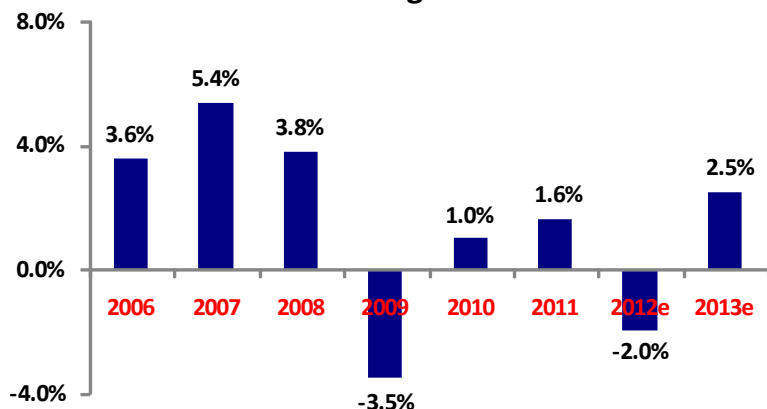


Real GDP growth

GDP

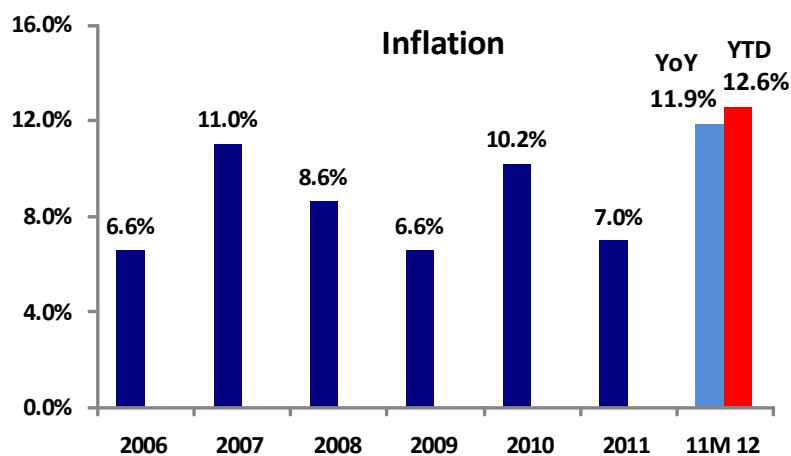


According to the Central Bank estimate, **Serbia's Q4 12 GDP** should stay **almost flat (-0.2%) compared to the previous quarter**. The strongest positive impact was made by the **automotive industry** (some 30,000 of FIAT's cars exported in Q4), which is expected to remain one of the main growth drivers in 2013.

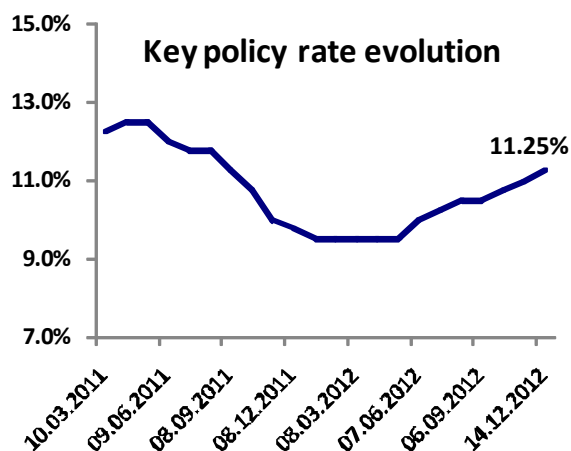
Source: Statistical Office of the Republic of Serbia, National Bank of Serbia

Inflation

Prices of goods and services in Serbia remained **flat MoM in November**. Since the beginning of the year, they are up **12.6%**. YoY figure stood at **11.9%** at the end of the last month and is expected to keep rising in the following period, driven by the regulated prices and the low calculation base. **The inflation should start declining in Q2 13**, expected to finish next year within the targeted range (4% +/- 1.5%). **Key policy rate** was lifted by another 30bps in December (up 1.75pp since May), currently standing at **11.25%**.



