6. Fiscal Trends and Policy

After the slow-down as of the middle of the year, in Q4 2022 there was a real year-on-year decrease in public revenues by 3.8%, and the (seasonally adjusted) decrease was also achieved compared to the previous quarter, which indicates that the positive impact of inflation on tax collection has been mainly exhausted. The decline in income was a consequence of the decline in private activities, income, and consumption, as well as a temporary reduction in the excise duty rate on petroleum products and a real devaluation of specific activity rates. At the same time, public spending achieved a slight year-on-year growth in Q4 (by 1.1%), primarily due to recording the aid payments to public enterprises paid out in the previous part of the year as budget expenditures in November and December - after rebalancing, while all current and capital spending continued a real year-on-year decline, mainly due to inflation. That is why a large fiscal deficit of 13.5% of quarterly GDP was reported in Q4. At the level of the entire 2022, public revenues increased slightly in real terms (by 1.4%), due to strong growth in the first half of the year based on high inflation and solid economic dynamics, and a noticeable slowdown in the second half of the year. In 2022, public spending achieved a slight real decline (by 0.8%), due to a real decline in both current and capital spending due to inflation, while spending on activated guarantees and budget loans increased strongly due to problems in the operations of public enterprises from the energy sector. Capital spending amounted to 7.2% of GDP in 2022, which was a solid result, although slightly lower than planned. In 2022, a fiscal deficit of 3.1% of GDP was realised, which, in accordance with the forecasts presented in the previous issue of the Quarterly Monitor, was smaller than planned, primarily due to better tax collection in the first three quarters. However, only a small part of the additional tax revenues generated due to inflation was used to reduce the deficit, and a larger part was used to help public companies from the energy sector. The realized fiscal deficit in 2022 and the planned deficit in 2023 in Serbia are higher compared to the average of EU countries and Central and Eastern Europe. At the end of 2022, the public debt amounted to EUR 33.3 billion (55.1% of GDP), which was EUR 3.2 billion more than at the end of 2021. The high growth of the public debt in absolute terms was partly due to the financing of the deficit, and partly due to borrowing in advance to finance future obligations. Despite the strong growth of debt in absolute terms, the ratio of debt to GDP is declining, due to high inflation and the unchanged exchange rate of the dinar against the euro. In January, the public debt increased by over one billion euros due to the issuing of Eurobonds.

General Fiscal Trends

In Q4, there was a significant real drop in public revenues, while public spending rose slightly

After the slowdown of year-on-year growth in Q3, public revenues recorded a significant year-on-year decline (by 3.8%) in Q4 2022. A real decline in (seasonally adjusted) public revenues in Q4 was also achieved compared to Q3 (by 1.7%). The decline in income at the end of 2022 is a consequence of the exhaustion of the positive effects of inflation on the collection of tax revenues, but also the slowdown of economic activity.

Public spending in Q4 recorded a slight year-on-year real growth (by 1.1%), while compared to Q3, seasonally adjusted public spending achieved a large real growth (by over 17%) in Q4. This was primarily due to a large increase in budget loans, which was the consequence of including spending on aid to public enterprises from previous periods in public spending in Q4. After the budget rebalancing, these expenditures were transferred from the extra-budgetary position (Purchase of Financial Assets) to the position of public spending - budget loans.

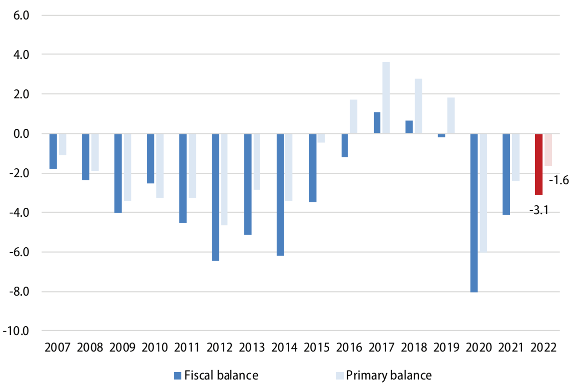
At the level of the entire 2022, public revenue slightly increased, while public spending slightly decreased

At the level of the entire 2022, public revenues achieved a slight year-on-year growth (by 1.4%), while public spending decreased slightly in real terms (by 0.8%). As a result, public consumption in Serbia decreased slightly in relative terms in 2022 (by 0.8 pp of GDP), but it was still at a high level compared to other European countries. Public consumption in Serbia in 2022 amounted to 46.6% of GDP, which was higher than the average of the EU-27 (45.7% of GDP), the countries

In European terms, public spending in Serbia is still relatively high

In Q4, a large fiscal deficit of RSD 265.2 billion was reported (i.e. 13.5% of GDP)

Graph T6-1. Serbia: Consolidated Fiscal Balance and Primary Balance (% GDP)



Source: *QM* calculations using MFIN data

of Central and Eastern Europe (43.3% of GDP a), and the Western Balkans (37.4% of GDP). Of the countries of Central and Eastern Europe and the Western Balkans, only Croatia and Hungary had higher public spending than Serbia.

