



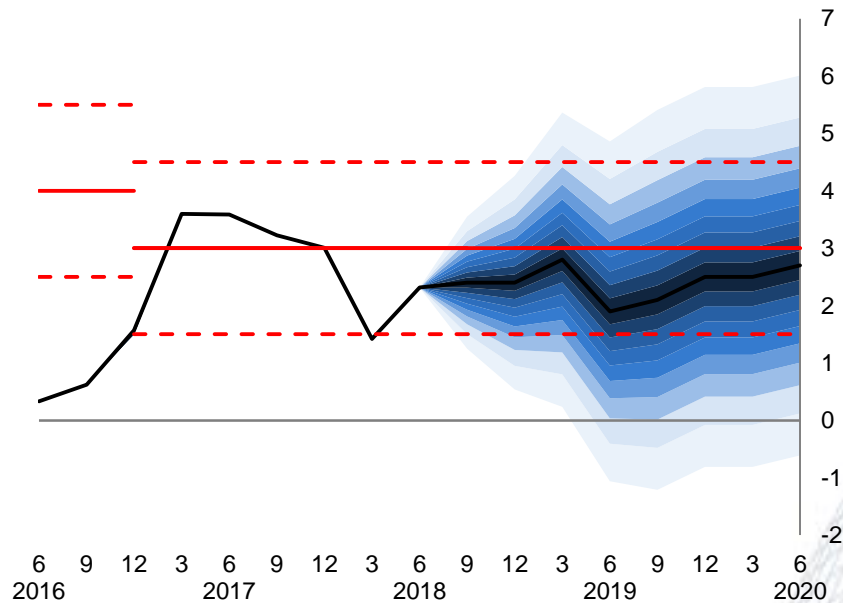
National Bank of Serbia

# **Inflation Report – August 2018**

**Belgrade, 15 August 2018**

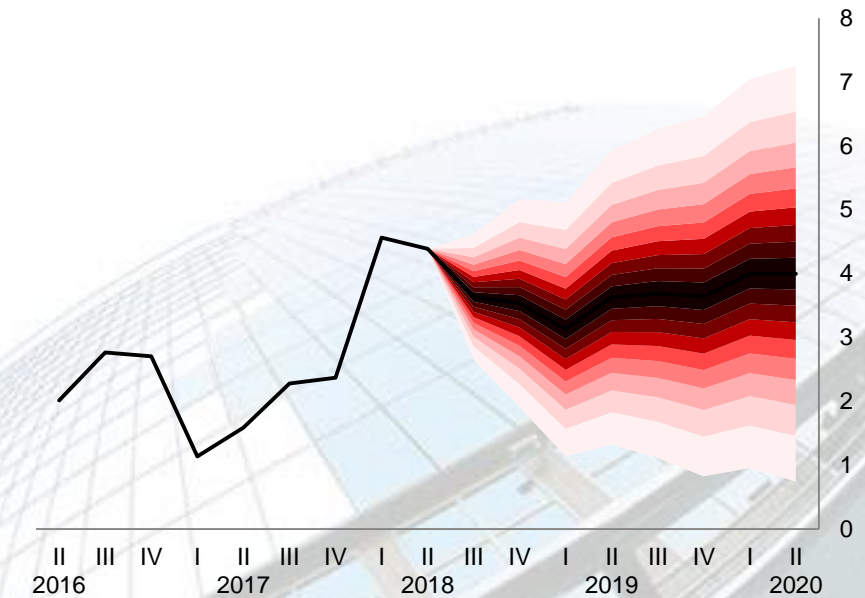
# Inflation remains low and within the bounds of the target tolerance band, GDP is increasing faster than expected

Chart 1 Inflation projection  
(y-o-y rates, in %)



Source: NBS.

