4. Balance of Payments and Foreign Trade

During Q3 2019, the current deficit stood at EUR 639 million, i.e. 5.4% of GDP and was below the level of the previous two quarters. At the same time, the foreign trade deficit in Q3 2019 was EUR 1 billion, accounting for 8.4% of GDP, and lower than the values recorded in Q1 and Q2. Although deficits in Q3 decreased compared to the previous quarters of 2019, they will be higher at the year-on-year level than last year. We expect the current deficit to reach over 6% of GDP in 2019 and the foreign trade deficit to more than 10% of GDP. Foreign trade flows since the beginning of 2019 have been primarily adversely affected by the strengthening of the domestic currency, rising unit labour costs, rapid growth of domestic demand, the introduction of customs duties on the sale of goods in Kosovo and Metohija, as well as quotas on steel exports to the EU. The foreign trade flows by the end of the year will primarily be adversely affected by the expected lower growth in the eurozone as well as in the countries of the region. During Q3, there was a significant inflow of capital, and within it continued strong growth in FDI inflows. It is estimated that FDI will fully cover and exceed the current deficit level in 2019, for the fifth consecutive year. The appreciation of the domestic currency had a negative effect on foreign trade flows in the previous period, which led to an increase in the foreign trade deficit, and consequently the current deficit. Given the state of foreign trade flows, deficit levels, as well as expected trends, the Government should pursue a foreign exchange policy that would stimulate export growth while slowing import growth, in order to reverse the current trend of the foreign trade imbalance. The price competitiveness of the Serbian economy in recent years has been exacerbated by rising unit labour costs.

Foreign trade deficit and current account deficit decreased in Q3...

...but they will be higher at the year-on-year level than last year

During Q3 2019, the current deficit stood at EUR 639 million, i.e. 5.4% of GDP and below the level of the previous two quarters (Q1: EUR 893 million, i.e. 8.8%, and Q2: EUR 744 million, i.e. 6.6% of GDP). At the same time, the foreign trade deficit in Q3 2019 amounted to EUR 1 billion, accounting for 8.4% of GDP and was lower than the values recorded in Q1 and Q2 (Q1: EUR 1.1 billion, i.e. 10.8% of GDP, and Q2: EUR 1.1 billion, i.e. 9.7% of GDP in Q2). Although deficits in Q3 decreased compared to the previous quarters of 2019, they will be higher at the year-on-year level than last year. We expect the current deficit to reach around 6% of GDP and the foreign trade deficit to be double-digit - i.e. more than 10% of GDP.

Foreign trade flows since the beginning of 2019 have been primarily adversely affected by the strengthening of the domestic currency, rising unit labour costs, rapid growth of domestic demand, the introduction of customs duties on the sale of goods in Kosovo and Metohija, as well as quotas on steel exports to the EU (introduced in February 2019). In addition, the foreign trade flows by the end of the year will be primarily negatively affected by the fact that the decelerated growth in the eurozone as well as in the countries of the region will be higher than originally expected. Developments on the global market have improved the relationship between export and import prices, but this effect is not particularly significant. Price competitiveness will be exacerbated by rising unit labour costs over the next year, and there is little chance of factors neutralising this effect.

FDI are strongly rising, so the inflow of FDI in 2019 will be above the expected level of the current deficit

At the same time, in 2019, the net inflow of FDI capital is expected to be approximately at last year's level. Thus, in 2019, the estimated net FDI inflow will be above the expected level of the current deficit, which has been the case in the previous four years as well (since 2015).

Observed on an year-on-year level, the current deficit was above the level of Q3 2018

Observed on an year-on-year level, the current deficit in Q3 2019 was above the level of Q3 2018 (EUR 556 million, i.e. 5.0% of GDP, see Table T4-1 and Graph T4-2). The year-on-year increase of the current deficit of 0.34 pp of GDP was due to, on the one hand, a higher trade deficit (by 0.12 pp of GDP) and a decrease in inflows on the Secondary Income account (by 1.06 pp of GDP), with a surplus on the Services account (by 0.30 pp. of GDP), and on the other, a decreased deficit on the Primary Income account (by 0.53 pp. of GDP).