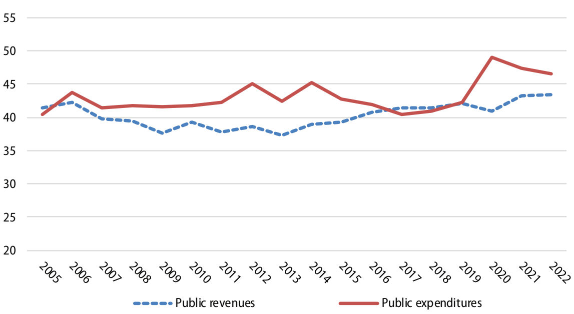
In Q4, a consolidated fiscal deficit was realised in the amount of RSD 265.2 billion (13.5% of quarterly GDP). More than half of the deficit realised in Q4 was a consequence of recording spending on state aid to public enterprises from the energy sector realised during 2022, as public spending in November and December 2022 - after the budget rebalancing. In addition, the high deficit in the last quarter of 2022 was influenced by seasonal factors (implementation of the budget at the end of the year), but also by the slowdown on the revenue side.

In the entire 2022, deficit of RSD 221.2 billion was realised (3.1% of GDP)

At the level of the entire 2022, a consolidated fiscal deficit of RSD 221.2 billion was achieved (3.1% of GDP), which is less than the deficit planned by rebalancing, while the primary deficit[1] was moderate and amounted to 1.6% of GDP. However, it should be noted that the year 2022 was the third year in a row that Serbia was leading a relatively large fiscal deficit policy, which is reflected in the strong growth of the absolute level of public debt.

Similar trends continued in January – revenue stagnated in real terms, while spending declined

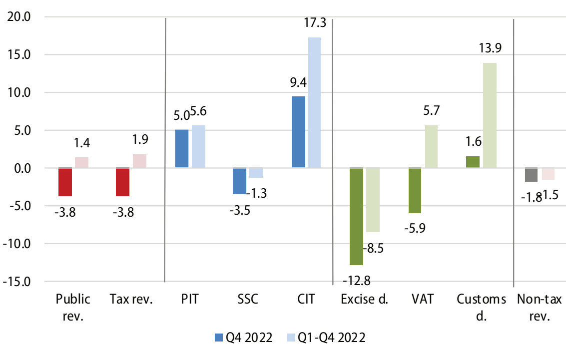
Graph T6-2. Serbia: Consolidated Public Revenue and Public Spending (% GDP)



Source: *QM* calculations using MFIN data

Similar trends continued in January 2023. Public revenues were almost unchanged in real terms compared to the same month in 2022, while public spending was significantly lower in real terms (by 5%) compared to January of the previous year. The significant year-on-year drop in public spending in January was influenced by a large real drop in wage spending (by 13%), because the nominal wage increase refers to the January wage, which is paid in February. Due to the described income and spending dynamics, a consolidated surplus of RSD 1.2 billion was realised in January.

Graph T6-3. Serbia: Year-On-Year Real Growth Rate of Public Revenue in 2022 (%)



Source: *QM* calculations using MFIN data

Public Revenue Dynamic

The decline in public revenues in Q4 was a consequence of the decline in revenues from consumption taxes (VAT and excise), social contributions, as well as non-tax revenues, while revenues from other tax forms achieved growth. Observed at the level of the entire 2022, public revenues recorded a slight year-on-year growth as a net effect of a strong decline in excise, profit tax, and non-tax revenues, and an increase in revenues on other grounds.

1 Deficit excluding the spending on interests.

Tax Revenue

Tax revenue significantly declined in Q4...

After the slowing growth in the previous quarter, tax revenue recorded a moderate year-on-year decline in Q4 2022. Compared to Q3 2022, seasonally adjusted tax revenue decreased slightly in real terms (by 0.8%).

... due to the decrease in revenues from excise taxes, VAT and social contributions

The decline in tax revenues in Q4 was largely the result of a strong year-on-year decrease in excise and VAT revenues, and a strong slowdown in the growth of customs revenues. This was a consequence of the end of the positive impact of inflation on tax revenues, the temporary reduction of excise rates on oil derivatives in order to stabilise prices, and the devaluation of specific excise rates due to high inflation, and probably the slowdown of economic activity, i.e. decline in the real value of consumption, due to the devaluation of incomes.

The positive effect of inflation on tax revenues has been exhausted...

... and the slowdown in economic activity is beginning to negatively affect tax collection

The drop in tax revenues in Q4 was also influenced by a significant drop in income from contributions for mandatory social insurance, which, in addition to the reduction in the contribution rate, was also influenced by the high comparison base, since in 2021, there was a settlement of transferred obligations on this basis from the first year of the pandemic. However, income from contributions in Q4 achieved a noticeable real seasonal drop compared to Q3 of that year, which indicates that the dynamic of income from contributions is also affected by current factors in the labour market, related to the slowdown in economic activity. On the other hand, income from personal income tax continued a solid year-on-year real growth.

Income from corporate income tax continued strong year-on-year growth in Q4, as well as real seasonally adjusted growth compared to Q3, which probably reflected on the solid results in terms of economic profitability in the previous period.

In 2022, tax revenue slightly increased...