Chart 2 GDP growth projection  
(y-o-y rates, in %)

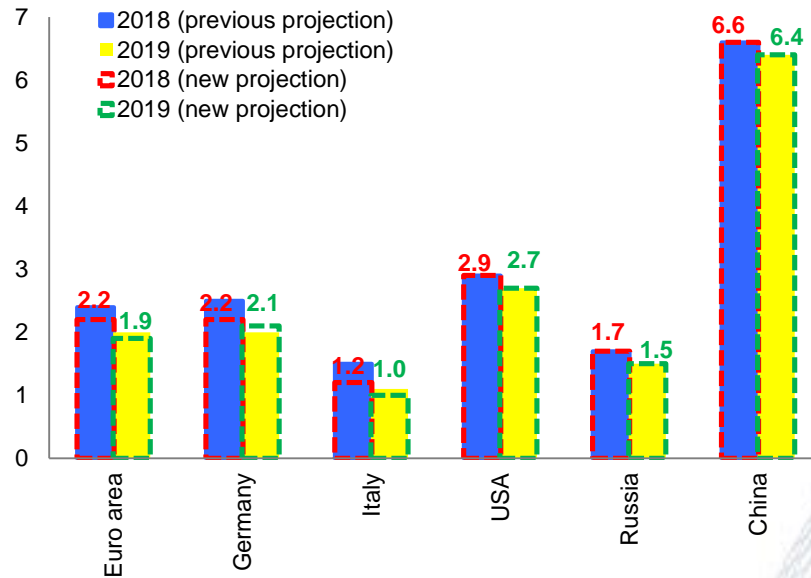


Source: NBS.

# Outlook for global growth remains favourable, despite a temporary slowdown in the euro area

**Chart 3 IMF's revised forecast of real GDP growth for 2018 and 2019**

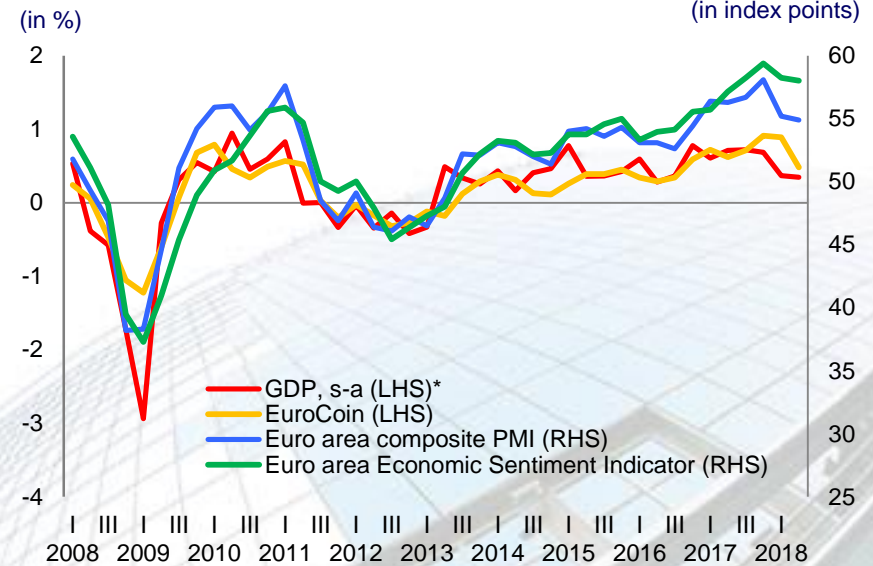
(in %)



Sources: IMF WEO (April 2018) and IMF WEO Update (July 2018).

**Chart 4 Movements in euro area GDP and economic activity indicators**

(quarterly rates)



Sources: Eurostat, Markit Group, Banca d'Italia and European Commission.

\* Eurostat preliminary estimate for Q2 2018.

# Uncertainty in the commodity and financial markets is still present

Chart 5 Oil and copper price movements  
(average monthly prices, in USD)