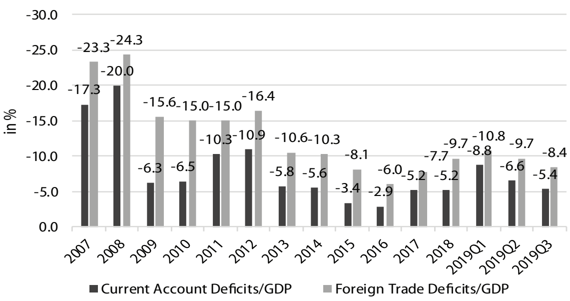
In Q3, the trade deficit was EUR 1.35 billion, accounting for 11.3% of quarterly GDP. Such a share in GDP was by EUR 110 million, i.e. 0.12 pp above the share recorded one year earlier.

Table T4-1 Serbia: Balance of Payments

	2017	2018	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
					mil. euros				
CURRENT ACCOUNT	-2,051	-2,223	-724	-354	-556	-589	-893	-744	-639
Goods	-3,997	-5,245	-1,138	-1,157	-1,240	-1,710	-1,339	-1,321	-1,350
Credit	14,066	15,238	3,576	3,927	3,850	3,885	3,866	4,277	4,174
Debit	18,064	20,483	4,714	5,084	5,090	5,596	5,205	5,599	5,523
Services	966	1,092	226	247	289	329	238	221	347
Credit	5,246	6,000	1,274	1,409	1,659	1,659	1,497	1,635	1,964
Debit	4,280	4,909	1,048	1,162	1,370	1,329	1,258	1,414	1,616
Primary income	-2,533	-2,207	-622	-534	-641	-410	-625	-575	-627
Credit	568	564	113	159	139	153	127	157	161
Debit	3,101	2,771	736	692	780	563	752	732	788
Secondary income	3,514	4,137	810	1,090	1,036	1,201	833	930	990
Credit	4,097	4,740	951	1,237	1,185	1,368	983	1,099	1,148
Debit	583	602	141	147	149	166	150	169	158
Personal transfers, net [1)]	2,758	3,222	633	913	854	823	649	865	878
Of which: Workers' remittances	2,049	2,531	480	741	687	623	470	698	706
CAPITAL ACCOUNT - NET	5	-7	6	-3	-7	-2	-10	-33	-10
FINANCIAL ACCOUNT	-1,648	-1,683	-568	-268	-384	-463	-772	-607	-276
Direct investment - net	-2,418	-3,188	-723	-682	-598	-1,184	-801	-995	-912
Portfolio investment	827	913	-328	181	32	1,028	49	-201	-45
Financial derivatives	-21	21	16	-10	12	2	0	-5	-2
Other investment	-265	-552	70	-432	64	-254	-99	-92	-239
Other equity	-1	-1	0	-1	-1	1	0	0	-1
Currency and deposits	-623	404	21	-317	79	621	-274	-31	301
Loans	-159	-1,303	30	-359	-202	-772	-119	-115	-654
Central banks	9	8	4	0	4	0	4	0	4
Deposit-taking corporations,	-235	-603	95	-80	-290	-328	272	8	-458
General government	9	-198	-103	-69	114	-141	-210	-58	11
Other sectors	58	-510	34	-210	-30	-303	-186	-66	-211
Insurance, pension, and standardized	15	0	0	0	0	0	0	0	0
Trade credit and advances	504	347	18	245	188	-104	295	54	114
Other accounts receivable/payable	0	0	0	0	0	0	0	0	0
SDR (Net incurrence of liabilities)	0	0	0	0	0	0	0	0	0
Reserve assets	228	1,123	398	674	105	-55	79	685	921
ERRORS AND OMISSIONS, net	398	546	150	89	179	128	131	170	373
PRO MEMORIA					in % of GDP				
Current account	-5.2	-5.2	-7.4	-3.3	-5.0	-5.2	-8.8	-6.6	-5.4
Balance of goods	-10.2	-12.2	-11.7	-10.8	-11.2	-15.0	-13.1	-11.7	-11.3
Exports of goods	35.9	35.6	36.8	36.8	34.9	34.1	37.9	37.8	35.1
Imports of goods	46.1	47.8	48.5	47.6	46.1	49.0	51.0	49.5	46.4
Balance of goods and services	-7.7	-9.7	-9.4	-8.5	-8.6	-12.1	-10.8	-9.7	-8.4
Personal transfers, net	7.0	7.5	6.5	8.6	7.7	7.2	6.4	7.6	7.4
GDP in euros[2)]	39,206	42,856	9,725	10,677	11,045	11,408	10,202	11,313	11,894