Observed at the level of the entire 2022, tax revenues increased moderately, primarily due to strong growth in the first half of the year, fueled by high inflation and solid economic dynamics, and first a mild and then sharper slowdown in the collection of tax revenues in the rest of the year.

... due to high inflation in most of the year and solid dynamic of the economy in the first half of the year

In 2022, revenue growth was achieved based on all tax forms, except for revenue from excise taxes and contributions for mandatory social insurance. The growth of tax revenues on almost all grounds was influenced by high inflation, and especially high growth in the prices of imported goods, while the decline in excise revenues was a consequence of the reduction of excise rates on petroleum products, the devaluation of specific rates, and possibly a drop in demand due to the rise in prices of excise products. The negative dynamic of income from contributions was probably primarily a consequence of the effect of a high base, as previously discussed.

Due to inflation, tax revenue in 2022 was higher than planned by RSD 230 billion

In 2022, tax revenues were collected in an amount higher than planned by about RSD 230 billion, primarily because the actual inflation rate in that year was significantly higher than planned at the time of preparing the 2022 budget.

In January, tax revenue recorded a slight real growth

In January, tax revenues rose in real terms by only 0.6% compared to the same month in 2022, primarily due to a strong drop in income tax and social contributions, while consumption tax revenues had a solid increase.

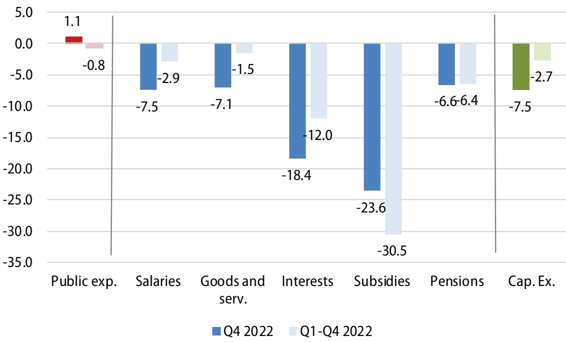
Non-Tax Revenue

In Q4, non-tax revenues recorded a slight year-on-year decline in real terms, and a similar result was achieved on the level of the entire year. It still represents a smaller reduction of this type of public revenue compared to the initial plans from the 2022 Fiscal Strategy.

Public Spending Dynamic

After the decline in the previous period, in Q4, public spending recorded a slight year-on-year increase, while compared to the previous quarter, a strong real seasonally adjusted growth was achieved. This was primarily due to a jump in budget loans, since spending on state aid to public

Graph T6-4. Serbia: Public Spending Year-On-Year Real Growth Rates in 2022 (%)



Source: QM calculations using MFIN data

enterprises from the energy sector, realised in the previous part of the year, was recorded in that position in November and December.

At the level of the entire year, public spending achieved a slight year-on-year decline in real terms, which was a net consequence of the real devaluation of current and capital spending due to inflation on the one hand and strong growth in budget loans on the other.

Current Spending

Current spending in Q4 had a significant real decline, primarily due to the inflation

In Q4 2022, current public spending experienced a large year-on-year real decline (by 13.5%), with a real decline in all types of current spending. The real drop in current spending in Q4 was predominantly influenced by rising inflation and the fact that most categories of current spending are limited by budgets and financial plans in a nominal amount.

Spending on wages and pensions is declining in real terms due to the acceleration of inflation

Despite the significant increase in wages of public sector employees since January of the current year, wage spending has continued to decline year-on-year in real terms, which was a consequence of the acceleration of inflation. Similarly, public spending on pensions continued the negative trend from the previous quarters and was further strengthened in Q4, which was also a consequence of the real devaluation of pensions due to inflation, as well as the decrease in the number of retirees.

The currency structure of the debt, the almost fixed exchange rate, and high inflation also had an impact on the sharp decline in spending on interests

Spending on goods and services also recorded a strong year-on-year decline in Q4, which can also be predominantly attributed to high inflation, a significant share of spending on goods and services the price of which is controlled (e.g. electricity, gas, heating), as well as long-term contracts for the procurement of goods and services in the public sector. In Q4, spending on interests also experienced a large decline in real terms, which was a consequence of high inflation and the almost fixed exchange rate of the dinar against the euro, which, in conditions where more than four-fifths of Serbia's public debt is denominated in dinars or euros, affects a strong decline in this type of spending.

Spending on subsidies in Q4 achieved the largest real year-on-year decrease compared to all other categories of current public spending, which was probably influenced not only by inflation but by the high comparison base as well, i.e. payment of larger amounts of subsidies in the same period in 2021.

Strong growth of budget loans and activated guarantees - due to energy sector issues

On the other hand, spending on activated guarantees in Q4 2022 was almost three times higher than in the same period of 2021, while spending on budget loans increased by 291% compared to Q4 2021. The strong growth of both mentioned positions was a consequence of problems in public enterprises in the energy sector. In the previous year, the state repeatedly issued guarantees for the borrowing of these companies, which, due to financial problems, are unable to finance their own due obligations. This led to the activation of certain guarantees. On the other hand, the direct financial aid that was paid to these enterprises in the previous part of the year and recorded as an off-budget item - purchase of financial assets, was shown as a budget expense based on budget loans after the budget was rebalanced.

