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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

The economy of Serbia experienced rapid growth from 2001–2008, although the global financial crisis hit hard on the country's economy, showing its structural weaknesses and the need for a full transition to a market economy. Despite turning into negative territory in 2020 as a consequence of the COVID-19 crisis, Serbia's GDP rebounded strongly in 2021 (+7.4%) and continued its positive trend in 2022 (+2.3%). According to the Statistical Office of Serbia, GDP grew 2.5% in real terms in 2023, thanks to stronger net exports and investments and revived private consumption in light of a decrease in inflation. The IMF forecast indicates that economic growth is set to rise to 3% in 2024 and further to 4.5% in 2025. This surge is primarily attributed to the increased pace of private consumption growth, facilitated by reduced inflation, and a rise in investment activity. Following the significant positive impact observed last year, the contribution of net exports to growth is anticipated to remain generally neutral in both 2024 and 2025.

According to governmental figures, the general government budget deficit stood at 2.3% of GDP in 2023, from 3.2% one year earlier, amid lower capital transfers to state-owned enterprises within the energy sector and augmented revenue from increased excise duties, which were counterbalanced by discretionary expenditure measures encompassing heightened subsidies for agriculture, one-time lump-sum payments to pensioners and families with children, an exceptional pension increase, and additional wage increments in education and health sectors. Buoyed by the economic rebound and a continued reduction in energy-related capital transfers, the deficit is predicted to steadily diminish throughout 2024 and 2025. After dropping to 51.3% in 2023, primarily due to substantial nominal GDP growth, the general government debt-to-GDP ratio is also projected to progressively decline further, chiefly driven by the denominator effect amid sustained robust growth in nominal GDP, reaching 47.4% in 2025 (IMF). The estimated annual inflation rate hovered around 12% in 2023. The EU Commission expects it to revert to single digits in 2024 and to align within the Central Bank's target range by 2025. Meanwhile, negotiations for EU membership continued: Serbia has met the criteria to open new sets of chapters in the EU accession talks (including the Green Agenda and sustainable connectivity), although the normalization of relations with Kosovo is slow and those with Croatia and Bosnia-Herzegovina are complicated. The negotiations are expected to end in 2024. The main challenges that Serbia faces are: stagnant household incomes, a need for private-sector job creation and structural reform of public enterprises as well as strategic reforms in the public sector. An ineffective judicial system, a high level of corruption and an aging population represent other challenges that the country will have to face in the long term.

Serbia's unemployment rate, relatively low compared to its neighbors in the Balkans, remains significantly higher than the European average: in 2023, it stood at 9.1%, with a marginal decrease expected in the next couple of years (8.8% in 2025 as per the IMF projections). However, in comparison to 2022, average salaries, along with taxes and contributions deducted, experienced a nominal increase of 15% and a real increase of 2.6% in 2023 (Statistical Office of Serbia). The standard of living of the Serbian population remains significantly below the EU average and the country's informal sector is substantial. However, the authorities have the support of the EU and international financial institutions to modernize infrastructure and support investment in the business community. Eurostat estimates that the number of people at risk of poverty fell further to 21.2% in 2021 (latest data available), while the GDP per capita (PPP) stood at USD 23,911 in 2022 (World Bank).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	63.50	75.02	81.69	88.91	95.52
GDP <i>(Constant Prices, Annual % Change)</i>	2.3	2.0	3.0	4.5	4.0
GDP per Capita <i>(USD)</i>	9,528	11,301	12,357	13,502	14,564
General Government Balance <i>(in % of GDP)</i>	-1.4	-2.0	-2.0	-1.3	-1.3
General Government Gross Debt <i>(in % of GDP)</i>	53.5	51.3	49.6	47.4	45.2
Inflation Rate <i>(%)</i>	n/a	12.4	5.3	3.5	3.2
Unemployment Rate <i>(% of the Labour Force)</i>	9.4	9.1	9.0	8.8	8.7
Current Account <i>(billions USD)</i>	-4.35	-1.76	-2.64	-3.15	-3.59
Current Account <i>(in % of GDP)</i>	-6.9	-2.3	-3.2	-3.5	-3.8

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Serbia has a workforce of 3.37 million out of its 6.8 million population. The agricultural sector accounts for 6.5% of the country's GDP (its share has been decreasing in the past years), employing nearly 14% of the workforce (World Bank, latest data available). Serbia has 3.4 million hectares of agricultural land. Its continental climate with cold winters and hot humid summers is ideal for intensive fruit production. Fruit production consists mainly of apples, grapes, plums, peaches, pears, and berries. Recently, Serbia has been widely using fruit processing to obtain products like brandies, jams, juices, and compotes. The main crops are maize and wheat, together with barley, oat, and rye. Figures from the national Statistical Office show that agricultural production volume grew 9% in 2023 compared to one year earlier.

