

# Weekly *Economic* Bulletin

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## ANALYSIS

### *Economic Trends in Serbia*

#### *(Part II)*

- After the drastic reduction of the number of overnight stays by tourists in February due too the unfavorable weather conditions, a larger positive move was registered in March. Thus, wit around 349 thousand overnight stays in February, around 450 thousand overnight stays by tourists was registered in March, which is a growth at the monthly level by as much as 29.2%. However, such a precipitate growth can represent an optical illusion if observed from the viewpoint of the growth of the population's purchasing power and the improvement of the quality of services and accommodation capacities at Serbian tourist destinations. Unfortunately, there has been no growth of the population's standard of living nor any special turnabout in the tourist offer, but only the low statistical base from February produced by unfavorable extreme weather conditions created such an optical illusion. That at issue is a distorted picture of reality is clearly shown by the fact that, in the first quarter of 2012, the total number of overnight stays, of around 1,261 thousand, was 0.1% smaller than in the same period of 2011.

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

	Total		Domestic		Foreign	
	I - III 2012	$\frac{\text{I - III 2012}}{\text{I - III 2011}}$	I - III 2012	$\frac{\text{I - III 2012}}{\text{I - III 2011}}$	I - III 2012	$\frac{\text{I - III 2012}}{\text{I - III 2011}}$
Republic of Serbia	1.261,441	99.9	922,580	93.1	338,861	125.1
Belgrade	247,249	120.1	70,303	113.3	176,946	123.1
Novi Sad	35,014	104.7	11,262	107.9	23,752	103.3
Spa resorts	266,224	82.4	251,020	81.0	15,204	114.5
Mountain resorts	491,598	104.4	447,646	103.7	43,952	112.0
Other tourist spaces	195,866	101.2	124,147	82.8	71,719	164.5
Other places	25,490	72.4	18,202	67.0	7,288	90.6

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

It is quite interesting that, in the first quarter of 2012, the number of the overnight stays by domestic guests, which was around 923 thousand, dropped by as much as 6.9% compared to the first quarter in 2011. This confirms our conclusion about the previously explained optical illusion, because the population's standard of living is still extremely low, while the number of unemployed persons is growing. In such an environment it is not even possible to count on the improvement of the tourist turnover in Serbia through the domestic guest. And as the domestic guest accounts for as much as 73.1% of the total number of overnight stays, there is a high degree of correlation between the volume of the tourist turnover in Serbia and the domestic tourist, which means that domestic tourism will still suffer because of the eroding purchasing power of the domestic tourist, i.e. that there are no economic presuppositions that could push the tourist turnover upward.

**Retail trade in Serbia is registering a pronouncedly positive move at a rate of as much as 26.9% at the monthly level, measured in fixed prices. This was to be expected after its steep drop in February, both because of the impact of the seasonal factor, and because of the freezing days in February, when larger purchases were additionally limited.** It is important to underline that there has been no tangible growth of the population's standard of living or a drop in unemployment, but it is precisely the low statistical base for comparison in February that caused, for the above mentioned reasons, such a precipitate growth of the turnover of goods in retail trade.

Due to such an intensified retail trade at the monthly level, in March this year, compared to the same month in 2011, it crossed over into the positive zone of growth (4.4%). This was predominantly contributed to by northern Serbia here the turnover in retail trade grew by 12%. In the south of Serbia the volume of retail trade is still in a considerable minus (-7.6%).

**Observed cumulatively through the first quarter of 2012 compared to the same period of 2011 the turnover of goods in retail trade was, nevertheless, smaller by 1.3%. In this case as well, a growth of the turnover by 8.7% was registered, while a dramatic drop of retail trade, at a rate of 17.1%, was registered in the south of Serbia.** Therefore, these data show that retail trade, despite a considerable positive jump at the monthly level, is still in the negative zone of growth.

#### Turnover of goods in retail trade

*Indices*

	<u>III 2012</u> II 2012	<u>III 2012</u> III 2011	<u>I - III 2012</u> I - III 2011
Measured in current prices	129.9	110.5	104.6
Measured in fixed prices	126.9	104.4	98.7

Source: RZS statement

- With a value of exports of 1.038 billion USD in March this year, which was 3.6% lower than in the same period in 2011, as well as the somewhat milder declining rate of imports in the same period of comparison (-1.2%), a considerably sharper drop of the sale of goods on the foreign market compared to their imports is registered in cumulative terms as well. Thus, in the first quarter of 2012, the Serbian economy sold goods abroad in the value of around 2.4 billion USD or by 9.2% less than in the corresponding period of the previous year, while goods were obtained from abroad in the value of around 4.6 billion USD or by only 0.5% less compared to the first quarter in 2011. Based on such foreign trade results, it is quite certain that, in the first three months of 2012, the total volume of foreign trade, with a total of 7.052 billion USD, was 3.7% smaller than in the first quarter of 2011. This was the result of the lack of investments and the drop of the foreign demand, but also of the non-restructured power company, EPS, which, during at least during half of February, was unable to ensure the regular supplying of electricity.

