



**ECONOMIC MOVEMENTS IN THE REPUBLIC OF SERBIA
DETERMINED BY ECONOMIC AND POLITICAL
CONDITIONS IN THE WORLD WITH REFERENCE TO
THE SURROUNDING COUNTRIES**

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UDC
330.34:338.1
(497.11)

Original
scientific
paper

Received:
09.07.2024
Accepted:
29.06.2025

Abstract: This paper presents economic development in the Republic of Serbia (RS) and the surrounding countries during the world economic crisis of 2008 and the crisis caused by the COVID-19 pandemic, which was followed by the war in Ukraine. The aforementioned crises had negative consequences in their own way on the world economy, including the economy of the Republic of Serbia and the neighboring countries. Until then, the world economic crisis was considered the biggest world crisis, but the crisis caused by the COVID-19 pandemic and the war in Ukraine surpassed it. Answers are sought to the question of how the economic and political conditions in the world caused by the global economic crisis, the Covid-19 pandemic and the war in Ukraine significantly affect the economic trends in the RS and the neighboring countries and whether the current economic crisis caused by the Covid-19 pandemic and the war in Ukraine leads to more serious consequences than was the case with the World Economic Crisis of 2008? The aim of the research is to look at the changes in macroeconomic indicators in order to point out the key challenges for the state, which will enable the assessment of the consequences due to the unpredictability and duration of the COVID-19 pandemic and the war in Ukraine, which will affect the future development of the country. In order to respond to the set goal of the research, data were collected on the gross domestic product (GDP), the reference interest rate (RIR), inflation and the movement of foreign direct investments (FDI) in the country and the surrounding countries.

Keywords: World economic crisis, COVID-19, gross domestic product (GDP), inflation, foreign direct investments (FDI)

JEL classification: E01, F21

Introduction

World financial crisis 2007-2008. 2008, also known as the global financial crisis and the financial crisis of 2008, is considered by many economists to be the most serious financial crisis since the Great Depression of the 1930s (Eigner, P., Umlauft, TS, 2015). The financial crisis that began in the American mortgage market at the end of 2007 has gained global proportions and has spread from the financial sector to the real sphere in most of the countries. As a result, this crisis caused a large number of bankruptcies and forced the authorities of the USA and the countries of Western Europe to intervene, which will permanently affect the change of the financial system in the world.

The economic recession caused by the coronavirus pandemic or COVID-19 and the war in Ukraine is greater on a global scale than the 2009 recession. The factors that caused them are different. The most common cause of the recession in 2009 is the wrong economic and regulatory policy and broader state policies (Praščević, 2020, 9). The epidemic of COVID-19 from 2020 has led to disruptions in the usual way of functioning of the international market and relations between national economies, erasing the most important postulates that they stood for, and in the new conditions they do not respect them and completely give up on them. The conflict between Russia and Ukraine, which has been going on since the beginning of 2022, only added complexity to the crisis caused by the pandemic and influenced its continuation. Rising prices of energy and raw materials, high inflation in European countries and disrupted supply chains are just some of the problems that all the countries in the world have been facing.

In the RS and the neighboring countries, the COVID-19 pandemic has affected the reduction and decline of gross domestic product (GDP), inflation, interest rate growth, employment and exports. The state intervened with various economic policy measures affecting aggregate demand and supply. The consequences for the economy of the RS and the neighboring countries are the slowdown of reforms and structural changes. Due to the recession, this also happened in 2009 as a consequence of the World Economic Crisis (WEC), in 2007 and 2008, so that the more serious growth of the economy, especially in the manufacturing sector, started only in 2016. These occurrences were followed by the war in Ukraine, which led to a disruption in the supply chain, primarily of energy, oil and oil derivatives, which resulted in an increase in inflation, which also affected our country (partly also the neighboring countries), which is energy dependent on Russia, and under Western sanctions.

The subject of the research is the economic position of the RS and the countries of the region during the economic crisis of 2008, the crisis caused by the COVID-19 pandemic and the war in Ukraine, i.e. the effect of the world economic crisis on the country's economic movements. The goal of the research is to look at the changes in macroeconomic indicators in order to point out the key challenges for

the country, which will enable the assessment of the consequences due to the unpredictability and duration of the COVID-19 pandemic and the war in Ukraine, affecting the future development of the country.

This paper will discuss how macroeconomic indicators such as GDP, inflation, RKS and FDI trends are determined by economic and political trends in the world during crises. The paper is structured in five parts. After the introductory considerations, in the second part of the paper, a review of the literature is given by presenting works that consider the impact of SEK, the corona virus pandemic and the war in Ukraine, and an analysis of the impact of the 2008 crisis, Covid-19 and the war in Ukraine on economic trends in the Republic of Serbia with a reference to the neighboring countries will be carried out. Methodology and data are presented in the third part of the paper, while in the fourth part the results of research and discussion are given. In the end, concluding considerations and recommendations were given to the competent state authorities regarding the activities they should undertake in the following period in order to recover the situation in the country due to the negative consequences.

