



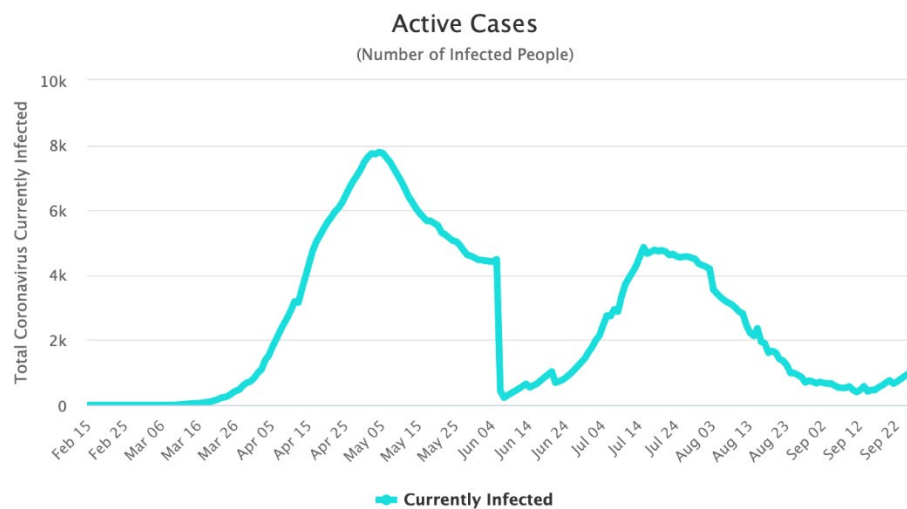
THE COVID-19 CRISIS IN SERBIA

1 October 2020

COVID-19 health situation – August/September 2020

- After a new wave of infections in late June, the epidemiological situation in Serbia has stabilized in the recent weeks. The downward trend in the total number of confirmed cases has been observed since August, with a daily rate of up to 90 cases per day in recent weeks. According to the Ministry of Health, as of 29 September, Serbia reported a total of [33 479 registered cases with 749 fatalities](#).

Evolution of active cases in Serbia



Source: Worldometers.info

- The use of facemasks in public transportation and indoor spaces has been mandatory since late July. Other protocols have also been implemented such as mandatory social distancing protocols of 1.5 meters, banning sport and entertainment events, limited hours of operations for restaurants and bars, and a nationwide ban on gatherings of more than 30 people indoors and outdoors. In the light of the gradual decline in the number of new positive cases throughout August, the Government has decided to relax some of these measures.
- Passengers travelling from Bulgaria, Croatia, Republic of North Macedonia and Romania are not permitted to enter Serbia unless they hold a negative PCR test result no older than 48 hours. As of 1 July, the European Union Council has recommended that member states gradually lift travel restrictions for residents of some third countries, including Serbia.

- In early September, Serbia agreed to participate in the third phase of coronavirus vaccine clinical trials conducted by Chinese companies China National Biotech Group (CNBG) and Sinovac Biotech Ltd.

Policy reactions – August/September 2020

- In late August, the Government of Serbia announced one-off fiscal support to help hotels in cities, through a fixed subsidy per room and per bed, with a cost of about 0.02 % of GDP.
- In order to prevent the spread of coronavirus and following the recommendation of the national COVID-19 Crisis Response Team, the Government introduced a special health supervision for all Serbian citizens coming back from abroad.

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](#). According to the State Statistical Office (SORS), in the second quarter of the year, the national GDP [decreased by 9.2 %](#). 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. 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](#)).
- 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 3 % in 2020](#), and a 7.5 % 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. The European Commission's forecast for the unemployment rate is at 12.7 % in 2020 and then full recovery in 2021, with the overall unemployment rate at 10 %.
- *Fiscal and financial data:* The [fiscal balance](#) deteriorated strongly as a result of substantial revenue shortfalls and expenditure increases. Total revenue decreased by 6.9 % in January to May, negatively impacted by corporate income tax (-32.7 %), non-tax revenue (-22.4 %) and social contributions (-3.6 %). Total expenditure growth reached 20.6 %, with particularly significant increases for other current expenditures (+134.5 %), goods and services (31.1 %), subsidies (+83.3 %), expenditure for employees (10.1 %) and capital expenditure (29.2 %).
- In May, domestic claims of the [banking sector](#) increased by 15.5 %, mainly driven by higher dinar deposits at the National Bank of Serbia. The growth of credit to the non-governmental sector also

accelerated to 12 %. From February to May, credit growth remained broadly stable at around 9 % to households but accelerated from 9 % to 13 % for companies and increased strongly for public enterprises from 24 % to 46 % in April before a slight deceleration to a 38 % in May.

All previously published COVID-19 notes can be accessed on the [OECD South East Europe webpage](#)

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