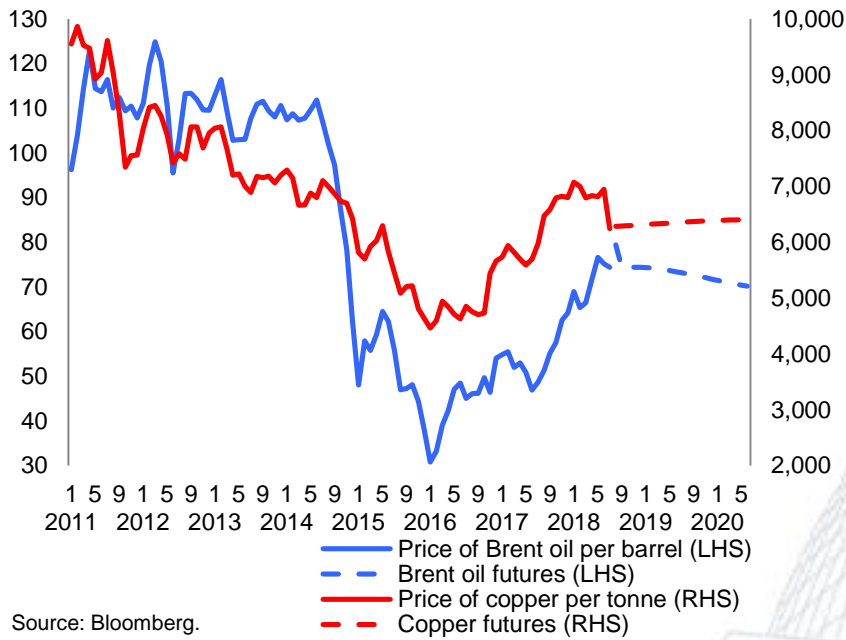
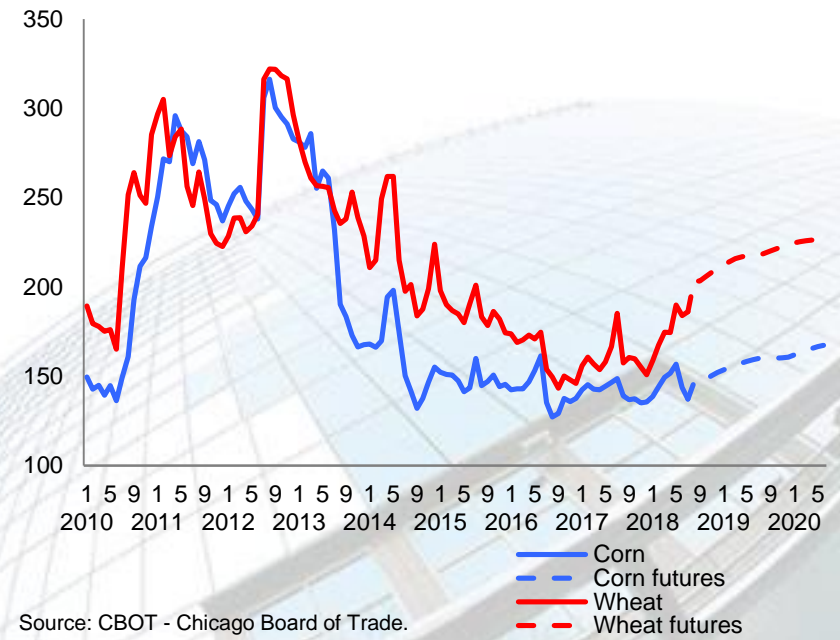


Chart 6 Primary agricultural commodities' price movements  
(USD/t)



# FDI inflow covers the current account deficit and contributes to continued appreciation pressures

Chart 7 Risk premium indicator – EMBI by country  
(daily data, in bp)

