6. Fiscal Trends and Policy

In Q4 the fiscal deficit was 29.8 billion dinars (2.6% of GDP), as a result of continued year -on-year growth of public revenue and moderate decline of public spending. At the level of the entire 2017, there was a consolidated fiscal surplus of 52.3 billion dinars (1.2% of GDP). This result was mainly a consequence of a significant growth of tax revenue, which was widely spread and had occurred due to the growth of GDP, irregular growth of economy's profitability in 2016, because of the improved trade ration, but also probably due to combatting grey economy, while the non-tax revenue stagnated nominally. In addition, the result in 2017 was influenced by the decline of certain expenditures, such as interest payments due to the appreciation of dinar and favourable conditions on global markets, as well as capital spending, which was by around 6.7% lower in real terms in 2017 than in 2016 (and was 3% of GDP), even though a 6% growth was planned. Weak realisation of capital spending is estimated as negative and it is the result of inefficient state in planning and realisation of infrastructure projects, proven by multiple deadline extensions for finalising the construction of large infrastructure objects. The realised fiscal deficit in 2017 had a positive impact on the sustainability of public finances and the public debt dynamic, but it is estimated that in the conditions where the economy is growing slower than planned, it is unjustified to lead a policy of high fiscal surplus. Instead, efforts should have been increased toward an efficient implementation of public investments, so that the fiscal deficit is between 0.5 and 1% of GDP. In Q1 2018, the three-year arrangement with IMF finished, which was estimated as successful from the perspective of stabilising public finances. But there were no structural reforms in important segments of the public sector. It is our recommendation to conclude a new agreement with IMF, which would mostly focus on restructuring and privatisation of public and state-owned enterprises, as well as on the sectoral structural reforms, which would directly affect the fiscal performance in the long term. Public debt at the end of 2017 was 62.4% of GDP, which is by around 11% of GDP lower than at the end of 2016, primarily due to a strong real appreciation of dinar against the dollar and euro, as well as the rise of GDP and favourable current fiscal trends. At the end of January 2018, public debt was 61.4% of GDP.

Fiscal Tendencies and Macroeconomic Implications

Fiscal deficit in Q4 was 29.8 billion dinars (2.6% of GDP)…

Consolidated fiscal deficit in Q4 was 29.8 billion dinars (2.6% of quarterly GDP), and once the spending on interest is excluded, the primary deficit was around 12.7 billion dinars (around 1.1% of quarterly GDP).

Public revenue in Q4 recorded a real year-on-year growth by 3.5%, which is the result of the growth of tax and non-tax revenue. In Q4, tax revenue recorded a real year-on-year growth by 3.1%, primarily due to the considerable growth of revenue from corporate income tax (by 21.3%), and the moderate growth of tax on income, excise and customs, while the revenue from VAT and social contributions recorded a mild year-on-year decline. Non-tax revenue in Q4 recorded a mild increase (by 2.5%).

Compared to Q3 2017, seasonally adjusted public revenue recorded a mild real decline in Q4 (by 0.5%), primarily due to the considerable decline of revenue from VAT and excise tax, and a mild decline in revenue from income tax, while other types of tax revenue recorded a mild growth.

Real year-on-year reduction of public spending continued in Q4 by 1.7%, which was mostly due to the strong decline of spending on interest (24.3%), significant decline of subsidies (by 11.3%), and continued mild real decline of spending on wages and pensions (by 3% and 1.9%, respectively), while capital spending recorded a mild year-on-year growth of 3.6%.

At the level of the entire 2017, fiscal surplus was 52.3 billion dinars (1.2% of GDP)

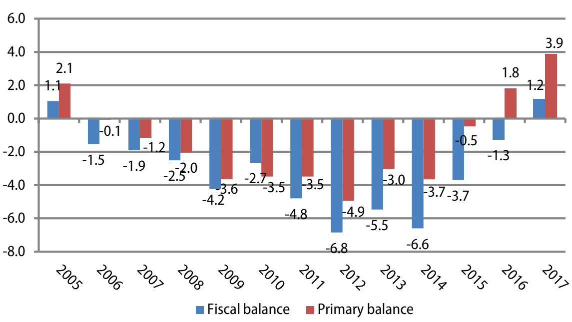
At the level of the entire 2017, consolidated fiscal surplus was 52.3 billion dinars (1.2% of GDP), while the primary surplus was 173.5 billion dinars (3.9% of GDP). Fiscal surplus in 2017 was the result of the considerable real growth of public revenue (by 4%), as well as the continued mild real decline of public spending (by 1.7%) compared to 2016. Even though the implementation of fiscal consolidation was economically justified, it is necessary to balance between securing sustainability of public finances and the effects of fiscal policy on economic growth.

