6. Fiscal flows and policy

Fiscal deficit in Q1 2014 ran at 65.8 billion dinars (about 7.6% of the quarterly GDP), and at the end of April it widened to 81.4 billion dinars, which is above the projections. Fiscal deficit exceeded the projections primarily because the budget revenues fell short of the plan due to a downward revision of the nominal GDP, inflation rate and dinar depreciation below the expected level and failure of the measures against shadow economy to produce the desired effects (there may have even been a rise in shadow economy activities). With the current trends in revenues and announced rise in expenditures, exclusive of flood consequences, and if no fiscal consolidation measures were applied, 2014 fiscal deficit could run at extremely high and unsustainable 8% of GDP. Additionally, flood-caused loss of revenues and rise in expenditures are estimated at about 0.2% of GDP altogether, meaning that without implementation of fiscal consolidation measures 2014 fiscal deficit could grow to 8.2% of GDP. Capital expenditures in Q1 stood at only 1.6% of GDP, meaning that these expenditures take only 1/5 of the fiscal deficit and the rest comes from current public spending. This suggests that the largest share of the current debt burden will be passed on to future generations, which is extremely unfair from the aspect of intergenerational equity. Although the announced fiscal consolidation measures are necessary, they are not sufficient to provide for a sustainable public finance because they will bring savings of 0.3% of GDP at the most, meaning that additional measures aimed at a more dramatic reduction in current expenditures – primarily on pensions and subsidies (including indirect subsidies – below-the-line subsidies) must be implemented. At the end of April 2014 public debt stood at 65.4% of GDP. If no additional measures for fiscal consolidation were implemented, and with other macroeconomic indicators unchanged, public debt could grow to 71-72% of GDP at the end of the year.

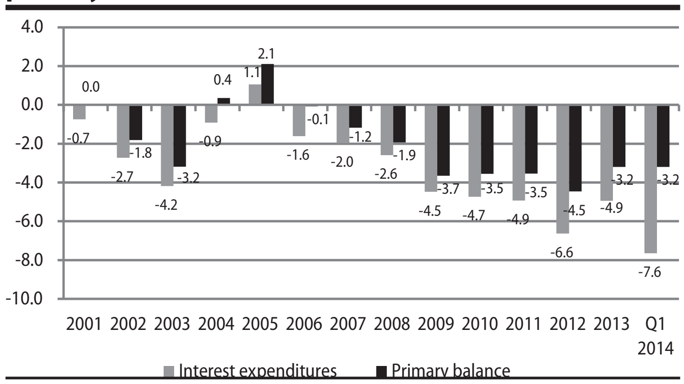
General tendencies and microeconomic implications

In the first four months of 2014 consolidated fiscal deficit exceeded the projections amounting to 81.4 billion dinars

In Q1 2014 consolidated fiscal deficit amounted to 65.8 billion dinars (about 7.6% of the quarterly GDP), and at the end of April it widened to 81.4 billion dinars (about 29% of the projected annual fiscal deficit). This is above the projections, especially because fiscal deficit usually widens more in the last six months under seasonal factors. Fiscal deficit exceeded the targeted level primarily because the consolidated budget revenues in the first four months of 2014 fell short of the plan.

Primary fiscal deficit ran at 3.2% of GDP in Q1 2014

Graph T6-1. Serbia: Consolidated fiscal balance and primary fiscal balance (GDP%)[1]

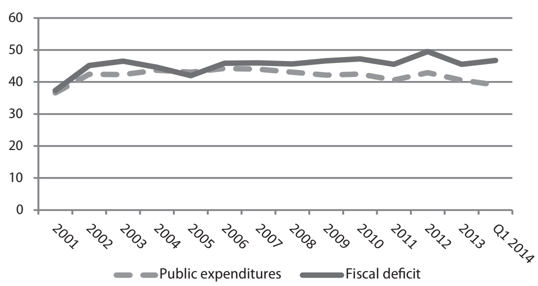


Source: QM calculation

1 Primary deficit (deficit without interests) is the difference between the total public revenues and the overall public expenditures subtracted by expenditures on interest payments.

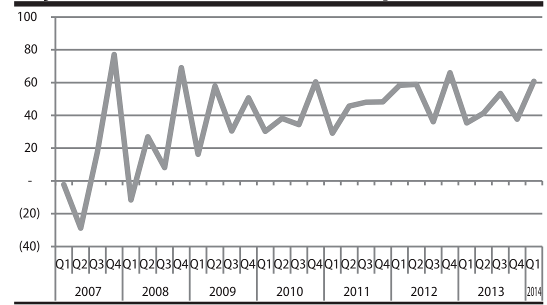
Primary fiscal deficit in Q1 (fiscal deficit exclusive of expenditures on interest payment) stood at 3.2% of GDP, meaning that more than a half of consolidated fiscal deficit came from expenditures on interest payment. Primary deficit in 2013 and in Q1 2014 was somewhat smaller than in the preceding years, but the overall fiscal deficit is growing. This indicates increasing importance of expenditures on interest payment as one of the key drivers of fiscal deficit. If public debt continued growing, fiscal deficit could become self-generating in the future, due to growing indebtedness and consequently tougher borrowing conditions (higher interest rates).