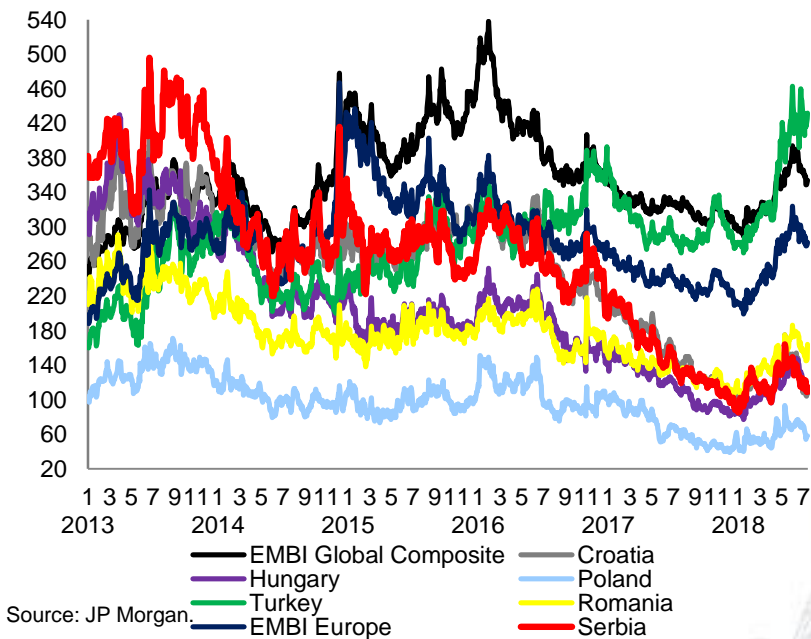
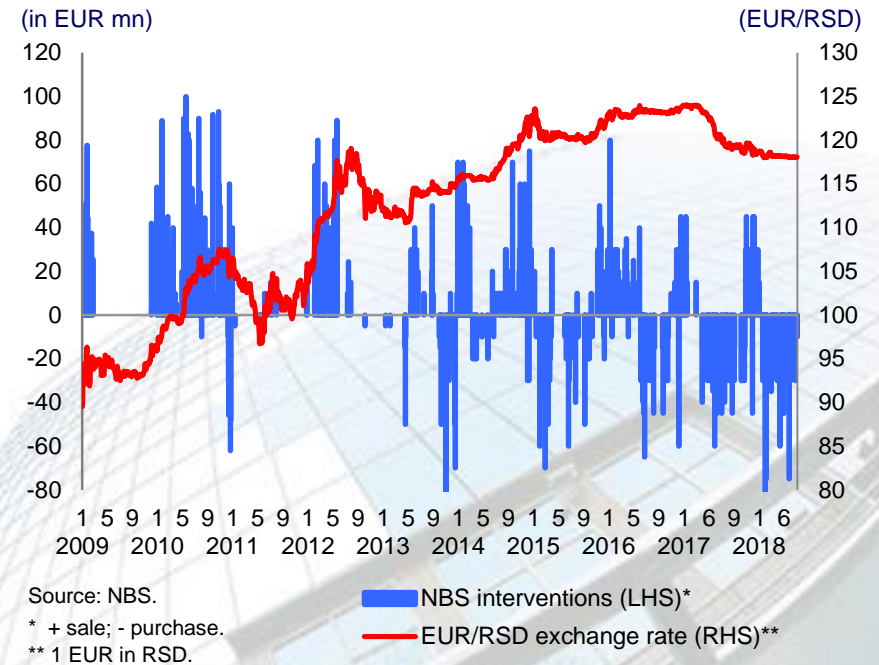
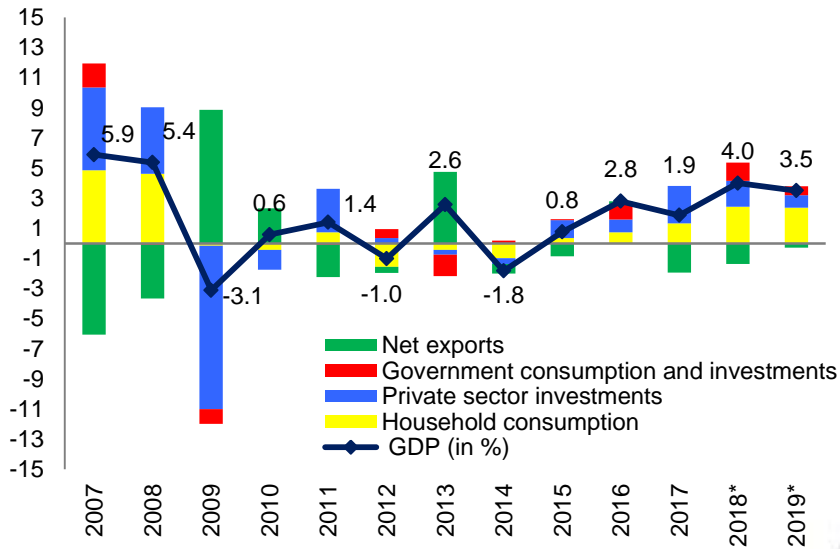