Realising high fiscal surplus in a period when the economy is growing at a rate that is significantly lower than expected is deemed inadequate. Therefore, in the coming period, restrictiveness of fiscal policy should be reduced by significantly increasing capital spending. The policy in 2018 should be the one of a mild fiscal deficit (0.5-1% of GDP) with a significant increase of capital spending. In addition, with the aim of securing long-term sustainability of public finances, restructuring and privatisation of public and state-owned companies should go significantly faster. In that sense, it is our recommendation to conclude a new arrangement with IMF that would focus on structural reforms, increasing their chances of implementation.

Growth of revenues continued in January, and spending also accelerated its growth

Positive trends on the side of revenues continued in January 2018 and were higher in real terms by 3.2% compared to the same month of the previous year, because of the solid growth of almost all categories of public revenue (except VAT), as well as the non-tax revenue. At the same time, public spending was significantly higher in real terms than in January 2017 (by 5.7%), primarily due to the significant growth of spending on the employed (by 19.4%), on goods and services (by 15.7%), and capital spending (by 2.8 times). Considerable growth of individual types of spending could be the result of the specific dynamic of implementation, so in order to have a more reliable estimate of the alignment of spending dynamics with the plans, we need to look at the trends over several months. As a result of these trends in revenue and spending, a surplus of 18.7 billion dinars was created in January 2018, which is not unusual considering the seasonal factors at the beginning of the year, as indicated by the fact that surplus has been created in January in four out of five previous years, and one mild deficit.

Graph T6-1. Serbia: Consolidated Fiscal Balance and Primary Balance (% of GDP)



Source: *QM* calculations

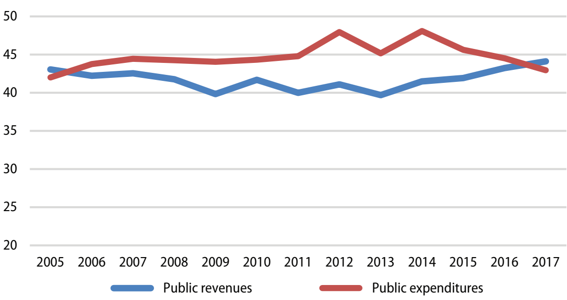
A more precise assessment of fiscal trends in 2018 could be given only after observing the trends in the first several months

In order to have a more precise assessment of fiscal trends in 2018 and forecast possible irregular increase of expenditures (e.g. on wages and pensions), it is necessary to observe trends in 1-2 quarters.

Tax revenue in 2017 increased significantly

Significant growth of public revenue in 2017 was primarily the result of a considerable growth of tax revenue (by 5.2%), while non-tax revenue recorded a moderate real decline (by 3.1%), even though nominally they practically stagnated. Growth of tax revenue in 2017 was widely spread, since the real increase was recorded in almost all types of tax revenue. Still, the higher real growth was realised in revenue from corporate income tax (by 35%), because of the strong growth of economy's profitability in 2016. Moderate growth was realised from customs (by 5.8%), because of the growth of imports, as well as from tax on income and contributions (by 3.8% and 5.1%, respectively), because of the mild growth of employment and wages. Real growth of revenue from excise tax and VAT was modest (2.3% and 2.6%, respectively).

Graph T6-2. Serbia: Consolidated Public Revenue and Public Spending (% of GDP)



Source: *QM* calculations based on MoF data

Public spending in 2017 recorded a mild real decline

In 2017, public spending recorded a mild real decline, which was widely spread, since the real decline compared to 2016 was recorded in most of the types of current spending, as well as capital spending.

Public spending in Serbia is coming close to the average of comparable CEE countries

Due to the real decline of public spending and a mild real growth of GDP, the share of public spending in Serbia's GDP in 2017 fell to 43%, which is close to the average of Central and Eastern European countries (CEEC) of around 42% of GDP, which is estimated as economically justified. Therefore, the fiscal policy in the coming period should avoid a new relative growth of public spending by improving the spending structure, so that the relative share of productive spending increases (investments, investments into education, science and innovation, etc.), while unproductive spending decreases.

Decline of spending was widely spread, and was most pronounced in spending on interest

The highest relative decline in 2017 was recorded in spending on interest (by 10.6%), which was the result of the appreciation of dinar against the euro and dollar, but also due to the reduction of public debt. Spending on wages in 2017 declined in real terms by 0.9% due to the continued implementation of the hiring freeze in the public sector, and weaker implementation of severance pays for redundant workers, as well as low indexation of wages. Spending on pensions significantly decline by around 2.2%, due to the low indexation and implementation of restrictive rule for the retired and calculations of pensions defined in the previous cycles of parameter pension reforms. Spending on subsidies in 2017 also mildly declined in real terms (by 2.3%), which is estimated as economically justified, while spending on goods and services recorded a real growth (3.3%). Significant growth of spending on goods and services was partially the result of the hiring freeze in the last few years, which affected the increased engagement of external service providers, as well as increased number of persons hired on contract bases or part-time.

