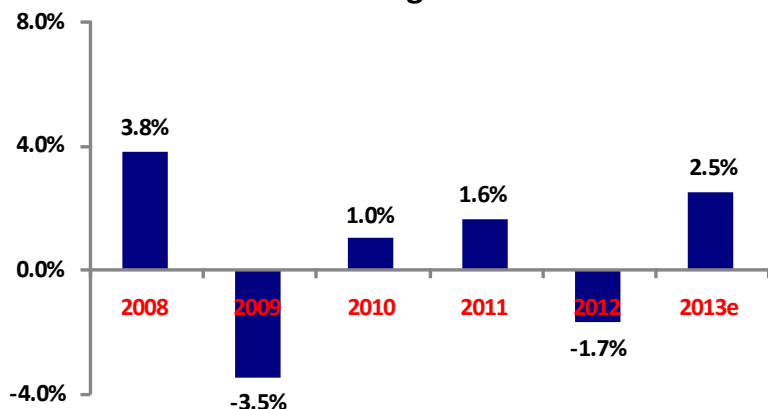


Real GDP growth

GDP

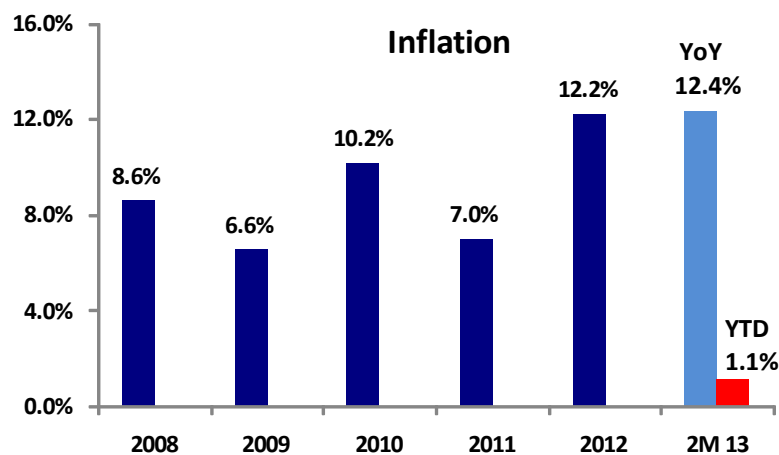


According to the flash estimate, Serbia's GDP decreased by **1.7%** YoY in 2012. Central Bank expects a recovery of **2.5%** this year, to be driven mostly by net exports, led by automotive and oil industries.

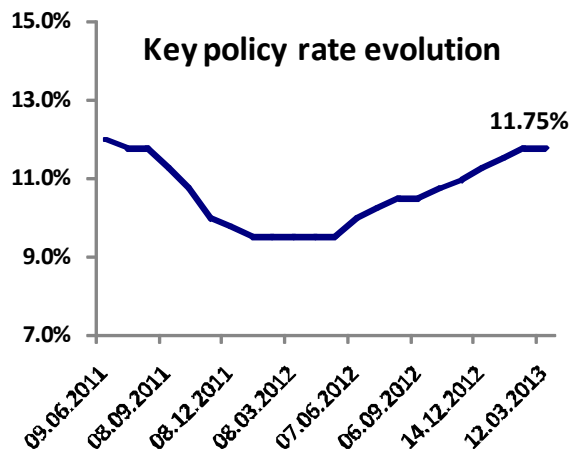
Source: Statistical Office of the Republic of Serbia, National Bank of Serbia

Inflation

Prices of goods and services increased by another **0.5% in February**, lifting **YTD** inflation to **1.1%**. YoY figure currently stands at **12.4%**. These developments are in line with the Central Bank projection that stipulates the same scenario for the upcoming few months. A sharper decline should be expected from June onwards, while YoY inflation ought to return to **5.5% by the end of the year**. At the latest meeting, Central Bank ExBo decided to keep the **key policy rate at 11.75%**, after several consecutive increases. Current degree of monetary restrictiveness is believed to be sufficient to achieve the defined inflation targeting goals.