In Q3, the trend started in Q2 continued. The trend referred to the growth of spending on activated budget guarantees, which increased again (by 234.4%) compared to the same period last year, which may have been a consequence of the dynamic of maturing obligations under guarantees issued in the previous years, as well as the activation of guarantees for recent loans to public and state enterprises.

In 2022, all current spending decreased in real terms - primarily due to thedevaluation by inflation

At the level of the entire 2022, all current spending achieved a slight year-on-year real decline, which was a consequence of the influence of similar factors that affected its dynamic in Q4 as well - primarily high inflation. Since spending on wages and pensions make up 40% of consolidated public spending, their significant real devaluation due to high inflation had a dominant effect on the trends in total current spending. Consequently, in 2022, public spending on wages declined in relative terms to 9.7% of GDP, while spending on pensions dropped to 9% of GDP.

In January, current spending had a strong decline in real terms

In January, current spending recorded a large real year-on-year decrease (by almost 12%), due to the devaluation of wages of public sector employees, since the nominal wage increase was applied to January wages which were paid in February, as well as a strong decrease in spending on goods and services. Due to the earlier increase in pensions, at the end of 2022, the real decrease in spending on pensions in January was somewhat milder and amounted to 1.3%. Since in the coming months, wages will be nominally increased by 12.5%, and goods and services will be procured at new prices, it is to be expected that the impact of inflation on the real decline in public spending will be less and less in the coming period.

Capital Spending

Capital spending in Q4 had a moderate year-on-year decline

Capital spending in Q4 2022 was 7.5% lower in real terms compared to the same period last year, which, in addition to inflation, was probably influenced by weaker dynamics in the implementation of some projects, and possibly the creation of delays due to worsening financing conditions. However, compared to Q3, when capital spending experienced a strong decline, in Q4 it rose strongly (by 12.4%) in real, seasonally adjusted terms. In January 2023, capital spending continued their year-on-year real decline, but it was slightly milder than in Q4 and amounted to 1.9%.

In 2022, capital spending amounted to 7.2% of GDP

At the level of the entire 2022, capital spending was in real terms lower by 2.7% compared to 2021, which was a consequence of the influence of the mentioned factors that also affected its dynamic in Q4. Nevertheless, the overall observed consolidated capital spending amounted to 7.2% of GDP in 2022, which can be considered a solid result, although it was 0.3% of GDP less than planned. High capital spending in the long term represents a necessary condition for a significant step forward in the development of infrastructure. In order for this to have a wider positive impact on economic growth and social development, it is necessary that the selection of projects be carried out on a methodologically based assessment of profitability, and that the contracting and implementation are performed in an inclusive and transparent manner.

General Fiscal Framework

Fiscal deficit in 2022 was slightly smaller than planned...

In accordance with the predictions in the previous issue of the Quarterly Monitor, the fiscal deficit in 2022 was slightly smaller than planned, primarily due to higher collection of tax revenues.

... due to high collection of tax revenue brought about by the inflation...

... but from a broader perspective, the fiscal deficit is still relatively high

In 2022, primarily due to inflation, tax revenues were collected in an amount higher than planned by about 3% of GDP. However, the opportunity to use better tax collection to a greater extent for a more significant reduction of the fiscal deficit was missed. Only one-third of the additional tax revenue was used to reduce the deficit, while the rest was spent on covering the costs of public enterprises from the energy sector, caused by internal inefficiencies and global turbulence, as well as for occasional payments of flat-rate benefits to certain social groups (retirees, young people, etc.), which were not based on checking the property and income status of the recipients.

Although the deficit in 2022 was smaller than in the previous year, 2022 was the third year in a row that Serbia has had a relatively high fiscal deficit. On average, in the previous three years, the fiscal deficit in Serbia amounted to almost 5% of GDP per year, which was higher than the average of the countries of Central and Eastern Europe and the Western Balkans. Unlike developed European countries, which in 2023 will halve the fiscal deficit compared to the average amount in the previous three years, in the countries of Central and Eastern Europe, and the Western Balkans, the deficit remained at a relatively high level of around 3% of GDP. The planned fiscal deficit for 2023 in Serbia of 3.3% of GDP is higher not only compared to the average of the EU countries, but also of the countries of Central and Eastern Europe and the Western Balkans.

In conditions of pronounced geopolitical uncertainties, rising interest rates, and a level of public debt that is close to the limit after which its impact on economic growth could be negative, it is recommended to conduct a long-term deficit policy, except in recessionary periods when it is economically justified to act countercyclically with expansive fiscal policy measures. In this way, in addition to reducing the exposure to risks associated with securing financing, the effect of crowding out the expected growth of interest expenses on other productive expenses or on reducing the fiscal space for further lowering of taxes and labour contributions would be reduced.

Public Debt

Public debt at the end of 2022 was EUR 33.3 billion (55.1% of GDP)

At the end of Q4 2022, the public debt of Serbia amounted to EUR 33.3 billion (55.1% of GDP), which was about EUR 900 million more than at the end of Q3, and almost EUR 3.2 billion more than at the beginning of 2022, while in the previous three years cumulative public debt increased by around EUR 9.4 billion.

