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Serbia

Serbia on course for solid growth in 2022, 2023 - Scope Ratings

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Source: serbia.com

BELGRADE (Serbia), June 13 (SeeNews) - Serbia is on course for solid growth of 3% in 2022 and 4% and in 2023, as the government's sound macroeconomic policy framework helps the economy withstand the shocks from Russia's war in Ukraine and rising inflation, Berlin-based Scope Ratings said on Monday.

The Russia-Ukraine war represents a substantial exogenous shock to Serbia's small, open economy and its effects add to strong inflationary pressures in the short term, but the country's medium-run growth outlook remains favourable, Scope Ratings said in an analysis of the economic situation in the country.

"We forecast average yearly headline inflation of around 9% in 2022, broadly in line with that of peer economies, with Serbia's current account deficit to widen to 6% of GDP this year from 4.4% of GDP in 2021, mainly due to the impact of higher energy and other commodity prices," Scope noted.

After projected growth of 3% for this year, growth is expected to stabilise around 4% in 2023, broadly in line with the economy's growth potential of 4%-4.5% over the medium term, backed by the planned investment in transport and green infrastructure, with financing from a debut 1 billion green bond issued last year, as well as steady foreign direct investment.

"We assigned Serbia a first-time rating of BB+ with Stable Outlook on 3 June, accounting for a number of the country's vulnerabilities, including the reliance on foreign-currency funding of the public and private sectors, structural current account deficits and institutional deficiencies. At the same time, Serbia benefits from monetary policy discipline, which has resulted in relatively stable exchange rate dynamics

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Russia accounts for less than 4% of Serbia's total goods exports and slightly more than 5% of its goods imports with almost half of the latter reflecting oil and gas imports, while Ukraine makes up less than 1% of Serbia's exports and imports of goods.

"We do expect no major disruptions of Russian gas supply to Serbia via the pipeline running through Bulgaria. However, an EU embargo of Russian oil could have a material adverse economic impact, as Serbia relies on supplies transported through EU countries, including Croatia. Serbia imports almost 90% of its gas and 60% of its oil from Russia. Economic and foreign policy continuity has been observed so far under the presidency of Aleksandar Vucic, including a commitment to balance fiscal discipline and growth – benefitting from IMF policy support," Scope explained.

Missing are far-reaching institutional reforms to curtail long-standing public-sector inefficiencies, notably in Serbia's large and inefficient state-owned enterprises' sector, which weighs on fiscal performance, and greater respect for the rule of law. The government faces a difficult task in balancing relations with Russia – given reliance on energy imports, including a recent three-year gas deal with Russia, and the countries' political ties – with economic and institutional convergence with the EU, without jeopardising future reforms and investor confidence.

Broader normalisation of relations between Serbia and Kosovo, a precondition for Serbia's EU accession for which the date is likely to be delayed considerably from the planned 2025, remains a longer-run challenge, Scope concluded.

($ = 0.959214 euro)

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Work on alignment with Russia sanctions underway with Serbia - EU diplomat

EU FMs will hold a debate on the Western Balkans on May 16 to assess the impact of the Ukraine war on the region and ways it can boost its economic resilience, security and diplomacy, as well as its alignment with EU positions, decisions and sanctions on Russia.

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BRUSSELS - EU FMs will hold a debate on the Western Balkans on May 16 to assess the impact of the Ukraine war on the region and ways it can boost its economic resilience, security and diplomacy, as well as its alignment with EU positions, decisions and sanctions on Russia.

In a statement to Tanjug, a high-ranking EU diplomat who wished to remain anonymous said all Western Balkan partners were "on the EU's side" and had "rejected the Russian aggression."

He said work on full alignment with the EU sanctions was underway with Serbia as a "very close partner" and that the alignment was only a "matter of time."

"Serbia is an EU membership candidate and a very close partner of ours. It has serious problems when it comes to joining our sanctions. We are working with Serbia and other partners around the world, we are listening to their problems and trying to solve them.

Serbia is a country that joined us in the UN vote and aligned with all our statements about the Russian aggression, and the only thing they have not done is implement our sanctions," the diplomat said, underlining that Serbia was in no way contributing to bypassing of the EU sanctions on Russia.

The Brussels meeting of the FMs of the EU 27 will also be attended by Western Balkan FMs.

Photo: Tanjug, file

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