

# V.I.P. Daily News Report

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## ANALYSIS

### At Least 50,000 People to Lose Jobs in 2012

According to the labor force survey carried out in the territory of Serbia in November 2011, the unemployment rate amounts to 23.7%. For the sake of comparison, this rate amounted to 16.6% in the end of 2009, it went up to 19.2% in 2010 and reached 22.2% in April 2011.

The pronounced growing trend of number of the unemployed, as a consequence of internal economic weaknesses additionally propelled by the global economic crisis, is evident. This unemployment rate would have been even higher if the state did not take over ownership in some large companies such as Paracin glass factory, Petrohemija and synthetic fertilizer plant in Pancevo, Methanol-Acetic Complex, Iron Combine in Smederevo etc.

However, the question remains what the market prospects of these factories are, especially of Paracin glass factory, because they still operate with losses. So, only the illusion of employment has been created now, and in doing so the budget funds were wasted for preservation of social peace. At the same time, these budget funds are largely filled by somebody else's sources of finance, which only reinforces the debt crisis in the Serbian economy.

External debt of Serbia (public private sector) amounts at the moment to about 25 bln Euro, exceeding thus the limit of 80% GDP, which classifies Serbia among heavily indebted countries. Therefore, the future government should make a serious business analysis of each enterprise taken over by the state in order to help those that still have the market perspective and to find them strategic partners, but to abandon those enterprises that do not stand a chance of surviving at the market.

In this way, the state would gain because running into debts for these companies would stop and conditions would be created for the released budget funds to be directed towards agriculture and some infrastructural projects, either in energy sector or in traffic, which would again stimulate employment in these sectors. In addition to it, with transformation of the state administration and the entire public sector, conditions would be created for relaxation of domestic businessmen, which would again improve their solvency and ameliorate possibilities for employment of new labor force.

The lowest unemployment rate was recorded in the end of 2011 in Belgrade region (20.8%) and the highest in the region of Southern and Eastern Serbia (26.6%). This information confirms the thesis about uneven economic development in Serbia and too big focus of human and financial resources in Belgrade.

Thus, according to preliminary data of the census, the regions of Sumadija and Western Serbia have been depopulated for about 123,000 and the regions of Southern and Eastern Serbia for about 202,000 people. Only the region of Belgrade is more populated for nearly 63,000 new people as compared to the census from 2002.

Such migrations inside the country from the south towards the richer north, under the Serbian conditions, and farther abroad, with decrease and aging of population have already now impoverished potentials of these southern parts to create better perspective for the economic development.

Out of the total number of the unemployed (691.841), nearly one third of them are out of work because they were made redundant, i. e. because of liquidation of the company. This draws attention to the poorly planned privatization and the process of de-industrialization which has stopped. Of course, deterioration of economic circumstances in the international setting only additionally cumber business operations at the Serbian market and forces employers to dismiss workers in order to reduce costs, and to close companies, in the worst case.

In the total number of the unemployed, the share of long term unemployment is as much as 74%. This refers to the unemployment status of over one year and longer, which spreads the atmosphere of hopelessness and darkens life perspectives of the population.

The atmosphere of despair is best revealed by the information that Serbia's brain drain is rather visible according to the report of the world economic forum in the end of 2011, because it is ranked third among 142 analyzed countries.

Unfortunately, in 2012 because of the announced parliamentary and possible presidential elections, the priority of the Serbian government and the ruling coalition will remain preservation of illusion of the existing employment.

However, despite all the efforts made by the government to at least ostensibly stop further growth of unemployment, it can be expected that about 50,000 more people would lose jobs in 2012. This number does not include surplus of civil servants in the state administration and employees in the large public sector where the ruling parties have provided jobs for their members as a way to reward them for loyalty.

On the basis of the new forecasts, the Serbian economy could count on the zero growth rate according to the optimistic scenario, but it appears more certain that the absolute drop of GDP and recession would take place. The IMF forecast in the beginning of 2012 was that the growth would be 0.5%.