Serbia has significant quantities of coal, lead, zinc, copper, and gold, but the lack of investment, which has affected the mining sector for several years, prevents the country's economy from benefiting from this wealth. The industrial sector is likewise in need of modernization and foreign investment, currently contributing one-fourth of the country's GDP and employing 29% of the workforce. The country's main industries include automotive, food processing, chemicals, base metals, furniture, pharmaceuticals, machinery, sugar, tires, and clothing. The manufacturing sector is estimated to account for 14% of GDP. According to the national statistical institute, Serbia's industrial production increased by 2.4% year-on-year in 2023, while manufacturing grew by 0.5%.

Services make up the main sector of activity and account for 52% of Serbia's GDP, employing 57% of the workforce. The IT industry is one of the fastest-growing, the same as for the tourist sector: the number of foreign tourists who visited Serbia in 2023 grew by 20% to 2,134,305, while that of overnight stays spent by foreign tourists increased by 13%. In the same year, retail trade turnover decreased by 1.8%, while the wholesale trade turnover dropped by 1% in nominal terms (Statistical Office of the Republic of Serbia).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	13.9	28.9	57.1

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Value Added <i>(in % of GDP)</i>	6.8	23.1	52.4
Value Added <i>(Annual % Change)</i>	-8.3	-0.7	4.5

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Serbian Dinar (RSD) - Average Annual Exchange Rate For 1 USD	111.28	107.76	100.18	105.20	103.16

Source: World Bank - Latest available data.

FOREIGN TRADE

Serbia is gradually becoming more open to international trade, which represents 139% of GDP (World Bank, latest data available). The Stabilization and Association Agreement between the EU and Serbia and the steady growth of foreign direct investment inflows have led to a constant increase in the volume of foreign trade. The country's main exports are electrical machines and apparatus (11.3%); metal ores and residues (6.9%); power engines and motors (5%); iron and steel (4.4%); and fruit and vegetables (4.2%); whereas imports are led by oil and oil derivatives (7.7%); electrical machines and apparatus (6.1%); natural gas (4.4%); electricity (4.1%); and medical and pharmaceutical products (3.9% - data Statistical Office of the Republic of Serbia, 2022).

The country's main customers are Germany (13.7%), Bosnia-Herzegovina (7.5%), Italy (7.2%), Hungary (5.4%), and Romania (4.4%). Its main suppliers are China (12.1%), Germany (7.4%), Russia (7.5%), Italy (6.6%) and Hungary (5.6% - data Statistical Office of the Republic of Serbia 2022). Serbia is the largest Western Balkan trade partner of the European Union. Observed by regions, the largest share in export of Serbia was noted in Vojvodine (33.6%), followed by Beogradski (23.3%), Šumadije and Zapadne Srbije (21.0%), and Južne and Istočne Srbije (19.9%).

Serbia has a structural trade deficit that amounted to 11% of GDP in 2022, according to the World Bank. A large portion of the deficit is due to investment-related imports. In 2022, exports of merchandise stood at USD 29 billion (+13.6% y-o-y), against USD 41.1 billion in imports (+21.7% y-o-y). In the same year, Serbia exported USD 11.6 billion worth of services, importing USD 9.1 billion (data WTO). According to figures from the Serbian statistical office, in 2023 the country's exports grew by 6.5% to USD 30.9 billion, while imports went down by 3.2% to USD 39.8 billion. The deficit amounted to USD 8.9 billion, which was a decrease of 26.4% in relation to the same period one year earlier.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	25,882	26,730	26,233	33,797	41,148
Exports of Goods <i>(million USD)</i>	19,227	19,630	19,498	25,564	29,058
Imports of Services <i>(million USD)</i>	5,967	6,625	5,822	7,553	9,180
Exports of Services <i>(million USD)</i>	7,137	7,755	7,085	9,207	11,604

