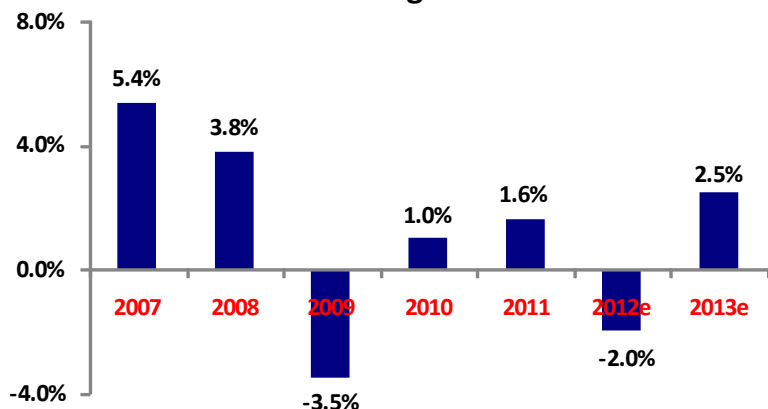


Real GDP growth

GDP

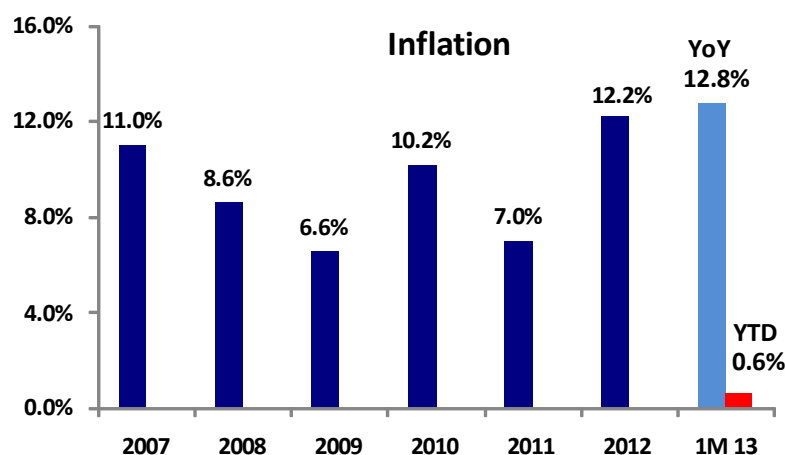


According to the recently published flash estimate, Serbia's Q4 12 GDP was 1.5% lower compared to the same period of the previous year. Central Bank's full-year projections remain unchanged, a decline of 2.0% in 2012, followed by a 2.5% growth this year.

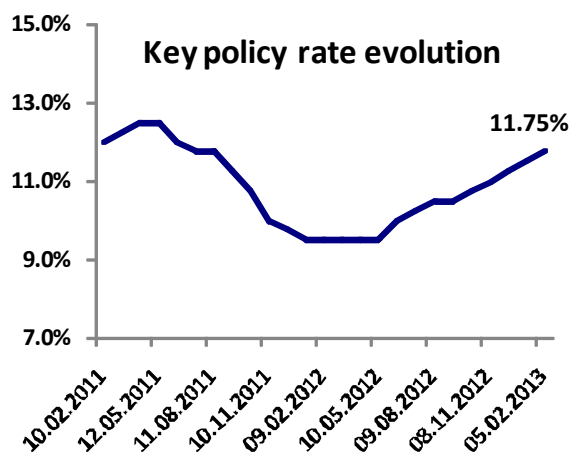
Source: Statistical Office of the Republic of Serbia, National Bank of Serbia

Inflation

After a short-term break (0.4% deflation in December), prices of goods and services in Serbia started rising again at the beginning of this year, having increased by 0.6% MoM in January. YoY inflation rose to 12.8%, in line with Central Bank's (CB) projection that stipulates the same scenario for the next couple of months (to be driven mostly by regulated prices). Starting Q2 13, the inflation should start subsiding (agricultural season can hardly be worse than the last one) and reach the 5.5% target by the end of this year. In the meantime, trying to keep the prices as restrained as possible, CB lifted the key policy rate by another 25bps, to 11.75%. It has been going up for five consecutive months now, currently standing 2.25pp above the 12-month minimum of 9.50%.



