

quarterly monitor

OF ECONOMIC TRENDS AND POLICIES IN SERBIA

Issue 38 • July–September 2014

Belgrade, December 2014

PUBLISHER

The Foundation for the Advancement of Economics (FREN)

Kamenička 6, Beograd

Tel/Fax: 011 3021 069

E-mail: 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

Danko Brčerević, Economic Activity

Mirjana Gligorić, Balance of Payments and Foreign Trade

Aleksa Nenadović, International Environment

Milan Pejić, Prices and the Exchange Rate

Jelena Žarković Rakić, Employment and Wages

Saša Randelović, Fiscal Flows and Policy

Svetozar Tanasković, Monetary Flows and Policy

ASSOCIATES IN THIS ISSUE

Danko Brčerević

TRANSLATION

Darko Popović

Dragica Mihajlović

Marjeta Pevec

Vladica Đukić

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 19

4. Balance of Payments and Foreign Trade 24

5. Prices and the Exchange Rate 31

6. Fiscal Flows and Policy 37

7. Monetary Flows and Policy 48

8. International Environment 54

SPOTLIGHT ON:

Spotlight on: 1

**Economic Policy in Serbia - Retrospective, Reforms
and Medium Term Perspective** 58

Milojko Arsić, Saša Ranđelović, Danko Brčerević

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