Source: Statistical Office of the Republic of Serbia, Eurobank Brokerage

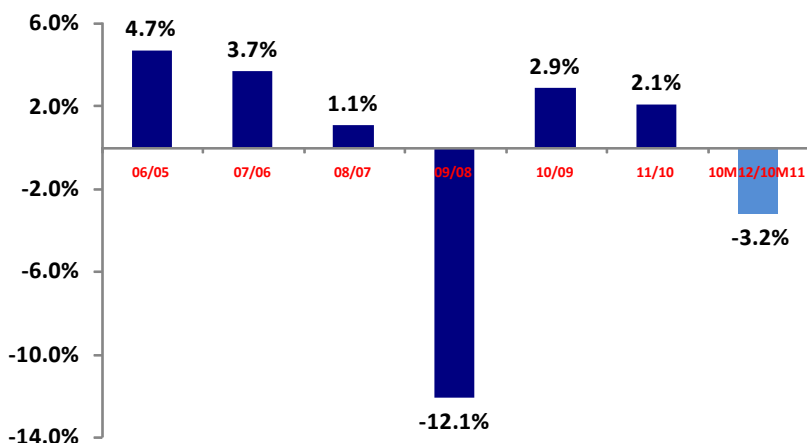


Source: National Bank of Serbia, Eurobank Brokerage

# Serbia Macroeconomic Overview

## Industrial production

Industrial production evolution



Industrial production generated in Serbia in the period **Jan-Oct 2012** was **3.2% lower** compared to the 10M11 level. The encouraging fact is the **1.6% rise achieved in October** compared to the same month last year.

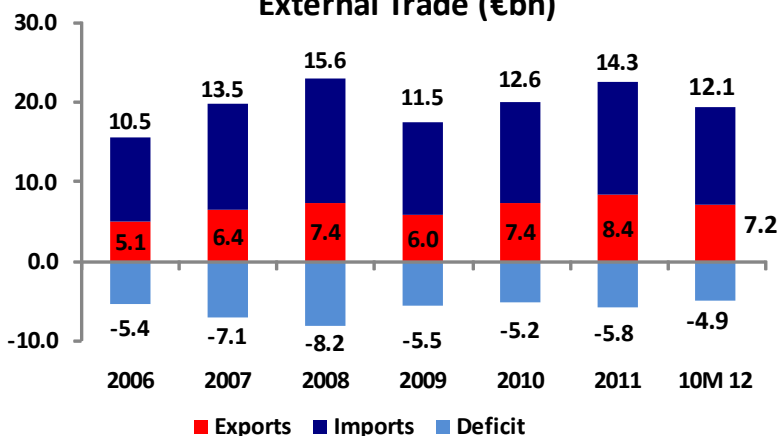
Source: Statistical Office of the Republic of Serbia, Eurobank Brokerage

## Balance of payments

**External trade** of goods achieved in Serbia during the first ten months of 2012 amounted to €19.4bn, a 5% rise compared to the same period last year. **Exports** recorded a 3% YoY growth, to €7.2bn, while the **imports** reached €12.1bn (+5% YoY). Consequently, the country's 10M12 **trade deficit** stood at €4.9bn, up 8% YoY.

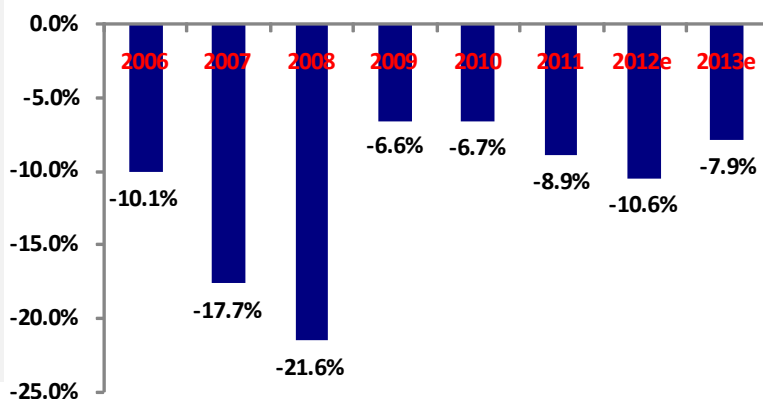
CEO of **FIAT's car factory** located in Central Serbia announced recently that this company expects to produce (vast majority to be exported) **between 120,000 and 180,000 vehicles in 2013**. This would **raise Serbia's exports by €1.2-2.0bn**, thus significantly improving the trade balance. As a result, the Central Bank expects the country's current account deficit to decrease to 7.9% of the GDP next year.

