

6th Vienna Economic Forum

Serbian Economy Today



Foreign Investors Services

DR. MILAN PARIVODIC
CHAIRMAN

www.investmentserbia.com

FOREIGN INVESTORS SERVICES: OUR MISSION

With our unparalleled experience we give **focal Strategic Support and secure best in class Professional Support to Foreign Businesses in Serbia and the SEE region** developing jointly your full market potential in the shortest possible time

FOCAL STRATEGIC SUPPORT

- **An Advisory Board** for your business project composed of first-in-class professionals - number ones in their lines of business
- Your **Business Strategy** for Serbia and the SEE region is developed with our assistance
- We will find **opportunities and reliable business partners for you** (land, real estate, suppliers, distributors, etc.)

FOCAL STRATEGIC SUPPORT

- **Establishing partnerships** for the project
 - **Governmental** partnership
 - **Municipal** partnership
 - Securing **timely issuance of all permits**
- **Finding solutions to problems** (which do occur inevitably in every business everywhere in the world, i.e. problems not a Serbian invention!)
 - Start-up problems
 - In the course of business problems

FIS STAR – “THE POWER OF ONE”

The FIS STAR represents a new quality concept of partnership assistance rendered by coordinated work of a group of number 1 professionals

like lawyers, accountants, market researchers, real estate brokers, architects, large whole-sellers, big retailers, suppliers, PR agency, advertising agency, etc.

Through FIS you will have access to and directly work with owners, general managers or managing partners of best service providing and other companies which saves lots of time and much money

FIS IS YOUR RELIABLE PARTNER & FRIEND IN SERBIA

EU Integration Process

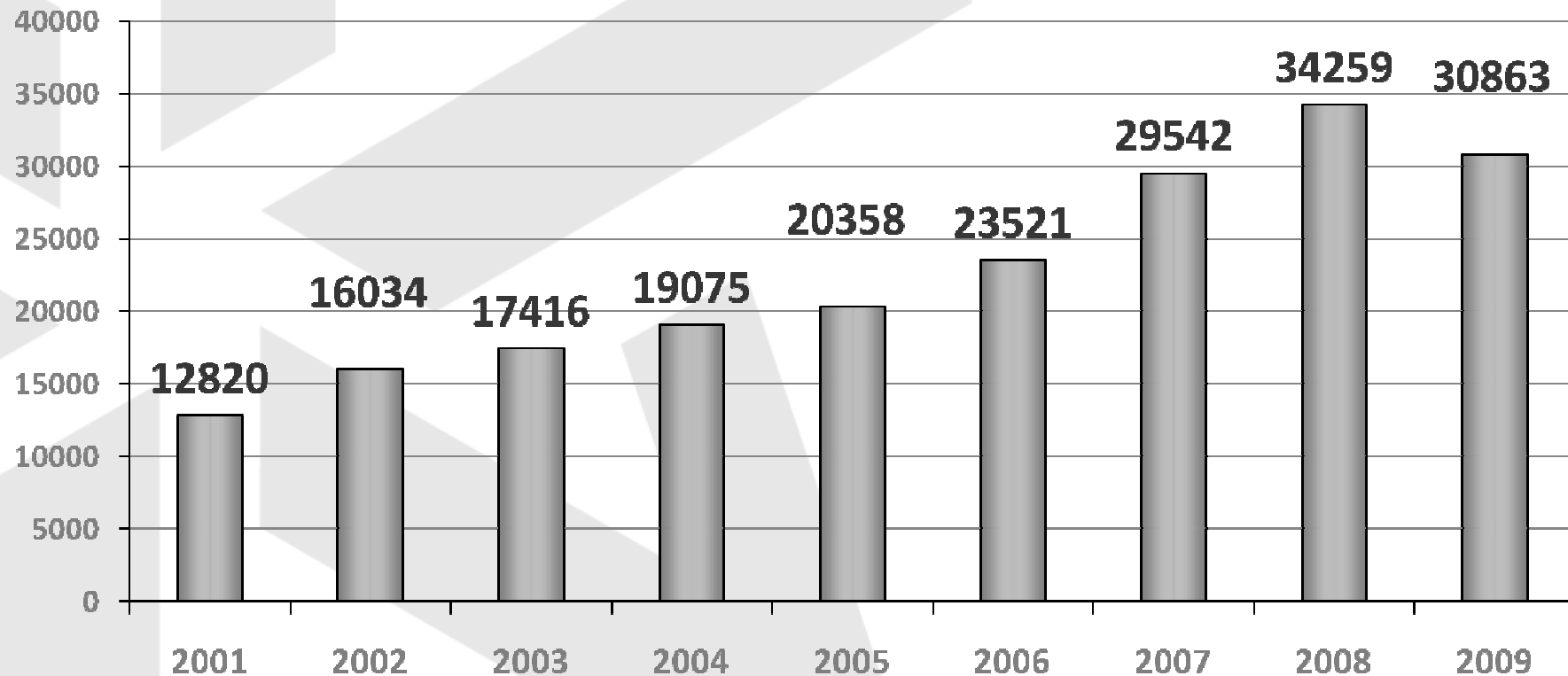
– the Priority for Serbian Government

Economic conditions for getting EU candidacy status:

- ✓ sustainable growth – slowly recovering
- ✓ macroeconomic and fiscal stability – not bad
- ✓ inflation - acceptable
- ✓ current account deficit – totally unacceptable

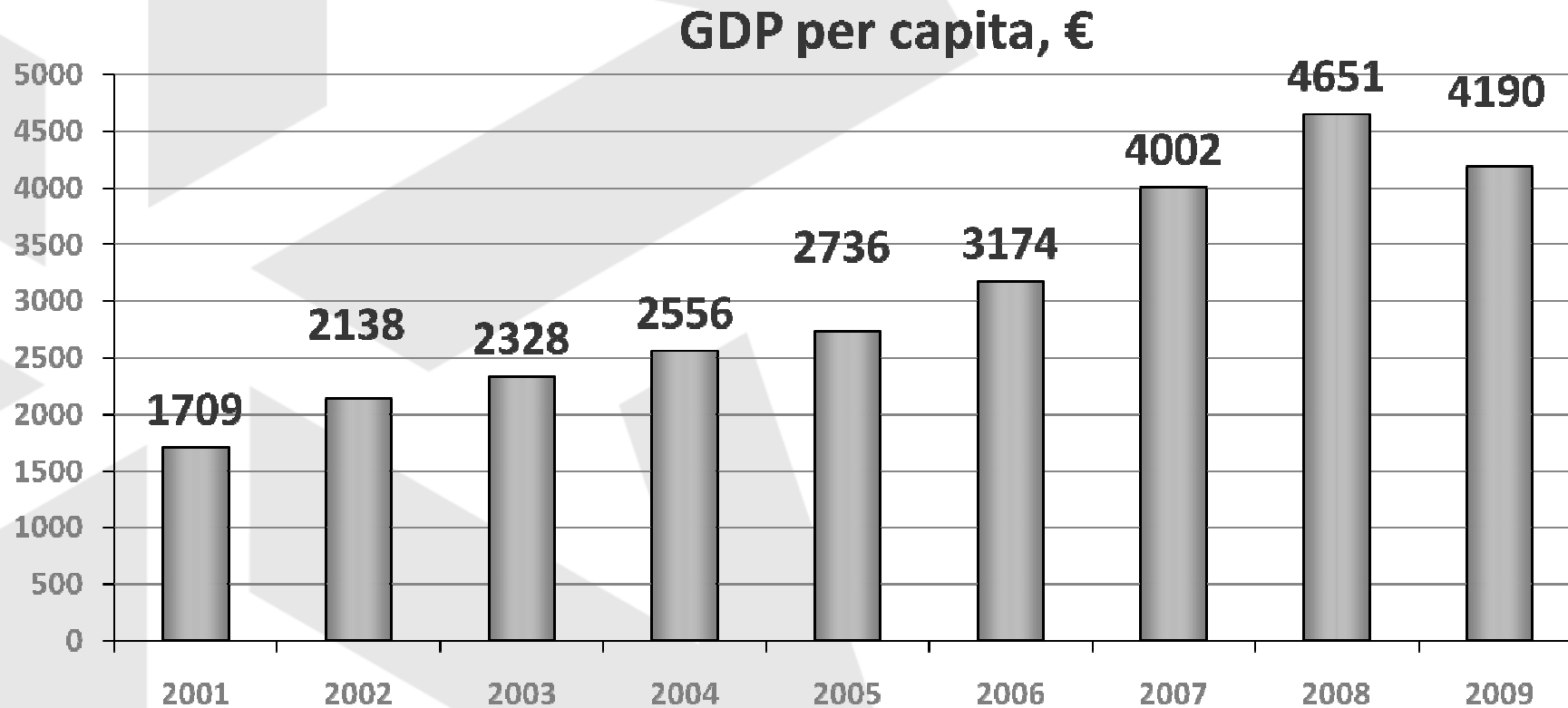
GDP Indicators

Total GDP in Euro



Estimations for 2008 and 2009 are in progress.
Data for foreign trade with Montenegro included in 2006.

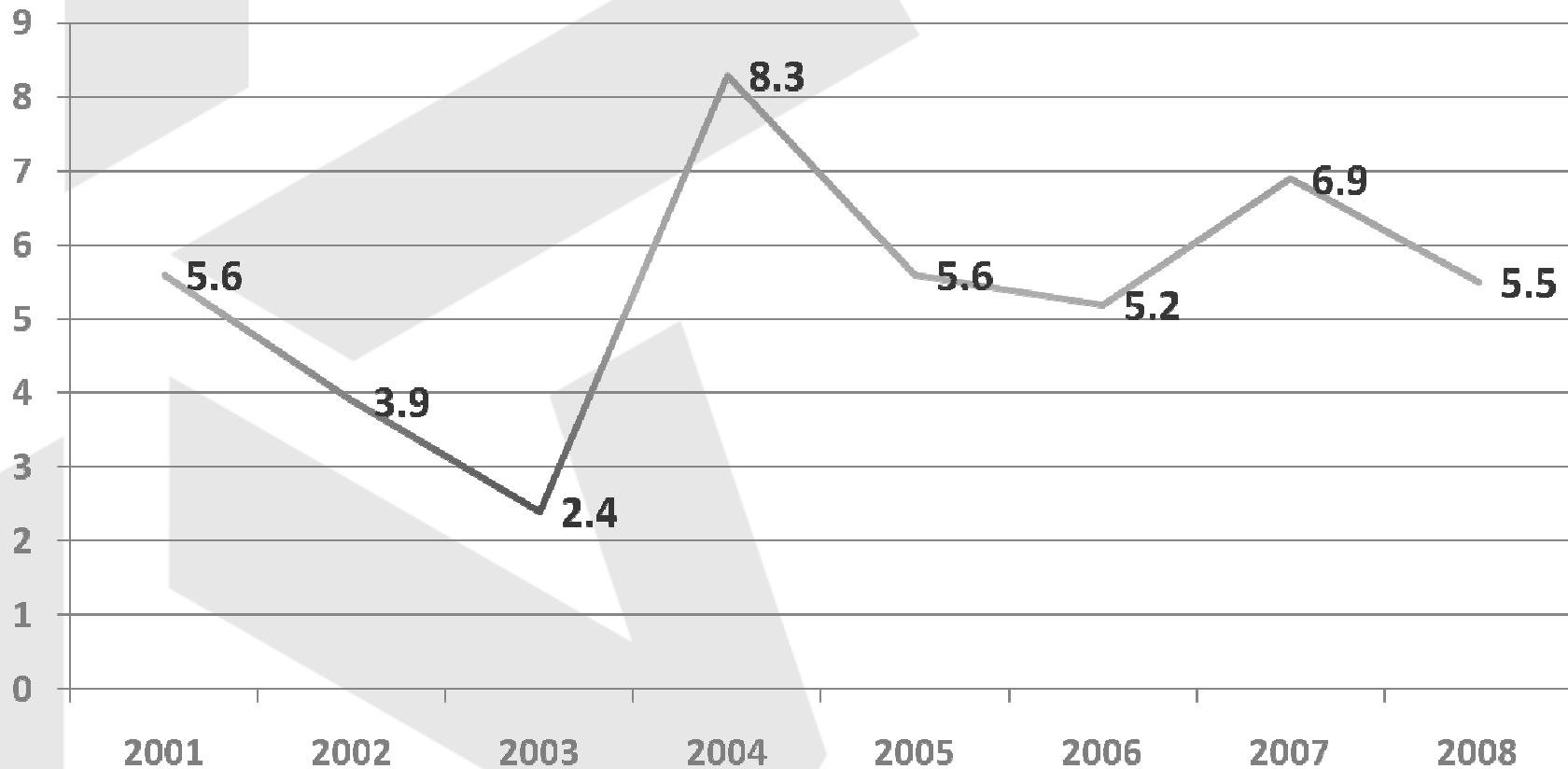
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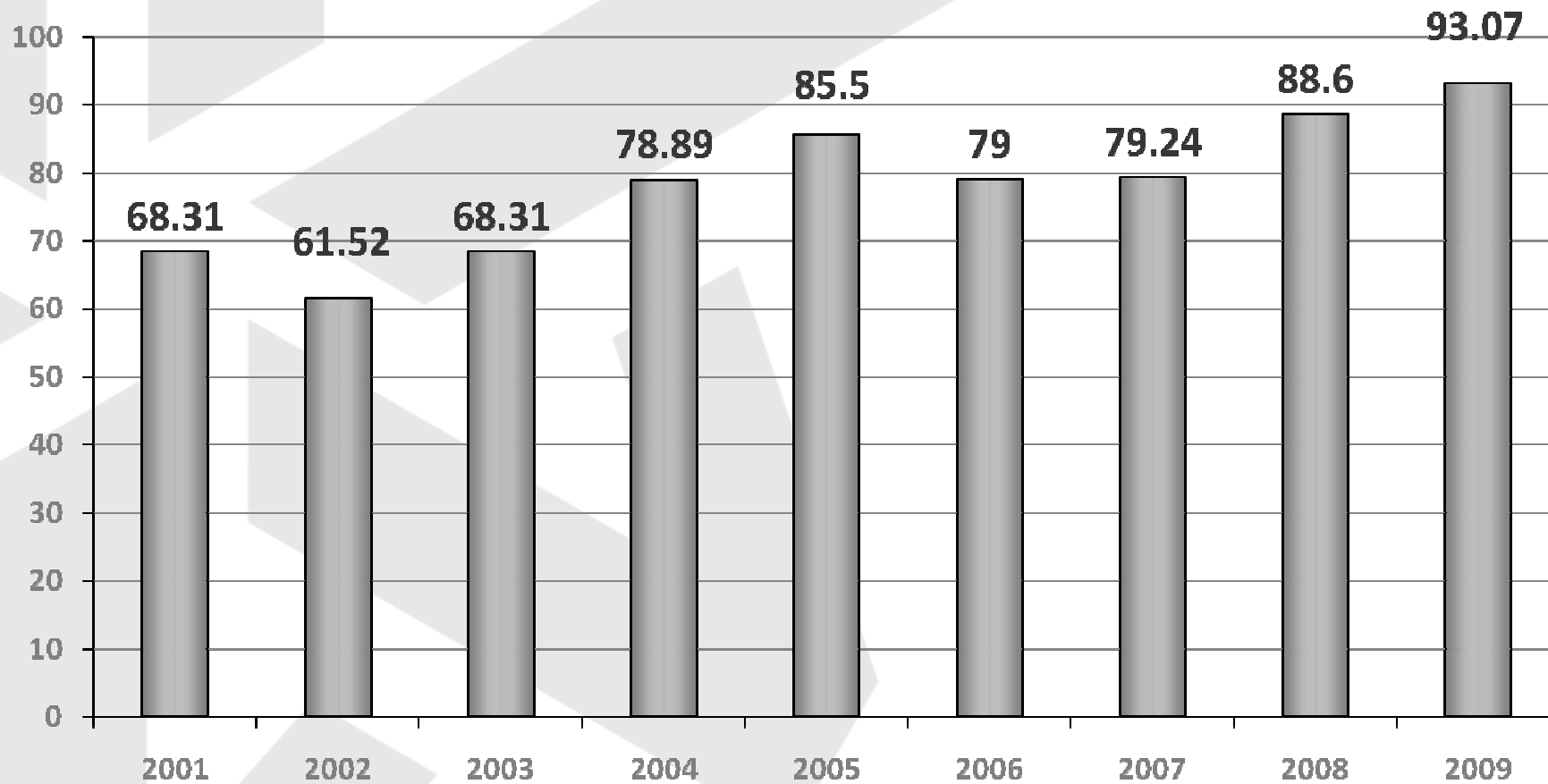
GDP, real growth, %



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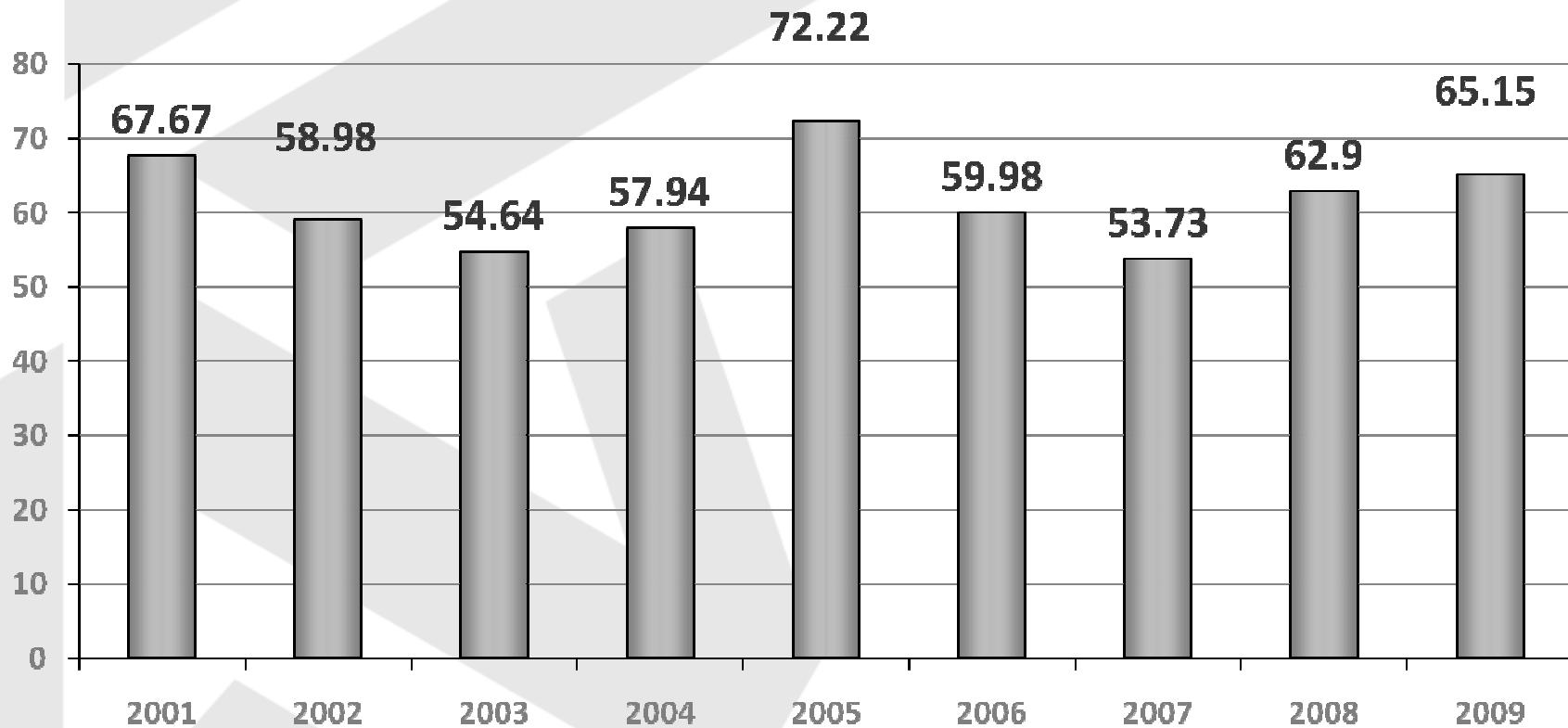
Value of the Dinar

Value of Euro against Dinar



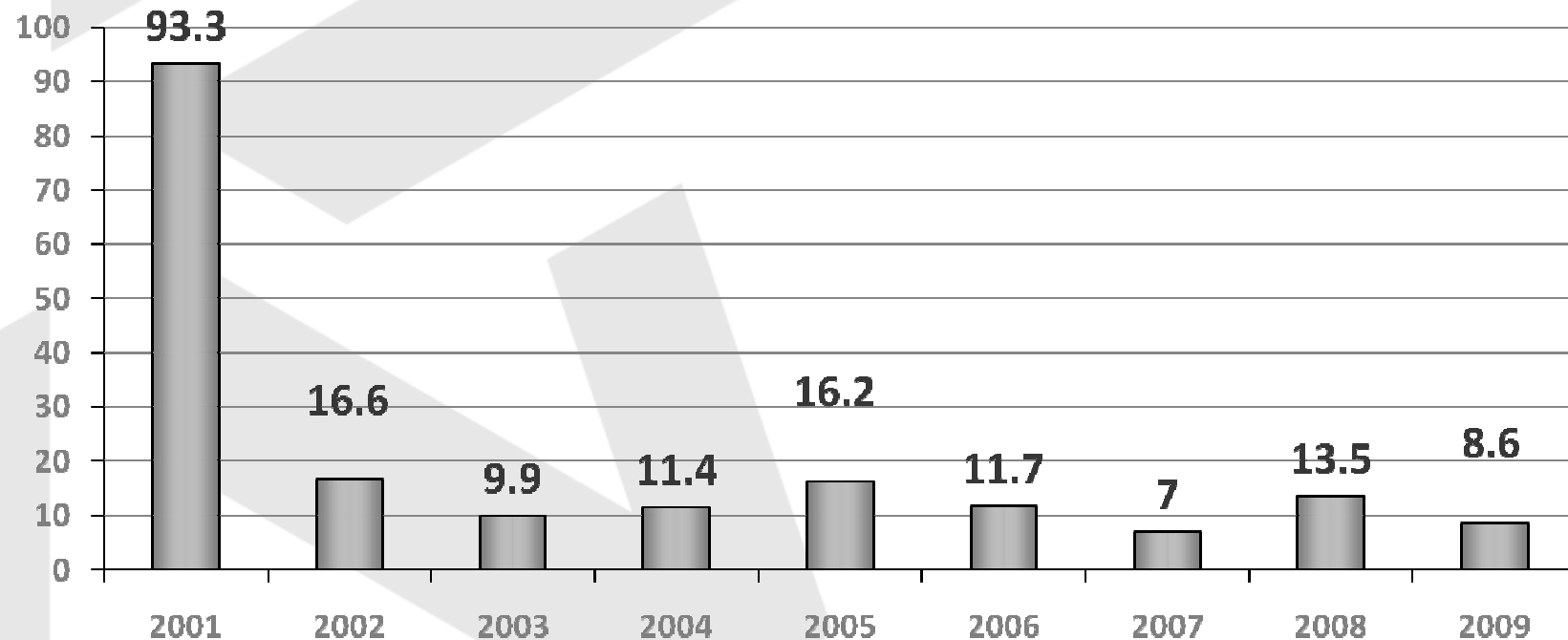
Value of the Dinar

Value of USD against Dinar



Value of the Dinar

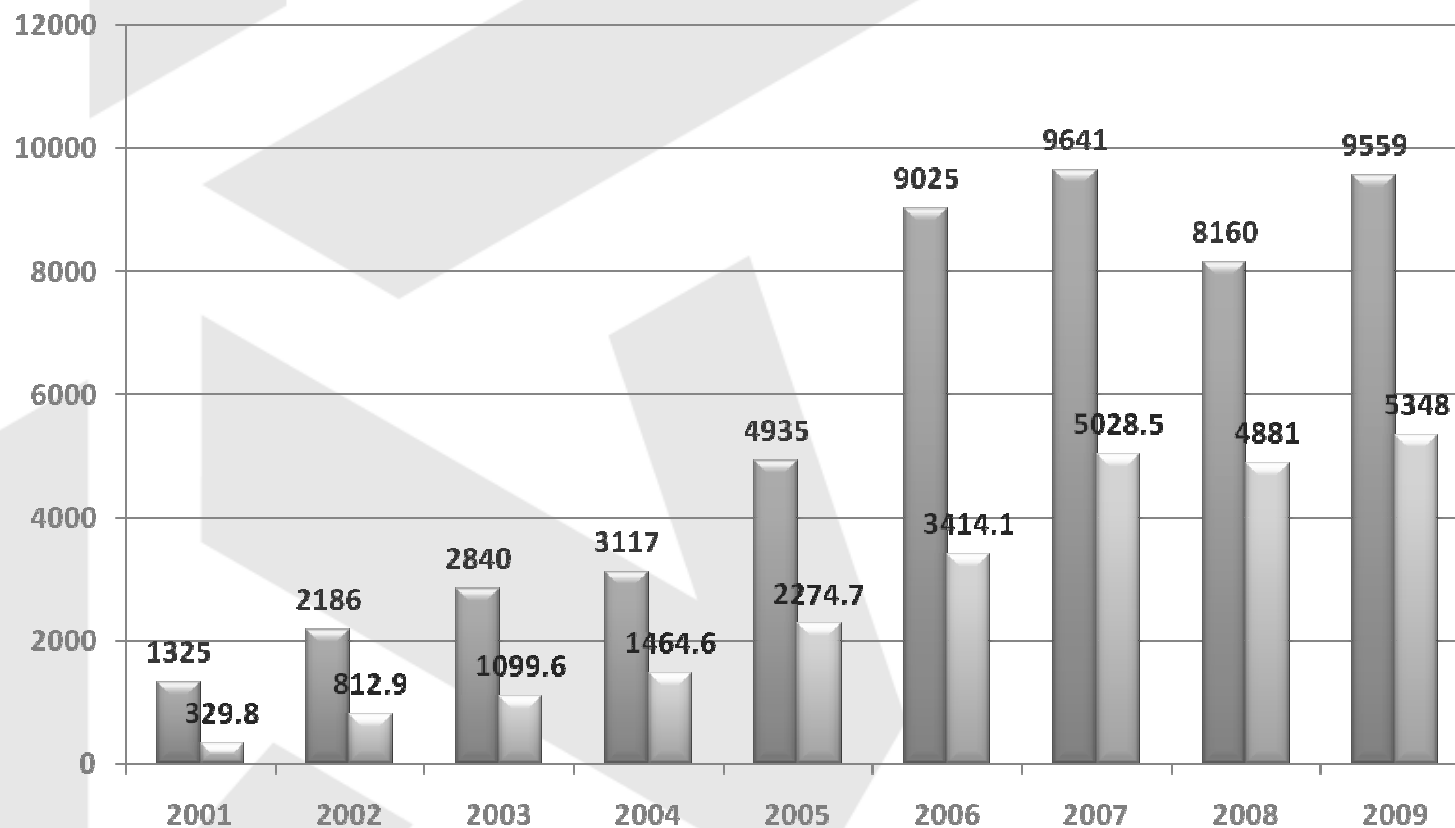
Consumer prices, period average



2009 until August

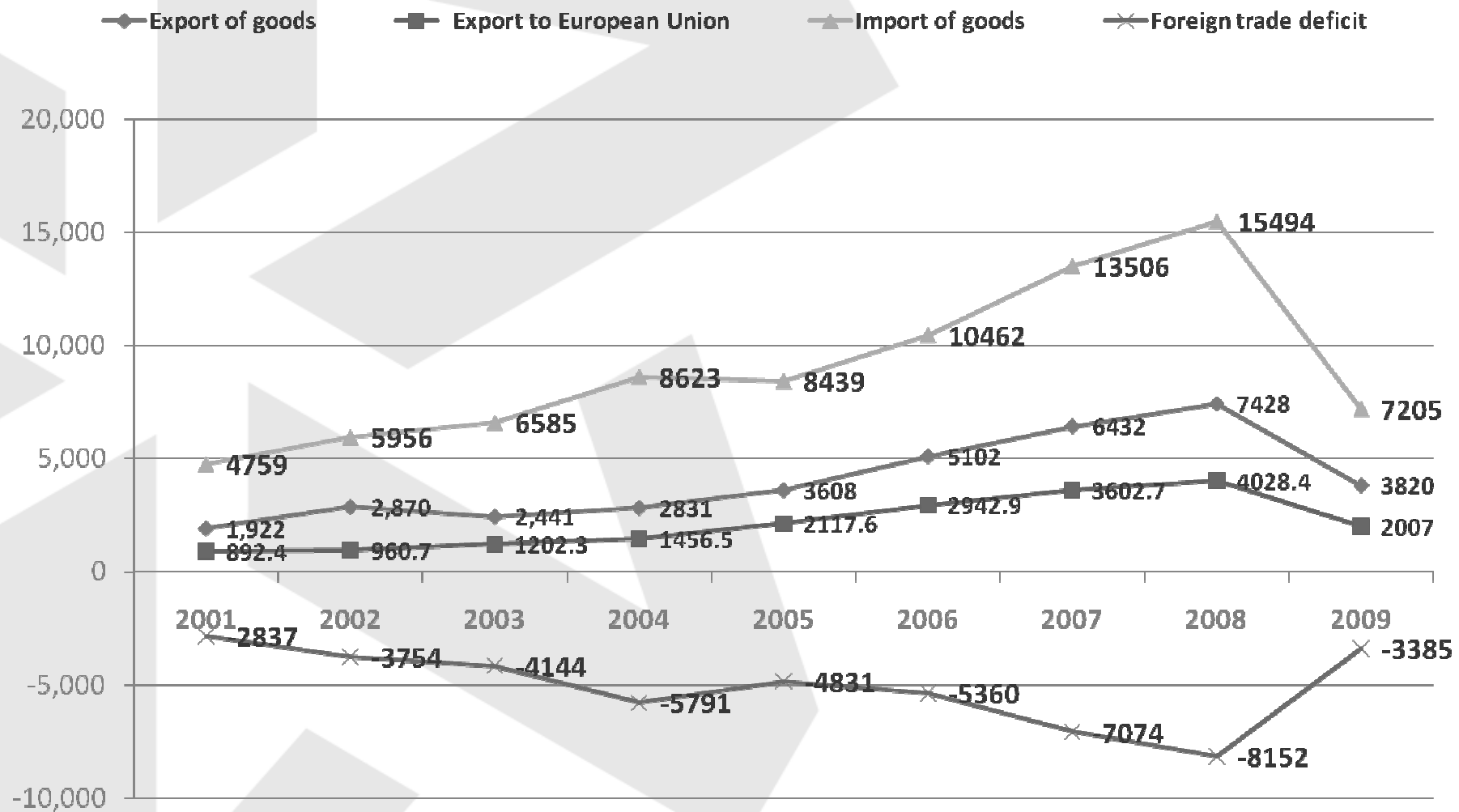
Reserves and Savings

Foreign currency reserves of NBS, in million EUR
 Citizen savings, million EUR, end of period



