1 had a very disappointing growth of only 1.3%, and investments must be the key driver of medium-term economic activity growth. The growth of production of investment goods of 13% indicates positive trends in investment activity in spite its slowdown in Q1 (which can be attributed entirely to construction activity). Namely, when we exclude the growth of the production of motor vehicles of about 7% from production of investment goods, as this production is dominantly exported (FAS), it is evident that the remaining part of this group of products has achieved a growth of almost 20%, which is exceptionally good result. On the basis of this it can be concluded that domestic demand for investment goods probably wasn't reduced in Q1, that is, the slowdown of investment activity in Q1, was, apparently, temporary.

Table T2-7. Serbia: Components of Industrial Production by Use, 2009-2017

	Y-o-y indices												
	2009	2010	2011	2012	2013	2014	2015	2016	2016				2017
									Q1	Q2	Q3	Q4	Q1
Total	87.4	102.5	102.1	97.1	105.5	93.5	108.2	104.7	110.5	102.4	103.7	102.8	100.7
Energy	98.8	97.7	106.2	93.6	113.2	82.6	116.9	101.9	118.3	94.3	96.5	97.1	88.0
Investment goods	79.3	93.6	103.2	103.8	127.6	95.9	103.0	101.6	97.7	100.3	104.7	102.6	113.0
Intermediate goods	78.4	109.2	102.2	91.2	99.0	96.8	105.3	109.5	111.2	110.6	108.0	106.5	110.3
Consumer goods	86.8	102.1	95.4	103.2	100.7	100.7	104.0	105.6	107.4	103.9	107.0	105.6	105.8

Source: SORS

Construction activity

Construction activity in Q1 recorded a drop of about 5%, which we estimate as temporary

As we showed in the previous sections of this chapter, the main reason for the slowdown of investments in Q1 was the unfavourable movement of construction activity. According to the data from national accounts statisticsin Q1 construction activity fell by about 5%, which is confirmed by y-o-y decrease in construction works performed in the country of 7%, measured in constant prices. However, the movement of construction activity in Q1, and also this undeniable fall from Q1 2017, should be taken with a certain reserve. This is because the construction activity in winter is always lower by about 50% compared to other seasons. This means that the Q1 result does not have to significantly affect the annual growth of this activity, as it can be easily annulled in the coming quarters. Also, the y-o-y comparison of construction activity in Q1 is under great influence of varying meteorological conditions in different years. Therefore, the y-o-y trend of construction activity in Q1 largely reflects the difference between the number of favourable construction days and not the essential trends of this activity. Since the winter of 2017 was somewhat colder than the winter of 2016, this is the most probable reason for the y-o-y decline in construction in Q1 of about 5%.

Cement production recorded a growth of over 10%

In order to assess the real trends of construction activity more reliably, we have analysed additional indicators that do not depend so much on the meteorological conditions. First of all, this is a cement production index, because cement is used in virtually all construction works and is relatively good indicator of movement of the entire sector (including small private companies that the official statistics cannot monitorreliably). Table T2-8 shows that the production of cement in Q1 had a y-o-y growth of more than 10%, indicating that the real trends of construction activity are likely to be positive in spite of the temporarily less performed construction works in the first three months of 2017. The last indicator we observed was the movement of the number of employees on the basis of data from the Central Register of Compulsory Insurance (CROCI), which are far more reliable than the Labour Force Survey (ARS) data. According to this data, the number of employees in construction increased in Q1 compared to the same period of the previous year by about 1%. If the permanent trend in construction activity is its reduction that would cause decrease rather than increase in the number of employees in this activity.

Table T2-8. Serbia: Cement Production, 2001-2017

	Y-o-y indices				
	Q1	Q2	Q3	Q4	Total
2001	89.5	103.5	126.9	148.1	114.2
2002	83.6	107.9	115.6	81.6	99.1
2003	51.1	94.4	92.7	94.4	86.6
2004	118.8	107.4	98.5	120.1	108.0
2005	66.1	105.0	105.8	107.4	101.6
2006	136.0	102.7	112.2	120.2	112.7
2007	193.8	108.9	93.1	85.0	104.4
2008	100.1	103.7	108.1	110.1	105.9
2009	34.1	81.4	86.0	75.3	74.4
2010	160.7	96.9	96.0	97.4	101.1
2011	97.7	101.3	96.2	97.7	98.3
2012	107.9	88.3	58.2	84.9	79.6
2013	83.5	78.7	127.6	93.5	94.9
2014	136.2	90.3	96.2	104.7	101.5
2015	77.9	112.4	104.5	108.7	103.1
2016	120.2	109.8	109.9	100.4	108.9
2017	110.4	-	-	-	-

Source: SORS

In 2017, construction will probably have a solid growth of between 5 and 10%

In 2017, we expect a growth in construction activity as in 2016 when it was 6.4%. We consider that there is no reason for a significant change in the trend of construction activity in 2017 compared to the previous year. It is true that public investment slowed down slightly at the beginning of the year, but this can still be compensated in the coming quarters. On the other hand, economic activity continues to recover (although at a slower pace than it would be desirable), interest rates are still at historically low levels, affecting the growth of credit activity in Serbia, the number of issued construction permits is growing, and the latest figures point to the gradual revival of the realestate market.