The growth of the public debt in 2022 (by EUR 3.2 billion) was in absolute terms significantly higher than the fiscal deficit realised in that period (EUR 1.9 billion), which was a consequence of the state's advance borrowing to finance future obligations. This was also indicated by the high level of state deposits, which at the end of 2022 amounted to around EUR 5.3 billion, which was about EUR 900 million more than at the end of 2021. Government advance borrowing can be explained by an anticipated increase in the market and non-market risks, associated with a general increase in interest rates due to the tightening of monetary policy, as well as a possible increase in geopolitical risks, which may lead to additional complications in the country's position.

In January, the public debt increased by over EUR 1 billion and amounted to 56.9% of GDP

During January 2023, the public debt increased by over one billion euros, based on the issue of Eurobonds, for the purpose of financing the deficit and paying off existing obligations due in the following period. This is about the issue of five-year bonds in the amount of USD 750 million with an interest rate of 6.25% and ten-year bonds worth one billion dollars with an interest rate of 6.5%. Despite the strong growth of the absolute level of public debt in January, according to the data of the Ministry of Finance, public debt decreased in real terms during January by 4.9 percentage points of GDP (to 50.2% of GDP). This was a consequence of the methodology for calculating the relative level of debt by the Ministry of Finance - the debt in January was divided by the estimated level of GDP in 2023. Considering that the amount of public debt is a certain variable and that the expected GDP in the following period is an uncertain variable, the described approach can be considered methodologically inadequate, while it would be methodologically correct to compare the current level of debt with the GDP achieved in four previous quarters. In that case, the public debt at the end of January would amount to 56.9% of GDP.

In 2022, public debt increased by EUR 3.2 billion

Most of the increase in public debt in 2022 was the result of direct borrowing by the state (by over EUR 3 billion), while indirect debt, based on the provision of state guarantees for borrowing by public and state-owned enterprises, increased by around EUR 160 million. Despite the problems in the operations of public enterprises from the energy sector, the growth of indirect debt was not higher, because the state paid aid to those companies primarily through subsidies, while in a smaller number of cases, the aid was realised in the form of state guarantees for their borrowing on the market. The growth of public debt in Q4 was lower than the fiscal deficit in that period because part of the deficit in that period was financed from reserves formed in the previous period through borrowing. At the level of the entire 2022, the growth of the public debt was significantly higher than the fiscal deficit, primarily due to the state's advance borrowing, for the purposes of financing obligations that will fall due in 2023 as well.

Due to the depreciation of the dinar against the dollar, the public debt in 2022 increased by around EUR 240 million

In 2022, the exchange rate of the dinar against the euro was nominally almost unchanged, while in relation to the US dollar, the dinar depreciated nominally by 6%. Given that the debt denominated in US dollars accounts for slightly less than one-eighth of Serbia's total public debt, the depreciation of the dinar against the dollar in 2022 affected the debt growth by about EUR 240 million.[2]

Table T6-5. Serbia: Public Debt[1] 2000-2022 (billions of EUR)

	2000	2008	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
I. Total direct debt	**14.2**	**7.9**	**15.1**	**17.3**	**20.2**	**22.4**	**22.7**	**21.4**	**21.5**	**22.5**	**25.2**	**28.8**	**29.0**	**29.6**	**30.8**	**31.8**
Domestic debt	4.1	3.2	6.5	7.0	8.2	9.1	8.8	9.1	9.4	9.8	11.2	11.3	10.7	10.8	11.2	11.3
Foreign debt	10.1	4.7	8.6	10.2	12.0	13.4	13.9	12.4	12.1	12.6	14.0	17.4	18.2	18.8	19.6	20.5
II. Indirect debt	**-**	**0.9**	**2.6**	**2.8**	**2.5**	**2.4**	**2.1**	**1.8**	**1.5**	**1.5**	**1.4**	**1.4**	**1.6**	**1.7**	**1.6**	**1.5**
III. Total debt (I+II)	**14.2**	**8.8**	**17.7**	**20.1**	**22.8**	**24.8**	**24.8**	**23.2**	**23.0**	**23.9**	**26.7**	**30.1**	**30.6**	**31.3**	**32.4**	**33.3**
Public debt / GDP (QM)[3]	**169.3%**	**28.3%**	**56.1%**	**55.9%**	**66.2%**	**70.0%**	**68.0%**	**57.8%**	**53.7%**	**52.0%**	**57.0%**	**56.5%**	**56.0%**	**55.3%**	**55.4%**	**55.1%**

Source: *QM* calculations using MFIN data

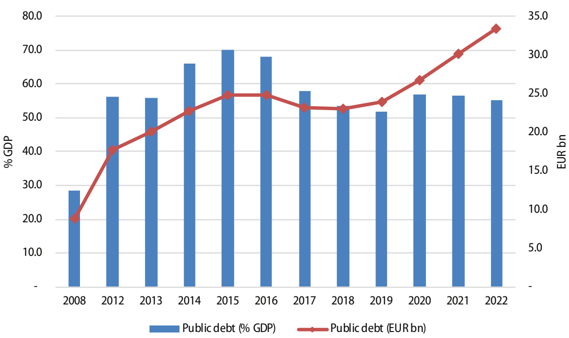
The relative level of debt is decreasing - due to high inflation and unchanged euro exchange rate