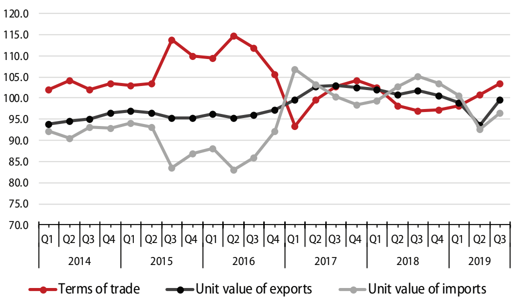
Note: Balance of Payments of the Republic of Serbia is in line with the international guidelines set out in the IMF's Balance of Payments Manual no. 6 (BPM6).
Source: NBS
1) Personal transfers represent current transfers between resident and non-resident households.
2) Quarterly values. The conversion of annual GDP to euros was done at the average annual exchange rate (average of the official daily middle exchange rates of the NBS)

Graph T4-2. Serbia: Current and Foreign Trade Deficits, 2007-2019Q3



Source: NBS, *QM*

Graph T4-3 Year-on-year indices of the trade ratio, 2014-2019Q3

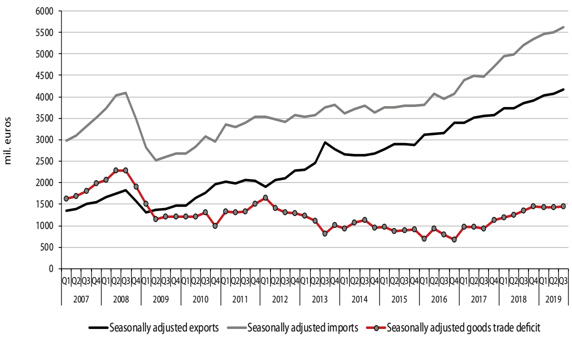


Source: SORS, *QM*

Q3 2019 saw a surplus on the Services account of EUR 347 million, an increase of EUR 58 million, i.e. 0.3 pp of GDP compared to Q3 2018 (from 2.6% to 2.9% of GDP). Therefore, the foreign trade deficit (goods and services deficit) is higher by EUR 51.6 million yoy, but due to a significant growth of GDP it recorded a lower share in GDP by 0.18 pp (from 8.6% to 8.4% of GDP). The recorded value of exports of goods during Q3 was EUR 4,174 million, representing 35.1% of GDP. Imports amounted to EUR 5,523 million and accounted for 46.4% of GDP (Table T4-1).

The net inflow from secondary income in Q3 2019 was EUR 990 million (8.3% of GDP). Of this amount, 878 million was the inflow from personal transfers. This inflow of personal transfers accounts for 7.4% of GDP, down 0.34 pp of GDP from the same quarter of the previous year.

Graph T4-4 Serbia: Seasonally adjusted exports and imports, quarterly, 2007-2019Q3



Source: NBS, SORS, *QM*

During these three months, the net outflow from Primary Income account amounted to EUR 627 million, i.e. 5.3% of GDP.

The year-on-year increase in the trade deficit was nominally higher than the surplus on the Services account, and the foreign trade deficit was higher than last year. In Q3 2019, exports and imports of goods recorded yoy growth rates of approximately 8.4% and 8.5%, respectively[1]. Thus, exports mildly and imports significantly decelerated their growth compared to the growth achieved in the previous quarter (during Q2 2019 the year-on-year increase in exports was 8.9% and imports 10.1%). Seasonally adjusted values also indicate approximately equal growth rates of exports and imports during Q3 2019 - export growth of 2.4% and imports of 2.3% compared to the previous quarter, Graph T4-4.

In Q3 2019, the unit value of imports was 3.5% below the value of Q3 2018. At the same time, the value of exports was 0.3% lower. That led to a slight improvement in the exchange ratio (see Graph T4-3). The further movement of global prices, especially petroleum products and primary agricultural products, is uncertain. After rising in mid-September, oil prices on the global market declined in October to rise again in early December.

A significant inflow of capital was realised, predominantly due to the FDI inflow…

In Q3 2019, a significant inflow of capital of EUR 1.2 billion was realised[2] (Table T4-1). Capital inflows were predominantly due to FDI, as in the previous two quarters. However, unlike Q1 and Q2, there was a significant inflow on the Other Investments account. Thus, the inflow of capital during Q3 was above the current deficit, which caused a significant increase in foreign exchange reserves.

… above current deficit, therefore recording a substantial increase in forex reserves

During Q3, the recorded capital inflow was due to the high net inflow of FDI of EUR 912 million, as well as the net inflow of EUR 239 million in the Other Investments account. FDI inflows in 2018 amounted to EUR 3.5 billion, and in the first half of 2019 to EUR 1.9 billion. In 2018, the largest inflow of FDI was recorded in the following industries: manufacturing (about 1/4 of total FDI inflow), transport and storage (1/5 of FDI), financial and insurance activities (14% of FDI inflow), construction (13%), mining (12%) and trade (9%). In the first half of 2019,[3] the industry branches with the highest FDI inflow were manufacturing (about 1/3 of total inflow), construction (1/5 of inflow), financial and insurance activities (12% of FDI inflow), transport and storage (7%), trade and information (7%), and telecommunications (6%). In addition, a modest inflow from portfolio investment was recorded (EUR 45 million, net), after a significant net outflow on this basis during Q2 2019 (EUR 201 million, net).

Net inflow on the *Other Investments* account amounted to EUR 239 million, of which a significant net inflow was recorded on the *Financial Loans* account (EUR 654 million), a net outflow on the account of *Trade Loans and Advances* (EUR 114 million), as well as a net outflow on the *Cash and Deposits* account (EUR 301 million). The additional borrowing of EUR 654 million net for financial loans, was primarily due to the borrowing of banks (EUR 458 million), primarily from short-term loans. At the same time, additional corporate borrowing was recorded (EUR 211 million, net). The government repaid EUR 11 million net and NBS EUR 4 million. The cumulative growth of foreign exchange reserves in Q3 amounted to EUR 921 million (Table T4-1).

1 The NBS data on imports and exports of goods, as well as the balance of goods, are different from the SORS data (which we use in the following sections of the text: *Exports* and *Imports*) because they do not include goods in processing (see Highlight 1 on Changing the Balance of Payments Methodology in *QM37*). Therefore, there is some difference in export and import levels as well as growth rates, depending on whether the source is NBS or SORS.
2 EUR 1.56 billion including the *Errors and Omittances* account.
3 The available data for FDI by activities for 2019, for which the source was NBS, are up and including Q2.

Trends

Exports

The accelerated growth of exports in Q3...

In Q3, exports amounted to EUR 4,385 million, up 7.2% year-on-year. Compared to the previous quarter's growth, there was a certain acceleration in export growth, which continued in October as well (Table T4-5). Seasonally adjusted values indicate that exports in Q3 were 2.4% above those in Q2 2019.

…continued in October as well

Exports excluding road vehicles also accelerated growth: 8.7% in Q3 and 10.8% in October, after 8.3% in Q2 (Table T4-5). The export value of *Energy* during Q3 was 18.4% below the value from Q3 of the previous year, while in October it was 1% above the level from October 2018. However, these rates have no greater significance for the value of total exports, since energy exports make only 3% of total exports.

The growth dynamics of *Intermediate Goods, Capital Goods* and *Non-durable Consumer Goods* is particularly important in terms of growth of total exports, due to the high share of exports of these goods in total exports. Exports of these three product groups together represent 85% of the total export value, and their individual share is respectively: 39.4%, 24.3% and 21.4% (Table T4-5). Exports of *Capital Goods* accelerated their growth significantly and in Q3 were 6.3% above last year's value, while in October they recorded 6.8% yoy growth. Exports of *Capital Goods* excluding road vehicles were up 14.4% in Q3 and 14.6% higher than in the same period of the previous year. Year-on-year growth of exports of *Non-durable Consumer Goods* also saw an acceleration in Q3 (up 10.5%) and in October (up 13.1%). On the other hand, growth of exports of *Intermediate Goods* decelerated slightly in Q3, only to accelerate again in October.

Growth of exports of Durable Consumer Goods accelerated in Q3 (16.3% yoy), while in October it slowed down to 11.7% yoy. Other exports (unclassified exports) in Q3 were 0.9% below last year's value, while in October they were 0.2% higher than last year's value.