Capital spending recorded a decline in 2017, even though the plan was to increase them significantly…

Despite the mild increase in Q4, capital spending in 2017 were lower in real terms by 6.7% compared to 2016, even though the fiscal strategy had planned around 6% growth in 2017. Weak realisation of capital spending is estimated as negative, especially in the conditions where the economy is developing slowly and the potential effect of capital spending on economic growth, according to econometric studies, can be considerable. Inefficient implementation of infrastructure projects and low level of capital spending are characteristic of Serbia's public finances in the past several years. Capital spending (public investment) in Serbia in the last 10 years were on average lower by 1.3% of GDP annually compared to the CEEC average, which at the level of the entire decade led to the cumulatively lower investment in infrastructure by around 13% of GDO, i.e. around 4 billion euros. Low level of public investments, in addition to low domestic private investments, represents one of the causes of low total investments in Serbia's economy compared to other CEE countries.

Table T6-3. Public Investments in Serbia and CEE Countries (% of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	*2007-2016 average*
Bulgaria	5.2	5.6	5.0	4.6	3.4	3.4	4.0	5.2	6.6	2.6	*4.6*
Czech Republic	4.8	5.3	6.0	5.1	4.5	4.2	3.7	4.1	5.1	3.3	*4.6*
Estonia	6.0	6.2	6.2	4.8	4.9	6.3	5.6	5.1	5.3	4.8	*5.5*
Croatia	6.1	5.9	5.8	3.6	3.5	3.5	3.7	3.6	3.0	3.1	*4.2*
Latvia	5.9	5.2	4.9	4.7	5.0	4.9	4.4	4.5	4.8	3.6	*4.8*
Lithuania	5.4	5.4	4.4	5.0	4.7	4.0	3.7	3.5	3.7	3.0	*4.3*
Hungary	4.2	3.2	3.4	3.7	3.3	3.7	4.4	5.3	6.6	3.1	*4.1*
Poland	4.5	4.8	5.0	5.6	5.9	4.7	4.1	4.5	4.4	3.3	*4.7*
Romania	6.3	6.7	6.0	5.7	5.5	4.8	4.5	4.3	5.1	3.6	*5.3*
Slovenia	4.5	4.7	5.0	5.0	4.1	4.1	4.3	5.1	4.7	3.2	*4.5*
Slovakia	3.2	3.4	3.9	3.6	3.8	3.4	3.3	4.0	6.3	3.2	*3.8*
Serbia	4.8	3.9	3.2	3.4	3.3	3.5	2.2	2.5	2.8	3.3	*3.3*
CEE	5.1	5.1	5.1	4.7	4.4	4.3	4.2	4.5	5.1	3.3	*4.6*

Source: Eurostat and Ministry of Finance of the Republic of Serbia

Poor realisation of capital spending in the past decade is the result of unproductive spending (on wages, pensions, subsidies) pushing out the productive one, as well as the incompetence of the Government to efficiently organise and manage the implementation of investments in infrastructure projects, which could be the result of the declining quality of human capital in the public sector due to the inadequate staff policy, as well as the inefficient management at the strategic level.

Fiscal result in 2017 was better than in 2016, because of the higher collection of tax revenue and reduced spending on interest and public investments

The fiscal result achieved in 2017 was better than the result realised in 2016 by around 108 billion dinars, primarily because of the significant growth of public revenues and, to a certain extent, because of the saving in some of the spending categories, such as spending on interest and capital spending. Tax revenue in 2017 was higher by around 132 billion dinars compared to 2016, while non-tax revenue remained almost unchanged. It is estimated that the growth of tax revenue was dominantly affected by the growth of economy and the irregular increase of profitability of economy thanks to the improved trade ratio in 2016, which affected the significant growth of revenue from corporate income tax. Still, economic growth and improved collection of corporate income tax cannot explain the entire growth of tax revenue, so our conclusion is that a certain contribution to the growth of tax revenue (by 20-30 billion dinars) was made by combatting the grey economy. Public spending in 2017 was by around 24 billion dinars higher compared to the previous year, primarily because of the considerable growth of revenue on goods and services (18 billion), growth of spending on the employed and pensions (by around 13 billion dinars), while spending on interest was lower by around 10 billion dinars, and capital spending by around 5 billion dinars. Spending on subsidies in 2017 was almost the same as in 2016 in the absolute amount.

Fiscal strategy foresaw a fiscal deficit in 2017 of around 75 billion dinars. The realised fiscal deficit in 2017 was better than planned by around 137 billion dinars, thanks to the improved collection of tax revenue (by around 109 billion dinars), higher collection of non-tax revenue compared to the plan (by 36 billion dinars), and lower public spending (by around 18 billion dinars). Lower realisation of public spending compared to the plan was primarily the result of lower spending on interest (by 15 billion dinars), due to the appreciation of dinar and favourable conditions on global financial markets, as well as the inefficient realisation of capital spending (lower than planned by around 11 billion dinars). In addition, in 2017 the spending on the employed was lower compared to the plan (by around 9 billion dinars), probably due to the reduction in the number of the employed, since there were no extraordinary correction in wages. Spending on pensions in 2017 was also considerably lower (by around 12 billion dinars) compared to the plan, which can be ascribed to the effects of stricter conditions for retirement, introduced parameter pension reform in 2014, as well as previous reforms.

Box 1. State Efficiency in Combatting Grey Economy

The success of fiscal consolidation in the past three years has also been affected by combatting the grey economy. In 2014, the Government adopted several system reforms (Labour Law, Law on Inspection Control, the reform of the penal policy for non-compliance with tax regulations, etc.), which affected the reduction of benefits and increase of cost of participating in the grey economy. According to an empirical research conducted in 2012/2013, grey economy in Serbia was estimated by using the MIMIC method to around 30% of GDP, which is around one sixth higher than the CEEC average. Using the HTC methods on national accounts data, the study shows that the grey economy in households is estimated to around 23.6% of GDP, while based on the data from the survey conducted on the representative sample of companies, the grey economy is estimated to 21.4% of GDP (Krstic and Schneider, 2015). A new study was published at the end of 2017 (NALED, 2017), which shows that based on data from the survey conducted among companies, the grey economy is estimated to 15.4% of GDP. It is, therefore, necessary to give a few notes regarding the interpretation of the stated results. Firstly, the result gained from surveys cannot be compared to the results gained by other methods (e.g. MIMIC). According to the MIMIC method, the average level of grey economy in EU is around 19% of GDP, and in the CEE countries around 25% of GDP, so the survey cannot be used to conclude that the grey economy in Serbia is significantly below the European average. Secondly, the survey data, for which the study states is conducted on a comparable sample as in 2012, shows that the grey economy in the period 2012-2017 decreased by one third. This result should be interpreted cautiously because of the general issue with estimating the grey economy by survey method (insincerity in answering questions, etc.). Generalisation of this result would imply that according to the MIMIC method, we should expect the grey economy in Serbia to be almost at the level of the European average, and by one quarter lower compared to the CEEC average. Fiscal trends in the previous three years indicate that the growth of tax revenue was significantly higher than can be explained by the growth of tax base and tax rates, which could be ascribed to the effects of combatting the grey economy. However, reduction of the grey economy by one third would imply an autonomous growth of tax revenue by around 3.5% of GDP, which is significantly higher than the real effect of reducing the grey economy on the growth of tax revenue in the last three years. Therefore, it is estimated that they grey economy has been reduced in the last few years, but that it is highly unlikely that it is now at the level lower than the CEEC average. In order to achieve these results, it is necessary to take considerable steps toward reforming the Tax Authority and other inspection services, as well as toward improving the quality of public goods and services which are financed from taxes.

Fiscal surplus policy is not justified that the economy is quickly growing

After three years of implementing the programme of fiscal consolidation and the IMF arrangement, Serbia managed to neutralise the fiscal deficit in 2017 and significantly reverse the trend of public debt. Still, in order to secure macro-fiscal stability, it is necessary for the fiscal deficit to be between 0.5% and 1% of GDP. Further reduction of deficit or moving in to the area of fiscal surplus could be characterised as overly restrictive, especially since the economic growth in 2017 was significantly slower than planned. Since it was clear already in mid-2017 that the fiscal result will be significantly better than planned, and that the economic growth is significantly slower than expected, it was justified to start in that period an implementation of some infrastructure projects or to accelerated the implementation of the existing ones, in order to stimulate economic growth through spending on public investments. However, there was no such reaction from the Government, probably due to the lack of adequate project and technical documentation for the project implementation, which is one of the bottlenecks in the realisation of public investments in Serbia.

Permanent sustainability of public finances requires a step toward restructuring and privatisation of public and state-owned enterprises…

Positive fiscal result in 2017 and successful finalisation of the IMF arrangement in the first quarter of 2018, indicate the end of the first phase of fiscal consolidation. However, such an estimate can partially be justified only when observing public sector in a narrow sense, since virtually no progress has been made in the restructuring and reforms of public and state-owned enterprises (with a few positive exceptions – Serbia Railways, Smederevo Steelworks, and Galenika). These enterprises pose a potential fiscal risk, since any changes on the global markets (increased price of gas, reduced price of copper, etc.) could lead again to huge losses in these enterprises, which would spill over into the budget deficit. Therefore, in order to ensure long-term stability of public finances, it is necessary to take considerable steps in this respect in the coming period.