Chart 8 Movements in the EUR/RSD exchange rate and NBS FX interventions



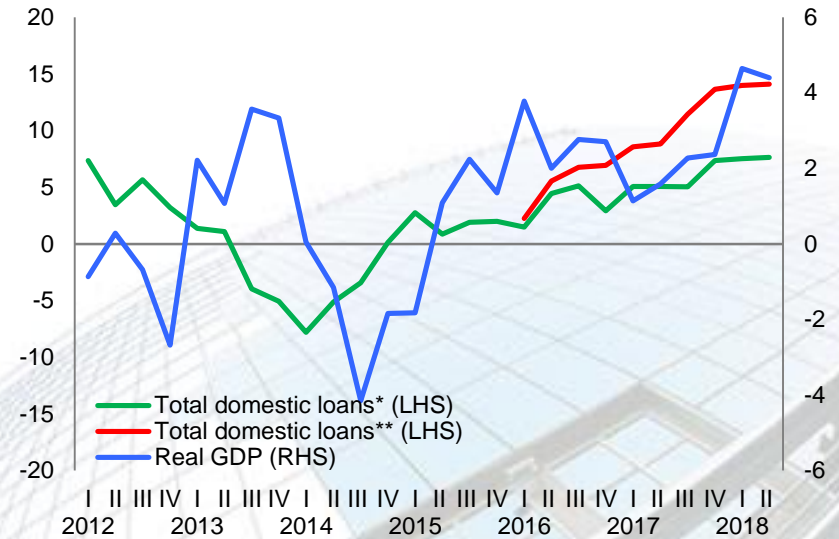
# Accelerated lending is another contributor to robust GDP growth

Chart 9 Contributions to annual GDP growth (in pp)



Sources: SORS and NBS calculation.  
\* NBS estimate.

Chart 10 Lending activity and GDP (y-o-y rates, in %)



Sources: NBS and SORS.

\* Excluding the exchange rate effect.

\*\* Excluding the effect of NPL write-off in the past year.

# Low inflationary pressures, inflation expectations anchored around the target

Chart 11 Contribution of CPI components to y-o-y inflation (in pp)