Lower level of external demand in the coming period

In the first ten months of 2019, 2/3 of total exports were exported to EU countries and these exports were 6.9% higher than in the same period in 2018. However, the slowdown in economic growth in EU member states will lead to a decrease in external demand for our goods.

In 2019, the value of exports was adversely affected by the introduction of customs duties on goods sold in Kosovo and Metohija, as well as quotas on steel exports to the EU. By the end of 2019, the value of exports will be adversely affected by lower economic growth in the eurozone and countries in the region than initially expected. The further movement of global commodity prices, primarily the prices of petroleum products, is uncertain.

Table T4-5 Serbia: Exports, year-on-year growth rates, 2017 – October 2019

	Exports share in 2018	2017	2018	2019				2019			
				Q1	Q2	Q3	October	Q1	Q2	Q3	October
	in %			in mil. euros						in %	
Total	100.0	15,051	16,282	4,083	4,473	4,385	1,613	6.6	6.2	7.2	9.1
Total excluding road vehicles	93.4	13,801	15,214	3,869	4,192	4,216	1,542	10.1	8.3	8.7	10.8
Energy	3.0	382	492	90	97	137	48	8.6	-16.0	-18.4	1.0
Intermediate products	39.4	5,743	6,411	1,640	1,810	1,744	634	5.4	10.4	8.9	10.2
Capital products	24.2	3,633	3,933	977	1,076	968	385	2.3	1.8	6.3	6.8
Capital products excluding road vehicles	17.6	2,383	2,864	762	795	799	314	18.8	11.2	14.4	14.6
Durable consumer goods	5.3	811	857	213	249	245	95	8.3	9.7	16.3	11.7
Non-durable consumer goods	21.4	3,358	3,480	852	917	991	352	4.8	4.0	10.5	13.1
Other	6.8	1,124	1,109	312	324	301	100	37.6	11.4	-0.9	0.2

Source: SORS

The foreign exchange policy should be stimulating for the further growth of exports

Although the real exchange rate of the dinar weakened slightly in Q2 and Q3, since the beginning of 2019 the dinar has strengthened in real terms against the euro by 0.5%[4]. This continued the trend of strengthening of the dinar started at the end of 2016, which certainly in the previous period adversely affected foreign trade flows and led to an increase in the foreign trade deficit, and consequently influenced the current deficit growth. The level of the current and foreign trade deficit and the expected trends in foreign trade indicate that in the coming period, the exchange rate policy should be pursued in order to stimulate the growth of exports

4 See the section *Prices and Foreign Exchange Rate* in this and the previous issue of *QM*.

and slow down the growth of imports, and to reverse the current trend of increasing foreign trade imbalances. The increase in unit labour costs in the coming years would further impair the international competitiveness of the Serbian economy.

Imports

Imports in Q3 2019 amounted to EUR 5,781 million, 6.7% above Q3 2018 (Table T4-6). As a result, imports slightly slowed down their growth, after a certain slowdown in the previous quarter (8.9% growth in Q1 and 7.7% in Q2 2019). October data indicate a more pronounced deceleration in import growth, as the level recorded this month was only 0.7% above the October 2018 value.

In Q3 2019, a miled deceleration in the growth of imports was recorded …

The most pronounced yoy decline in imports in Q3 2019 was recorded by Energy (-17.5%), and it continued in October (-22.4%), which is largely due to the lower global prices of oil. Thus, the value of imports excluding energy imports in Q3 was 10.1%, and in October it was 4.4% higher than last year's value.

…The deceleration further continued and intensified in October

In addition, imports of unclassified goods (*Other* in Table T4-6) recorded a lower level compared to the last year's level (-4.4% in Q3 and -5.5% in October). On the other hand, imports of *Capital Goods* and *Durable Consumer Goods* after significant yoy growth in Q3 recorded a yoy decline in October. The growth in imports of *Intermediate Goods* has been double-digit since the beginning of 2019. After accelerating growth in Q3 (16.5% yoy), the import value of these products recorded a slight slowdown in October (12.9% yoy).

The movement of imports in the coming quarters will be influenced by the movement of oil prices on the global market, which is uncertain in the forthcoming period. Increasing imports will be driven by rapid growth in domestic demand. If the trend of a real appreciation of the dinar persists, which has been present for a long time, will also work towards increasing imports in the coming quarters.