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

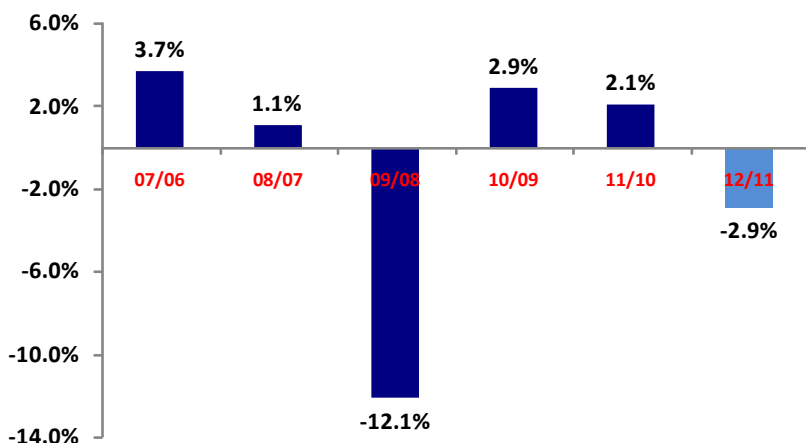


Source: National Bank of Serbia, Eurobank Brokerage

Serbia Macroeconomic Overview

Industrial production

Industrial production evolution



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

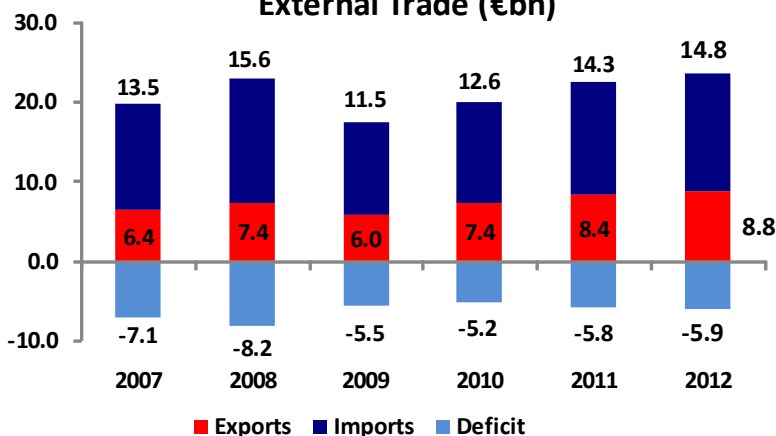
Industrial production generated in Serbia last year was **2.9% lower** compared to the 2011 level. As for the **MoM** comparison, the December result is **up 2.0%** weighted against the November performance.

External trade of goods achieved in Serbia in 2012 amounted to €23.62bn, a 4% rise compared to the previous year. **Exports** recorded a 5% YoY growth, to €8.84bn, while the **imports** reached €14.78bn (+4% YoY). Consequently, the country's 2012 **trade deficit** stood at €5.94bn, up 2% YoY.

Current account deficit is expected to decline to **8.1% of the GDP in 2013**, affected by expansions in automobile (FIAT) and oil (NIS) industries, estimated agricultural production recovery, as well as the implementation of the fiscal consolidation measures. Central Bank's projection stipulates the further deficit decrease to **5.8% of the GDP next year**, as the export-oriented businesses continue to develop.

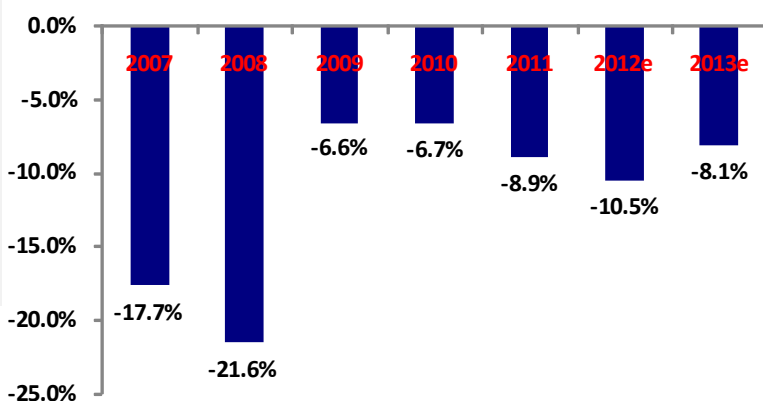
Balance of payments

External Trade (€bn)