Despite the strong growth of the absolute level of public debt in 2022, its relative level, expressed as a ratio to GDP, fell by 1.4 pp of GDP in that period. This was a consequence of the public debt currency structure, unchanged dinar exchange rate, and inflation. Debt expressed in dinars and euros accounts for over 80% of Serbia's public debt. In conditions of an almost unchanged nominal exchange rate of the dinar during 2022 and strong nominal GDP growth in 2022 (by about 13%), primarily due to high inflation, the growth of public debt expressed in dinars was slower than the growth of nominal GDP and, as a result, the debt-to-GDP ratio decreased. The relative reduction of public debt through relatively high inflation, with an unchanged nominal exchange rate (that is, real appreciation) has a short- and medium-term favourable impact on the level of state indebtedness, while the long-term impact is probably unfavourable, bearing in mind the negative impact of these factors on the determinants of economic growth, on which the sustainability of the debt depends to a large extent.

It is recommended to maintain the public debt at a lower level for a longer period

According to the level of public debt (measured by the debt-to-GDP ratio), Serbia is almost the median in Europe, which means that one-half of European countries have a higher level of debt. However, compared to the countries of Central and Eastern Europe, which are at a higher level of development, Serbia's public debt is moderately higher. Considering that in less developed countries public debt begins to negatively affect economic growth already at lower levels of indebtedness (that level is estimated at 45-60% of GDP for countries with a medium level of development), a fiscal policy is needed in the coming period led in a way that will keep the public debt in Serbia closer to the lower limit of this range. In this way, fiscal space will be provided for state intervention in case of escalation of the existing crisis or some future crises. In addition, the growth of interest rates on the world markets due to the increase in the restrictiveness of the monetary policy will affect the growth of spending on interests, which may affect the crowding out of some productive public spending or the reduction of the fiscal space for tax reduction in the future. By keeping the public debt at a lower level, the negative effect of monetary policy and interest risks would be reduced, which represents an additional argument for conducting a prudent fiscal policy.

Graph T6-6. Serbia: Public Debt Dynamic (% GDP)



Source: *QM* calculations using MFIN data

2 According to the Law on Public Debt, public debt includes the debt of the Republic arising from contracts concluded by the Republic, based on securities, contracts, i.e. agreements reprogramming the obligations assumed by the Republic under previously concluded contracts, as well as securities issued according to special laws, the debt of the Republic that arises from the guarantee given by the Republic or from directly assuming the obligation in the capacity of the debtor to pay the debt on the basis of the given guarantee, i.e. on the basis of the counter-guarantee given by the Republic, the debt of the local government for which the Republic has given a guarantee.