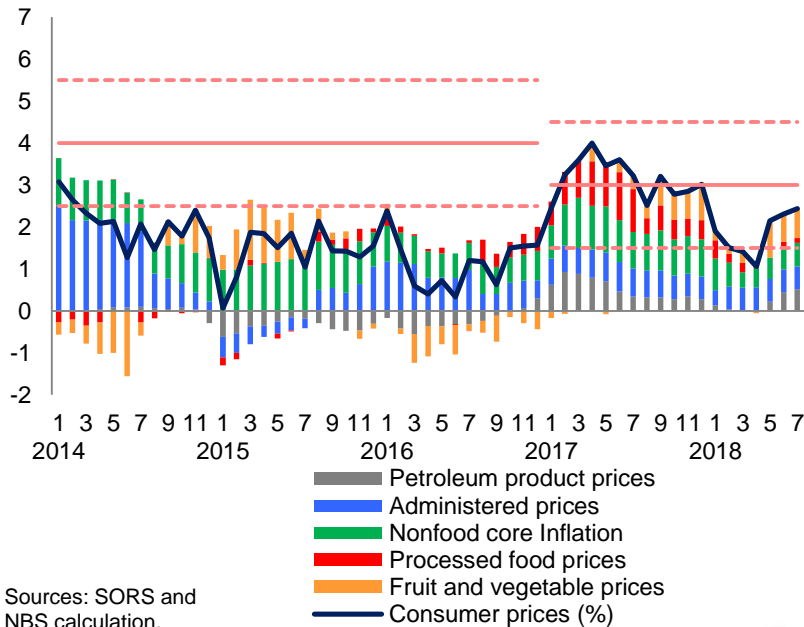
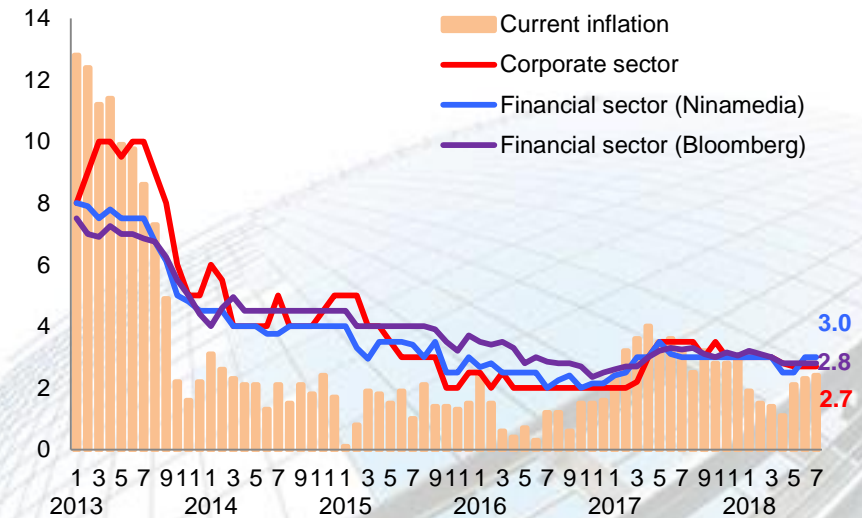
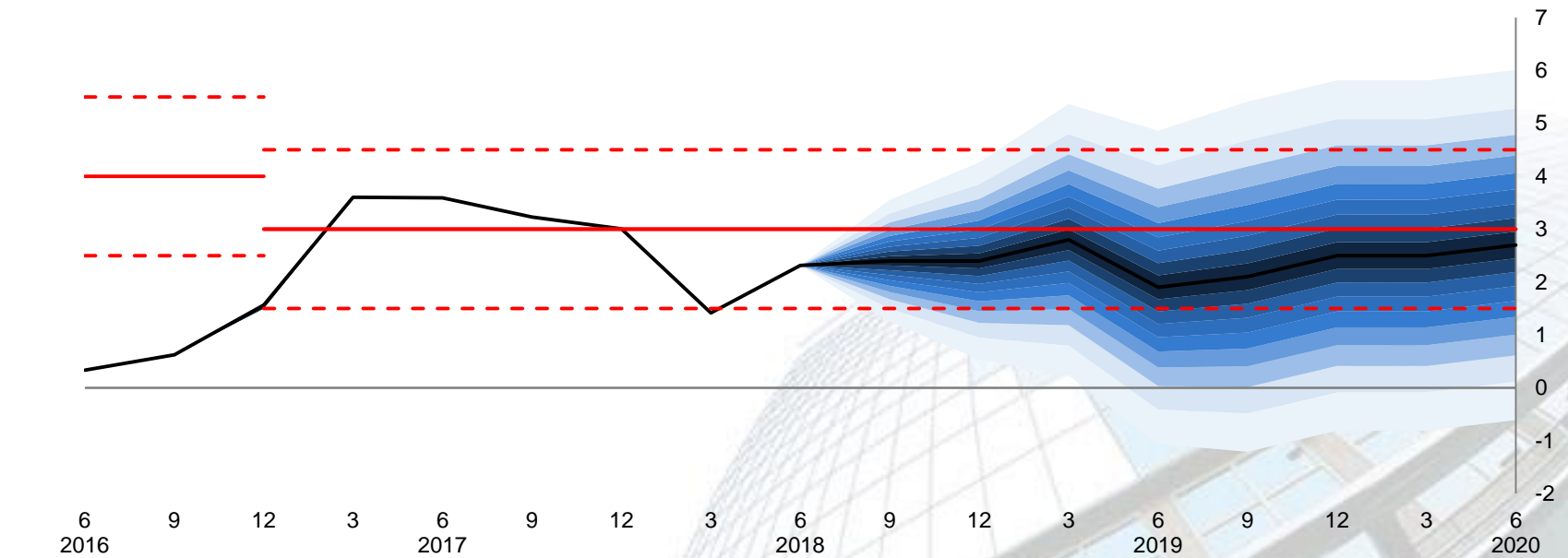