External Trade (€bn)



Source: Statistical Office of the Republic of Serbia, Eurobank Brokerage

Current Account (% of GDP)



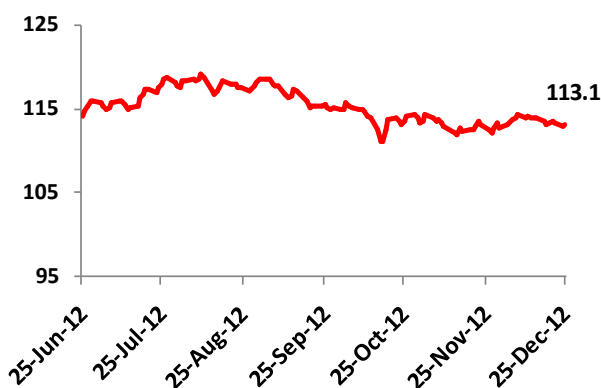
Source: National Bank of Serbia, Eurobank Brokerage

## Serbia Macroeconomic Overview

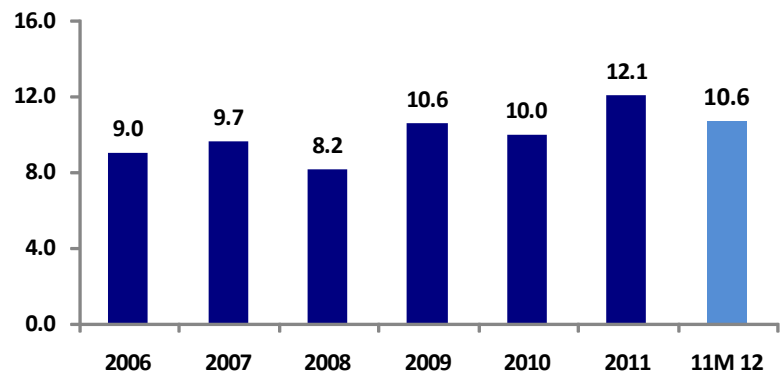
### FX - rate

After Dinar had reached the historical minimum against the Euro (119.1) at the beginning of August, we witnessed the strengthening of the local currency, followed by the sideways movement recorded in the last couple of months (**EUR/RSD rate currently at 113.1**). We see as encouraging the fact that Dinar recovery was achieved with almost zero Central Bank activity on the inter-banking FX market (just €60m sold in H2 12). Improved country risk premium (**Serbia's EMBI index currently at around 400bps**), restrictive monetary policy measures, as well as the introduction of the subsidized RSD loans program, helped achieving FX-rate stability.

EUR/RSD rate evolution

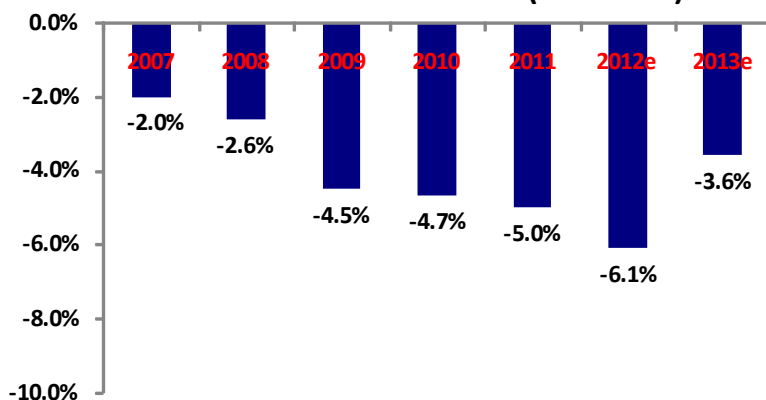


Central Bank's FX reserves (€bn)



