

# **quarterly monitor**

**OF ECONOMIC TRENDS AND POLICIES IN SERBIA**

**Issue 42 • July–September 2015**

**Belgrade, December 2015**

#### 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

#### EDITOR IN CHIEF

Milojko Arsić

#### EXECUTIVE EDITOR

Saša Randelović

#### AUTHORS

Milojko Arsić

Aleksandra Anić, Employment and Wages

Danko Brčerević, Economic Activity

Mirjana Gligorić, Balance of Payments and Foreign Trade

Milan Pejić, Prices and the Exchange Rate

Saša Randelović, Fiscal Flows and Policy

Svetozar Tanasković, Monetary Flows and Policy

#### TRANSLATION

Darko Popović

Dragica Mihajlović

Marjeta Pevec

Vladica Đukić

#### DESIGN OF INNER PAGES

Stefan Ignjatović

#### PRINTING PREPARATION

Maja Tomić

#### COVER DESIGN

Nikola Drinčić

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 QM24. Since issue QM25-26 the Editor-in-Chief of QM is Milojko Arsić.

# Table of Contents

<b>From the Editor</b> .....	5
------------------------------	---

## TRENDS

1. Review .....	7
2. Economic Activity .....	11
3. Employment and Wages .....	18
4. Balance of Payments and Foreign Trade .....	22
5. Prices and the Exchange Rate .....	28
6. Fiscal Flows and Policy .....	34
7. Monetary Flows and Policy .....	39

## HIGHLIGHTS

*Highlight 1*

<b>Analysis and evaluation of Serbian fiscal policy in 2016</b> .....	45
---	----

*Saša Randelović*

# 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