Chart 12 Current inflation and one-year ahead inflation expectations\* (y-o-y rates, in %)



# Price stability will be maintained in the medium term as well

Chart 13 **Inflation projection**  
(y-o-y rates, in %)



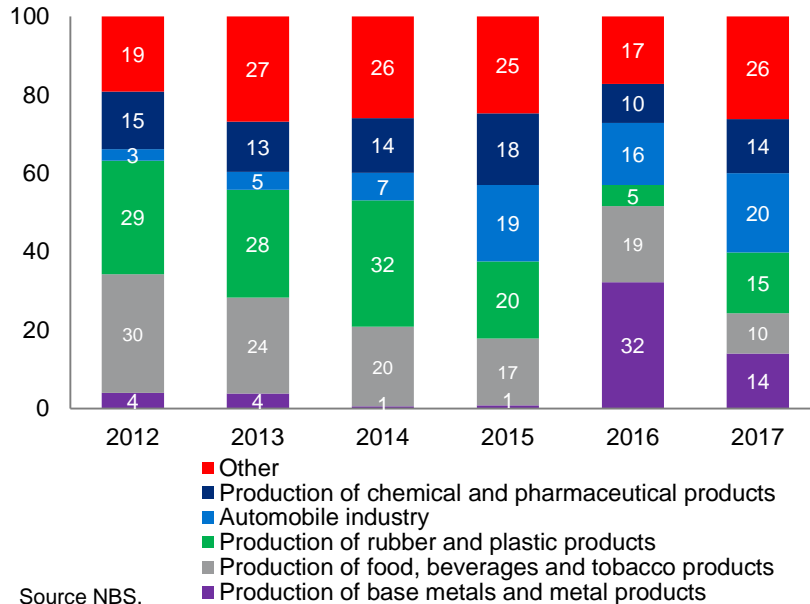
Source: NBS.



# FDI inflow to manufacturing increases the export potential of the economy

Chart 14 Structure of FDI by area of the manufacturing industry

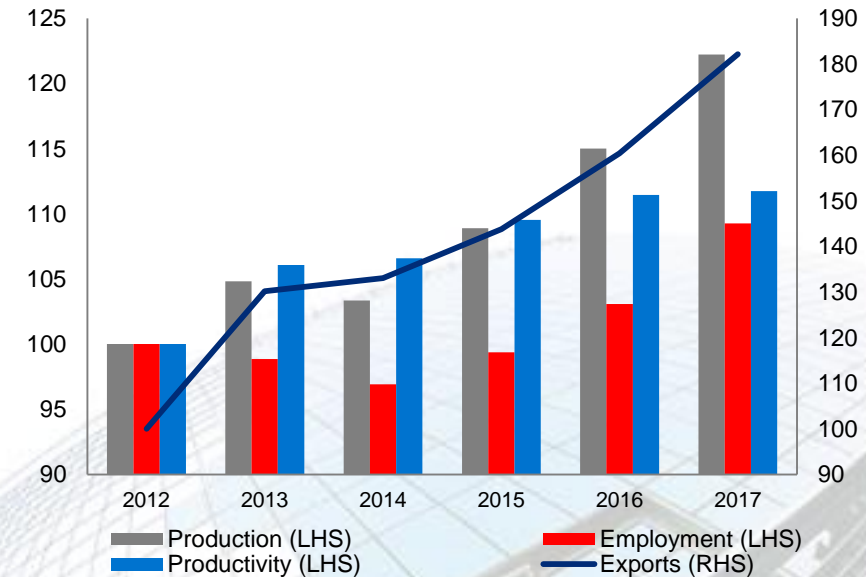
(in %)



Source NBS.

