Serbians are facing increasing economic and social insecurity due to the lack of decent jobs, rising unemployment, high levels of corruption and deficient rule of law. The flow of foreign direct investment has slowed as a consequence of the global financial crisis, making the economy more fragile and unstable. Anti-crisis measures are based on taking out new loans from the international financial institutions and cutting public expenditure on education, health care and pensions—all of which risk pushing even more people into poverty.

The global financial and economic crisis struck a heavy blow to Serbia's already weak and unstable economy. Low levels of investments and exports and increasing unemployment and illiquidity became the main problems. Foreign direct investment (FDI) in 2009 was only USD 1.5 billion, while at least USD 5-7 billion per year is needed to provide long-term macroeconomic stability and economic growth of 5%. The share of FDI in the gross domestic product (GDP) was 3.9% and a significant decrease of 25.2% was recorded within the framework of domestic demand. High investment risks, corruption and weak institutions are the main barriers to capturing FDI together with a shrinking of financial sources at global level.

The decrease in economic activity in 2009 was 12.1% (industry), 25.1% (civil engineering), 12.3% (retail trade) and 8% (tourism). Foreign trade exchange went down in both exports (19.7%) and imports (28%). The positive aspect of this was a smaller foreign trade deficit, amounting to USD 7 billion (39.9% less than in 2008), and a higher value of exports over imports of 53.4%. The foreign trade debt made up 70.4% of GDP, the budget deficit amounted to 3.2% of GDP and the public debt was 31.3% of GDP. Turnover value in the Belgrade Stock Market fell 41.9% compared to 2008. The rate of unemployment was around 15%, an increase of almost two percentage points over 2008.

The economic slowdown was somewhat checked in the second part of 2009 by a number of Government economic and monetary measures. These included:

- Reduction of public expenditure by freezing pensions and salaries in the public sector.
- An IMF credit stand-by arrangement of USD 3.85 billion.
- Financial support from the World Bank, European Bank for Reconstruction and Development and the EU, as well as Russia and China support to infrastructure projects.
- A fiscal deficit increase from 3% GDP to 4.5% approved by the IMF in October 2009 and agreed in the 2010 Serbian macroeconomic budget framework.
- A second credit installment from the IMF worth USD 470 million for strengthening foreign exchange reserves and the stability of foreign exchange rates.
- Measures to increase economic liquidity.

In 2009 the banks approved a credit of EUR 1 billion (then around USD 1.3 billion), of which USD 1.15 billion was for liquidity and the remainder for subsidizing consumer credit. These stimulus measures slowed down the drop in industrial production and foreign trade exchange. However the Serbian economy is still not attractive to investors. The National Bank of Serbia estimates the degree of economic openness of the economy at 6.3. Serbia is ranked 93 out of 134 countries in the World Economic Forum’s Index of Global Competitiveness.

Economic activities are burdened by the high indebtedness of companies and the lack of cheap credits to stimulate the export of goods. The budgetary revenue at the beginning of 2010 was 10% less than in the same period in 2009. Current revenues decreased 7.8% while tax revenues fell 7.8% and non-tax revenues fell by 8.1%. Significant revenues based on taxes, excluding excise taxes, decreased in relation to 2008, while the nominal revenue growth from excise taxes was 22.4% and social contribution was 1.9%.

The Government has recently announced a new anti-crisis package, which is seen by many as political posturing in view of the upcoming election. Thus Serbians have heard contradictory statements by Prime Minister Mirko Cvetkovic, who in October 2009 stated that Serbia had emerged from the crisis and six months later announced that there was no evidence of this.

Increasing poverty

According to the Ministry of Labour and Social Policy, the number of poor people increased in 2009, with almost 700,000 people below the poverty line and 160,000 receiving social benefits. However, the real number of people living in poverty is higher, up to 60%, since the official data do not take into consideration indicators such as the availability of and access to health care, childcare, education and decent jobs.

Children are particularly vulnerable. A Conference on Children and Poverty—organized in Belgrade in October 2009 by the Serbian Ministry of Labour and Social Policy, the European Commission’s Technical Assistance and Information Exchange (TAIEX), UNICEF and the Serbian Parliament—stressed the need to monitor the effects of the economic crisis on children and families and to continue the reform of social policy. Decreasing livelihoods are accompanied by increasing violence against women and children, reduced attendance at schools and decline in school completion rates.

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4 National Bank, op. cit.
6 Ibid.
10 See: <www.danas.rs>.
More than 133,000 Serbians have been temporarily measure) or stopped paying pension instead of the announcement of a new Law on Social Security to be adopted in 2010 that would increase the level of social security benefits and the number of recipients.

Growing unemployment, strikes and protests

Human rights NGOs, such as the Belgrade Centre for Human Rights, warn that economic and social rights are deteriorating and that vulnerable groups — including Roma, children, disabled people and women — are particularly at risk. Facing difficulty surviving the impact of the crisis, many companies have gone bankrupt or have tried to minimize costs, by reducing workers’ wages and benefits, among other measures. Companies have cut salaries (promising that this would be a temporary measure) or stopped paying pension insurance contributions. More than 133,000 Serbians lost their jobs in 2009 and early 2010. The estimate for 2010 is that over 100,000 workers — some 450 a day — will lose their jobs, while the possibility of finding work in the informal economy is also shrinking due to the negative effects of the economic crisis on construction and farming.

The minimum hourly wage in March 2010 was USD 1.16, an amount that has not increased for more than a year as the Association of Employers has refused to agree to trade union demands. Due to the lack of social dialogue, tens of thousands of workers staged strikes in 2009 and at the beginning of 2010. In reaction to the seeming indifference of the Government and employers, workers often adopt extreme forms of protest including hunger strikes and blockages of roads and railways. As a way to reduce layoffs, a Bill on Amendments to the Labour Law was adopted in July 2009. It extended the period during which employers may send employees on paid leave to more than 45 days a year. However this measure has not yet had any effect. Trade unions warn that they have no means to push for positive changes other than more strikes.

Credit arrangements and public services

The reduction of public spending, primarily pensions and salaries, is a dominant issue in the negotiations between Serbian officials and international financial institutions (IFIs). Albert Jaeger, Chief of the IMF Mission in Serbia, said that the lending institution requires the Government to present clear plans for public spending cuts, “reforming the State administration, the pensions system, education and health care,” if it wants to successfully re-open the credit arrangement. The Government dropped the IMFs proposal to raise value added tax (VAT) and reduce pensions and salaries in the public sector and has instead proposed to reform the public sector. In August 2009, after a program review by the IMF, the Government adopted the Social Care Plan based on “reforms,” which in this case means cuts required to “save” money in the budget.