Graph T6-2. Serbia: Consolidated public revenues and public expenditures (GDP%)



Source: QM calculations

Graph T 6-3. Serbia: Real seasonally adjusted fiscal deficit (in 2013 prices)



Source: QM calculations

Without implementation of measures for strong fiscal consolidation, 2014 fiscal deficit will exceed the targeted level considerably – and widen to about 8.2% of GDP

Fiscal trends detected in the first four months show that if other circumstances remained unchanged, public revenues in 2014 could fall short of the plan by about 50-60 billion dinars, due to a number of factors.

...because public revenues fell short of the plan

Public revenues fell short of the projections due to several factors. Firstly, according to the final GDP estimate made by the Statistical Office of the Republic of Serbia (SORS), 2013 nominal GDP is much below the previous estimates. Consequently, 2014 nominal GDP on which the budget projections were based will have to be revised down. Therefore, 2014 public revenues will be by about 0.5% of GDP below the targeted. Systematic disproportion between the SORS's final and preliminary estimates of macroeconomic indicators, reoccurring from year to year, is a large obstacle to good fiscal planning, which suggests an urgent need for improvements in this area of their work. Secondly, inflation slowed significantly in the period January-April - y-o-y inflation was at 2% in April, so it should rise considerably by the end of the year to reach the projected 4.5%, which is quite unlikely. In the third place, nominal dinar depreciation in the period January-April is much below the expected average annual dinar depreciation of 4-5%. And finally, measures against shadow economy failed to produce the desired effects in the period. There may have even been an increase in shadow economy activities and/or tax arrears, due to a growing illiquidity of economy. On the other hand, the announced economic policy (subsidized loans to improve liquidity of economy and similar) will increase expenditures. However, additional savings will be made on some items so the overall expenditures could be somewhat below the targeted. In that case, 2014 consolidated fiscal deficit (exclusive of flood consequences and without implementation of fiscal consolidation measures) is estimated at about 8% of GDP, which is extremely large and unsustainable even in the mid-term.

Flood-caused rise in expenditures and loss of revenues could widen 2014 fiscal deficit by 0.2% of GDP altogether

Flood relief and rehabilitation program that will be funded from the budget and flood-related loss of revenues will widen fiscal deficit even more than expected. Although no accurate flood damage estimates can be made yet, and since large infrastructure rehabilitation projects imply previous preparation of design documentation, selection of contractors etc., it is quite reasonable to expect that these expenditures will be more massive in 2015 than in 2014. A great deal of funds for this purpose can be provided through redistribution of public expenditures, and a part can be raised through donations. A part of tax liabilities shall be written off in the municipalities hit by floods (for example property tax) and the level of economic activity in these areas will go down, which will altogether cause a loss of public revenues. On the other hand, implementation of flood rehabilitation program that will be partly funded from donations could lessen the loss of public revenues. Based on the foregoing, we estimate that floods will widen fiscal deficit by 0.2% of GDP.

The announced fiscal consolidation measures are necessary, but a successful fiscal consolidation requires further reduction in current expenditures – on pensions and subsidies

The announced measures for fiscal consolidation (10% cut in public sector wages, more stringent discretionary expenditures policy (on per diem, official state cars etc.), public sector employee right-sizing, restructuring and privatization of state-owned companies within a reasonable term etc.) are necessary and justifiable but insufficient because they will provide for net savings of only 0.3% of GDP. A package of measures intended to reduce fiscal deficit to the level that would provide for stabilization of public debt-to-GDP ratio in the mid-term (in the next three years) is therefore required. This means that, alongside with the announced measures, additional measures aimed at considerable further, permanent reduction in expenditures – primarily on pensions and financial support to large state-owned and public companies (Srbijagasa, Železare Smederevo and the like), should be applied soon. Without these additional measures, minimum required level of fiscal adjustments to avoid public debt crisis cannot be made.

Analysis of the dynamics and structure of public revenues and public expenditures

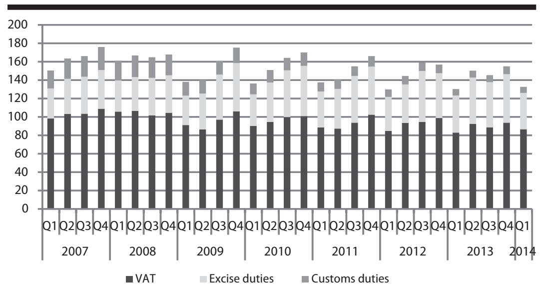
Revenues are going down moderately in the first four months of 2014...

In the period January-April 2014 public revenues went down slightly again – compared with the same period last year they suffered a real drop of 0.9%, and compared with the last four months of 2013 real seasonally adjusted public revenues went up slightly (by 0.7%).

...because revenues from tax on factors of production are falling and growth rate of revenues from consumption tax is below targeted

Drop in public revenues mainly comes from decrease in revenues from tax on factors of production. Additionally, real growth in revenues from consumption tax fell short of projections.

Graph T 6-4. Serbia: Trends in real consolidated seasonally adjusted revenues from consumption tax (in 2013 prices)



Source: QM calculations

Revenues from VAT are below the last year's level

Real seasonally adjusted revenues from VAT collected in the period January-April 2014 rose considerably (by 7.1%) compared with the period September-December 2013. However, compared with the first four months of 2013 these revenues went down (by 1.6%) in spite of VAT rate increase, suggesting continuation (and deepening) of negative trends in these revenues. This is attributed to downward revision of nominal GDP, inflation slow-down, nominal dinar exchange rate depreciation below the targeted, failure of measures against shadow economy, and possible rise in tax arrears.

