

Responding to the Coronavirus Crisis

Update on Serbia (13/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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Economic channels of disruption

Supply chains, private consumption, investments

- Severe lockdown (schools and all non-essential businesses closed; curfew; people older than 65 banned from leaving homes) from mid-March to early May negatively affected economic activity.
- Many supply chains disrupted by the epidemic.
- FDI inflows and domestic investments expected to decrease.
- Likely fall in remittances to decrease consumption further.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -3.5%
	2021: 6%
Share of firms that drastically reduced their productive capacities (survey, April 2020)	60.5%
Share of firms expecting difficulties in covering liabilities (survey, April 2020)	91%
Estimated losses in tourism in 2020 (National Travel Agency Assoc.)	up to EUR 1 billion
Domestic producer prices growth (April 2020)	-3.1% year-on-year

Crisis response measures to date

Support for businesses, healthcare and citizens

- A large aid package announced, consisting of fiscal measures (postponed payment of social security contributions and payroll tax for at least 3 months; delayed advance corporate income tax payments for Q2 2020), direct private sector support (payment of three minimum wages to entrepreneurs and MSMEs; subsidy at 50% of the minimum net wage to large businesses) and liquidity enhancement (primarily state guarantees for EUR 2 billion new loans).
- Central bank providing additional local currency and FX liquidity to banks through EUR/RSD swap auctions and additional repo auctions (collateral unchanged).
- Lifted restriction on the share of government FX securities in the DIA portfolio during emergency state.
- 10 per cent increase in salaries of medical staff from 1 April.

Selected crisis response indicators

Total value of aid package	EUR 5.1 billion (11% of GDP)
Extension of deadlines for loan repayments, including leasing	90 days
Committed external assistance	EU to redirect EUR 93.4million from IPA funds to support health sector and socioeconomic recovery

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals