ECONOMIC RESEARCH AND ANALYSIS OF NATIONAL ECONOMY

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Abstract: Liquidity is generally the biggest problem of the Serbian economy. At the end of November 2012th Serbia's public debt stood at EUR 17.5 billion, which is close to 60% of gross domestic product (GDP), the debt continued to rise in December for new debt, so the debt could soon be equal to the one that had the entire ex- Yugoslavia.

Historically, the growth of the economy, increasing employment and living standards in Serbia in the next three years can only be done if you reduce the deficit in the state budget, curb inflation and the gap between the inflow and outflow of money abroad.

Keywords: *national economy, macroeconomic research, economic development*

INTRODUCTION

Overall economic activity in 2012., as measured by gross domestic product (GDP) and are presented in prices last year, will have a real decline of 1.9% compared to the previous year. However, the European Bank for Reconstruction and Development (EBRD) announced in mid-January to improve the prediction of economic growth in Serbia in 2013. by one percentage point, to 2.1% respectively.

1. THE FALL IN GDP AND DEBT IN 2012.

Real GDP decline in 2012. in Serbia amounts to 1.9% compared to the 2011th year. The fall in GDP was the highest in the sector of agriculture, forestry and fisheries, and other services sector accommodation and meals. The decline in industrial production in 2012. was 3.4%, mainly due to the energy supply sector, gas and steam.

On the other hand, the highest recorded GDP growth in the following sectors: information and communication, professional, scientific and technical activities, administrative and support service activities. It is estimated that agricultural

production in 2012. had a real decline of 17.5%.

It is now clear that the only time in the modern Serbian obliged as the former Yugoslavia in early 2013. A trend of borrowing, so that - among other signed contract to Serbia mortgage an additional EUR 640 million in the Chinese Exim Bank, Chinese Corporation for Roads and Bridges will build two highways: from Belgrade to Cacak and Novi Sad and Ruma as a tunnel through the mountain Fruska. Serbia will get money from Chinese banks for 20 years, and we will implement most of the projects of Chinese companies and workers, while local construction company to dispose of nearly 250 million euros. Despite huge public debt, the government of Serbia is only in the last two days of the 2012th when she decided to borrow nearly a billion euros, bearing in mind that it signed a contract with the Chinese company agreed to build a highway for 330 million euros.

The Serbian is only 2012. was only for 11 months, the debt has increased by more than three billion euros, never in the past 12 years as the debt has not jumped this year. We literally borrowed more than 100 euros every second during weekdays and holidays, as taximeter, the debt grew and the only concern is that speed can be accelerated, not slowed down.

Another warning refers to interest that Serbia must pay. According to the approved budget for 2013. Serbia will only interest for the next year will have to pay 900 million euros.

2. THE UNSUSTAINABILITY OF THE FOREGIN TRADE DEFICIT SERBIAN

The trade deficit in Serbia 2012. The amount is close to 7 billion, which is 4.7%

less than in the same period of the 2011. Exported goods worth 10.36 billion dollars, which is 4.4% less than in the same period last year, while imports 17.19 billion, a decrease of 4.6%. Export-import ratio was 60.3% and was higher than the same period last year, when it stood at 60.2%.

In exports, the main foreign trade partners, were Germany, Italy, Bosnia and Herzegovina, Romania and Russia.

In imports, the main foreign trade partners, were Germany, Russia, Italy, China and Hungary.

The external trade was the largest of the countries with which Serbia has signed free trade agreements. The EU countries account for more than half of total trade - 58.5%. The second most important partner of Serbia to the CEFTA countries, with which we have a trade surplus of about 1.21 billion U.S. dollars, which is the result of increasing exports of agricultural products and exports of iron and steel.

Observed by countries, the largest surplus was realized with former Yugoslav republics - Montenegro, Bosnia and Herzegovina and Macedonia. From other countries, according to a surplus with Romania and Slovakia. The largest deficit in trade with China and with Russia. Follow deficit with Germany, Italy and Hungary.

By sections of the Standard International Trade Classification largest share in exports were cereals and products made from them with 777 million dollars, electrical machinery and equipment - 766 million, non-ferrous metals - 626 million, vegetables and fruits - and 500 million road vehicles - 482 million.

The top five sectors with the highest share of imports are petroleum and petroleum products to \$ 1.57 billion, road vehicles - about a billion dollars, natural gas - 990 million, electrical machinery and equipment - 754 million, and medical and pharmaceutical products - 646 million. Department unclassified goods, which now includes the goods in the customs warehouse, has a share of total imports 7.3%.