Excise revenues are going down due to drop in legal sale of excise goods – primarily tobacco products

Seasonally adjusted excise revenues went down moderately in Q1 2014 (by 1.4%) compared with the preceding quarter. However, in the period January-April 2014 real excise revenues went up moderately (by 3.6%) compared with the same period last year, primarily due to somewhat better collection of these revenues in April. Decline in excise revenues, in spite of the regular excise rate increase at the beginning of the year, indicates a drop in legal sales of excise goods caused by real decline in demand for these products (due to lower income and price rise), and possibly by rise in illegal sales of excise goods. Trends in excise revenues by different excise goods show that revenues from excise on petroleum products are rebounding, because the government managed to stamp out illegal sale of base oil, but downward trend in revenues from excise on tobacco products continues, which indicates that the measures against illegal sale of these products were ineffective.

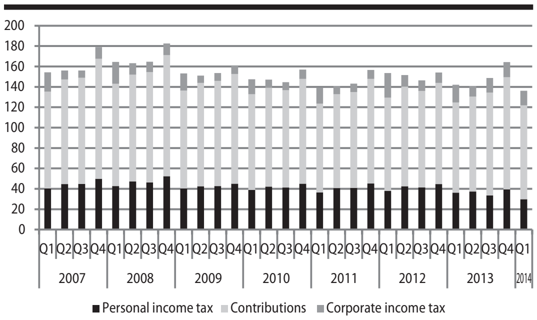
Custom revenues are more stable because the process of foreign trade liberalization is almost finished

In the period January-April 2014 custom revenues went down moderately (by 6%) compared with the same period last year. However, custom revenues (real, seasonally adjusted) went up slightly (by 1.6%) in Q1 (the second quarter in a row) compared with the previous quarter. After years of continuous decline, custom revenues stabilized to some extent, because the tariffs have already been reduced to the level set forth in the Stabilization and Association Agreement with the EU and agreements on avoidance of double taxation signed with other countries, so 2014 saw no significant reduction in tariffs. More stable custom revenues can also be attributed to unchanged dinar exchange rate and moderate real rise in imports (by 1%) compared with Q1 2013.

Real revenues from personal income tax and social security contributions are going down because real income and formal employment are falling

Revenues from personal income tax (real, seasonally adjusted) went down (by 6%) in the period January-April compared with the preceding four-month period, and when compared with the same period last year, there was a sharp real drop in these revenues (by 18.1%). At the same time, real seasonally adjusted revenues from social security contributions went down (by 1.7%) in the first four months of 2013 compared with the preceding four-month period, and when compared with the same period last year, these revenues increased moderately (by 3.9%). This drop in revenues from personal income tax and rise in revenues from social security contributions in the period January-April 2014 compared with the same period last year mainly came from reduction in tax rate for wages and increase in the rate of old-age pension and disability pension contributions in June 2013. Drop in revenues from personal income tax and social security contributions in the first four months of 2014 compared with the last four months of 2013 came from a decline in numbers of formally employed (according to the RAD survey, the number of formally employed in Q1 was by 1% or 17,000 employees below the average in 2013) and reduction in real wages (according to the RAD survey, real wages fell by 2.1% in Q1 2014 compared with the same period last year). Drop in revenues from personal income tax and social security contributions could partly be caused by increase in informal employment.

Graph T 6-5. Serbia: Trends in real consolidated seasonally adjusted revenues from tax on factors of production (in 2013 prices)

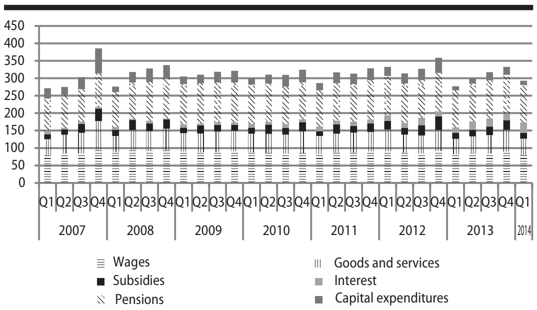


Source: QM calculation

Revenues from corporate income tax are going down due to change in tax calendar and deteriorating business performance

Real seasonally adjusted revenues from corporate income tax in Q1 went down considerably (by 19.4%) compared with the previous quarter, and in the period January-April these revenues fell slightly (by 1.8%) relative to the same period last year. Drop in revenues from corporate income tax mainly came from changes in tax calendar (as of this year corporate income tax shall be paid in June instead of March), and a much slower y-o-y drop in these revenues confirms this. However, quarter-over-quarter fall in real seasonally adjusted revenues from corporate income tax cannot be attributed to changes in tax calendar, meaning that the drop in revenues from corporate income tax was also caused by deteriorated business performance – decreasing profitability, but also growing illiquidity. Other tax revenues (real) grew considerably (by 16.4%) in the period January-April 2014 compared with the same period last year, primarily thanks to a more efficient use of direct and transferred public revenues by local governments. Non-tax revenues went up slightly (by 2%) during the first four months of 2014 relative to the preceding quarter, primarily due to solidarity tax collection.

Graph T 6-6. Serbia: Trends in consolidated seasonally adjusted public expenditures (in 2013 prices)



Source: QM calculations

Public expenditures grew considerably in the period January-April due to rise in expenditures on interest payment, expenditures on goods and services and other current expenditures

Real seasonally adjusted public expenditures went up moderately (by 3.4%) in the period January-April compared with the preceding four-month period, and when compared with the same period last year, rise in these expenditures was somewhat slower (by 2.7%). Increase in public expenditures in this period came from a considerable rise in expenditures on interest payment, goods and services and other current expenditures.