Table T4-6 Serbia: Imports, year-on-year growth rates, 2017 – October 2019

	Imports share in 2018	2017	2018	2019				2019			
				Q1	Q2	Q3	October	Q1	Q2	Q3	October
	in %	in mil. euros						in %			
Total	100.0	19,396	21,919	5,529	5,877	5,781	2,146	8.9	7.7	6.7	0.7
Energy	11.6	2,026	2,541	586	558	549	231	11.2	-2.4	-17.5	-22.4
Intermediate products	35.6	6,913	7,810	2,021	2,228	2,258	803	10.1	12.4	16.5	12.9
Capital products	21.0	4,186	4,593	1,107	1,198	1,149	426	0.7	1.0	4.1	-1.8
Durable consumer goods	2.0	405	436	103	126	122	45	-0.6	22.5	19.5	-4.1
Non-durable consumer goods	14.9	2,930	3,269	836	875	917	352	7.3	12.6	16.4	4.6
Other	14.9	2,936	3,269	875	892	787	289	19.8	6.5	-4.4	-5.5
Imports excluding energy	88.4	17,370	19,378	4,942	5,319	5,233	1,915	8.7	8.8	10.1	4.4

Source: SORS

Foreign Debt

At the end of June 2019, foreign debt stood at EUR 27.8 billion, i.e. 63.3% of GDP

Seriba's foreign trade at the end of June 2019 was EUR 27,817 million[5], i.e. 63.3% of GDP (Table T4-7). Compared to March 2019, the foreign debt was higher by 676 million euros (by 0.6 pp of GDP).

Foreign debt increased by EUR 676 million during Q2, which was predominantly the result of private-sector debt growth - by EUR 644 million, while the public sector additionally borrowed EUR 32 million (Table T4-7). During Q2, companies increased their level of foreign debt by EUR 619 million (of which EUR 327 million was an increase in the level of long-term debt and 292 a rise in short-term debt). At the same time, banks additionally borrowed EUR 22 million net (EUR 67 million on long-term debt, while the level of short-term debt was EUR 44 million lower than at the end of Q1, see Table T4-7).

5 The source of data for foreign debt and international investment position was NBS and the latest available data was for June 2019.

Growth of foreign debt during Q2 2019 was predominantly due to the private sector borrowing, mostly by companies

Between June 2018 and June 2019, foreign debt increased by EUR 1.73 billion. During this period, the public sector reduced its foreign debt borrowing by EUR 334 million, while the private sector borrowed EUR 2.07 billion at the same time. In this one-year period, on the basis of long-term debt, companies additionally borrowed abroad EUR 1.6 billion, of which EUR 1.25 billion was an increase in long-term debt. Banks borrowed EUR 451 million, of which EUR 212 million was an increase in long-term debt (Table T4-7).

Compared to June 2018, the foreign debt was higher by EUR 2.07 billion, out of which the growth of long-term debt of companies was EUR 1.25 billion

Table T4-7 Serbia: Foreign debt trend dynamic, 2015 – 2019

	2015	2016	2017	2018				2019	
				Mar.	Jun	Sep.	Dec.	Mar.	Jun
	stocks, in EUR millions, end of the period								
Total foreign debt	26,234	26,494	25,573	25,385	26,084	26,502	26,829	27,142	27,817
(in % of GDP) [4]	*73.3*	*72.1*	*65.2*	*63.1*	*63.1*	*62.8*	*62.6*	*62.6*	*63.3*
Public debt[1]	15,295	15,680	13,910	13,767	14,094	13,994	13,422	13,728	13,760
(in % of GDP)[4]	*42.7*	*42.7*	*35.5*	*34.2*	*34.1*	*33.2*	*31.3*	*31.7*	*31.3*
Long term	15,295	15,680	13,910	13,767	14,094	13,994	13,422	13,728	13,760
o/w: to IMF	15	0	0	0	0	0	0	0	0
o/w: Government obligation under IMF SDR allocation	493	494	462	458	468	468	472	480	475
Short term	0	0	0	0	0	0	0	0	0
Private debt[2]	10,939	10,815	11,663	11,619	11,990	12,508	13,407	13,413	14,057
(in % of GDP) [4]	*30.6*	*29.4*	*29.7*	*28.9*	*29.0*	*29.6*	*31.3*	*31.0*	*32.0*
Long term	10,636	10,142	10,770	10,778	11,068	11,358	11,927	12,137	12,532
o/w: Banks debt	2,057	1,408	1,519	1,507	1,556	1,641	1,717	1,701	1,768
o/w: Enterprises debt	8,576	8,729	9,242	9,261	9,502	9,706	10,199	10,425	10,751
o/w: Others	4	6	9	10	10	11	11	11	13
Short term	303	672	893	840	922	1,150	1,480	1,277	1,525
o/w: Banks debt	186	590	817	761	833	1,067	1,346	1,117	1,073
o/w: Enterprises debt	116	82	76	79	89	83	134	159	452
Foreign debt, net 3), (in% of GDP)[4]	44.3	44.4	39.8	37.7	36.2	36.3	36.3	36.2	35.6

