

Weekly *Economic* Bulletin

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Issue No. 805

Friday, March 23, 2012

ANALYSIS

Economic Trends in Serbia

(Part II)

- **The dynamics of the inflow of both domestic and export orders registered a drop at the beginning of 2012 as well.** This means that one should expect a declining dynamics of production and export activities, as well as the further growth of the number of employed persons. A negative dynamics of the demand from the domestic and the foreign markets is present in all the commodity groups (means of labor, intermediary products and consumer goods);
- **According to expectations, the tourist turnover in January 2012 in Serbia grew by 8.1% compared to the same month in 2011. This was the result of the pronounced seasonal factor, as well as a sport event (the European Handball Championship which took place in our country in the second half of January. Thus, there was a total of around 462 thousand overnight stays by guests in Serbia in the first month. In this regard, around 330 thousand guests were from our country, while 132 were from abroad.** That it is foreign guests, more than domestic ones, who contributed more to the growth of the tourist turnover in January this year compared to the same month in 2011, is attested to by the fact that the ratio between the domestic and foreign guest in the first month this year was 2.49 times to the advantage of the domestic guest, while in January last year that proportion was as much as 4 times to the benefit of the domestic guest. This means that it was primarily the sports event that attracted foreign guests to stay in our country and bring the tourist turnover to higher levels than it would be seasonally usual. This is also attested to by the growth of the share of foreign tourists in the overall number of overnight stays, from 19.8% in January 2011 to as much as 28.7% in the same month of the reporting year.

Tourist turnover in the Republic of Serbia – number of overnight stays

	Total		Domestic		Foreign	
	I 2012	<u>I 2012</u> I 2011	I 2012	<u>I 2012</u> I 2011	I 2012	<u>I 2012</u> I 2011
Republic of Serbia	462,782	108.1	330,134	96.2	132,648	156.3
Belgrade	86,370	159.5	25,451	152.2	60,919	162.8
Novi Sad	14,788	172.9	3,739	107.7	11,049	217.4
Spa resorts	95,350	88.3	89,099	85.7	6,251	151.5
Mountain resorts	193,337	108.1	166,636	107.2	26,701	114.4
Other tourist places	64,593	96.5	39,167	72.4	25,426	198.3
Other places	8,344	72.4	6,042	64.0	2,302	110.7

Source: Data of the Republic Office of Statistics (RZS)

The extent to which the foreign guests predominantly contributed to the revival of Serbian tourism in January is attested to, in a sufficiently clear manner, by the fact that the number of overnight stays in the cities and towns where the European Handball Championship took place considerably increased. Thus, the number of overnight stays in Belgrade, in the observed month, was 86,370 or 59.5% more than in January 2011. Also, in Novi Sad, with 14,788 overnight stays, the tourist turnover grew by a full 72.9%, and in Niš, with 6,895 overnight stays, by 86.5%. In all these cities, far larger is the number of overnight stays registered by foreign tourists as compared to domestic ones. Thus, in Belgrade, the share of foreign tourists in the tourist turnover of this city was a full 70.5%, in Novi Sad 74.7%, and in Niš 71.5%.

- **The retail trade in Serbia in January registered a drastic drop at the monthly level at a rate of as much as 22.6% in fixed prices.** This was to be expected, because, after the holiday fever in December, the wallets of average households in Serbia were emptied out, so that, seasonally, there is a considerable drop in the turnover of goods in retail trade in the first month of each business year. However, the fact that the season is not the only element that caused the negative dynamics in retail trade is also attested to by data at the annual level. According to these data, in the January 2012 / January 2011 period, a drop of retail trade was registered, in fixed prices, at a rate of 3.2%. Therefore, apart from the season, the population's low purchasing power, which is also taking an additional eroding direction, led and continues to lead to the receiving of unfavorable news from tradesmen. In view of the negative expectations in the future period, the uncertainty over the further trends of wages and pensions and the keeping of one's job in general (the unemployment rate at the end of 2011 reached a full 23.7% with a further growth tendency), the population is additionally refraining from purchases, which is making complex the negative conditions for the business operations of retail trade. This is especially reflected on small stores which have higher operating costs and are not able to keep up with large commercial chains with an integrated system of acquisitions and, therefore, much lower input costs.

Turnover of goods in retail trade

Indices

	$\frac{\text{I - XII 2011}}{\text{I - XII 2010}}$	$\frac{\text{I 2012}}{\text{XII 2011}}$	$\frac{\text{I 2012}}{\text{I 2011}}$
Measured in current prices	92.7	77.4	102.9
Measured in fixed prices	83.3	77.4	96.8

Source: RZS statement

Observed regionally, in the north of the country, in January 2012 compared to the same month in 2011, a real growth of the turnover of goods by as much as 10% was registered, while its exceptionally dramatic drop (-23%) was registered in the south of the country. In Vojvodina, a growth of the retail trade of goods by 5.6%, measured in fixed prices, was registered. This means that, predominantly in the course of January, Belgrade raised the average level of Serbia's north to the point of 10%. This is yet another piece of information confirming the thesis about Serbia's uneven economic development and the concentration of economic and human resources in its northern part, especially around Belgrade;

The total foreign debt of the Republic of Serbia at the end of December 2011 was 24.1 billion euros and it was 1.2% larger than in December 2010. Such trends in the dynamics of the foreign debt are predominantly the result of the growth of the foreign debt generated by the public sector. Thus, at the end of 2011, the state created a foreign debt in the amount of 10.773 billion euros, which is 1.6% more at the monthly level, i.e. by as much as 18.7% more at the annual level. Contrary to this, the private sector's foreign debt, having reached 13,352 billion euros at the end of December, was 0.9% larger than a month earlier, but it was a full 9.2% smaller at the annual level. This indicates that the public sector is primarily the one that initiated the galloping pace of Serbia's borrowing. This can especially be seen when one observes a longer time series. Since 2008, i.e. since the appearance of the first wave of the world economic crisis and when the present republic government took up office, the public sector's foreign debt increased from 6.5 billion euros to almost 10.8 billion euros, which was its value in the reporting month, with the tendency of further borrowing so as to service the current budget needs and settle the obligations to creditors. Therefore, in the period between 2008 and 2011, the public sector's total foreign debt grew by around 4.2 billion euros. Contrary to this, the private sector's foreign debt dropped from almost 14.6 billion euros in 2008 to around 13.3 billion euros in 2011, which is a drop by a little more than 1.2 billion euros.

Foreign debt by type of debtor

- in millions of euros -

	Period		
	31. 12. 2010	30. 11. 2011	31. 12. 2011
Public sector	9,076.4	10,607.1	10,773.3
Private sector	14,710.0	13,236.3	13,352.1
Total	23,786.4	23,843.4	24,125.4

Source: Data of the National Bank of Serbia (NBS)

With additional borrowings, ratified by the republican parliament at the end of February, of around 1.3 billion euros, Serbia is pushing the total foreign debt to almost 25.5 billion euros, and in view of the declining economic dynamics, Serbia quite certainly exceeded 80% of the quantitative ratio between the total foreign debt and the GDP. Thus, it ranks among high-indebted countries.

(to be continued)