Apendices

Annex 1. Serbia: Consolidated General Government Fiscal Operations, 2010-2022 (bn RSD)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021					2022				
										Q1	Q2	Q3	Q4	*Q1-Q4*	Q1	Q2	Q3	Q3	*Q1-Q4*
I PUBLIC REVENUES	**1,472.1**	**1,538.1**	**1,620.8**	**1,694.8**	***1,842.7***	**1,973.4**	**2,105.3**	**2,278.6**	**2,255.0**	**594.5**	**691.4**	**683.4**	**742.7**	**2,711.9**	**678.6**	**802.8**	**771.8**	**821.9**	**3,075.8**
1. Current revenues	1,393.8	1,461.3	1,540.8	1687.6	*1833.3*	1964.9	2090.6	2263.7	2243.8	588.7	688.2	680.4	735.3	2692.6	676.5	799.9	766.9	816.0	3060.1
Tax revenue	1,225.9	1,296.4	1,369.9	1463.6	*1585.8*	1717.9	1822.2	1993.7	1990.8	531.2	624.6	608.8	655.6	2420.1	616.9	734.2	682.5	726.1	2759.7
Personal income taxes	35.3	156.1	146.5	146.8	*155.1*	167.9	179.4	203.7	204.2	55.6	70.2	61.5	68.7	255.9	63.5	84.8	71.2	83.0	302.4
Corporate income taxes	54.8	60.7	72.7	62.7	*80.4*	111.8	112.5	126.7	122.9	28.5	63.0	34.2	33.7	159.5	35.7	87.6	43.5	42.5	209.3
VAT and retail sales tax	367.5	380.6	409.6	416.1	*453.5*	479.3	499.8	550.6	549.3	139.2	165.0	169.7	185.0	658.9	181.4	201.3	196.4	200.4	779.5
Excises	181.1	204.8	212.5	235.8	*265.6*	279.9	290.0	306.5	306.0	78.9	73.8	91.1	86.3	330.0	84.3	80.0	86.8	86.6	337.8
Custom duties	35.8	32.5	31.2	33.3	*36.4*	39.7	43.6	48.1	51.9	13.3	14.4	15.8	18.5	62.0	18.4	19.0	19.9	21.7	79.0
Other taxes	42.6	43.5	57.3	63.3	*67.3*	567.4	77.1	82.1	82.7	20.9	23.1	22.5	25.4	91.8	22.7	24.4	24.9	27.6	99.6
Social contributions	378.9	418.3	440.3	505.7	*527.5*	71.9	619.7	675.9	673.7	194.8	215.2	214.0	238.0	862.0	211.0	237.1	239.8	264.4	952.2
Non-tax revenue	37.9	34.9	170.9	224.0	*247.5*	247.0	268.4	270.0	253.0	57.6	63.7	71.6	79.6	272.5	59.6	65.7	84.4	89.9	300.4
II TOTAL EXPENDITURE	**-1,717.3**	**-1,750.2**	**-1,878.9**	**-1,844.0**	***-1,899.7***	**-1,921.1**	**-2,073.0**	**-2,289.7**	**-2,697.7**	**-607.2**	**-717.5**	**-712.6**	**-934.0**	**-2,971.3**	**-746.7**	**-750.3**	**-708.1**	**-1,087.1**	**-3,297.1**
1. Current expenditures	-1,479.9	-1,549.8	-1,628.0	-1696.6	*-1,717.9*	-1745.3	-1847.2	-2001.7	-2352.9	-541.9	-636.0	-577.9	-689.7	-2445.5	-661.7	-619.6	-593.5	-686.3	-2565.5
Wages and salaries	-374.7	-392.7	-388.6	-419.2	*-417.7*	-426.3	-468.8	-516.3	-578.9	-153.1	-158.0	-155.2	-162.6	-629.0	-168.9	-173.5	-168.0	-173.1	-683.5
Expenditure on goods and services	-235.7	-236.9	-256.8	-257.6	*-283.6*	-301.6	-343.4	-379.3	-441.0	-96.8	-105.1	-123.8	-164.6	-490.3	-109.8	-131.8	-118.7	-175.9	-540.2
Interest payment	-68.2	-94.5	-115.2	-129.9	*-131.6*	-121.2	-108.6	-108.9	-110.2	-48.2	-21.5	-28.4	-10.7	-108.7	-53.2	-21.0	-22.8	-10.0	-107.0
Subsidies	-111.5	-101.2	-117.0	-134.7	*-112.7*	-113.3	-109.7	-121.2	-251.5	-25.5	-84.8	-31.9	-64.0	-206.3	-38.5	-31.5	-34.1	-56.3	-160.5
Social transfers	-652.5	-687.6	-696.8	-710.0	*-716.8*	-720.1	-746.0	-782.9	-806.3	-202.4	-214.0	-217.1	-216.6	-850.0	-249.6	-222.6	-220.8	-235.7	-929.0
o/w: pensions	-473.7	-498.0	-508.1	-490.2	*-494.2*	-497.8	-525.2	-559.3	-583.5	-151.1	-153.2	-152.4	-152.0	-608.7	-156.8	-159.0	-158.5	-163.4	-637.8
2. Capital expenditures	-126.3	-84.0	-96.7	-114.5	*-139.3*	-133.9	-199.3	-266.3	-293.2	-62.5	-70.7	-131.3	-202.1	-466.6	-76.4	-122.0	-94.3	-215.1	-508.2
3. Called guarantees	-3.7	-7.9	-29.7	-30.1	*-39.1*	-28.8	-19.7	-10.8	-7.5	-1.8	-1.8	-1.8	-2.3	-7.7	-1.5	-3.1	-6.9	-6.2	-17.7
4. Buget lendng	-38.2	-35.6	-55.4	-2.7	*-3.3*	-13.2	-6.8	-10.9	-44.2	-1.0	-9.1	-1.5	-39.9	-51.5	-7.1	-5.6	-13.4	-179.5	-205.6
CONSOLIDATED BALANCE	**-245.2**	**-212.1**	**-258.1**	**-149.1**	***-57.1***	**52.3**	**32.2**	**-11.1**	**-442.8**	**-12.7**	**-26.1**	**-29.3**	**-191.4**	**-259.4**	**-68.1**	**52.5**	**63.8**	**265.2**	**221.2**