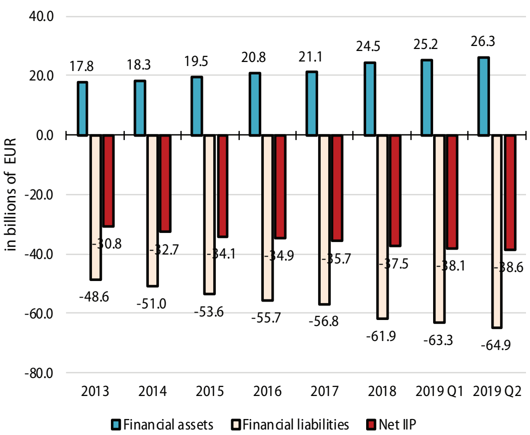
Note: Republic of Serbia's foreign debt is calculated according to the principle of „maturing debt", which includes the amount of debt per principal and the amount of accrued interest not paid at the moment of the agreed maturity.
Source: NBS, QM
1) The foreign debt of the Republic of Serbia's public sector includes the debt of the state (which includes the debt of Kosovo and Metohija for loans concluded before the arrival of the KFOR mission, unregulated debt to Libya and clearing debt to the former Czechoslovakia), of the National Bank of Serbia, local self-government units, funds and agencies founded by the state and the debt for which the state guarantee was issued.
2) The foreign debt of the Republic of Serbia's private sector includes the debt of banks, enterprises and other sectors, for which a state guarantee has not been issued. Private sector's foreign debt does not include loans concluded before December 20, 2000 for which no payments are made (EUR 974.8 million, of which EUR 422.6 million refers to domestic banks, and EUR 552.2 million to domestic enterprises).
3) Total foreign debt reduced by NBS forex reserves.
4) The sum of the GDP of the observed quarter and the previous three quarterly GDP values is used.

International Investment Position

During the first six months of 2019, Serbia's IIP recorded a EUR 1.3 billion increase…

…At the end of June, it was EUR 38.6 billion

Graph T4-8 Serbia: Net International Investment Position, in billions of EUR



Source: NBS
Note: Net financial liabilities are shown as negative values in the graph.

At the end of the first half of 2019, the International Investment Position (IIP)[6] of Serbia was EUR 38.6 billion, with Serbia's claims abroad amounting to EUR 26.3 billion, and liabilities EUR 64.9 billion (Graph T4-8). During the first six months of 2019, both financial assets and financial liabilities grew by EUR 1.8 billion and EUR 3.1 billion, respectively. Thus, in this period, the growth of IIP was EUR 1.3 billion.

Individual positions within the net financial liabilities indicate that, at the end of June 2019, FDI reached EUR 36.7 billion, that loans were at the level of EUR 17.9 billion and that the portfolio investments were EUR 5.05 billion. Therefore, since the beginning of the year, there has been an increase in liabilities of 2 billion euros for FDI, EUR 191 million for loans, and EUR 288 million for portfolio investments.

6 The International Investment Position of the country (MIP) includes financial assets and liabilities of international character. It represents the difference between foreign financial assets in our possession (foreign reserves, our direct and portfolio investments abroad, approved loans abroad, etc.) and foreign financial liabilities in Serbia (foreign direct and portfolio investments, debts abroad, etc.). The country is a net creditor if its claims and assets abroad are higher than foreign assets in the country and its foreign debts.