3. INFLATION ARGET – MYT OR REALITY

Economic growth, increased employment and living standards, Serbia over the next three years can only be done if you reduce the deficit in the state budget, curb inflation and the gap between the inflow and outflow of money abroad. For price stability is in charge of the National Bank. Its program of monetary policy in 2013. NBS is committed to the goal of 4% inflation, leaving the possibility that fails by 1.5 percentage points. In fiscal strategy for the next three years, the Serbian government records that will, in turn, do all to the growth rate in 2013. be 5.5%, a year later, five, and in 2015. only 4.5%.

Presumably, the Central Bank will cost the most disciplined 'fix' interest, which has so far done. But if the state does not do its part, by the amount of inflation in the future we will be champions of Europe infamous. In this case, it is particularly embarrassing, since the desired economic growth, increased employment and standards in the next three years there will be nothing. The fight against NBS relatively high inflation over the past few years have been sufficiently successful. Despite tight monetary policy, the growth rate is regularly exceeded expectations.

Because of the restrictive monetary policy, which will, in all likelihood, take in the coming year given the high rate of inflation this year could hurt the recovery of production, employment and export growth. Serious threat looming over the economic reality of Serbia. Nime, and Ako in 2013. lose time and seriously recover production, increase employment and exports, justified fear that we will experience a situation that is similar to Greece's current economic situation.

Against inflation can be successfully dealt with only the central bank. In this battle must be included antitrust, and the Competition Commission should be given much greater rights, but also a lot more responsibility. In fact, Serbia has much more serious to confront those retailers and manufacturers who use the opportunity to be a little on the market and raise prices as much

as it suits them - behaving like a monopolist. You need to apply experience from the world, legal and practical solutions that can be implemented decisively. Do not repeat the situation to the Competition Commission several times during the last period of a decision to withdraw part of the proceeds companies that use illegal Serbian market, and other relevant institutions to later release the company from liability.

Scope of monetary policy is limited, because the Serbian market is ruled by two currencies simultaneously - our U.S. and Euro. Economic Policy Challenges Serbia in 2013. That in times of crisis must achieve harmony between governments, central banks, unions and employers. All should agree that neither they themselves favor a foreign currency, or Euro. It is a condition for achieving the inflation target and preserve monetary sovereignty.

In addition, it should be noted that the inflation target difficult to achieve, if, in conjunction with measures of monetary policy, not the application of some measures and fiscal adjustments. Bearing in mind that an established large imbalance in the Serbian economy, and foreign and domestic, so that a realistic assumption that monetary policy will not only be able to be successful in this effort - especially as the only instrument of monetary policy reference rate. It is true that it affects the demand for money, but also makes the economy access to bank loans. For the money economy is already set, so the bank probably continue to invest money in the purchase of government securities.

In fact, the pending reform of Serbia - can hardly be no significant changes to the system, it is still sticking to the old Serbian economic model that has produced the desired results. This is confirmed by the fact that industrial production makes up 13% of GDP, which shows that it has been totally de-industrialization, and still pushing the same model - which in the long run simply unsustainable. Serbia has in the past 12 years, spent more than generating and hence all our present and future troubles so far tapped the last minute to take radical measures. For long-term stability is needed fundamental reform

of the public sector, which can not be disposed of, as well as tax reform. For its implementation requires a general consensus.

However, the expectation is that the full effect of the measures taken so far monetary policy on inflation yet manifest, and the NBS will in the future to assess whether it is necessary to further monetary tightening. The Executive Board of the NBS estimated that inflation in the previous period, due primarily to the extremely high growth in food prices and the depreciation of the effects of the increase in value added tax and excise duties. Contributed to rising inflation and high public spending in an election year, and unfavorable developments in the international environment. Specifically, from 9.5% at the inflation growth from April to December 2012. - The contribution to food price increases related to 6.6 percentage points. This means that inflation in that period decisively influenced by the growth of the price, which was the result of low agricultural production due to drought and a significant increase in world prices of primary agricultural products, and specific food market in Serbia. Given the high share of food in the consumer price index - 38.8%, inflation in Serbia is the price shocks this group particularly vulnerable.

In addition, because the existing system solutions in our food prices are much more volatile than in the neighboring countries, as can be seen from their higher growth in that period. Speed toward the goal of returning inflation to a large extent depend on the upcoming agricultural season - if it is average, significantly reducing inflation is expected from the second quarter of the 2013. Possibly worse than normal agricultural season could slow down the process of reducing inflation. Recognizing that the nature of the current inflationary pressures crucially determined by the food market instability, so we should be promptly identified and implemented for measures that would contribute to the stabilization of the market and reduce volatility in food prices.