2009 until August

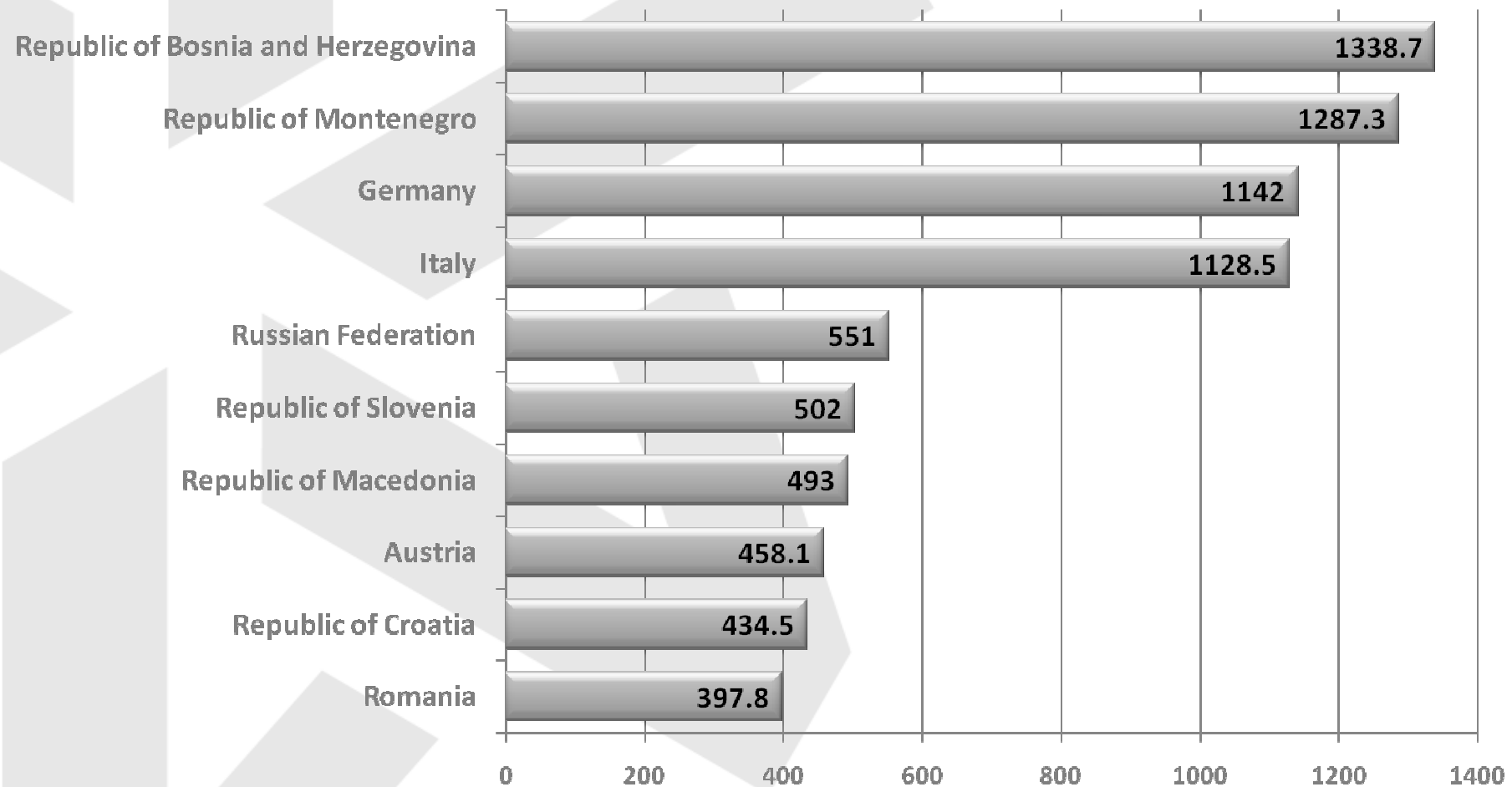
Foreign trade indicators



2009 until August

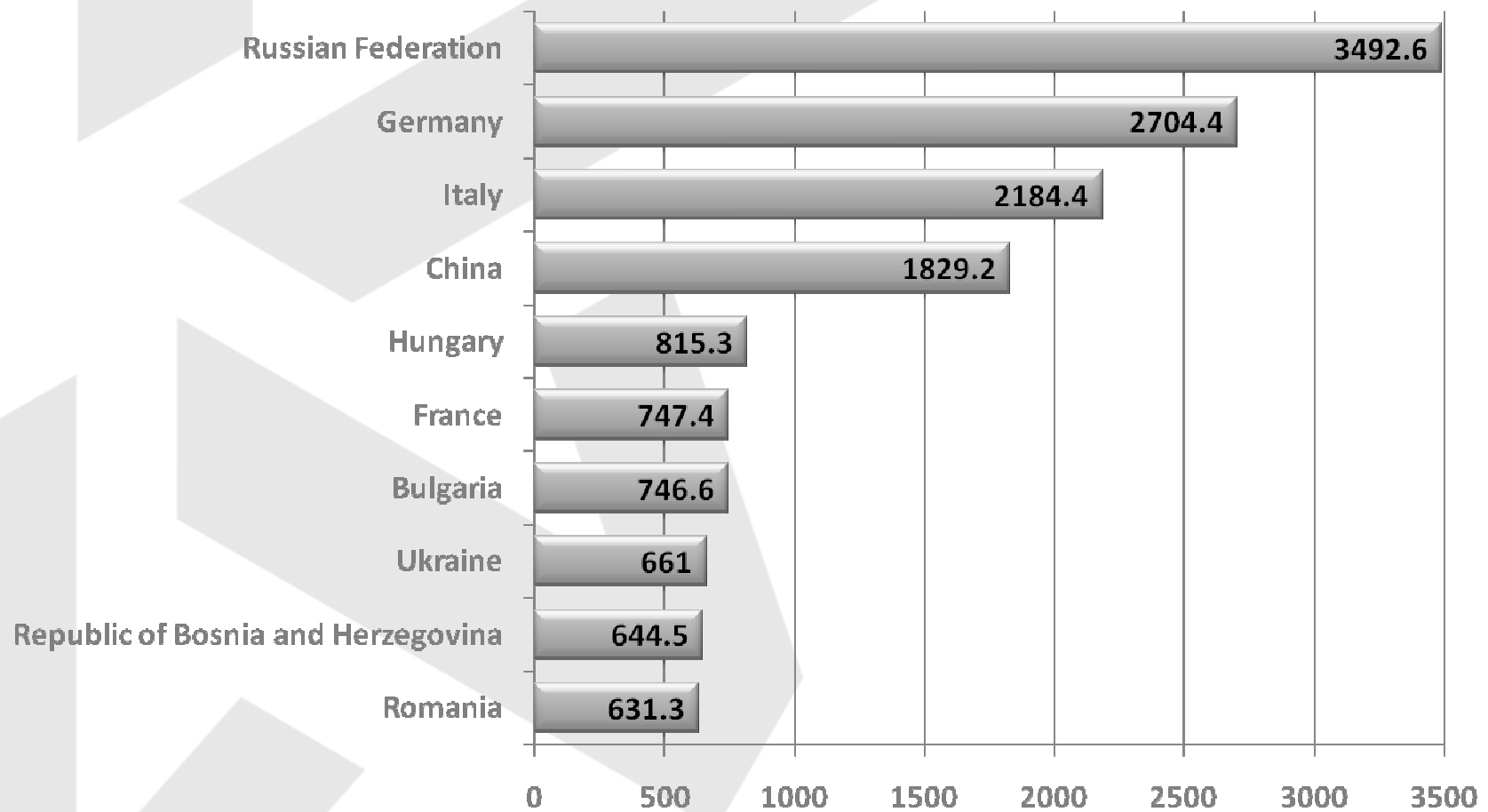
Foreign trade indicators

Major export countries in 2008 (mill USD)