…and in order to provide conditions of growth, it is necessary to conduct structural reforms of the public sector

Ensuring macro-fiscal stabilisation has created a necessary but not a sufficient condition for the faster growth of economy, so the next phase of public sector reforms should focus on structural changes in important social activities, such as education, science, healthcare, administration, justice, etc.

It would be justified to conclude a new arrangement with the IMF

In that respect, it would be justified to conclude a new three-year arrangement with the IMF, which would focus on, in addition to maintaining the realised fiscal results, taking steps toward restructuring and privatisation of public enterprises, as well as the abovementioned structure reforms of the public sector. The experience of Serbia, as well as the empirical studies of CEE countries, indicate such an arrangement would increase the probability of leading a responsible fiscal policy and implementing economic reforms.

Analysis of Public Debt Trends

Serbia's public debt at the end of 2017 was 23.2 billion euros (61.5% of GDP)…

At the end of 2017, Serbia's public debt was 23.2 billion euros (61.5% of GDP), and once the non-guaranteed debts of the local communities are included, the debt was around 62.4% of GDP, which was by around 900 million euros lower than at the end of Q3 2017. Reduction was

...and including the debt of local communities – 62.4% of GDP

also recorded in direct and indirect debt. Strong decline of the debt during Q4 2017 was the result of 750 million euro payment of Eurobonds 2012 from previously accumulated deposits of the state, as well as the continued appreciation of dinar against the euro and dollar.

Tabela T6-4. Serbia: Public debt dynamics 2000-2017

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
I. Total direct debt	14.2	9.6	8.6	8.0	7.9	8.5	10.5	12.4	15.1	17.3	20.2	22.4	22.7	22.5	22.0	22.3	21.4
Domestic debt	4.1	4.3	3.8	3.4	3.2	4.1	4.6	5.1	6.5	7.0	8.2	9.1	8.8	8.7	9.0	9.1	9.1
Foreign debt	10.1	5.4	4.7	4.6	4.7	4.4	5.9	7.2	8.6	10.2	12.0	13.4	13.9	13.8	13.0	13.1	12.4
II. Indirect debt	-	0.7	0.8	0.8	0.9	1.4	1.7	2.1	2.6	2.81	2.5	2.4	2.1	2.0	1.9	1.8	1.8
III. Total debt (I+II)	**14.2**	**10.3**	**9.4**	**8.9**	**8.8**	**9.8**	**12.2**	**14.5**	**17.7**	**20.1**	**22.8**	**24.8**	**24.8**	**24.5**	**23.9**	**24.1**	**23.2**
Public debt / GDP (MF)[2]	**201.2%**	**50.2%**	**35.9%**	**29.9%**	**28.3%**	**32.8%**	**41.8%**	**45.4%**	**56.2%**	**59.6%**	**70.4%**	**75.5%**	**72.9%**	**69.2%**	**65.7%**	**64.6%**	**61.5%**
Public debt / GDP (QM)[3]	**169.3%**	**52.1%**	**36.1%**	**29.9%**	**28.3%**	**32.8%**	**41.9%**	**44.4%**	**56.1%**	**59.4%**	**70.4%**	**74.6%**	**72.2%**	**70.7%**	**66.3%**	**65.2%**	**61.5%**

1) According to the Public Debt Law, public debt includes debt of the Republic related to the contracts concluded by the Republic, debt from issuance of the t-bills and bonds, debt arising from the agreement on reprogramming of liabilities undertaken by the Republic under previously concluded contracts, as well as the debt arising from securities issued under separate laws, debt arising from warranties issued by the Republic or counterwarranties as well as the debt of the local governments, guaranteed by the Republic.
2) Estimate of the Ministry of Finance of the Republic of Serbia
3) QM estimate (Estimated GDP equals the sum of nominal GDP in the current quarter and three previous quarters)
Source: QM calculations based on the MoF data.