Expenditures on interest payment are growing steeply – because interest on euro-denominated bonds is falling due

Expenditures on interest payment rose considerably (by 24.9%) in the period January-April 2014 compared with the same period last year. These expenditures were much higher than in the last four months of 2013 (exclusive of effects of seasonal factors), as well. Steep rise in expenditures on interest payment came from payment of interest on euro-denominated bonds (falling due in November 2013 and in 2012), with six-month maturity period. Additionally, rising indebtedness of the country and changed interest structure of public debt - share of cheap debt (for example old foreign currency savings) is shrinking in favour of new, expensive loans, are pushing up expenditures on interest payment.

There was a real rise in expenditures on goods and services in the first four months of 2014 (by 6.4%) compared with the same period last year. These expenditures were higher than at the end of 2013, as well (real seasonally adjusted expenditures on goods and services in Q1 2014 went

Expenditures on goods and services are going up – because some previously delayed procurements and payments for procured goods and services have to be executed

up by 4% relative to the preceding quarter). Expenditures on goods and services went up mainly because some procurements and/or payments for procured goods or services that were subject to delay previously had to be done and made in the period, this especially refers to the Health Insurance Fund of the Republic of Serbia. This suggests that fiscal consolidation program cannot count on massive permanent reduction in expenditures on goods and services.

Expenditures on employees are going down slightly, due to public sector hiring freeze and restrictive indexation policy...

There was a real drop in expenditures on employees in the period January-April (by 2.6%) compared with the same period last year. These expenditures went down relative to the preceding quarter, too (real seasonally adjusted expenditures on employees in Q1 were by 3.9% lower than in the last quarter of 2013). This comes from public sector hiring freeze, as of January 2014. Establishment of the register of public sector employees gives the Ministry of Finance a better insight into public sector wage and employment policy, but the mechanisms of direct control (over wage and employment policy in public companies, local self-governments etc.) are still quite poor.

...and expenditures on pensions are higher than in 2013

There was a real rise in expenditures on pensions in the first four months of 2014 (by 0.4%) relative to the same period 2013, primarily due to increase in numbers of pensioners (by about 1%) and strong inflation slowdown. Real seasonally adjusted expenditures on pensions in Q1 2014 were by 1.6% lower than in Q4 2013. This mainly came from abolition of additional payments to pensioners with small pension as of the beginning of 2014.

Capital expenditures are growing because the government is paying off its arrears... but they are still low (only 1.6% of GDP)

Real seasonally adjusted capital expenditures went up steeply in Q1 (by 22.7%) compared with the preceding quarter because the government paid off its arrears. However, capital expenditures in the period January-April 2014 were by 2.1% lower than in the same period last year, meaning that they are still extremely low – these expenditures took only 1.6% of the quarterly GDP in Q1. This means that only 1/5 of fiscal deficit in this period came from expenditures on public investments and 4/5 came from current spending. This suggests that the largest share of the current fiscal deficit burden will be passed on to future generations, which is extremely unfair from the aspect of intergenerational equity and economically inefficient.

Expenditures on subsidies are slowing down, but they could go up in the following period

There was a real drop in expenditures on subsidies in the period January-April 2014 (by 5.9%) relative to the same period last year because some subsidy programs were abolished (investment and employment incentives) and expenditures on subsidies at the local level were reduced. Real seasonally adjusted expenditures on subsidies went up considerably in Q1 (by 11.3%) relative to the preceding quarter, because the ministry of economy of the time almost completely abolished subsidies at the end of 2013, and because some subsidy payments were delayed to keep 2013 fiscal deficit at the targeted level. Revival of certain subsidy programs (on employment, liquidity etc.) suggests that these expenditures could grow in the following period.

Fiscal trends by government levels

Central government runs deficit and other government levels are in surplus, which indicates existence of vertical disequilibrium

Q1 2014 saw continuation of the trend detected in 2013 – central government runs deficit and other government levels (Health Insurance Fund of the Republic of Serbia, Autonomous Province of Vojvodina and local self-governments) are in surplus. Local self-governments had the largest surplus (totalling about RSD 4.6 billion in Q1). This indicates existence of vertical disequilibrium in distribution of funds and competences among different government levels, caused by seasonal factors and remaining effects of 2011 fiscal decentralization. However, to make valid conclusions about the disequilibrium in distribution of revenues and competences among different government levels, effects of abolition of compensation for construction land use and expected flood-caused drop in revenues and rise in expenditures at different government levels must be taken into account.