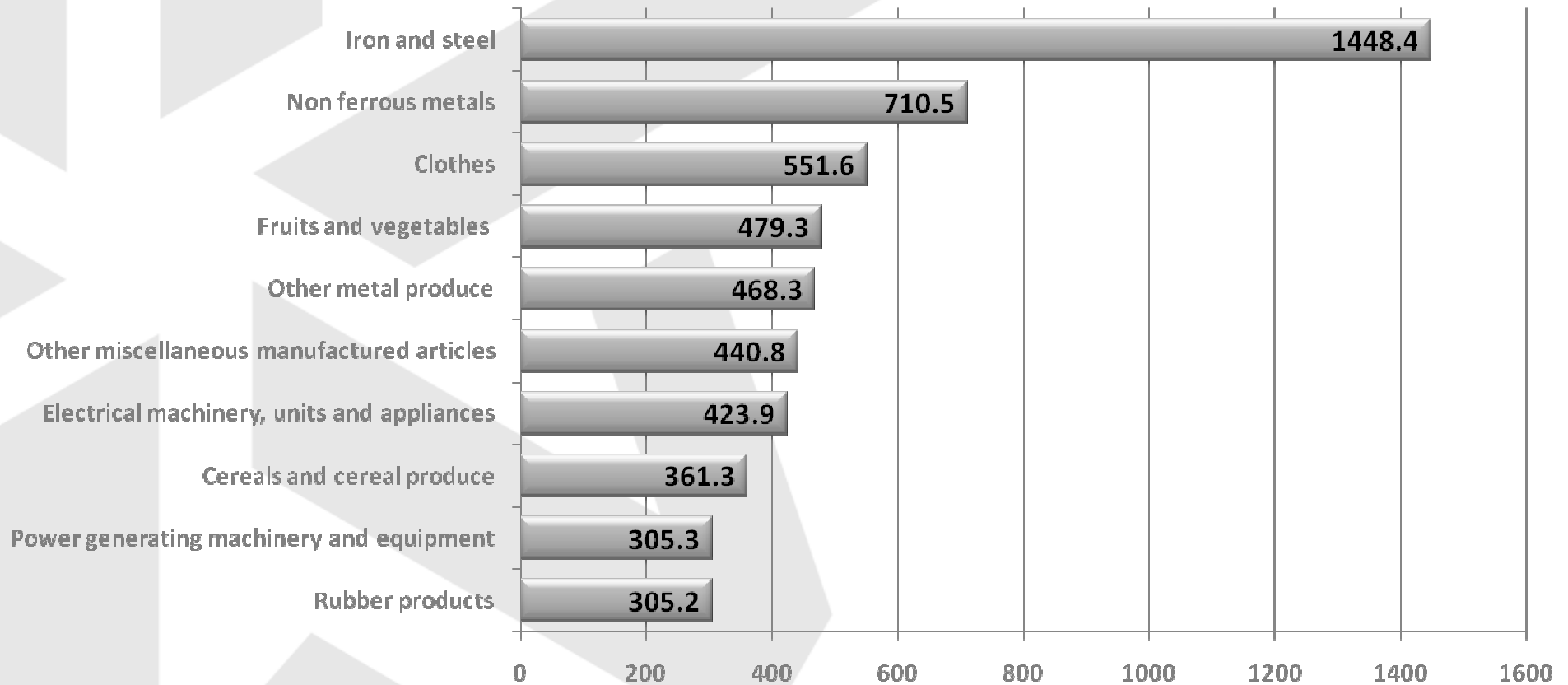
Foreign trade indicators

Major import countries in 2008 (mill USD)



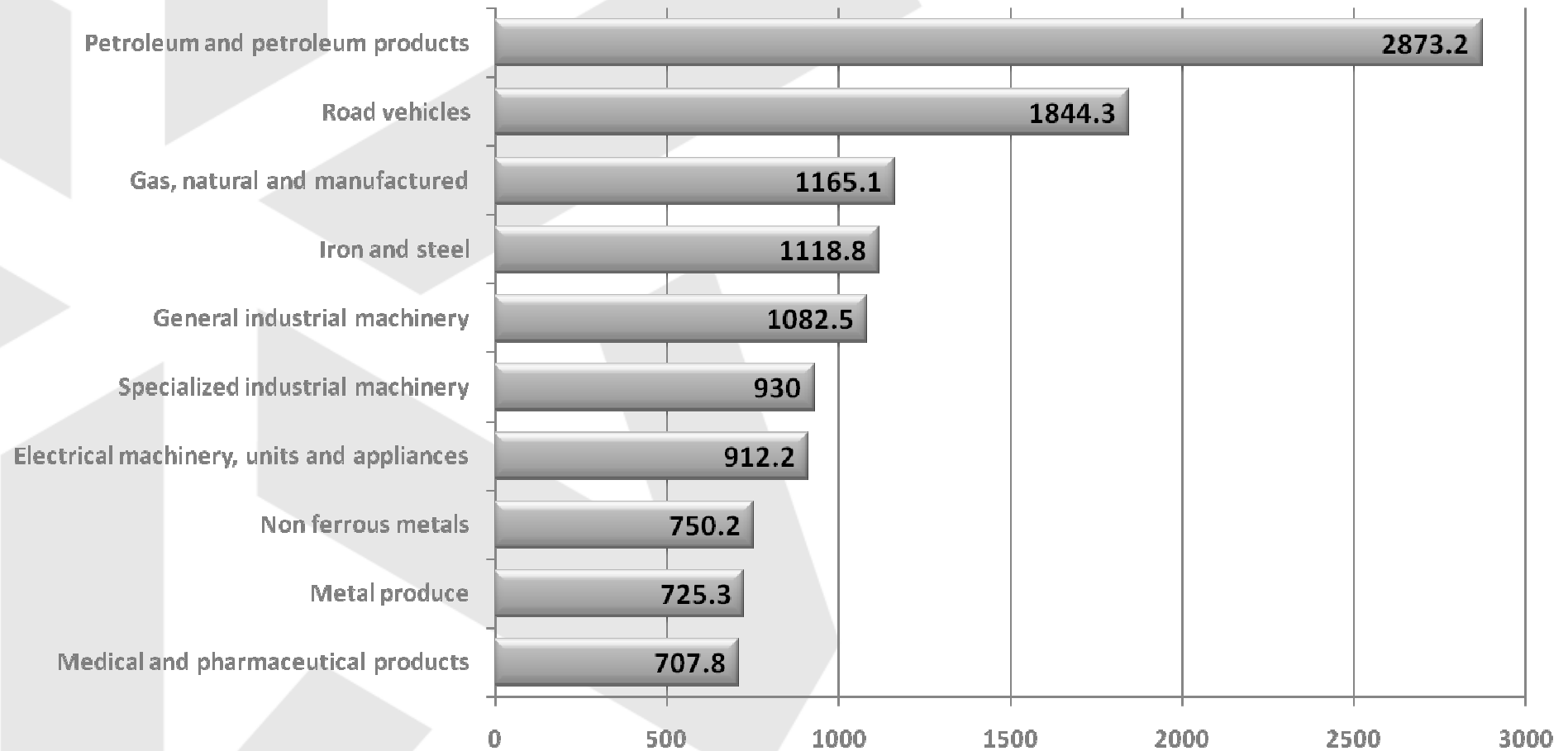
Foreign trade indicators

Major export products in 2008 (mill USD)