4. SERBIAN GROWTH FORECAST IN 2013.

European Bank for Reconstruction and Development (EBRD) announced in mid-January that the improved forecast economic growth in Serbia in 2013. by one percentage point, to 2.1% respectively. As stated in the January report, "Regional economic outlook," the EBRD economists expect a moderate acceleration of growth in gross domestic product (GDP) in the region, to 3.1% in 2013. After a slowdown in economic activity in 2012.. EBRD Chief Economist Erik Berglof said that for the first time after a long period sees an opportunity to reduce the risk for the region, especially due to the weakening of the crisis in the euro zone. By Berglof: "It is still too early to say that everything is fine, but shows signs of stabilization." Serbia's economy, the report said, is currently showing a series of weaknesses, registered a decline of 2% of GDP in 2012. due to weak domestic demand and the impact of the crisis in the euro zone exports. This, together with political uncertainty affected the confidence and investment. The EBRD report was first presented separately forecast for Kosovo, which will be as expected, and international banks, have a GDP growth of 3% in 2013., the largest in Southeast Europe.

In addition, it should be noted that the arrangement will expire Serbia with the International Monetary fund (IMF), which has been frozen for almost a year. In Serbia, the evident importance of the role of the IMF and a potential new arrangement with the institution, confidence-building and stabilization in Serbia. Serbia's GDP to grow by 2.1% in the second place, followed by Albania with 2%, Bulgaria (1.9%), Macedonia (1.8%), Romania (1.4%).

Montenegro, according to the EBRD, could expect growth of 0.8% in 2013., and the bottom of the list, Bosnia and Herzegovina, with growth of 0.6%.

4.1. Penalties for Unused credits?!

In addition to the interest that the government pays on loans, wage and penalty

fees for loans that are granted to her, and not being used. Thus Serbia, according to the Public Debt Administration, last year paid a total budget of 429.5 million dinars just to name a commission to approve and Commitment in respect of borrowing.

Official figures show that there are loans that are approved and before us five or six years, and have not yet been fully exploited. That, however, and that costs money. However, some loans are withdrawn in installments, so that the full amount and can be used immediately.

The biggest problem with the delay in the use of soft loans from international financial institutions are unprepared for the projects they are responsible for their own debt. Therefore, not only are the investments and is not relieved by ready money, but to pay for it and - penalties.

According also to official data from the European Investment Bank (EIB), guaranteed by the Serbian, public companies were used 80% of the totals contracted 924.5 billion in the past 10 years. With a guarantee by the European Bank for Reconstruction and Development (EBRD), the situation is even worse: as of October, SOEs are pulled only 57.2% of the contracted 550.28 million.

When looking at direct obligations of domestic companies, the EIB loan was withdrawn less than half, only 49.1% of the contracted 596.6 million. And these people are borrowing, other than the Republic of Serbia, and small and medium enterprises.

"Serbian Railways" is one of the companies that did not fully utilize the contracted loans from international institutions. From the EBRD approved a loan for Corridor 10 was withdrawn only a part. The common interest of Serbian Railways and the international financial institutions to expedite all procedures, credit hire as soon as possible and start decentralization of several projects of modernization of infrastructure and rolling stock. Among the companies that are not fully contracted funds are withdrawn Power Industry of Serbia, Serbia gas, "Roads of Serbia", and the Republic of Serbia as the borrower.

Of 10.5 billion euros of the total external debt, the name of the Serbian loans taken by the European Investment Bank owes 1.42 billion. The total debt of the European Bank for Reconstruction and Development "heavy" is 375.5 million euros.

4.2. Fund development of serbian - major state financial institutions

In 2012. were placed 19 billion from the Development Fund of the Republic of Serbia. RS Development Fund will provide the economy in 2013. The soft loans with longer repayment periods and lower interest rates. The Fund is the largest state-owned financial institution that is over five years invested 13,450 loans worth 100 billion.

The objectives of the Fund are to promote balanced regional development, primarily undeveloped areas, encouraging the development of small and medium-sized enterprises, competitiveness and liquidity of the economy and increasing exports of domestic companies. In 2013. the Fund will provide 12 billion in lending to the economy.

More than 80% of the loan fund is intended for small and medium enterprises and entrepreneurs and at interest rates that are considerably lower than for commercial banks. Unlike banks, which only take into account only the economic viability of the project, the Fund takes care of the social justification of funding.

Newspapers that have been introduced in the work of the Fund in 2013. The rescheduling of the loan in order to keep the economy and the growth of employment and the provision of consultancy services to the borrowers.