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

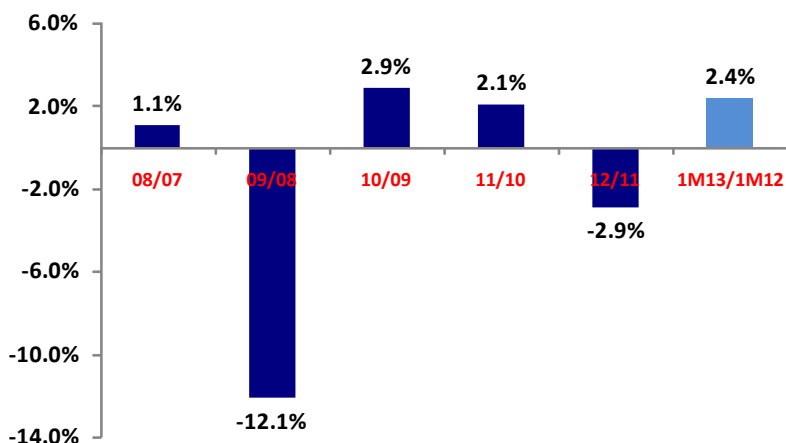


Source: National Bank of Serbia, Eurobank Brokerage

## Serbia Macroeconomic Overview

### Industrial production

Industrial production evolution



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

Industrial production generated in Serbia in **January 2013** was **2.4% higher** compared to the same month last year. After the 2.9% YoY decline recorded in 2012, January growth is undoubtedly good news. The improvement was mainly induced by **FIAT's** performance that should persist in the upcoming months.

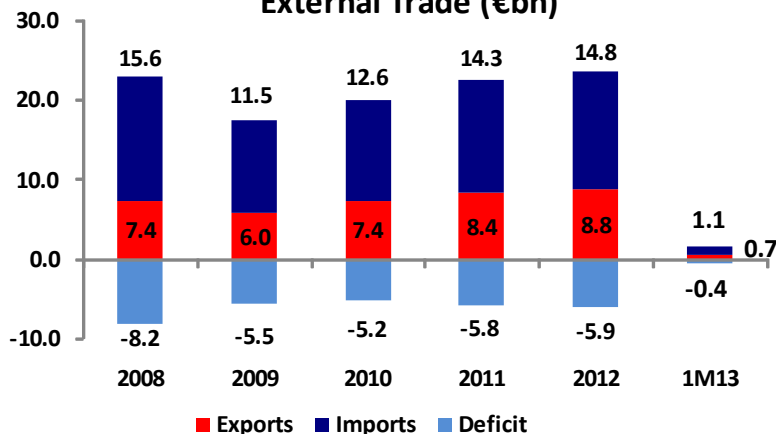
**External trade** of goods achieved in Serbia in January 2013 amounted to €1,725m, a 10% rise compared to the same month last year. **Exports** recorded a strong 20% YoY growth, to €665m, while the **imports** reached €1,060m (+4% YoY). Consequently, the country's **trade deficit** stood at €395m in January, down 15% YoY.

Once again, **FIAT** deserves an honorable mention as the main driver of the trade balance improvements. There are not too many bright spots on the Serbian macroeconomic map. Therefore, any strong positive catalyst, such as the Italian car factory, heavily affects various aspects of the country's performance.

The country's **FDIs** amounted to no more than **€232m in 2012** (vs. €1.8bn in 2011). Further investments in companies like FIAT and NIS, along with possible arrivals of new players in various sectors, should significantly **improve the FDI inflow this year**.

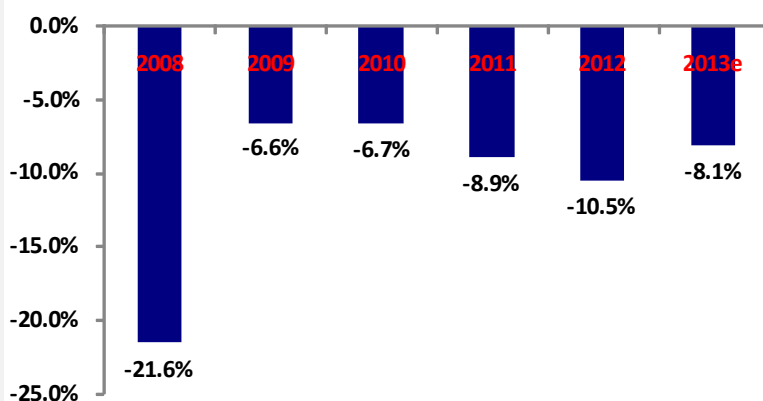
### Balance of payments

External Trade (€bn)



