

Weekly *Economic* Bulletin

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Issue No. 807

Thursday, April 5, 2012

ANALYSIS

Economic Trends in Serbia

(Part IV)

- The average net wage in Serbia in January 2012 was 36,639 dinars, and it was nominally lower by as much as 16.8%, i.e. 16.9% smaller in real terms than in the preceding month. This was the result of the negative impact of the season, because the salaries in December, by tradition, were artificially inflated through advance payments, jubilee awards or certain surpluses, i.e. thirteenth salaries.

Average net wages and indices of nominal wages without taxes and contributions

- dinars-

	Average net wage	XII 2011 XII 2010	I 2012 XII 2011	I 2012 I 2011
Serbia	36,639	111.2	83.2	107.3
Serbia – north	40,963	108.6	84.0	108.3
<i>Belgrade region</i>	<i>46,000</i>	<i>108.0</i>	<i>85.2</i>	<i>108.8</i>
<i>Vojvodina</i>	<i>35,501</i>	<i>109.7</i>	<i>82.3</i>	<i>108.0</i>
Serbia – south	30,975	116.0	81.7	105.9
<i>Šumadija and Western Serbia</i>	<i>30,431</i>	<i>117.6</i>	<i>80.1</i>	<i>106.3</i>
<i>Southern and Eastern Serbia</i>	<i>31,655</i>	<i>114.2</i>	<i>83.7</i>	<i>105.5</i>

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

However, apart from the pronounced impact of the season, the further lowering of the economic dynamics quite certainly also pushed the average net wages downward in the course of January. This can also be seen by the fact that, in January 2011 compared to December 2010, the declining rate of average wages without taxes and contributions was somewhat milder than in the first month of 2012. Namely, at the time, the nominal declining rate was 14.1%, and the real declining rate of average net wages was 15.3%. The fact that the weakening of the economic dynamics, apart from the primary impact of the season, also led to the additional lowering of average net wages in January, is also attested to by the annual data. Thus, the growth rate of average wages in the first month of 2012, compared to the same month in 2011, was 7.3% in nominal terms, i.e. 1.6% in real terms, while these growth rates at the annual level (January 2011 / January 2010) were 13.5% nominally, or 2.2% in real terms. Therefore, January, although not a standard month because of the pronounced impact of the season, nevertheless, points to the first signals of the erosion of average net wages and the population's purchasing power due to the drop in the total economic activities in Serbia.

Observed by regions, average net wages in the amount of 40,963 dinars were registered in the north of Serbia, while in Serbia's south they reached the level of 30,975 dinars. In this regard, the average net wage in the Belgrade region was 46,000 dinars and it was 15.1% higher compared to the average net wage in the regions of Šumadija and Western Serbia (30,431 dinars). This is an indicator pointing to a pronounced uneven regional development of the country.

This uneven concentration of financial and human resources is even more visibly reflected in the ranking of municipalities by the achieved average net wages. Thus, in January 2012, the highest wages were registered in Belgrade municipalities or certain municipalities close to Belgrade, such as:

- Stari Grad (61,434 dinars),
- Surčin (58,026 dinars),
- Lazarevac (56,348 dinars),
- Kostolac (55,286 dinars),
- New Belgrade (55,083 dinars), etc.

Therefore, the first five municipalities with the highest wages include four Belgrade municipalities and Kostolac as an exemption from the rule, this thanks to the energy capacities in that town. Contrary to this, the lowest average net wages were registered in:

- Ljig (14,806 dinars),
- Merošina (17,490 dinars),
- Niška Banja (17,785 dinars),
- the Niš municipality of Palilila (19,353 dinars),
- Bela Palanka (21,220 dinars), etc.

It is evident that the lowest average net wages are registered in municipalities in the south of the country, which confirms the conclusion about the financial and human devastation of that region, i.e. the migration of the population from these areas towards Belgrade or more northwards from it or even outside the national borders, as well as the dying out of the economic potentials of these regions through unplanned privatization. The difference between average net wages in Belgrade's Stari Grad and Ljig is as much as around 4.2 times to the benefit of the Belgrade municipality. With such discrepancies one cannot expect a sustainable and overall social development of the country;

- Due to the limiting of the margins on some of the most important food products with the republican government's decree, no major swelling of the inflationary courses were registered in January. Furthermore, a calm sea was recorded in the inflationary trends, since a growth of consumer prices by only 0.1% was registered in the reporting month compared to December 2011. In this regard, it is precisely because of the republican decree on the limiting of margins on some of the basic food products, that a drop in consumer prices in the mentioned period of comparison was registered in the field of food and non-alcoholic beverages (-0.9%) and an almost unnoticeable drop in prices in the sphere of communication services at a rate of 0.1%.

Consumer price index

	<u>XII 2011</u> XII 2010	<u>I 2012</u> XII 2011	<u>I 2012</u> I 2011
Total	107.0	100.1	105.6
Food and non-alcoholic beverages	106.4	99.1	103.4
Alcoholic beverages and tobacco	111.1	104.4	107.7
Clothing and footwear	103.3	100.0	103.2
Apartment, water, electricity, gas	109.6	100.4	109.8
Furniture, household appliances, current maintenance	108.0	100.6	108.4
Health care	104.6	100.0	104.5
Transport	109.4	100.6	107.4
Communications	103.5	99.9	105.3
Recreation and culture	104.0	101.0	104.9
Education	102.3	100.1	101.1
Restaurants and hotels	104.3	100.3	104.2
Other goods and services	107.6	100.2	107.8

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

A stagnation of consumer prices was registered in the case of clothing and footwear, while in all the other commodity groups a growth of consumer prices was registered, the most intensive being among alcoholic beverages and tobacco (4.4%). Such a considerable growth of the prices of alcoholic beverages and tobacco was the result of the harmonization of excises with inflation from the previous period.

However, at the annual level (January 2012 / January 2011) consumer prices grew to the point of 5.6%. This indicates that the inflationary dragon is not passive and that it is constantly threatening to escape control, i.e. to go beyond the projected 5.5% for this year. These threats increase with the sliding of the value of the domestic currency, with the risk of public spending growing during the election campaign for the parliamentary and presidential elections, as well as external shocks, primarily linked to the trends of the oil prices on the world market. Nevertheless, there are also factors that mitigate the impact of the stimuli that intensify the inflationary tensions, this being primarily the low domestic demand, i.e. the population's low, eroding purchasing power,

additionally weakened by the growing unemployment rate. This means that all the stimuli-intensifiers of inflationary trends cannot fully express themselves, and that businessmen will have to pay attention to the other side of the scale, this being the extremely low living standard of the population, so as to preserve at least the present level of production, i.e. of sales.

At the annual level, the most intensive growth of consumer prices was registered in the sphere of housing, water, electricity, gas and other fuels (9.8%), furniture and household appliances (8.4%) and alcoholic beverages and tobacco (7.7%). Therefore, with the exception of furniture, at issue are products or services whose prices are directly or indirectly under the influence of the state through the tax policy. This only confirms our conclusions that the non-transformed public sector, along with the cartel-monopoly structures in the economy, represents the main generators of a tide in the inflationary trends in the Serbian economy.