Table T 6-7. Serbia: Fiscal surplus (deficit) at different levels of government (bn. RSD, current prices)

Year	Budget of Republic	Pension fund	National Employment Service	Health fund	Vojvodina budget	Localself-governments
2010	-108.0	-1.0	-0.1	1.9	-9.6	-11.5
2011	-144.3	0.2	1.3	2.1	-0.7	-15.6
2012	-213.0	-0.4	0.8	4.0	1.1	-0.3
2013	-194.4	-1.2	-0.5	8.7	1.3	6.3
Q1 2014	-78.0	0.3	0.0	4.8	1.8	4.6

Source: QM calculations based on the Ministry of Finance's data

Central government revenues are rising, and the revenues collected by local self-governments and the Health Insurance Fund of the Republic of Serbia are falling

There was a real rise in central government revenues in Q1 2014 (by 3.3%) relative to the same period last year, and the revenues collected by local self-governmets and the Healt Insurance Fund of the Republic of Serbia fell (by 1.8% and 16.1% respectively). This rise in central government revenues was driven by increase in revenues from VAT and non-tax revenues. The y-o-y decrease in local self-government revenues came from a steep drop in revenues from wage tax (tax rate on wages was reduced in June 2013) and non-tax revenues, cushioned by the rise in revenues from property tax and other tax revenues, which indicates that local self-governments increased their efforts to make up the loss of revenues from wage tax and compensation for construction land use by more efficient collection of own source public revenues.

Rise in central government expenditures, and reduction in local self-governments' spending

Q1 2014 saw a real rise in central government expenditures driven by seasonally massive expenditures on interest payment, increase in expenditures on subsidies, social security and other current expenditures. The Health Insurance Fund of the Republic of Serbia spent more than in the preceding period primarily due to steep rise in expenditures on goods and services, which could be caused by execution of some perviously delayed procurements and payments for procurred goods and services. Sharp drop in local self-government revenues led to a decrease in expenditures at this government level in Q1, primarily through reduction in expenditures on subsidies, capital expenditures, expenditures on state benefits and a slight reduction in expenditures on wages, as a way to adjust to reduced revenues.

The existing system for funding different government levels needs to be reorganized...

Fiscal decentralization made in 2011 is an example of a poorly prepared reform which led to a vertical disequilibrium in distribution of competences and revenues among different government levels and rise in non-productive public spending (on employees, goods and services, subsidies etc.). The disequilibrium in distribution of competences and revenues among different government levels, inconsistent and unpredictable distribution of funds to local self-governments, and the fact that local self-governments do not make full use of their own source revenues and make savings through reduction in local public investments and expenditures on state benefits rather than reduction in other non-productive expenditures (on wages, goods and services and the like) suggest the need for a systemic reorganization of the system for funding different government levels.

...to make all government levels more responsible for collection of public revenues and management of the available funds

This reform in the system for funding different government levels should ensure that all government levels share the burden of the upcoming fiscal consolidation equally and that all government levels are more responsible for collection of their own source revenues and management of the collected funds.

Trends in public debt

Serbia's public debt stood at EUR 20.6 billion (65.4% of GDP) at the end of April 2014

Serbia's public debt grew by EUR 540 million in the first four months of 2014 and stood at EUR 20.6 billion (about 65.4% of GDP) at the end of April 2014. This increase came from the rise in direct debt, while the downwards trend in indirect debt (detected at the end of 2013) continued. Public debt-to-GDP ratio worsened in this period (by 1.7% of GDP) primarily due to rise in absolute amount of public debt, caused by a very small real appreciation of dinar exchange rate in this period, and real GDP growth was too low to improve the ratio. This increase in public debt in the period January-April was smaller than fiscal deficit in the period (which stood at about EUR 700 million) because current fiscal deficit was partly funded from deposits obtained through a massive sale of euro-denominated bonds in November 2013. Decrease in government deposits confirms this (see Monetary flows and policy).

Table T6-8. Serbia: Public debt[1] 2000-2014

	Amount at the end of period, in billions EUR											
	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	Q1 2014	Apr-14
I. Total direct debt	14.17	9.62	8.58	8.03	7.85	8.46	10.46	12.36	15.07	17.3	17.7	17.8
Domestic debt	4.11	4.26	3.84	3.41	3.16	4.05	4.57	5.12	6.5	7.0	7.5	7.6
Foreign debt	10.06	5.36	4.75	4.62	4.69	4.41	5.89	7.24	8.6	10.2	10.3	10.2
II. Indirect debt	-	0.66	0.80	0.85	0.93	1.39	1.71	2.11	2.60	2.81	2.8	2.8
III. Total debt (I+II)	**14.17**	**10.28**	**9.38**	**8.88**	**8.78**	**9.85**	**12.17**	**14.47**	**17.67**	**20.1**	**20.5**	20.6
Public debt / GDP[2]	**169.3%**	**50.2%**	**36.2%**	**29.4%**	**25.6%**	**31.3%**	**41.5%**	**45.1%**	**59.3%**	**61.2%**	**62.3%**	**62.7%**
Public debt / GDP (QM)[3]	**169.3%**	**52.1%**	**37.8%**	**30.9%**	**29.2%**	**34.8%**	**44.6%**	**46.9%**	**60.0%**	**63.7%**	**64.9%**	**65.4%**

Source: Ministry of Finance's data and QM calculations

Portfolio investors are satisfied with the election results... interest rates are going down

Upwards trend in sales of Serbian treasury bills to portfolio investors continued in the period January-May. Additionally, interest rates on treasury bills and bonds fell in April – euro-denominated bonds with maturity period of five years and interest rate of 4.92% were sold at the end of April in the domestic market, which is more than one percentage point lower than the interest rate on euro-denominated bonds sold on international market in November 2013. However, the drop in interest rates and rise in prices of government bonds on secondary market does not indicate that the health of Serbian public finance improved but comes from favourable trends in international capital market (the Fed and European Central Bank's expansionary policy continued), and investors' positive expectations about the new Government, which is, unlike its predecessor, free from political obstacles to reforms.