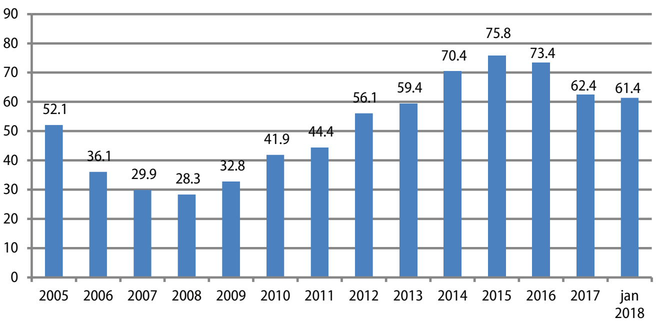
During 2017, the public debt was reduced by around 11% of GDP…

Serbia's public debt at the end of 2017 was by around 1.6 billion euros lower compared to the end of 2016, due to the reduction of the direct debt by around 1.2 billion euros and indirect debt by around 400 million euros. The significant decline of public debt in 2017 was affected by several factors, most important of which being the strong real appreciation of dinar against the euro (by over 6%) and the significantly high real appreciation of dinar against the US dollar (by almost 18%). In addition, what also affected the decline of public debt were the positive current fiscal trends, i.e. realisation of consolidated surplus.

…half of which is the result of the appreciation of dinar, while the other half is the result of fiscal surplus and the growth of GDP

Public debt in 2017 was reduced by around 11% of GDP, half of which is owed to the appreciation of dinar, while the other half to the positive fiscal trends and a mild growth of GDP. Even though the direct effects of appreciation on the level of the debt are positive, since almost one fifth of the public debt is denominated in foreign currency, the appreciation trends have a negative effect on export performance of Serbia's economy, as well as the future growth rates, which can have a long-term negative effect on the sustainability of the public debt, especially since the appreciation pressures are not the result of stronger competitiveness of Serbia's economy, but of the trends in the financial sectors of Serbia and the world.

Graph T6-5. Serbia's Public Debt Trends (% of GDP)



Source: QM calculations[2]

Public debt at the end of January 2018 was lower by around 309 billion euros compared to the end of 2017 and was 61.4% of GDP

At the end of January 2018, the public debt was 29.2 billion euros and was by around 309 million euros lower than at the end of December 2017. Public debt at the end of January, together with the non-guaranteed debt of the local communities, was around 61.4% of GDP. According to the Ministry of Finance data, the public debt at the end of January 2018 was 57.2% of GDP, which is the figure they got by comparing the nominal public debt with the projected GDP for 2018. Since the public debt is repaid from value created, and since it is uncertain how much GDP will grow in the current year, as well as what the trends will be in the exchange rate, inflation and other parameters, it is our estimate that it would be more adequate to compare the relative amount of public debt based on the sum of GDP realised in the last four quarters, which is the approach we use in our analyses.

Sustainable level of public debt for a mid-developed country is estimated at below 50% of GDP. Therefore, fiscal deficit policy in the coming years should ensure continued decline of the level of debt compared to GDP and under unchanged conditions compared to the exchange rate, since fluctuations in the exchange rate of global currencies can be strong and unpredictable.

1 Including the non-guaranteed debt of the local communities

Trends

Annexes

Annex 1. Serbia: Consolidated General Government Fiscal Operations, 2010-2017 (bn RSD)

