THE COVID-19 CRISIS IN SERBIA

31 January 2021

COVID-19 health situation – December 2020/January 2021

- After reaching a new peak levels between mid-November and mid-December, the number of new infections has decreased in January. On 31 January, Serbia reported 1,366 new cases (vs. 7,999 on 1 December) and a total of 395,263 COVID-19 infections with 4,020 fatalities.

Evolution of active cases in Serbia

Source: Worldometers.info

Policy reactions – December 2020/January 2021

- There are nationwide rules in place restricting movement and limiting activity: 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); mandatory use of protective face masks in all public spaces, both outdoors and indoors when the area is crowded. The restaurants and cafes are open until 20:00, while grocery stores and shopping malls are open until 21:00. All pharmacies work according to regular working hours.
• Visitors from abroad (domestic and foreign nationals) can only enter Serbia with a negative PCR test not older than 48 hours. Serbian citizens who do not possess negative PCR tests must spend ten days in isolation at home.

• The Government of Serbia has approved the use of COVID-19 vaccines. The country has received the first COVID-19 vaccines developed by Pfizer/BioNTech as well as Russia’s Sputnik V. Serbia has started with the vaccination of health workers at the highest risk of infection and then elderly people. After the arrival of the first million doses of the Chinese Sinopharm, Serbia began mass vaccinations on 19 January.

• Serbia has so far vaccinated 438 000 citizens. The country is currently second in Europe, after the United Kingdom in terms of the number of vaccinated citizens per million inhabitants, according to government report.

• In January, the Serbian Government adopted new financial support for small and medium-sized enterprises, for which the government allocated two billion RDS (EUR 17 million). The programme will fund the purchase of equipment, boosting entrepreneurship through development projects, as well as provide other types of support for start-ups, and young and female entrepreneurs.

Economic impact and outlook

• With a relatively low economic contraction in 2020, Serbia is among the least affected by the COVID-19 pandemic in emerging Europe. The updated IMF projections indicate a temporary decrease in GDP, by 1.5% in 2020 and a rebound to 5% in 2021 (vs. 4.2% in 2019). The National Bank of Serbia has revised its central GDP growth projection and forecasts a GDP reduction of 1.0% in 2020. The European Commission has projected (4th quarter 2020) a drop in the Serbian GDP of 1.8% in 2020, followed by an increase by 4.8% in 2021 and 3.8% in 2022. The European Commission’s forecast for the unemployment rate was at 9.3% in 2020 and 9.6% in 2021. According to the World Bank projections (fall 2020), the GDP would decline by 3% in 2020. For 2021, the World Bank forecasts a more moderate growth at 2.9%.

• A comprehensive package of emergency measures (monetary, fiscal and banking), implemented by the government, have aimed to mitigate the negative economic impact of crisis. As result of expenditure increases and substantial revenue shortfalls, the fiscal balance deteriorated strongly. Thus, while partially recovering the lost ground in the second half of the year, total revenue was still lower by 1.8% y-o-y in January to November 2020, particularly negatively impacted by lower receipts from non-tax revenue (-6.8%) social contributions (-2.2%), and corporate income tax (-4.0%). Notwithstanding some declaration, total expenditure growth reached 18.1% y-o-y in the same period, with particularly significant increases for subsidies (+127.5%), other current expenditure (+100.6%), goods and services (17.5%), expenditure for employees (11.2%) and capital expenditure (16.2%). As a result, in January-November 2020, the budget recorded a deficit of RSD 353.2 billion (6.4% of the annual GDP projected by the Ministry of Finance), as compared with a 0.8% of GDP surplus in the same period of 2019. In November, government debt stood at 56.8% of the estimated full-year GDP, up from 52.0% at end-2019.

• In November, domestic claims of the banking sector increased by 11.5% y-o-y. The growth of claims of the NBS decreased from 16% in September to 10% in November. The annual growth of credit to households decelerated from 14.3% in September to 12.7% in November and the growth of credit to companies recorded a steady decline from 11.9% to 9.8% during the same period.
All previously published COVID-19 notes for Serbia can be accessed [here](#).

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