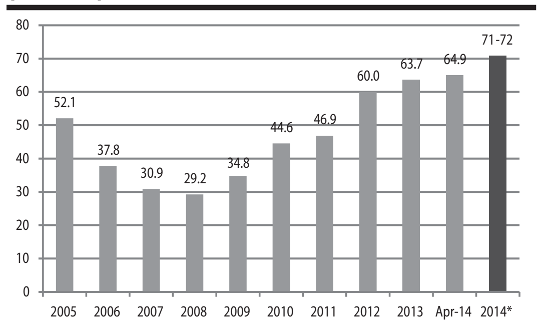
...but without urgent implementation of fiscal consolidation and reforms, interest rates are likely to rebound

However, without strong fiscal consolidation and implementation of the announced structural reforms intended to improve business environment and quality of public services, interest rates will reasonably rebound and/or investors interest in government securities will beging to flag. Interest rates could go up if the Fed and European Central Bank tightened their monetary policy, regardelss of implementation of the announced reforms. However, the rise under this scenario would not be as sharp as under the one first mentioned.

Positive trends in indirect debt are not lasting

Downwards trend in public debt continued in the period January-April. After shrinking by EUR 80 million in Q4 2013, it narrowed by additional EUR 30 million in the period January-April 2014. Although such developments are welcome, because the growth in indirect debt pushed up Serbia's total public debt considerably in the preceding years, this positive trend is temporary because its key drivers (restructuring of Srbijagas, finalization of restructuring of state-owned companies, privatization or closing of Železara etc.) have not been eliminated. Without urgent implementation of measures intended to eliminate the causes of growth in indirect public debt, the savings that will be made through the announced fiscal consolidation will be offset by issuance of additional government guarantees on loans to these companies.

Graph T 6-9: Trends in public debt in Serbia (GDP %)



Source: QM calculations

Public debt will amount to 71-72% of GDP at the end of 2014

If no additional measures for fiscal consolidation are implemented, 2014 fiscal deficit will exceed the projections, and indirect public debt will probably rebound by the end of the year (due to government guarantees on loans to Srbijagas, „soft loans" to Železara Smederevo etc.), and the flood consequences will probably widen fiscal deficit, and with other indicators unchanged (steady GDP, inflation rate at the projected level etc.), public debt could amount to 71-72% of GDP at the end of the year. The announced measures for fiscal consolidation will bring savings of 0.5% of GDP at the most in the current year, and additional measures will not be proposed until October (meaning that they will not produce much effect in 2014). Therefore, fiscal consolidation measures cannot be expected to reduce the public debt below the foregoing level at the end of the year. However, strong fiscal consolidation would produce considerable positive effects on public debt dynamics in the following years.

ANNEX

Annex 1. Serbia: Consolidated General Government Fiscal Operations[1)], 2008-2013 (nominal amounts, bn RSD)