	2010	2011	2012	2013	2014	2015	2016					2017				
							Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4
I PUBLIC REVENUES	**1,278.4**	**1,362.6**	**1,472.1**	**1,538.1**	**1,620.8**	**1,694.8**	**414.7**	**460.8**	**476.9**	**490.3**	***1,842.7***	**450.0**	**503.8**	**497.5**	**522.1**	**1,973.4**
1. Current revenues	1,215.7	1,297.9	1,393.8	1,461.3	1,540.8	1687.6	413.3	458.8	472.5	488.7	*1833.3*	448.1	502.4	496.4	518.0	1964.9
Tax revenue	1,056.5	1,131.0	1,225.9	1,296.4	1,369.9	1463.6	353.2	405.0	405.3	422.2	*1585.8*	386.4	444.9	438.7	447.9	1717.9
Personal income taxes	139.1	150.8	35.3	156.1	146.5	146.8	34.5	37.7	40.5	42.4	*155.1*	37.5	40.7	43.4	46.3	167.9
Corporate income taxes	32.6	37.8	54.8	60.7	72.7	62.7	13.3	31.1	18.1	17.8	*80.4*	18.9	49.0	21.6	22.2	111.8
VAT and retail sales tax	319.4	342.4	367.5	380.6	409.6	416.1	103.8	114.9	112.7	122.0	*453.5*	109.6	119.5	127.0	123.2	479.3
Excises	152.4	170.9	181.1	204.8	212.5	235.8	57.4	65.5	75.2	67.5	*265.6*	64.9	65.2	78.3	71.6	279.9
Custom duties	44.3	38.8	35.8	32.5	31.2	33.3	8.6	8.7	9.2	9.9	*36.4*	9.3	9.7	9.9	10.8	39.7
Social contributions	323.0	346.6	378.9	418.3	440.3	505.7	120.5	130.8	132.6	143.6	*527.5*	16.6	18.4	17.8	19.0	71.9
Other taxes	46.0	43.5	42.6	43.5	57.3	63.3	15.1	16.3	16.9	19.0	*67.3*	129.6	142.4	140.7	154.7	567.4
Non-tax revenue	159.2	36.9	37.9	34.9	170.9	224.0	60.1	53.8	67.1	66.5	*247.5*	61.7	57.5	57.7	70.1	247.0
II TOTAL EXPENDITURE	**-1,419.5**	**-1,526.1**	**-1,717.3**	**-1,750.2**	**-1,878.9**	**-1,844.0**	**-430.7**	**-462.9**	**-463.1**	**-543.0**	***-1,899.7***	**438.2**	**471.3**	**459.7**	**551.9**	**1,921.1**
1. Current expenditures	-1,224.8	-1,324.8	-1,479.9	-1,549.8	-1,628.0	-1696.6	-403.9	-419.5	-416.4	-478.2	*-1,717.9*	415.7	424.9	420.2	484.5	1745.3
Wages and salaries	-308.1	-342.5	-374.7	-392.7	-388.6	-419.2	-99.8	-104.6	-103.7	-109.5	*-417.7*	102.5	108.2	106.4	109.3	426.3
Expenditure on goods and services	-202.5	-23.3	-235.7	-236.9	-256.8	-257.6	-57.5	-67.2	-68.4	-90.6	*-283.6*	60.5	72.7	72.2	96.3	301.6
Interest payment	-34.2	-44.8	-68.2	-94.5	-115.2	-129.9	-45.9	-32.0	-31.6	-22.0	*-131.6*	47.4	25.4	31.3	17.1	121.2
Subsidies	-77.9	-80.5	-111.5	-101.2	-117.0	-134.7	-18.0	-24.1	-20.4	-50.2	*-112.7*	18.9	26.7	22.0	45.8	113.3
Social transfers	-579.2	-609.0	-652.5	-687.6	-696.8	-710.0	-171.9	-176.3	-178.3	-190.3	*-716.8*	174.5	178.4	173.2	194.0	720.1
o/w: pensions5)	*-394.0*	*-422.8*	-473.7	-498.0	-508.1	-490.2	-122.1	-123.8	-123.2	-125.2	*-494.2*	123.1	124.6	123.9	126.3	497.8
Other current expenditures	-22.9	-31.7	-37.4	-36.9	-53.7	-45.3	-10.7	-15.3	-13.9	-15.7	*-55.6*	11.9	13.6	15.2	22.0	62.7
2. Capital expenditures	-105.1	-111.1	-126.3	-84.0	-96.7	-114.5	-17.4	-31.2	-37.5	-53.1	*-139.3*	12.0	35.5	29.7	56.6	133.9
3. Called guarantees	-2.7	-3.3	-3.7	-7.9	-29.7	-30.1	-8.7	-11.2	-8.2	-11.0	*-39.1*	8.3	5.8	6.6	8.1	28.8
4. Buget lendng	-30.0	-25.0	-38.2	-35.6	-55.4	-2.7	-0.6	-1.0	-1.0	-0.7	*-3.3*	2.2	5.1	3.2	2.6	13.2
CONSOLIDATED BALANCE	**-141.0**	**-163.5**	**-245.2**	**-212.1**	**-258.1**	**-149.1**	**-16.0**	**-2.1**	**13.8**	**-52.8**	***-57.1***	**11.8**	**32.5**	**37.8**	**-29.8**	**52.3**

Source: *QM* calculations based on the MF data

Annex 2. Serbia: Consolidated General Government Fiscal Operations, 2010-2017 (real growth rates, %)