Chart 15 Exports, production and employment in the manufacturing industry

(2012=100)



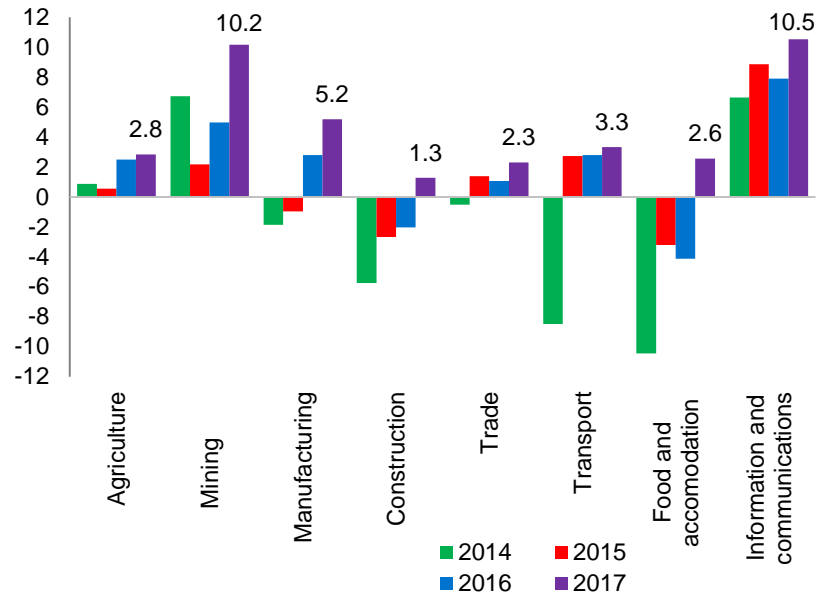
Sources: SORS and NBS calculation.

- High and project-diversified FDI inflow to manufacturing helped expand the exports base in a large number of areas and contributed to significant growth in production and exports;
- In the 2012–2017 period the following results were achieved:
  - ✓ **Production** in the manufacturing industry **increased by 22.2%**;
  - ✓ **Exports** of the manufacturing industry **increased by 82.2%** (around EUR 6 bn);
  - ✓ **Employment** in the manufacturing industry **increased by 9.3%** (around 40,000 persons);
  - ✓ **Productivity** of the manufacturing industry **increased by 11.7%**.

# In 2017 all sectors of the economy had a positive financial result

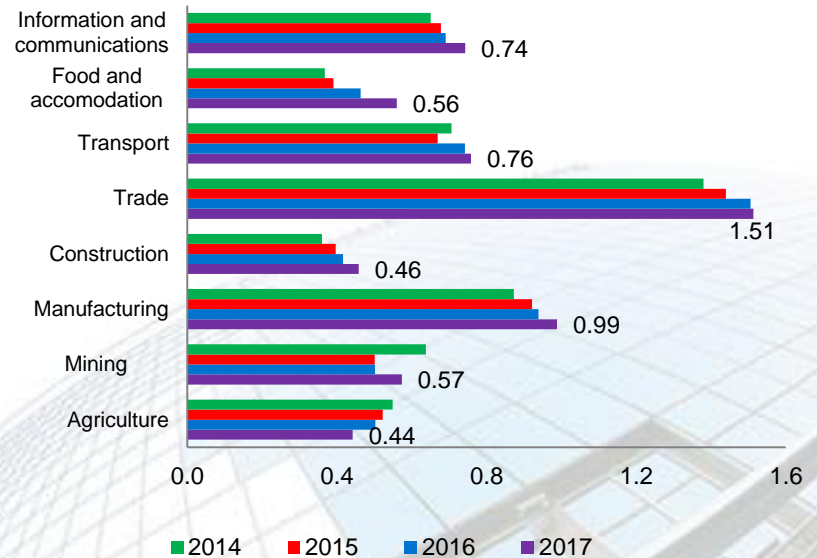
Chart 16 Net income rate (after tax) in selected sectors of the economy

(in %)



Sources: Business Registers Agency, NBS calculation.

Chart 17 Operating assets turnover ratio in selected sectors of the economy



Sources: Business Registers Agency, NBS calculation.

- Predictable business environment and favourable financing conditions contributed to increased business and investment activity and allowed corporates to post better financial results year after year;
- Total financial result of the corporate sector in the period 2014–2017 improved by RSD 570 bn owing to more favourable results in business (RSD 160.1 bn), financial (RSD 307.3 bn) and other activities (RSD 102.5 bn).