#### Dynamics of exports and imports according to the level of the countries' development

*-in millions of USD-*

	January - March					
	Exports		Index	Imports		Index
	2011	2012		2011	2012	
Industrial countries	1,421.6	1,250.6	88.0	2,293.1	2,407.0	105.0
Developing countries	1,266.2	1,190.5	94.0	2,340.3	2,203.8	94.2
<b>Total</b>	<b>2,687.8</b>	<b>2,441.1</b>	<b>90.8</b>	<b>4,633.4</b>	<b>4,610.8</b>	<b>99.5</b>

Source: RZS data

Due to the more drastic drop of export than import activities, the gap between exports and imports has expanded to the benefit of imports. Thus, Serbia's total foreign trade deficit in the first quarter of 2012 was around 2.170 billion USD and was as much as 11.5% higher than in the same period last year. The export-import ratio was reduced from 58% in the first quarter of 2011, to 52.9% in the same period of 2012.

From the standpoint of exports, Serbia's most important foreign trade partners in the first quarter of 2012 were: Germany (317 million USD), Italy (248 million USD) and Bosnia-Herzegovina (226 million USD). The share of these three countries in the total sale of Serbian goods on the foreign market was almost a third in the mentioned period of observation.

#### Countries ranked according to the volume of foreign trade with Serbia

*-in millions of USD-*

Country	January - March					
	Exports		Imports		Foreign trade balance	
	2011	2012	2011	2012	2011	2012
Russian Federation	157.6	178.6	675.9	682.6	-518.3	-504.0
Germany	305.9	316.7	425.5	466.3	-119.6	-149.6
Italy	347.8	247.9	369.4	367.6	-21.6	-119.7
Romania	224.5	198.5	240.6	207.6	-16.1	-9.1

China	3.3	4.6	368.0	339.6	-364.7	-335.0
Bosnia-Herzegovina	235.3	226.4	142.9	107.5	+92.4	+118.9
Hungary	74.6	58.0	216.5	240.3	-141.9	-182.3
Slovenia	121.8	109.7	134.8	144.1	-13.0	-34.4
Austria	95.7	67.7	155.0	164.7	-59.3	-97.0
Croatia	93.4	79.0	100.7	131.5	-7.3	-52.5
<b>Total 10 countries</b>	<b>1,659.9</b>	<b>1,487.1</b>	<b>2,829.3</b>	<b>2,851.8</b>	<b>-1,169.4</b>	<b>-1,364.7</b>
<b>Total – all countries</b>	<b>2,687.8</b>	<b>2,441.1</b>	<b>4,633.4</b>	<b>4,610.8</b>	<b>-1,945.6</b>	<b>-2,169.7</b>

Source: RZS data

From the standpoint of imports, Serbia's most important foreign trade partners in the January – March period of 2012, were: **Russia (683 million USD), Germany (466 million USD) and Italy (248 million USD). China is close behind Italy with imports into our country in the value of 340 million USD.** The share of these four countries in Serbia's total acquisitions from the foreign market in the observed period of this year was as much as 40.3%. Imports from Germany increased by 9.6%, and from Russia by 1%. Contrary to this, imports from China dropped by 7.7%, and from Italy by 0.5%.

**The Serbian economy had the most unfavorable foreign trade balance in the January – March period of 2012, with the Russian market (-504 million USD). This accounted for as much as 23.2% of Serbia's total negative foreign trade balance.** China is second according to its influence on the trends of the Serbian economy's foreign trade deficit. Thus, a deficit of 335 million USD was registered in trade with this country, which accounted for 15.4% of Serbia's total foreign trade deficit in the January – March period of 2012. Third according to the size of the negative balance in Serbia's commodity trade with the world in the mentioned period was Hungary (-182 million USD). The share of the Hungarian economy in creating Serbia's foreign trade deficit was 8.4%. Hungary is followed by Germany with which the negative foreign trade balance was almost 150 million USD or 6.9% of Serbia's total foreign trade deficit in the first three months of 2012. The share of these four countries was as much as 53.9% of the total negative foreign trade balance of the Serbian economy in the January – March period of 2012.

**By tradition, in the mentioned period of observation of 2012 as well, Serbia registered a foreign trade surplus with Montenegro (120.9 million USD), Bosnia-Herzegovina (118.9 million USD) and Macedonia (47.3 million USD).**

*(to be continued)*