	2008	2009	2010	2011	2012					2013					2014	
					Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Jan-April
I PUBLIC REVENUES	**1,145.9**	**1,146.5**	**1,223.4**	**1,302.5**	**312.6**	**339.7**	**355.1**	**398.0**	**1,405.4**	**330.0**	**362.4**	**369.1**	**406.4**	**1,467.8**	**336.7**	**464.4**
1. Current revenues	1,143.1	1,139.2	1,215.7	1,297.9	311.7	337.7	354.0	390.4	1,393.8	327.3	361.3	367.6	405.0	1,461.3	335.5	461.9
Tax revenue	1,000.4	1,000.3	1,056.5	1,131.0	276.3	298.1	315.6	335.9	1,225.9	296.4	321.8	325.8	352.5	1,296.4	301.9	417.1
Personal income taxes	136.5	133.5	139.1	150.8	35.8	41.2	41.4	46.7	165.3	38.2	39.8	35.9	42.1	156.1	32.2	44.6
Corporate income taxes	39.0	31.2	32.6	37.8	22.9	10.9	10.3	10.7	54.8	18.4	11.0	15.4	15.8	60.7	15.5	21.1
VAT and retail sales tax	301.7	296.9	319.4	342.4	79.7	90.1	94.4	103.3	367.5	87.3	98.7	94.6	99.9	380.6	93.6	128.9
Excises	110.1	134.8	152.2	170.9	34.6	40.6	54.9	51.0	181.1	42.5	53.7	52.3	56.3	204.8	42.9	60.0
Custom duties	64.8	48.0	44.3	38.8	7.7	9.0	9.3	9.8	35.8	7.3	7.9	8.2	9.1	32.5	7.2	9.9
Social contributions	312.7	318.8	323.0	346.6	85.9	94.6	94.5	103.9	378.9	93.4	99.7	107.7	117.6	418.3	99.8	137.9
Other taxes	35.6	37.1	46.0	43.5	9.7	11.7	10.8	10.4	42.6	9.3	10.9	11.6	11.7	43.5	10.7	14.7
Non-tax revenue	142.7	138.8	159.2	166.9	35.4	39.6	38.4	54.5	167.9	30.9	39.6	41.9	52.5	164.9	33.6	44.8
2. Capital revenues	1.4	0.9	0.3	2.0	0.6	1.3	0.8	6.0	8.7	1.9	0.5	0.6	0.5	3.5	0.4	1.5
	0.0															
II TOTAL EXPENDITURE	**-1,195.7**	**-1,248**	**-1,329.9**	**-1,435.9**	**-362.8**	**-391.1**	**-389.2**	**-463.1**	**-1,606.2**	**-364.3**	**-402.6**	**-422.1**	**-445.0**	**-1,633.9**	**-397.2**	**-537.4**
1. Current expenditures	-1,089.6	-1,155	-1,224.8	-1,324.8	-337.5	-368.6	-359.3	-414.6	-1,479.9	-350.9	-385.0	-395.4	-418.6	-1,549.8	-383.4	-517.2
Wages and salaries	-293.2	-302.0	-308.1	-342.5	-85.5	-94.4	-91.2	-103.6	-374.7	-93.8	-98.1	-97.5	-103.4	-392.7	-92.5	-126.9
Expenditure on goods and services	-181.2	-187.4	-202.5	-216.3	-51.2	-62.9	-53.8	-67.7	-235.7	-49.7	-55.3	-60.0	-71.9	-236.9	-55.2	-75.2
Interest payment	-17.2	-187.4	-34.2	-44.8	-15.4	-13.4	-23.3	-16.2	-68.2	-18.9	-27.5	-27.2	-20.9	-94.5	-35.5	-45.7
Subsidies	-77.8	-22.4	-77.9	-80.5	-22.6	-25.2	-19.6	-44.2	-111.5	-19.0	-22.0	-28.4	-31.8	-101.2	-19.4	-25.6
Social transfers	-496.8	-63.1	-579.2	-609.0	-154.9	-161.1	-163.5	-173.0	-652.5	-162.4	-173.0	-172.6	-179.5	-687.6	-170.6	-228.7
o/w: pensions5)	*-331.0*	-556.4	*-394.0*	*-422.8*	*-112.5*	*-117.8*	*-119.2*	-124.1	-473.7	-120.0	-124.6	-125.3	-128.2	-498.0	-125.0	-167.6
Other current expenditures	-23.5	-387.3	-22.9	-31.7	-7.9	-11.7	-8.0	-9.8	-37.4	-7.1	-9.1	-9.6	-11.1	-36.9	-10.2	-15.1
2. Capital expenditures	-106.0	-24.0	-105.1	-111.1	-25.3	-22.5	-30.0	-48.6	-126.3	-13.4	-17.6	-26.7	-26.4	-84.0	-13.8	-20.2
	0															
III "OLD" DEBT REPAYMENT, GOVERNMENT NET LENDING AND RECAPITALIZATIONS	**-19.1**	**-20**	**-29.9**	**-24.9**	**-4.7**	**-5.7**	**-2.3**	**-3.9**	**-16.6**	**-3.1**	**-3.9**	**-4.1**	**-1.6**	**-12.7**	**-5.2**	**-8.4**
IV TOTAL EXPENDITURE, GFS (II+III)	**-1,214.8**	**-1,268.3**	**-1,359.8**	**-1,460.8**	**-367.5**	**-396.7**	**-391.6**	**-467.0**	**-1,622.8**	**-367.3**	**-406.5**	**-426.1**	**-446.6**	**-1,646.5**	**-402.5**	**-545.9**

Izvor: QM

Prilog 2. Srbija: međugodišnje realno kretanje konsolidovanog bilansa sektora države[1)], 2008-2014.