Source: *QM* calculations based on the MoF data

Annex 2. Serbia: Consolidated General Government Fiscal Operations, 2012-2022 (real growth rates, %)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021					2022				
										Q1	*Q2*	*Q3*	*Q4*	*Q1-Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1-Q4*
I PUBLIC REVENUES	**0.6**	**-2.2**	**3.2**	***3.1***	***7.5***	***4.0***	**4.6**	**6.2**	**-2.6**	**9.2**	**40.8**	**11.5**	**5.7**	**15.5**	**5.0**	**4.9**	**1.0**	**-3.8**	**1.4**
1. Current revenues	0.1	-2.6	3.3	*3.3*	*7.4*	*4.1*	*4.3*	*6.3*	*-2.4*	*8.7*	*41.0*	*11.4*	*5.2*	*15.3*	*5.7*	*5.1*	*0.7*	*-3.6*	*1.6*
Tax revenue	1.0	-1.7	3.5	*0.3*	*7.2*	*5.2*	4.0	7.4	-1.7	8.8	43.7	13.0	6.9	16.8	6.8	6.3	0.2	-3.8	1.9
Personal income taxes	2.1	-12.2	-8.1	*-1.2*	*4.5*	*5.1*	4.8	11.4	-1.4	11.3	50.0	19.5	6.3	20.4	5.1	9.2	3.4	5.0	5.6
Corporate income taxes	35.1	2.9	17.4	*-15.0*	*26.9*	*35.0*	-1.3	10.6	-4.5	16.1	162.0	-32.1	16.1	24.7	15.1	25.6	13.9	9.4	17.3
VAT and retail sales tax	0.0	-3.8	5.4	*0.2*	*7.8*	*2.6*	2.2	8.1	-1.8	2.4	30.1	14.7	14.6	15.3	19.9	10.3	3.4	-5.9	5.7
Excises	-1.2	5.1	1.6	*9.4*	*11.4*	*2.3*	1.6	3.7	-1.7	1.8	2.8	15.2	-4.5	3.6	-1.7	-1.9	-14.8	-12.8	-8.5
Custom duties	-14.0	-15.6	-6.5	*5.9*	*8.1*	*5.8*	7.8	8.1	6.3	10.1	18.5	11.0	18.1	14.7	27.4	19.7	12.7	1.6	13.9
Other taxes	-8.8	-5.2	29.2	*8.9*	*5.1*	*4.4*	5.2	4.5	-0.9	13.1	25.9	-3.2	-3.4	6.6	0.1	-4.5	-0.9	-5.7	-3.1
Social contributions	1.9	2.6	3.1	*-2.1*	*3.2*	*3.8*	7.1	7.0	-1.9	14.7	59.7	24.3	5.4	22.9	-0.4	-0.4	0.1	-3.5	-1.3
Non-tax revenue	-6.2	-8.7	1.5	*27.9*	*9.3*	*-3.1*	6.5	-1.3	-7.8	8.7	18.9	-0.5	-7.1	3.5	-4.8	-6.7	5.4	-1.8	-1.5
II TOTAL EXPENDITURE	**4.3**	**-0.3**	**5.2**	***-3.2***	***1.9***	***-1.7***	***5.8***	***8.4***	***16.0***	***1.7***	***-5.3***	***7.1***	***18.2***	***5.8***	***13.1***	***-5.5***	***-11.2***	***1.1***	***-0.8***
1. Current expenditures	4.1	-2.7	2.9	*-1.4*	*0.2*	*-1.2*	*3.8*	*6.3*	*15.7*	*0.7*	*-6.1*	*-3.0*	*8.1*	*-0.1*	*12.3*	*-11.9*	*-8.2*	*-13.5*	*-6.2*
Wages and salaries	2.0	-2.6	-3.1	*-9.7*	*-1.4*	*-0.9*	*7.8*	*8.1*	*10.4*	*7.9*	*7.1*	*3.8*	*-0.8*	*4.4*	*1.5*	*-0.8*	*-3.3*	*-7.5*	*-2.9*
Expenditure on goods and services	1.5	-6.6	6.2	*-1.1*	*8.9*	*3.3*	*11.6*	*8.4*	*14.5*	*-0.7*	*-9.2*	*22.8*	*12.8*	*6.8*	*4.3*	*13.4*	*-14.3*	*-7.1*	*-1.5*
Interest payment	41.9	28.8	19.3	*11.2*	*0.2*	*-10.6*	*-12.1*	*-1.6*	*-0.4*	*0.5*	*29.8*	*14.8*	*-57.1*	*-5.2*	*1.6*	*-11.6*	*-28.3*	*-18.4*	*-12.0*
Subsidies	29.1	-15.6	13.2	*13.6*	*-17.3*	*-2.3*	*-5.1*	*8.4*	*104.3*	*-2.9*	*-10.6*	*-66.5*	*41.0*	*-21.2*	*39.2*	*-66.4*	*-4.5*	*-23.6*	*-30.5*
Social transfers	-0.1	-2.1	-0.7	*0.5*	*-0.1*	*-2.1*	*1.6*	*3.0*	*1.4*	*2.6*	*2.3*	*5.9*	*-5.0*	*1.3*	*13.4*	*-6.0*	*-9.1*	*-5.4*	*-2.3*
o/w: pensions	*4.4*	*-2.3*	*-0.1*	*-4.8*	*-0.3*	*-2.2*	*3.4*	*4.5*	*2.7*	*2.9*	*1.4*	*0.0*	*-3.1*	*0.2*	*-4.5*	*-6.2*	*-7.0*	*-6.6*	*-6.4*
2. Capital expenditures	6.0	-38.2	12.7	*16.8*	*20.3*	*-6.7*	*45.9*	*31.1*	*8.4*	*12.3*	*12.7*	*112.9*	*59.1*	*52.9*	*12.3*	*56.0*	*-35.8*	*-7.5*	*-2.7*
3. Called guarantees	-3.7	248.7	267.8	0.1	28.5	-28.5	-32.9	-46.3	-31.8	6.4	6.4	-27.2	17.9	-1.6	-19.5	58.2	234.4	136.9	107.2
4. Buget lending	-38.2	44.2	52.2	-95.1	20.8	283.9	-49.3	57.0	299.3	-51.2	-40.7	-74.1	71.5	12.0	571.6	-44.3	681.5	290.9	256.7

Source: *QM* calculations based on the MoF data