4.3. Subsidized loans for small and medium-sized enterprises in 2013.

The Serbian government adopted a decree on subsidized loans for liquidity for companies. This year's quota is intended economy will refer exclusively to small and medium-sized enterprises. Loans will be implemented after the Ministry of Finance and Economy to sign contracts with all banks

in Serbia that are interested in this kind of loan approval. Thus, as of 1 February interested companies will be able to apply for this type of loan. Liquidity is generally the biggest problem of the Serbian economy, and billions of euros, the state set aside to cover the interest these loans, contribute significantly to alleviate this problem at least.

Evidence of the last year has shown that for this type of loan is a great interest, but that the company used only for refinancing of liabilities. Therefore, fear and open large companies that have used the previous year subsidized loans for liquidity will have to find other sources of funding.

Last 2012. the further a certain amount to subsidize the economy of 300 million euros. Thanks to that banks had to sell foreign currencies and sell dinars companies, which resulted in the stabilization of the exchange rate. That was the first part of anti-crisis measures to help the economy. The bank sanctioned loans with a grace period of five months and 13 months of repayment, and firms could use them for liquidity or refinancing loans. The loan amount is dependent on the size of the company. Interest rates were the best on the market.

4.4. Exchange Rate

U.S. never ceases to surprise. Expectations are that the U.S. will continue to strengthen. Notice of the loans - all of this has affected and affects the U.S. as the foreign exchange market operates in the notice to be foreign exchange.

Demand for foreign currency is relatively small, and the dinars stable. Given that favorable weather condition - in the sense that it does not require large amounts of energy supply, demand caused by missing these seasonal factors, and on the other hand, there is a certain interest of foreign investors in local securities, all of which keeps the course stable level.

It seems to be a realistic forecast that the euro will be 108 dinars, which is based on expectations of better economic situation in Serbia, with economic growth of 2.1%. In addition, the forecast is based on the

expectation that the situation in the euro zone will be relatively stable, as well as the political situation in the country, the budget deficit will be lower, and foreign direct investment at the level of one billion euros. Finally, in anticipation of a solid year for agriculture. In support of the economic situation and go to a new possible arrangement with the IMF and further progress of the process of European integration.

Strengthening of the dinars should be seen in both the short and medium term. In fact, at some point the U.S. will have to decline. As it was not realistic to weaken the middle of last year, so not real strengthening of the current exchange rate, because we have high inflation differential between Serbia and the euro zone, high budget and trade deficits, and we have a strong economy that would fit behind it.

4.5. Price increase energy impact of inflation

The announced price increase of energy in the first quarter of 2013. should not cause significant inflationary shock. The announced price rise of about 12%, about 10 gases, heating for five to seven percent, will directly affect the growth of inflation by about 1.2%. The indirect effect, however, will be higher because traders will take advantage of energy price hikes to increase prices of basic foodstuffs, and chemicals.

Electricity price increase of 12% direct inflation increases by 0.8%, gas for heating and 0.1 to 0.2%, a larger price increases should not occur due to the fact that the purchasing power of citizens and demand, very modest, a stable exchange rate.

On this year is not expected even greater increase in the price of fuel, which is one more reason that prices are suspended. What, however, the concern is that we are only halfway through the heating season, and already announced another price increase for heating and to increase gas prices by about 10%. Since half of a gas plant for which the purchase price of heating account for more than 70% of the money, it is reasonable to expect that those accounts are heated with

district heating will be higher again. This means that for a 60 square meter apartment that is attached to the heating plant, and which is now heating up costing about 6,500 dinars increase accounts for about 300 dinars. At the same time the average family of four who pay a monthly fee of about 4,000 current dinars, as of February, if the current rise by then, will pay an increase of 12% to about 480 dinars more.

Those that are heated in the furnace TA at night and during the day dogrevaju, so their monthly bills go up to 10,000 dinars will pay expensive electricity for about 1,200 dinars. It is certain that if the price increase was 10 and 12%, so that for a higher amount in the account at the same number of kilowatt hours, compared with nearly the same power consumption, night and day. If, however, there was a higher consumption in the red, the most expensive area, as well as changes in the relationship between the zones, and automatically make consumers feel it in their accounts. It is also certain that the power will not be able to heat or households will also receive free kilowatts. The average household of four uses 350 kilowatt-hours, and those involving about 1,500 heaters. From that they receive from the state, will pay a fifth of the account.

CONCLUSION

Inflation in Serbia has seen rapid growth and at the end of last year was about 13%, reflecting the weakening of the dinars and rising food prices caused by drought, which has been badly affected agricultural production.

The main challenges for the Serbian government fiscal deficit and reduce public debt, which has reached 60% of GDP, well above the legally allowed limit of 45%.

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