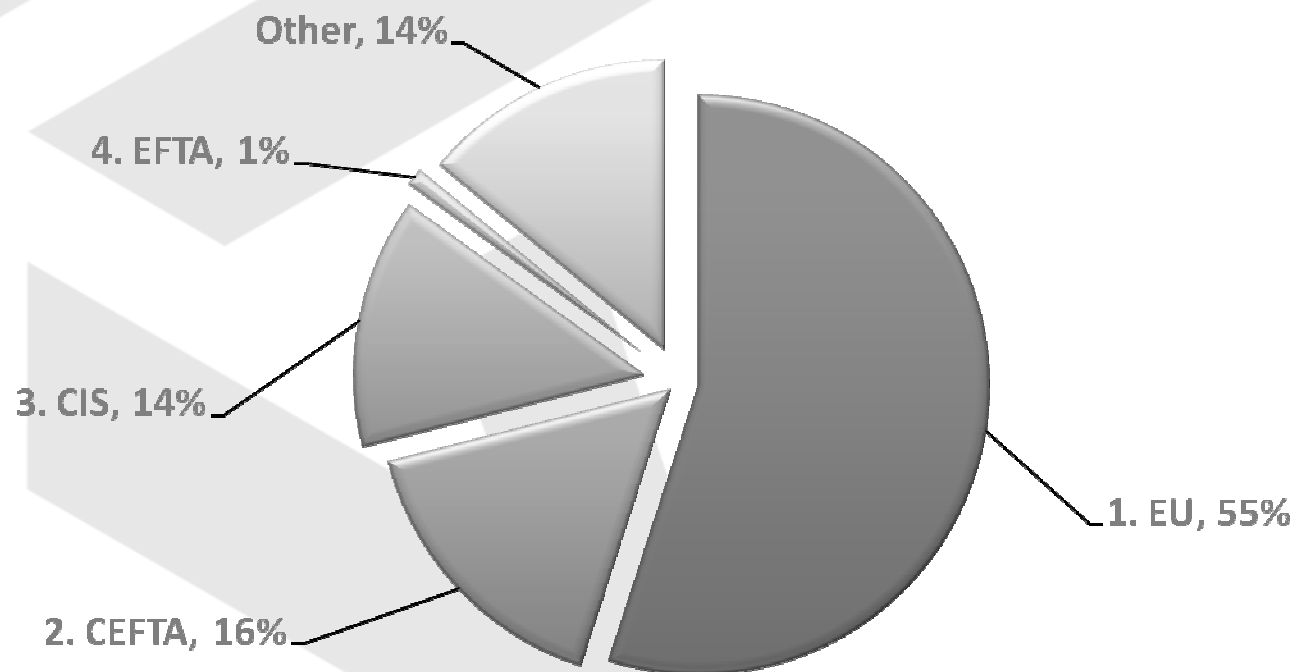


Foreign trade indicators

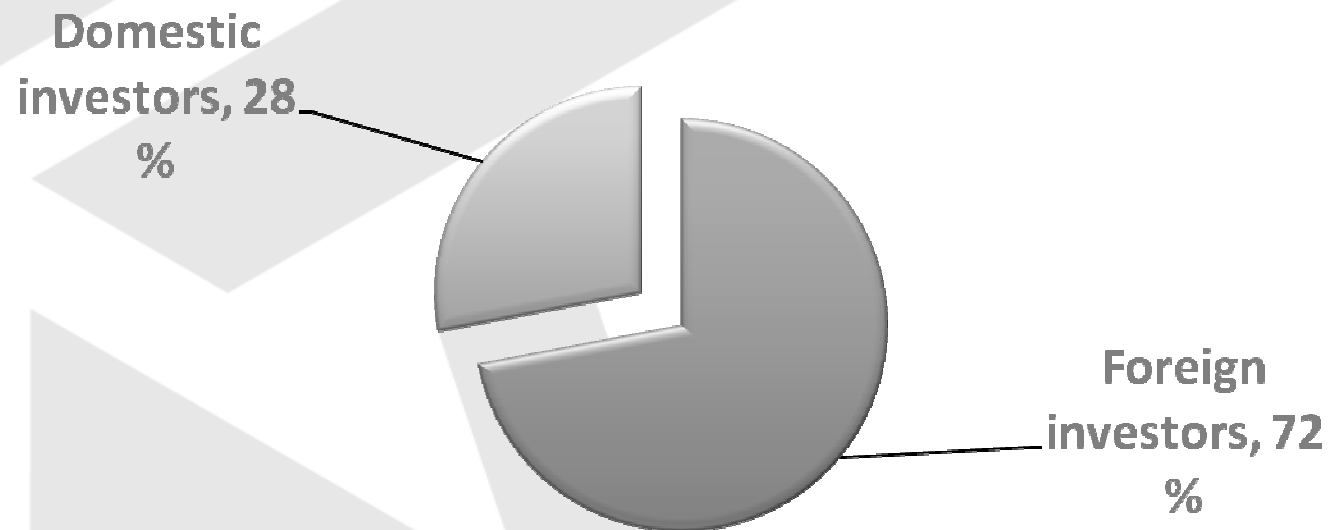
Major import products in 2008 (mill USD)



Geographical Distribution of Serbian Trade in 2008



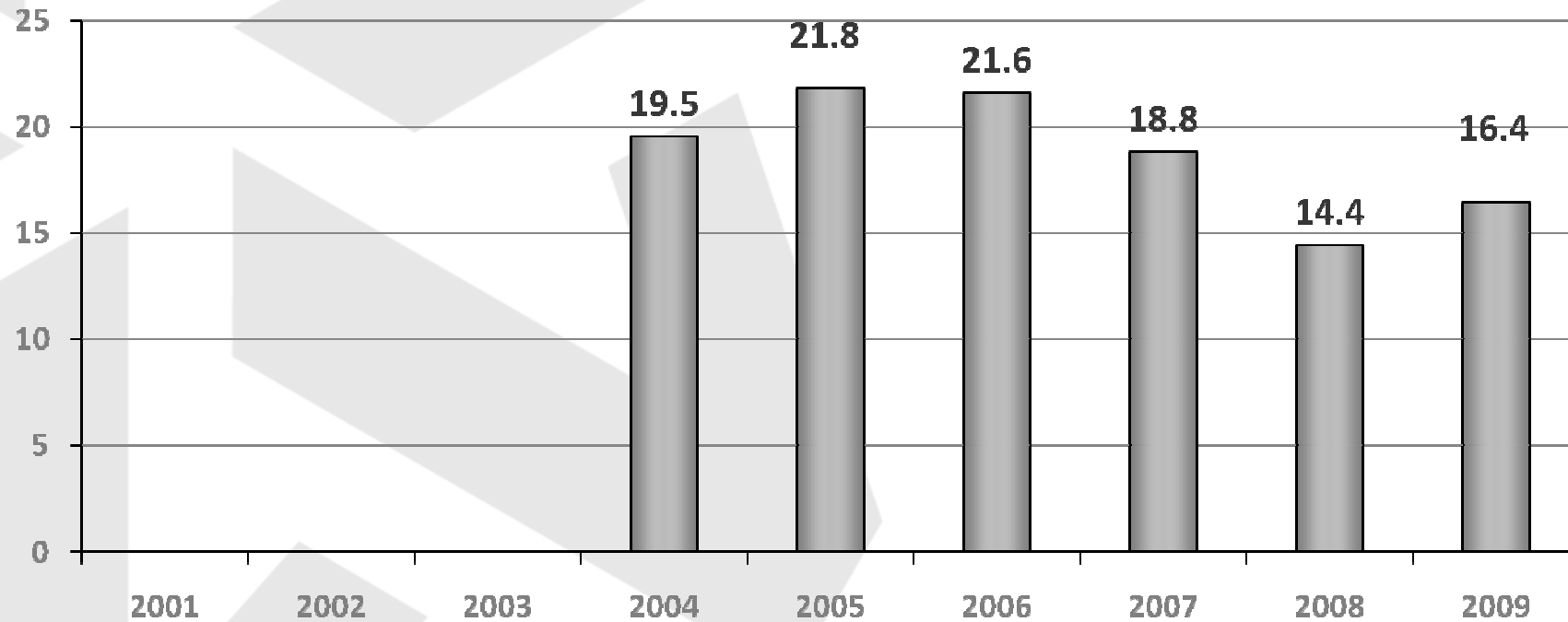
Foreign - Owned Enterprises' Share in Exports of 25 Top Serbian Exporters



- Significant foreign enterprise share in Serbian export is a result of privatization process, restructuring and greenfield investments .

