

# **quarterly monitor**

**OF ECONOMIC TRENDS AND POLICIES IN SERBIA**

**Issue 29 • April–June 2012**

**Belgrade, October 2012**

#### PUBLISHER

The Foundation for the Advancement of Economics (FREN)  
Kamenička 6, Beograd  
Tel/Fax: 011 3021 069  
E-mail: [office@fren.org.rs](mailto:office@fren.org.rs)  
<http://www.fren.org.rs>

#### EDITORIAL COUNCIL

Mihail Arandarenko (for the Publisher)  
Jurij Bajec  
Pavle Petrović  
Branko Urošević  
Boško Živković

#### EDITORIAL BOARD

Milojko Arsić (Editor-in-Chief)  
Danko Brčerević, Economic Activity  
Mirjana Gligorić, Balance of Payments and Foreign Trade  
Duško Vasiljević, Prices and the Exchange Rate  
Aleksandar Radivojević (Executive Editor)

#### ASSOCIATES IN THIS ISSUE

Tatjana Karaulac  
Aleksa Nenadović, International Environment  
Jelena Žarković Rakić, Employment and Wages  
Saša Randelović, Fiscal Flows and Policy  
Svetozar Tanasković, Monetary Flows and Policy

#### TRANSLATION

Darko Popović  
Vladica Đukić  
Marjeta Pevec

#### DESIGN OF INNER PAGES

Stefan Ignjatović

#### PRINTING PREPARATION

Maja Tomić

#### COVER DESIGN

Nikola Drinčić

#### PRINTING OFFICE

Alta Nova

#### VOLUME

100 copies

Quarterly Monitor of Economic Trends and Policies in Serbia (*QM*) was created by Kori Udovički, who was the Editor-in-Chief of the first six issues of *QM*. For issues seven to twenty three, the Editor-in-Chief of *QM* was Prof. Pavle Petrović. Diana Dragutinović was the Editor-in-Chief of *QM*24. Since issue *QM*25-26 the Editor-in-Chief of *QM* is Milojko Arsić.

# Table of Contents

From the Editor .....	5
-----------------------	---

## TRENDS

1. Review .....	7
2. Economic Activity .....	11
3. Employment and Wages .....	18
4. Balance of Payments and Foreign Trade .....	24
5. Prices and the Exchange Rate .....	32
6. Fiscal Flows and Policy .....	36
7. Monetary Flows and Policy .....	46
8. International Environment .....	53

## HIGHLIGHTS

*Highlight 1*

Budget Rebalance and Fiscal Consolidation .....	57
---	----

*Milojko Arsić*

## SPOTLIGHT ON:

*Spotlight on: 1*

Reform of the System of Quasi-Fiscal Charges for the Improvement of Business Conditions in Serbia .....	61
---	----

*Milojko Arsić, Saša Randelović, Milan Pejić*

# Analytical and Notation Conventions

## Values

The data is shown in the currency we believe best reflects relevant economic processes, regardless of the currency in which it is published or is in official use in the cited transactions. For example, the balance of payments is shown in euros as most flows in Serbia's international trade are valued in euros and because this comes closest to the measurement of real flows. Banks' credit activity is also shown in euros as it is thus indexed in the majority of cases, but is shown in dinars in analyses of monetary flows as the aim is to describe the generation of dinar aggregates.

## Definitions of Aggregates and Indices

When local use and international conventions differ, we attempt to use international definitions wherever applicable to facilitate comparison.

**Flows** – In monetary accounts, the original data is stocks. Flows are taken as balance changes between two periods.

**New Economy** – Enterprises formed through private initiative

**Traditional Economy** – Enterprises that are/were state-owned or public companies

**Y-O-Y Indices** – We are more inclined to use this index (growth rate) than is the case in local practice. Comparison with the same period in the previous year informs about the process absorbing the effect of all seasonal variations which occurred over the previous year, especially in the observed seasons, and raises the change measure to the annual level.

## Notations

**CPI** – Consumer Price Index

**Cumulative** – Refers to incremental changes of an aggregate in several periods within one year, from the beginning of that year.

**H** – Primary money (high-powered money)

**IPPI** – Industrial Producers Price Index

**M1** – Cash in circulation and dinar sight deposits

**M2 in dinars** – In accordance with IMF definition: cash in circulation, sight and time deposits in both dinars and foreign currency. The same as M2 in the accepted methodology in Serbia

**M2** – Cash in circulation, sight and time deposits in both dinars and foreign currency (in accordance with the IMF definition; the same as M3 in accepted methodology in Serbia)

**NDA** – Net Domestic Assets

**NFA** – Net Foreign Assets

**RPI** – Retail Price Index

**y-o-y** – Index or growth relative to the same period of the previous year

## Abbreviations

**CEFTA** – Central European Free Trade Agreement

**EU** – European Union

**FDI** – Foreign Direct Investment

**FFCD** – Frozen Foreign Currency Deposit

**FREN** – Foundation for the Advancement of Economics

**GDP** – Gross Domestic Product

**GVA** – Gross Value Added

**IMF** – International Monetary Fund

**LRS** – Loan for the Rebirth of Serbia

**MAT** – *Macroeconomic Analyses and Trends*, publication of the Belgrade Institute of Economics

**NES** – National Employment Service

**NIP** – National Investment Plan

**NBS** – National Bank of Serbia

**OECD** – Organization for Economic Cooperation and Development

**PRO** – Public Revenue Office

**Q1, Q2, Q3, Q4** – 1st, 2nd, 3rd, and 4th quarters of the year

**QM** – *Quarterly Monitor*

**SORS** – Statistical Office of the Republic of Serbia

**SDF** – Serbian Development Fund

**SEE** – South East Europe

**SEPC** – Serbian Electric Power Company

**SITC** – Standard International Trade Classification

**SME** – Small and Medium Enterprise

**VAT** – Value Added Tax