

# Coronavirus response in 2021: building back better

## Update on Serbia (14 December 2021)



### Covid-19: Policy response

- A large package of around 13 per cent of GDP was adopted in 2020, centering on wage subsidies and support for citizens and the healthcare sector, tax deferrals and liquidity support for small and medium-sized enterprises (SMEs) through credit guarantee schemes.
- An additional Covid-19-related fiscal package in 2021, worth around 4.3 per cent of GDP (€2.2 billion), was implemented, consisting of higher healthcare sector spending, wage subsidies and a one-off payment to pensioners and adults. Credit guarantee schemes were supplemented to the tune of €1 billion. In February 2021, the National Bank of Serbia (NBS) and the European Central Bank (ECB) agreed to prolong the duration of the precautionary repo line established in mid-2020 to March 2022. The line enables the NBS to borrow up to €1 billion from the ECB.
- The Serbian government froze electricity prices for business customers from end October to end December 2021 to protect the economy from dramatic price hikes of late.

### Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	4.5	4.2	-0.9	<b>EBRD GDP growth forecast (Nov 2021)</b> <b>2021: 6.5%; 2022: 4.3%</b>
Annual inflation (year end)	2.0	1.9	1.3	GDP quarterly growth: 1.6% (Q1), 13.7% (Q2) and 7.7% (Q3) y/y in 2021
Government balance/GDP	0.8	0.0	-7.3	Retail trade growth: 10.1% y/y (January-October 2021)
Current-account balance/GDP	-4.8	-6.9	-4.1	Industrial production growth: 6.5% y/y (January-October 2021)
Net foreign direct investment/GDP	-7.4	-7.7	-6.3	Inflation: 3.4% y/y (January-October 2021)
Public debt/GDP (year end)	54.4	52.8	58.4	
Unemployment rate (year end)	12.7	10.4	9.9	

### Key short-term priorities

- The green transition agenda should be accelerated.
- The governance of SOEs needs to be strengthened, in line with the recently approved action plan for state ownership.
- Fiscal risks should be contained after support measures expire to ensure fiscal sustainability.

### EBRD Assessment of Transition Qualities, 2021<sup>1</sup>



### Building back better: selected ongoing initiatives

#### Competitive

- The transitional period for fiscalisation, which aims to curb the grey economy, began in November 2021. The deadline for the full transition has been extended to April 2022.

#### Well-governed

- The strengthening of state-owned enterprise (SOE) governance is advancing, with the adoption of the State Ownership Policy 2021-27 in April 2021 and accompanying action plan for implementing the policy in 2021-23.

#### Green

- In April 2021, the country adopted four bills related to energy and mining, paving the way for the greening of the economy.
- The first green bond auction in Serbia raised €1 billion, which will be used to finance renewables, energy efficiency, sustainable water management and other green projects.

#### Resilient

- Power generation company Elektroprivreda Srbije completed the process of unbundling distribution company Elektrodistribucija Srbije in Q1 2021.
- A draft law on capital markets was adopted by the government, with a view to making the market more attractive through greater transparency and investor protection.
- Serbia is now part of the Clearstream network and is on the path to Euroclearability.

#### Digital

- E-Inspector became fully functional and chatbot software for reporting irregularities is being established. The e-delivery of interactions between government and businesses/citizens is being enhanced.

To learn more about EBRD's support to Serbia visit: <https://www.ebrd.com/serbia.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.