Source: National Bank of Serbia, Eurobank Brokerage

Consolidated fiscal result (% of GDP)



Source: Ministry of Finance, Eurobank Brokerage

### Fiscal deficit

According to the latest estimate, Serbia's 2012 **consolidated fiscal deficit** should reach **6.1%** of the country's GDP. The planned deficit cutting to **3.6%**, included in the adopted 2013 budget, will be a challenging task. Signing of the new **arrangement with the IMF** (negotiations to continue next spring) will probably depend on the successful implementation of the planned fiscal consolidation.

## Serbia Macroeconomic Overview

### T-bill auctions

Ministry of Finance organized **five t-bill auctions** since our last review, including a Eur-bond issue worth €40m. **Interest rates** for all maturities **kept on decreasing**, and at a considerable pace (currently standing between 11.25% (3-month) and 13.95% (3-year)). The trend of **high success rates** persisted.

T-bill auctions in the last 30 days				
Date	Issue Volume (RSD)	Maturity (m)	Interest rate	Success rate
20.12.2012	3,000,000,000	3	11.3%	87.8%
18.12.2012	5,000,000,000	24	13.0%	83.2%
12.12.2012*	40,000,000	18	5.1%	90.3%
11.12.2012	10,000,000,000	18	12.9%	93.7%
04.12.2012	10,000,000,000	36	14.0%	42.3%

\*Securities issued in EUR

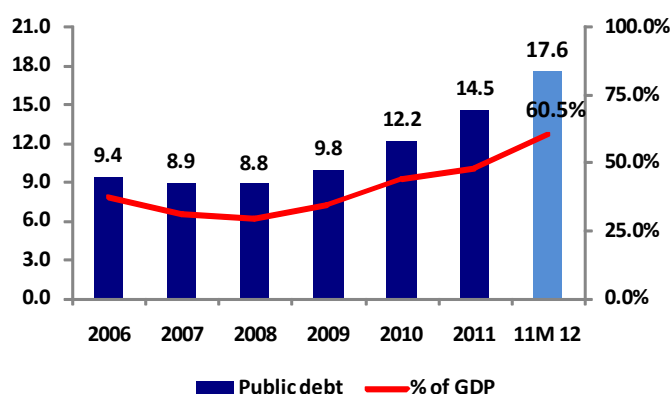
Source: Ministry of Finance, Eurobank Brokerage

### Public and external debt

**Public debt** of the Republic of Serbia amounted to **€17.6bn** at the end of November, an increase of €1bn compared to the month before, driven mostly by the performed **€750m Eur-bond issue**. At this level, Serbia's **Debt/GDP** ratio stands at **60.5%**.

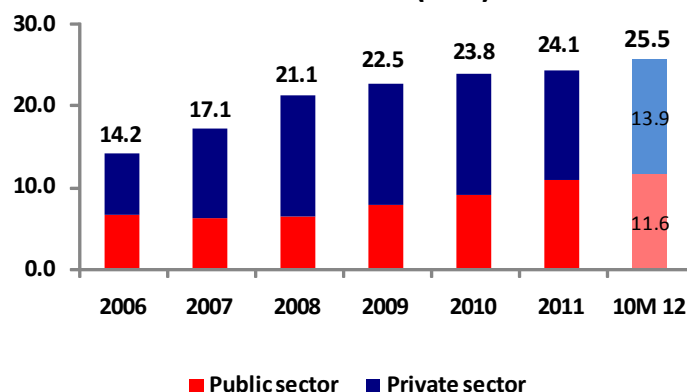
Latest available **external debt** figures are from October. Private sector debt remained flat vs. the previous month (at **€13.9bn**), while the external debt of the public sector reached **€11.6bn**, up €700m MoM, lifting Serbia's total external debt by the same amount, to **€25.5bn**.

Public debt (€bn)



Source: Ministry of Finance, Eurobank Brokerage

External debt (€bn)



Source: National Bank of Serbia, Eurobank Brokerage

## Serbia Macroeconomic Overview

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