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

Current Account (% of GDP)



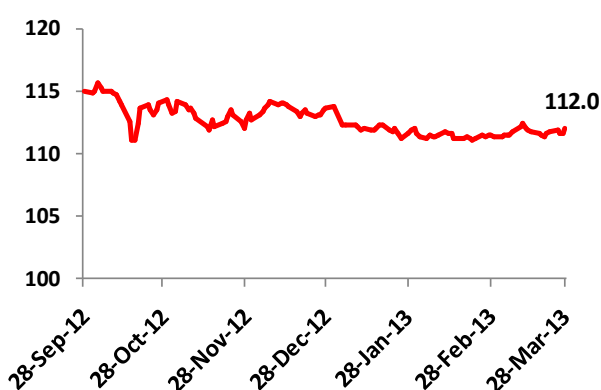
Source: National Bank of Serbia, Eurobank Brokerage

## Serbia Macroeconomic Overview

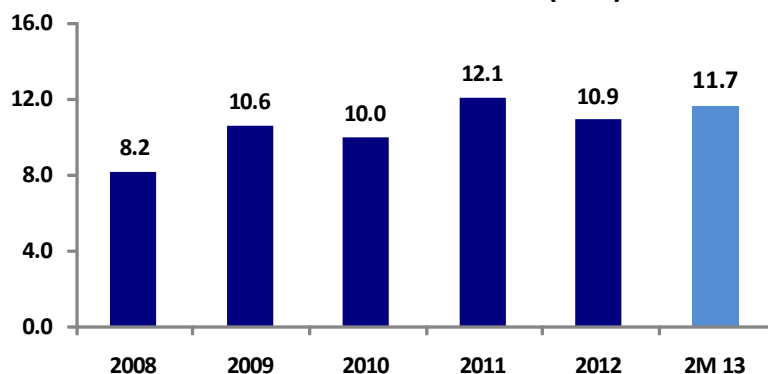
### FX - rate

Local currency has been lingering around the same levels for some time now, and last 30 days were no exception. EUR/RSD rate currently stands at **112.0**, which means that Dinar strengthened against the Euro by **1.5% YTD**. FX reserves of the National Bank of Serbia (NBS) increased by €1.2bn in **February**, reaching **€11.7bn** at the end of the month. The growth was mostly generated by the 7-year Eurobond issue performed one month ago, when **\$1.5bn** worth of securities was sold at 5.15%. Since the first issue in September 2011, **interest rates** on Serbia's Eurobonds **decreased by 2.35pp**, which is undoubtedly good news that signals improved investors' interest.

EUR/RSD rate evolution



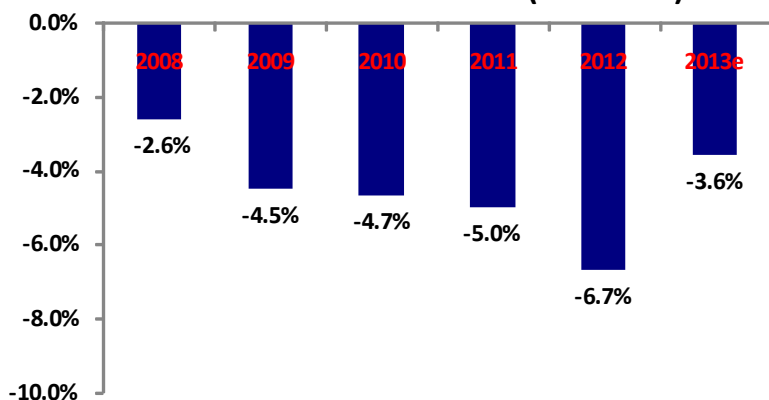
Central Bank's FX reserves (€bn)



Source: National Bank of Serbia, Eurobank Brokerage

### Fiscal deficit

Consolidated fiscal result (% of GDP)



Source: Ministry of Finance, Eurobank Brokerage

Following the **RSD3.8bn surplus** booked in **January**, we witnessed an **RSD26.5bn loss** in the country's consolidated budget **last month**. It is difficult to estimate future fiscal developments. Therefore, we are taking a "wait and see" stance, although we do hope that the government perceives **fiscal consolidation** as one of the major macroeconomic tasks. The outcome of the **IMF negotiations**, expected in May, will depend on the successful implementation of the consolidation measures.