	2010	2011	2012	2013	2014	2015	2016					2017				
							Q1	Q2	Q3	Q4	*Q1-Q4*	*Q1*	Q2	Q3	Q4	Q1-Q4
I PUBLIC REVENUES	**-1.5**	**-4.6**	**0.6**	**-2.2**	**3.2**	***3.1***	**7.4**	**7.8**	**9.2**	**5.6**	***7.5***	***5.3***	***5.5***	***0.3***	***3.5***	***4.0***
1. Current revenues	-1.5	-4.4	0.1	-2.6	3.3	*3.3*	7.3	7.9	8.6	5.8	*7.4*	*5.2*	*5.6*	*1.0*	*3.0*	*4.1*
Tax revenue	-2.5	-4.1	1.0	-1.7	3.5	*0.3*	7.1	9.2	7.5	4.8	*7.2*	*6.1*	*6.0*	*4.1*	*3.1*	*5.2*
Personal income taxes	-3.9	-2.9	2.1	-12.2	-8.1	*-1.2*	4.5	5.2	6.8	1.6	*4.5*	*5.6*	*4.1*	*2.9*	*6.2*	*5.1*
Corporate income taxes	-3.6	3.9	35.1	2.9	17.4	*-15.0*	1.2	19.3	55.8	43.4	*26.9*	*37.6*	*51.9*	*14.7*	*21.3*	*35.0*
VAT and retail sales tax	-0.7	-4.0	0.0	-3.8	5.4	*0.2*	6.4	14.1	3.2	7.7	*7.8*	*2.4*	*0.3*	*8.3*	*-1.9*	*2.6*
Excises	4.2	0.6	-1.2	5.1	1.6	*9.4*	22.2	13.8	16.6	-2.9	*11.4*	*9.6*	*-4.0*	*0.2*	*3.1*	*2.3*
Custom duties	-14.9	-21.5	-14.0	-15.6	-6.5	*5.9*	7.4	9.6	10.2	5.4	*8.1*	*5.2*	*6.6*	*3.2*	*6.8*	*5.8*
Social contributions	-6.5	-3.9	1.9	2.6	3.1	*-2.1*	2.7	3.2	3.7	2.9	*3.2*	*7.0*	*9.5*	*1.1*	*-2.7*	*3.8*
Other taxes	14.5	-15.2	-8.8	-5.2	29.2	*8.9*	10.9	0.7	-2.8	12.7	*5.1*	*4.4*	*5.1*	*2.0*	*4.8*	*4.4*
Non-tax revenue	5.8	-6.1	-6.2	-8.7	1.5	*27.9*	8.5	-1.1	15.9	12.8	*9.3*	*-0.4*	*3.1*	*-17.3*	*2.5*	*-3.1*
II TOTAL EXPENDITURE	**-1.7**	**3.3**	**4.3**	**-0.3**	**5.2**	***-3.2***	**5.7**	**4.9**	**2.3**	**-3.7**	***1.9***	***-1.3***	***-1.8***	***-4.5***	***-0.6***	***-1.7***
1. Current expenditures	-2.2	3.1	4.1	-2.7	2.9	*-1.4*	3.7	2.7	0.4	-5.1	*0.2*	*-0.1*	*-2.3*	*-3.0*	*-0.9*	*-1.2*
Wages and salaries	-5.9	0.4	2.0	-2.6	-3.1	*-9.7*	-0.4	-0.4	-0.4	-4.5	*-1.4*	*-0.4*	*-0.2*	*-1.4*	*-3.0*	*-0.9*
Expenditure on goods and services	-0.3	4.3	1.5	-6.6	6.2	*-1.1*	11.3	13.5	4.2	7.7	*8.9*	*2.1*	*4.4*	*1.5*	*3.4*	*3.3*
Interest payment	-0.3	17.4	41.9	28.8	19.3	*11.2*	11.6	-2.6	-3.4	-10.4	*0.2*	*0.2*	*-23.5*	*-5.0*	*-24.3*	*-10.6*
Subsidies	40.6	7.4	29.1	-15.6	13.2	*13.6*	-5.3	0.5	-20.0	-26.2	*-17.3*	*1.8*	*6.9*	*3.6*	*-11.3*	*-2.3*
Social transfers	13.9	5.8	-0.1	-2.1	-0.7	*0.5*	1.6	0.8	1.0	-3.7	*-0.1*	*-1.5*	*-2.4*	*-6.6*	*0.7*	*-2.1*
o/w: pensions5)	*-3.9*	*3.9*	*4.4*	*-2.3*	*-0.1*	*-4.8*	-0.5	0.2	-0.2	-0.8	*-0.3*	*-2.2*	*-2.9*	*-3.2*	*-1.9*	*-2.2*
Other current expenditures	-6.1	23.9	9.9	-8.4	42.6	*-16.7*	30.0	21.8	39.9	4.0	*21.4*	*7.7*	*-14.5*	*4.7*	*37.9*	*9.6*
2. Capital expenditures	-11.8	5.3	6.0	-38.2	12.7	*16.8*	64.1	30.7	25.3	3.6	*20.3*	*-33.2*	*9.7*	*-23.9*	*3.6*	*-6.7*
3. Called guarantees	-2.7	-3.3	-3.7	248.7	267.8	*0.1*	25.3	36.0	8.2	43.4	*28.5*	*-7.9*	*-50.2*	*-22.5*	*-28.1*	*-28.5*
4. Buget lendng	-30.0	-25.0	-38.2	44.2	52.2	*-95.1*	27.7	19.9	43.7	-3.3	*20.8*	*243.9*	*372.7*	*219.7*	*267.5*	*283.9*

Source: *QM* calculations based on the MF data