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

Current Account (% of GDP)

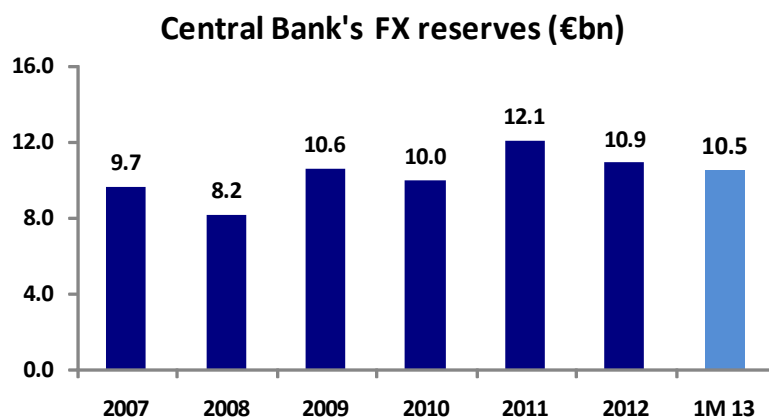
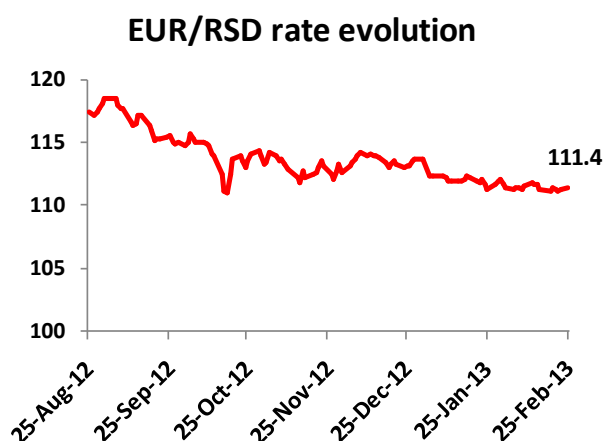


Source: National Bank of Serbia, Eurobank Brokerage

Serbia Macroeconomic Overview

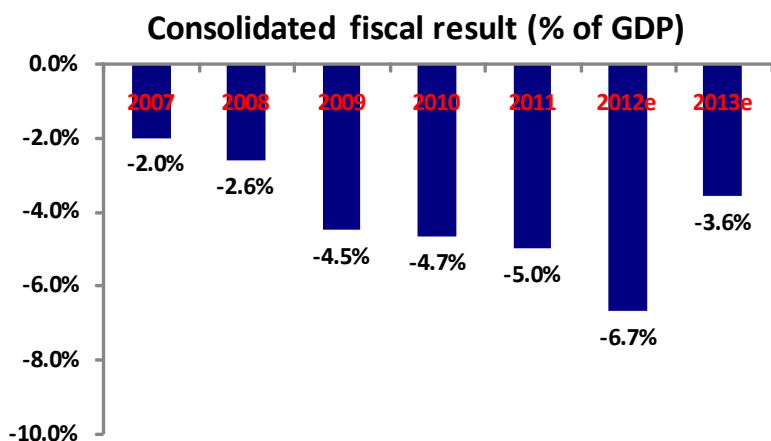
FX - rate

Dinar has been moving mostly sideways against the Euro for some time now (**EUR/RSD** rate currently at **111.4**). Investors' interest for state RSD t-bills remained strong, which helped local currency stability. **FX reserves** of the National Bank of Serbia (NBS) amounted to **€10.5bn** at the end of January, €416m beneath the year-end 2012 level. The decline was driven mostly by the withdrawal of the commercial banks' excess mandatory reserve funds, as well as the payout of maturing state Eur-bonds. At the current level, the reserves cover seven months of Serbia's imports.