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	109.5	112.0	104.7	116.8	137.6
Trade Balance <i>(million USD)</i>	-5,983	-6,289	-5,941	-7,094	-9,901
Trade Balance (Including Service) <i>(million USD)</i>	-4,813	-5,159	-4,677	-5,441	-7,478

Foreign Trade Indicators	2018	2019	2020	2021	2022
Imports of Goods and Services <i>(Annual % Change)</i>	10.8	10.7	-3.6	17.7	17.8
Exports of Goods and Services <i>(Annual % Change)</i>	7.5	7.7	-4.2	19.5	17.6
Imports of Goods and Services <i>(in % of GDP)</i>	59.1	60.9	56.5	62.3	74.2
Exports of Goods and Services <i>(in % of GDP)</i>	50.4	51.0	48.2	54.5	63.5

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	5.2	5.4	6.0	6.3	6.4
Volume of imports of goods and services (Annual % change)	1.5	4.2	5.4	5.9	5.9

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

In international trade, Serbia shows a preference for relations with the EU and the United States. Nevertheless, the Serbian government also wants to develop privileged relations with its neighbors as proved by the bilateral treaties signed with Bulgaria and Romania. A free trade agreement has been signed as well with Belarus (2009) and Russia(2001).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Germany	13.7%
Bosnia and Herzegovina	7.5%
Italy	7.2%
Hungary	5.4%
Romania	4.4%
See More Countries	61.8%

Main Suppliers <i>(% of Imports)</i>	2022
China	12.1%
Germany	11.4%
Italy	6.6%
Hungary	5.6%
Türkiye	5.2%

Main Suppliers (% of Imports)	2022
See More Countries	59.0%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Aleksandar VUCIC (since 31 May 2017)

Prime Minister: Ana BRNABIC (since 29 June 2017)

Next Election Dates

Presidential: 2028

National Assembly: 2027

Main Political Parties

Serbia has a multi-party system. The main parties include:

- [Serbian Progressive Party](#) (SNS): centre-right, right-wing populist, leading party
- [Serbia Against Violence](#) (SPN): pro-European coalition which is opposed to the Serbian Progressive Party
- [National Democratic Alternative](#) (NADA): national-conservative political coalition, led by the New Democratic Party of Serbia (NDSS) and Movement for the Restoration of the Kingdom of Serbia (POKS)
- [We-The Voice from the People](#) (MI-GIN): right-wing populism
- [Justice and Reconciliation Party](#) (SPP): Bosniak minority interests, Islamism
- [Party of Democratic Action of Sandžak](#) (SDAS): representing the Bosniak ethnic minority
- [Socialist Party of Serbia](#) (SPS): left-wing, nationalist, populist
- [United Serbia](#) (JS): conservatist, populism
- [Social Democratic Party of Serbia](#) (SDPS): social democracy, populism
- [Party of United Pensioners of Serbia](#) (PUPS): centre left, pensioners' interests
- [Party for Democratic Action](#) (PVD-PDD): representing the Albanian ethnic minority
- [People's Party](#) (Narodna): centre-right
- [Democratic Party](#) (DS): centre, social liberalism, pro-Europe
- [Serbian Party Oathkeepers](#) (SSZ): far-right
- [Together](#) (Z): left-wing
- [Dveri](#): nationalism, right-wing populism
- [Do not let Belgrade drown](#) (NDB): green
- [Alliance of Vojvodina Hungarians](#) (VMSZ): represents the Hungarian minority in Serbia.

Executive Power

Executive power is held by the [Prime Minister](#) and the cabinet (Council of Ministers). The Prime Minister and the members of the government are elected by the National Assembly. The [President of the Republic](#) has little executive power and is primarily a ceremonial position. The President is elected for a 5-year term by direct universal suffrage and can be elected twice. He has exceptional powers in case of a state of emergency and can dissolve the National Assembly.

Legislative Power

Legislative power is held by the unicameral parliament, known as the [National Assembly](#), which consists of 250

deputies elected for a 4-year term by direct universal suffrage. Its decisions are taken by a majority vote of members at the session at which a majority of deputies are present. In the case of amendments to the Constitution, a two-thirds majority is needed.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) undertaken by the Serbian government, please consult the section dedicated to Serbia in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).