



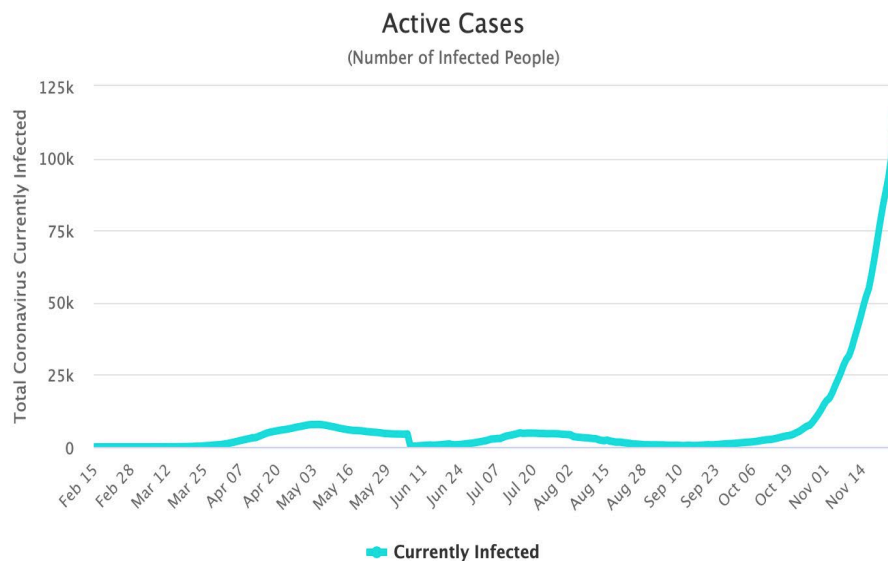
THE COVID-19 CRISIS IN SERBIA

30 November 2020

COVID-19 health situation – November 2020

- While the Serbian Government declared the epidemiological situation stable and under control in early September, with a downward trend in the total number of confirmed cases since August, the situation has progressively worsened. In late September and October, the number of daily new cases began to increase sharply and the situation has continued to deteriorate throughout November. As of 27 November, Serbia reported a total of [155 994 registered cases with 1 423 fatalities](#), with a rate of 123 active cases per 100 000 inhabitants.

Evolution of active cases in Serbia



Source: Worldometers.info

Policy reactions – November 2020

- In early November, the authorities announced that public-sector health workers will receive a one-off assistance of RSD 10 000 (EUR 85) by the end of the year (estimated cost of about 0.02 percent of GDP).

- The Government of Serbia announced a programme stipulating the planning and use of subsidies to support travel agencies and tourism companies. The Government of Serbia has approved RSD 150 million (EUR 1.3 million) for these purposes.
- The Serbian Parliament adopted amendments to the Law on Preventing Contagious Diseases; allowing authorities to sanction a person not wearing a face mask or disrespecting the physical distance with an RSD 5 000 (EUR 42.53) fine. Legal entities will have to pay fines from RSD 50 000 to 300 000 (EUR 425 to EUR 2 551), depending on the provision violated.
- To contain the spread of the virus, the Serbian Government introduced temporary measures from 24 November until 3 December including: reducing working hours until 18:00 in restaurants, cafes, bars, clubs, supermarkets and shopping malls, bans on public gatherings involving more than five people, indoors or outdoors, and limits on the number of people present at all times in relation to the square footage of a facility (4 m² per person in shopping malls and similar facilities).
- As of 30 November, classes for school children from the fifth to the eighth grade of primary schools and for students of secondary schools will be held online.
- Passengers travelling from Bulgaria, Croatia and Romania will need to provide a negative PCR no older than 48 hours. These requirements are only applicable to foreigners arriving from these three countries, and do not apply to (i) those with permanent residence in Serbia; (ii) crew members and passengers transiting Serbia for less than 12 hours (including cargo vehicle drivers); (iii) children under the age of 12 accompanied by parents who have valid PCR test results; or (iv) properly accredited diplomats and their families. Serbia does not appear on the Council's [updated list of third countries](#) for whom travel restrictions were lifted as of 22 October

Economic impact and outlook

- *Macroeconomic data:* Serbia was in a moderate position prior to the COVID-19 outbreak. In 2019, the economy experienced a real GDP growth of 4.2%. Unemployment was at its lowest level in the last decade, at 10.4%. Currently, the Serbian economy is dealing with a [COVID-19 related recession](#).
- GDP projections vary across different institutions. The IMF projections indicate a relatively low and temporary decrease in GDP, as a result of the COVID-19 pandemic by [2.5% in 2020 and a 5.5% increase in 2021](#). The National Bank of Serbia forecasts a GDP reduction of 1.5%, while the Ministry of Finance reported a decrease of 1.8%. The European Commission has projected a drop in the Serbian [GDP of 4.1% in 2020](#), followed by an increase by 6.1% in 2021 (GDP contracted by 6.4% y-o-y in Q2 2020 following a 5.1% expansion in Q1). The European Commission's forecast for the unemployment rate is [at 12.7% in 2020](#) (the unemployment rate decreased to [7.3% in Q2 2020](#)) and then full recovery in 2021, with the overall unemployment rate at 10%. According to the World Bank projections, the GDP [decline is predicted at 3%](#). For the next year, the World Bank forecasts a more [moderate growth at 2.9%](#), or 1.1% lower than the projections in June, while estimating that the GDP growth will return to pre-pandemic levels in 2022-23.
- The negative effect of the pandemic has been reflected in a drop in economic activity, with manufacturing, transportation and tourism being the most affected industries. According to the SORS, in April, overall industrial production dropped by 17.6% and manufacturing by 20%. The total value of foreign trade decreased substantially, 28.2% in April and 26.4% in May. In early 2020, the foreign remittances declined significantly ([down 9.4%](#)) and according to the National Bank of Serbia, by EUR 800 million from January to May (decreased by 23.8% compared to the same period last year). FDI was also lower than in 2019 ([EUR 3.6 billion in 2019](#)).

- A comprehensive package of emergency measures (monetary, fiscal and banking), implemented by the government, have aimed to mitigate the negative economic impact of crisis.
- The cost of these measures will push up the general government deficit and increase the public debt to 60% of national GDP.
- *Fiscal and financial data:* The [fiscal balance](#) deteriorated strongly as a result of substantial revenue shortfalls and expenditure increases. Total revenue decreased by 3.5% y-o-y in January to August 2020, negatively impacted by lower social contributions (-5.3%), non-tax revenue (-10.4%) and corporate income tax (-10.4%). Total expenditure growth reached 22.9% y-o-y in the same period, with particularly significant increases for subsidies (+186.8%), other current expenditure (+139.0%), goods and services (22.0%), expenditure for employees (11.2%) and capital expenditure (17.9%).
- In May, domestic claims of the [banking sector](#) increased by 13.5% y-o-y. The growth of claims of the NBS decreased from 42% y-o-y in May to 16% in August. The growth of credit to households accelerated from 9.1% y-o-y to 13.3% y-o-y and the growth of credit to companies decelerated slightly from 13.1% y-o-y to 12.1% y-o-y.

All previously published COVID-19 notes for Serbia can be accessed [here](#)

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