Source: National Bank of Serbia, Eurobank Brokerage

Fiscal deficit



Serbia's 2012 consolidated **fiscal deficit** amounted to RSD217bn, **6.7%** of the estimated GDP. The ambitious plan for this year stipulates sizeable cost-cutting that would trim this ratio to **3.6%**. Successful conclusion of the **negotiations with the IMF**, which are about to take place in **May**, will depend on the implementation of the fiscal consolidation plan.

Source: Ministry of Finance, Eurobank Brokerage

Serbia Macroeconomic Overview

T-bill auctions

It was *more of the same* during the last 30 days as far as t-bill auctions are concerned. **Success rates remained high** for all maturities. At the same time, **interest rates kept on declining**, and at a considerable pace (they even entered single digits, 9.8% at the latest 3-month t-bill auction). The investors obviously believe **Serbia to be a safe investment destination** in the upcoming period.

T-bill auctions in the last 30 days				
Date	Issue Volume (RSD)	Maturity (m)	Interest rate	Success rate
25.02.2013*	50,000,000	12	3.9%	100.0%
19.02.2013	20,000,000,000	36	11.4%	94.6%
14.02.2013	3,000,000,000	3	9.8%	95.0%
12.02.2013	10,000,000,000	12	10.5%	100.0%
05.02.2013	10,000,000,000	24	ref. rate + 0.98%	54.0%

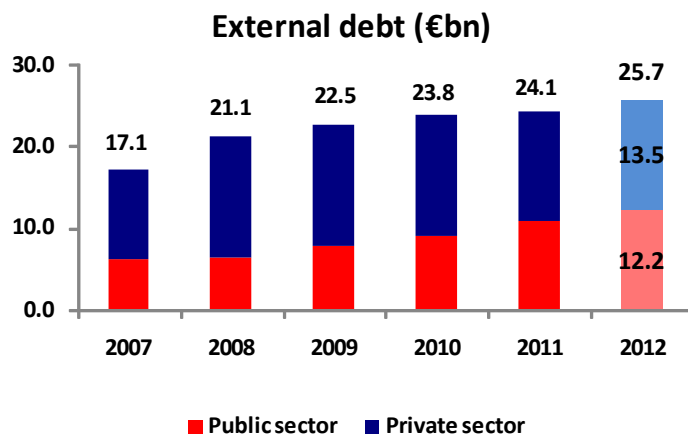
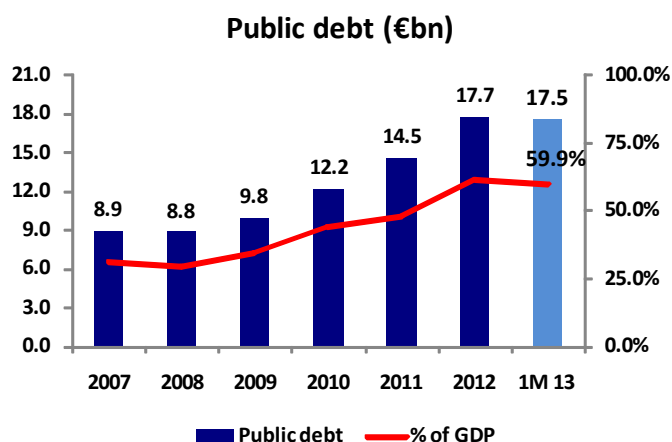
*Securities issued in EUR

Source: Ministry of Finance, Eurobank Brokerage

Public and external debt

Public debt of the Republic of Serbia amounted to **€17.5bn** at the end of January, a decline of €125m compared to the year-end 2012 level. Its participation in the country's GDP currently stands at **59.9%**. Public debt decrease is undoubtedly good news, but it remains to be seen whether this is a three day wonder or a beginning of a positive trend.

Serbia's **external debt** reached **€25.7bn** at the end of 2012, up €1.6bn (6.6%) compared to the year-end 2011 level. The majority of the growth was generated by the **public sector** (up €1.4bn, to **€12.2bn**), while the external debt of the **private sector** recorded a moderate increase last year (from €13.4bn to **€13.5bn**).



Source: Ministry of Finance, Eurobank Brokerage

Source: National Bank of Serbia, Eurobank Brokerage

Serbia Macroeconomic Overview

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