

The Serbian economy is entering a period of low growth or even stagnation, as indicated by the deterioration of most of the most important macroeconomic parameters, according to the latest edition of the “Quarterly Monitor”. The current account deficit in the first quarter reached 1.3 billion euros, or over 10.2 percent of gross domestic product (GDP), the largest quarterly deficit in the past decade.

GDP grew by 4.4 percent year on year, which at first glance seems like a solid result, but in fact represents a significant slowdown compared to last year’s growth rates.

Seasonally adjusted data show that GDP in the first quarter was lower by 0.5 percent compared to the previous quarter.

If the negative trends continue, the Serbian economy may end the second quarter of this year with a negative result, which would mean that it has technically entered a recession.

Behind the slowdown in economic growth is a strong slowdown in investment due to geopolitical developments, and a deterioration in net exports, which will most likely be “somewhat more permanent in nature,” according to a press release. Overall, the growth of the domestic economy will reach the level of about three percent.

The crisis in the energy sector “cost” Serbia about two percent of GDP, due to lower production and higher electricity imports.

“Only in the first part of the year, the Electric Power Industry of Serbia took a 900 million euro loan ... The fall of the electric power industry caused a reduction of industry by four percentage points,” said Milojko Arsic , professor at the Faculty of Economics in Belgrade and editor-in-chief of Kvartalni Monitor .

Industrial production achieved a modest growth of 1.9 percent compared to the first quarter of 2021, but the electric power industry recorded a decline of 19.1 percent.

Due to all the above, but also the overheated world market, economists forecast an increase in gas and electricity prices for the economy and citizens, which would reduce the purchasing power of citizens and endanger domestic producers.

Immeasurable restrictions on exports of agricultural products also had a certain impact on the growth of the trade deficit.

“Quarterly Monitor” is a publication published by the Faculty of Economics in Belgrade and the Foundation for the Development of Economic Science (FREN).