## Serbia Macroeconomic Overview

### T-bill auctions

**Maximum success rate** was achieved at all but one t-bill auction held during the last 30 days, in spite of the persisted **decline of interest rates** (currently range from 9.48% for 3-month bills to 12.65% for 7-year bonds). The state gathered almost **€300m** from this source since our last review.

| T-bill auctions in the last 30 days |                    |              |               |              |
|-------------------------------------|--------------------|--------------|---------------|--------------|
| Date                                | Issue Volume (RSD) | Maturity (m) | Interest rate | Success rate |
| 26.03.2013                          | 10,000,000,000     | 12           | 10.0%         | 100.0%       |
| 20.03.2013*                         | 50,000,000         | 24           | 4.9%          | 100.0%       |
| 19.03.2013                          | 10,000,000,000     | 24           | 10.8%         | 100.0%       |
| 07.03.2013                          | 3,000,000,000      | 3            | 9.5%          | 83.5%        |
| 05.03.2013                          | 3,000,000,000      | 84           | 12.7%         | 100.0%       |
| 28.02.2013                          | 3,000,000,000      | 6            | 9.8%          | 100.0%       |

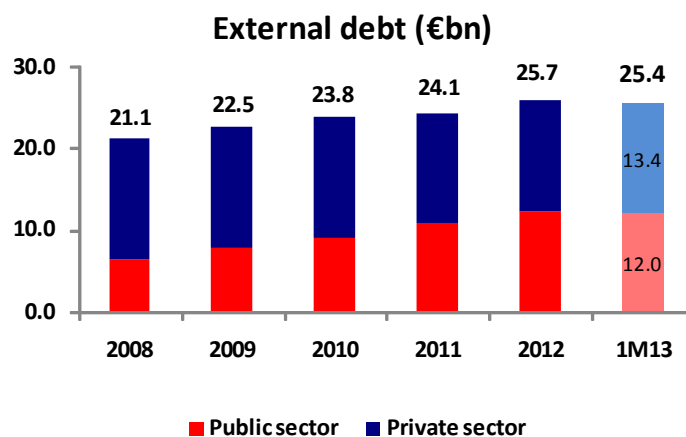
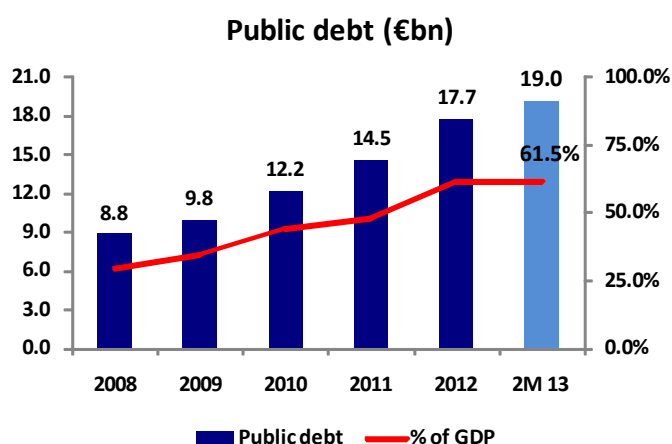
\*Securities issued in EUR

Source: Ministry of Finance, Eurobank Brokerage

### Public and external debt

The abovementioned **Eurobond issue** worth \$1.5bn, performed last month, was the main driver for Serbia's **public debt** rise from €17.5bn in January to **€19.0bn in February**. At this level, the country's debt accounts for **61.5%** of the officially estimated 2013 GDP. Public debt lowering remains one of the major macroeconomic tasks for the Serbian government.

Serbia's **external debt** reached **€25.4bn** in January, a **decline of €328m** compared to the year-end 2012 level. Both the **public** and the **private sector** debt decreased during the first month of the year, by €210m and €118m, respectively. They currently stand at **€12.0bn** and **€13.4bn**.



Source: Ministry of Finance, Eurobank Brokerage

Source: National Bank of Serbia, Eurobank Brokerage

## Serbia Macroeconomic Overview

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