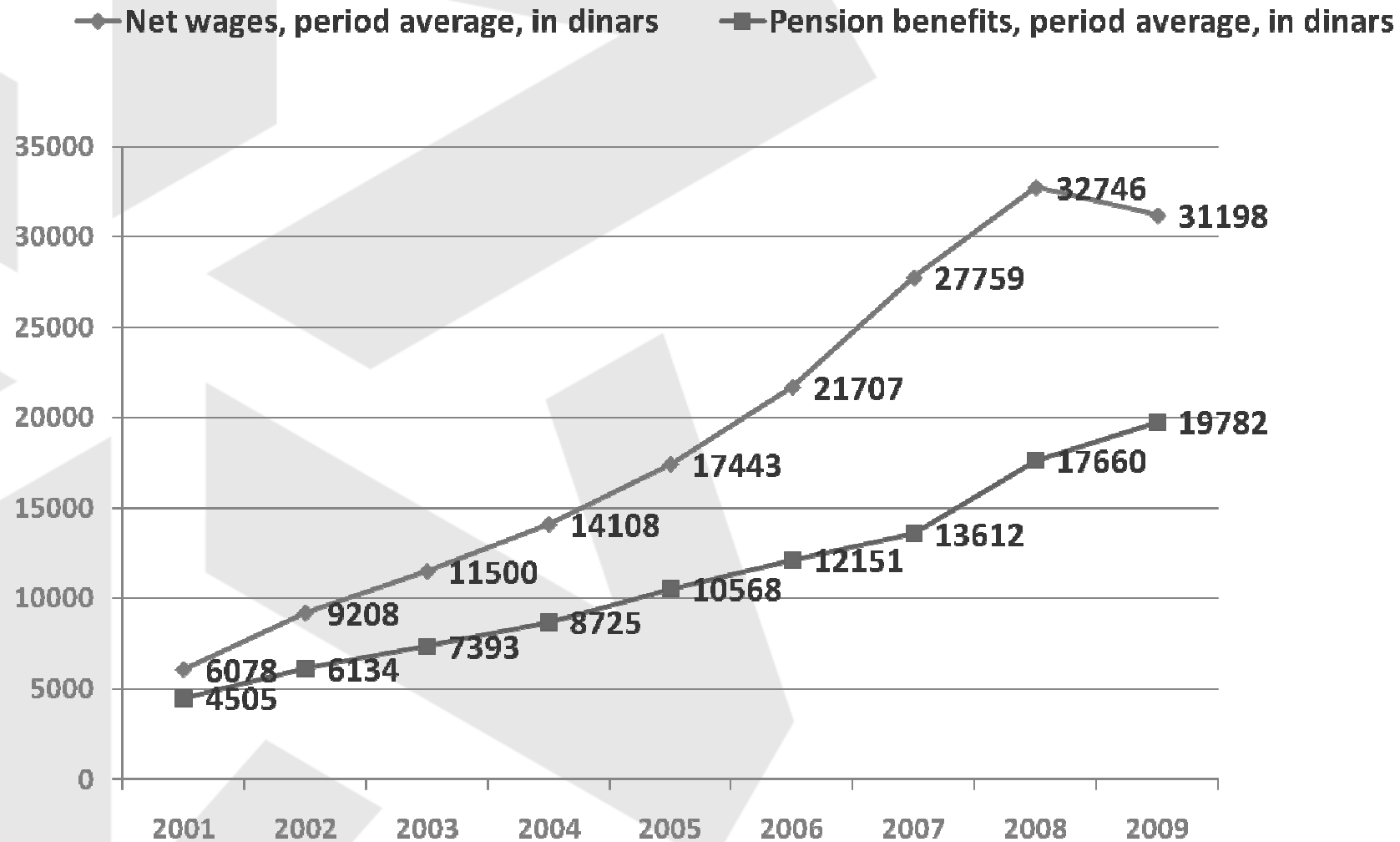
Employment issues

Unemployment rate, ILO definition



2009 until August

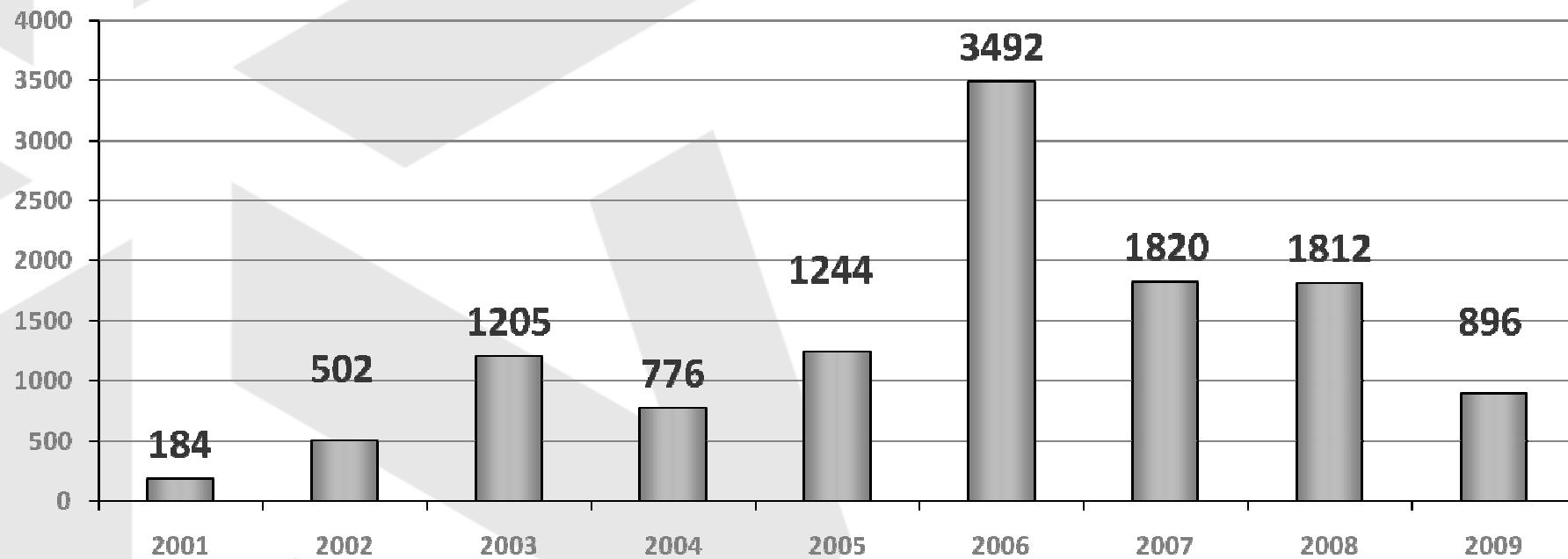
Salaries & Pensions



2009 until August

FDI Inflow

Foreign direct investments, net, in million EUR



2009 until August

Foreign Investor Legal Treatment

- National treatment of foreign companies
- Free transfer of financial and other assets comprising profits and dividends
- Invest freely 100% in all industries except minority stakes allowed in media and in production and trade in armaments
- Corporate profit tax 10%
- Income tax 12%
- Tax holiday for 10 years for investing more than \$10mn and opening 100 new jobs

Investment Incentives

Financial incentives:

Production:

from €2,000 up to €5,000 per new job created
minimum investment amount 1-3mn € and 50 employees

Services:

from €2,000 up to €10,000 per new job created
minimum investment amount 0.5mn € and 10 employees

R & D:

from €5,000 up to €10,000 per new job created
minimum investment amount 0.25mn € and 10 employees

“Incentives for Investments of Special Importance”

3 key industries - automotive, electronics and information and telecommunications technology

The investor has to:

- invest at least **200 million EUR**
- create at least **1,000 new jobs**
- be a **renowned company** or to meet high standards

Opportunities for investors:

- **joint venture** with the Republic of Serbia
- getting up to **25% refund** of the invested assets
- **state financing of the infrastructure and other preconditions** for the realisation of the investment (especially - procurement of land and other real-estate, infrastructural facilitation of land and sanitation of possible environmental damages in the pre-investment period on the location where the investment is planned)

Implementation of the SAA Interim Trade Agreement with the EU

- The first year of the **gradual import liberalization** from the EU started on January 1st, 2009
- Full free trade to be established during the transitional period of **6 years**: 47.6% of products (current tariff 1.85% on average) will be liberalized immediately
- Industrial products classified into **3 groups**:
 - sensitive (no tariff from 3rd year)
 - very sensitive (no tariff from 4th year)
 - the most sensitive (no tariff from 6th year)
- **Sensitive industries**: chemical, leather and shoes, metal and electrical, wood and furniture, iron and steel, arms and ammunition

Crisis seems to be ending in Serbia

- Visa free travel to Schengen countries from January 1st 2010
- EU candidacy application to be filed by end 2009
- SAA agreement implementation to be unblocked soon
- FIAT opens a factory for new small model in 2010
- Reforms faster and new Law on Planning and Construction effective
- New free trade agreements with Turkey and Belarus
- Scope of Russian free trade agreement expanded

Crisis seems to be ending

- Serbian financial system very solid - banks passing stress test easily
- IMF agreed a new stand-by agreement with Serbian Government
- Budget income consolidating in 3rd quarter
- Large infrastructure investment into roads, bridges, electric power generation

... the future looks stable..

- Serbian Government successful and focused on:
 - EU accession
 - Economy
 - Foreign affairs
- No new elections in sight
- No new shocks expected and economy should recover by 2011
- Economy to grow but at slower pace than before crisis

THANK YOU FOR YOUR ATTENTION!



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