

Statement by an IMF mission to Serbia

An IMF mission headed by Albert Jaeger visited Belgrade during May 18-26, 2011 to conduct preliminary discussions on a new precautionary Stand-By Arrangement (SBA) for Serbia. At the conclusion of the mission, Mr. Jaeger issued the following statement:

“Serbia’s economy is slowly getting back on its feet. In 2011, GDP is expected to grow by 3 percent, fuelled by exports, and to accelerate to 4½ in 2012 as key FDI projects come on stream. However, reflecting weak real incomes and massive labor shedding since the 2008 crisis, the shift to a more balanced growth has been difficult and painful.

“The present tight stance of macroeconomic policies is appropriate. Tight monetary policy has been needed to counter high inflation, mainly driven by food prices. Budget execution so far seems broadly on track to meet the key deficit objective under the fiscal rule. The mission saw no scope for additional public wage and pension increases beyond the indexation step envisioned for October.

“A potential new precautionary SBA would have two main components: (1) maintaining fiscal responsibility; and (2) improving the investment climate. A number of reform options have been discussed.

“There was a preliminary understanding that the potential precautionary SBA would likely have a length of 18 months and access of 200 percent of quota (about €1 billion).

“We envisage that the mission will return to Belgrade in August and try to finalize discussions on the new arrangement.