	2008	2009	2010	2011	2012					2013					2014	
					Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Jan-Apr
I PUBLIC REVENUES	**3.3**	**-8.7**	**-1.5**	**-4.6**	**1.7**	**4.8**	**-0.8**	**-3.2**	**0.6**	**-5.8**	**-3.2**	**-2.7**	**0.1**	**-3.0**	**-0.6**	**-0.9**
1. Current revenues	3.5	-9.1	-1.5	-4.4	1.7	4.5	-0.9	-4.4	0.1	-6.2	-2.9	-2.8	1.7	-2.6	-0.1	-0.6
Tax revenue	3.7	-8.8	-2.5	-4.1	1.9	5.3	1.9	-4.4	1.0	-4.2	-2.1	-3.4	2.9	-1.7	-0.8	-0.9
Personal income taxes	6.3	-10.8	-3.9	-2.9	4.6	4.6	1.3	-1.6	2.1	-4.9	-12.3	-18.9	-11.6	-12.2	-17.8	-18.1
Corporate income taxes	18.5	-27.0	-3.6	3.9	51.5	39.9	25.4	15.0	35.1	-28.2	-7.9	39.6	44.9	2.9	-18.0	-1.8
VAT and retail sales tax	2.5	-10.2	-0.7	-4.0	-4.0	6.9	0.9	-3.7	0.0	-2.1	-0.6	-6.2	-5.2	-3.8	4.3	-1.6
Excises	0.7	11.6	4.2	0.6	-5.7	-3.0	8.5	-7.0	-1.2	9.5	20.1	-10.9	8.2	5.1	-1.7	3.6
Custom duties	1.8	-32.4	-14.9	-21.5	-18.6	-8.6	-11.4	-17.6	-14.0	-15.3	-20.5	-16.9	-9.3	-15.6	-4.4	-6.0
Social contributions	4.3	-7.0	-6.5	-3.9	4.8	6.1	0.7	-3.4	1.9	-3.0	-4.4	6.7	10.9	2.6	4.2	3.9
Other taxes	-2.3	-4.9	14.5	-15.2	-9.7	7.6	-12.0	-19.2	-8.8	-14.2	-15.6	0.2	10.2	-5.2	12.5	16.4
Non-tax revenue	2.6	-11.3	5.8	-6.1	0.1	-1.1	-19.0	-4.3	-6.2	-22.0	-9.4	2.1	-5.4	-8.7	5.8	2.0
2. Capital revenues	-76.8	-41.4	-66.8	468.2	124.1	259.1	176.7	373.3	304.5	159.4	-63.6	-31.7	-91.3	-63.0	-79.6	-46.1
II TOTAL EXPENDITURE	**4.5**	**-4.8**	**-1.7**	**3.3**	**10.3**	**9.2**	**-2.9**	**1.5**	**4.3**	**-10.4**	**-6.6**	**1.5**	**-5.8**	**-5.5**	**6.2**	**2.7**
1. Current expenditures	6.9	-3.3	-2.2	3.1	8.2	9.3	-1.7	1.4	4.1	-7.2	-5.2	3.0	-1.0	-2.7	6.4	2.1
Wages and salaries	10.9	-6.0	-5.9	0.4	6.6	6.3	-5.7	1.4	2.0	-2.1	-5.7	0.0	-2.1	-2.6	-3.9	-2.6
Expenditure on goods and services		-5.7	-0.3	4.3	9.4	15.0	-2.3	-11.4	1.5	-13.4	-20.3	4.5	4.0	-6.6	8.2	6.4
Interest payment	-2.8	-5.7	-0.3	17.4	48.1	6.6	93.4	23.4	41.9	9.8	86.3	9.5	26.7	28.8	82.9	24.9
Subsidies	-13.3	19.0	40.6	7.4	42.6	56.4	-36.2	82.9	29.1	-24.7	-20.7	35.9	-29.5	-15.6	-0.7	-5.9
Social transfers	10.1	-26.0	13.9	5.8	3.8	2.9	-0.3	-6.1	-0.1	-6.4	-2.5	-1.2	1.7	-2.1	2.3	-0.9
o/w: pensions5)	*9.5*	2.2	-3.9	3.9	*8.4*	*7.4*	*3.1*	*-0.5*	*4.4*	*-4.8*	*-4.1*	*-1.6*	*1.2*	*-2.3*	*1.5*	*0.4*
Other current expenditures	14.9	6.7	-6.1	23.9	-17.1	36.8	12.2	11.8	9.9	-19.6	-29.5	12.4	10.6	-8.4	39.8	38.6
2. Capital expenditures	-4.3	-6.7	-11.8	5.3	48.7	8.3	-14.9	2.3	6.0	-52.9	-29.0	-16.6	-46.7	-38.2	0.9	-2.1
III "OLD" DEBT REPAYMENT, GOVERNMENT NET LENDING AND RECAPITALIZATIONS	**12.3**	**-2.4**	**35.2**	**-25.6**	**-18.3**	**-45.2**	**-54.7**	**-26.3**	**-37.9**	**-41.7**	**-37.6**	**63.2**	**-58.5**	**-29.0**	**66.6**	
IV TOTAL EXPENDITURE, GFS (II+III)	**4.6**	**-4.8**	**-1.1**	**-3.8**	**9.8**	**7.7**	**-3.5**	**1.2**	**3.6**	**-10.8**	**-7.0**	**1.8**	**-6.2**	**-5.7**	**6.7**	

Izvor: QM

Annex 3. Serbia: Real annual rates of growth in public revenues and public expenditures, by the levels of government

	Q1 2014/Q1 2013			
	Consolidated budget	Budget of Republic	Health Fund	Local self-governments
A Total public revenues (I)+(II)+(III)+(IV)	**-0.6**	**3.3**	**-1.8**	**-16.1**
I Current revenues (1)+(2)	-0.1	3.3	-2.8	-15.8
1. Tax revenues	-0.8	0.4	-1.7	-13.3
1.1. Customs	-4.4	-3.8	-	-
1.2. Personal income tax	-17.8	-3.6	-	-21.6
1.3. Corporate income tax	-18.0	-16.7	-	-
1.4. VAT	4.3	5.0	-	-
1.5. Excise duties	-1.7	-1.0	-	-
1.6. Property taxes	-	-	-	12.0
1.9.Other taxes	12.5	-3.3	-	31.8
1.10. Social security contributions	4.15	-	-1.7	-
2. Non-tax revenues	5.8	35.8	-51.8	-25.0
II Capital revenues	(79.61)	-	-54.1	-79.6
III Transfers from the other levels of government	-	-	0.6	-5.6
IV Donations	-0.1	-11.0	-	26.5
B Total public expenditures (I)+(II)+(III)+(IV)	**6.2**	**12.3**	**2.8**	**-9.7**
I Current expenditures	6.4	11.3	2.9	-7.9
1.1 Wages	-3.9	2.5	-18.9	-3.6
1.2. Goods and services	8.2	-6.1	30.5	1.1
1.3 Interest payments	82.9	89.2	18.3	4.1
1.4 Subsidies	-0.7	12.3	0.0	-27.7
1.5 Social insurance and social assistance	2.3	18.3	11.0	-17.2
1.6 Transfers to the other levels of government	0.0	1.1	-	-
1.7 Other current expenditures	39.8	67.8	557.8	4.0
II Capital expenditures	0.9	21.1	-57.6	-24.3
III Strategic reserves	0.0	-60.2	-	-39.4
IV Net lending	66.6	66.3	-	-63.5

Source: QM
Indeks potrošačkih cena (Q1/Q1)