1. Literature review

The world financial crisis began at the end of 2007 with the crisis in the substandard mortgage market in the United States of America (USA), and developed into a full international banking crisis with the collapse of Lehman Brothers investment bank on September 15, 2008, resulting in a global economic crisis and a major recession (Williams M., 2010, 35). In other parts of the world, experts have expressed their belief that this crisis will not spread to other countries, because lending based on "subprime mortgages" and trading such loans in packages is a technique developed in the US.

Kabok (2010, 88) states that some experts claimed that giving loans should not become a problem for Europe, where the practice of giving loans is much more deliberate and where, unlike the USA, a "soap bubble" has not developed in the real estate market that could explode in the future. Other experts argued that in addition to the EU, Japan and other emerging markets, including Brazil, Russia, India and China, should be safe. These expectations began to disappear when, in the second half of 2008, the pressure and negative impact of the crisis on the real economies of practically all countries of the world began. The European debt crisis, the crisis of the banking system of the European countries that use the euro, followed a little later. After the 2010 crisis, the Dodd-Frank Act was passed in the US to "promote the financial stability of the United States", while the Basel III capital and liquidity standards were adopted by countries around the world.

The basic initial cause of the crisis should be sought in the very expansive monetary policy led by the American Federal Reserve (FED) through the policy of

cheap money, that is, the FED's low interest rate (what is called the reference interest rate in Serbia). Most economies thus fell into recession. "A sign of recession is that public consumption is not at the level of full employment. Another sign of recession is that banks do not grant loans at the level of full employment" (Antevski, 2010, 51-52).

Responsibility for the emergence and spread of the world financial crisis is shared, and its spillover into the real sector of the economy is a logical and inevitable sequence of events. The globalization of the world economy, the still leading position of the US economy, the constant strengthening and sharpening of international competitive rivalry, directed national governments to do everything in order to maintain the dynamics of the economic activity of their economies and maintain or improve their positions on the international market (Antevski, 2010, 52). The same author further states that the blame for the crisis is shared by national governments, especially the most developed industrial countries, primarily the USA, then central banks, institutions responsible for regulation and control of financial markets, and then investment bankers and brokers.

The interconnectedness of countries, through the global economy and production chains, has facilitated the transmission of crises between countries (Kneller, 2007, 24). This led to major disruptions on the supply side, in the midst of the pandemic and the war in Ukraine. Tomić, Antonijević and Pejović (2021, 38) state that the pandemic caused by COVID-19 contributed to a global recession whose scale exceeded two World Wars, as well as the Great Depression during the last century. The pandemic has caused a serious loss of human life, driven a significant level of the human population into extreme poverty. On the other hand, the war in Ukraine led to the disruption of energy supply chains, primarily oil and oil derivatives, and additionally affected the economic crisis.

Barro, Ursua and Weng (2020) believe that the COVID-19 pandemic can certainly be considered a negative exogenous shock, because its action affected the economic system and economic events and movements, which caused an economic decline and recession, the characteristics of which were felt at the global level. Estimates so far suggest that COVID-19 is significantly more contagious than many previous pandemics caused by viral diseases, but it is not among the deadliest pandemics.

During 2020, a lot of research was done on the factors that led to a drop in real GDP in the conditions of the pandemic. So Bonadio et al. (2020) point out that disruptions in global supply chains are the primary cause of the decline in real GDP in the current pandemic. Elenev et al. (2020) state that disruptions in global supply chains are the primary cause of the decline in real GDP in the current pandemic. Similarly, Cespedes et. al. (2020) developed an economic model of the impact of COVID-19 on productivity. These authors point to the possibility of a vicious circle triggered by the loss of productivity, causing lower collateral values, which limits

the ability to borrow, and alternately leads to a decline in employment and productivity.

In a study by Baker et al. (2020) found that households sharply increased their consumption in the initial period in certain sectors, such as retail consumption and food, while the total consumption declined. Binder (2020) conducted an online survey on a sample of 500 American consumers, in order to determine the pattern of their behavior during the current pandemic. It found that 28% of the respondents in that survey had postponed their travel plans and 40% had given up on food shopping. He also found that consumers are linking their concerns about COVID-19 to higher inflationary expectations.

Since there is a high level of uncertainty regarding the duration and intensity of the crisis, it is difficult to predict the decrease in GDP and propose measures for economic recovery. Eichenbaum et al. (2021, 21) presented a complex macroeconomic model in a study on the macroeconomic epidemic and simulated certain scenarios of the impact of the pandemic on the macroeconomics. Also, McKibbin & Fernando (2020) provided scenarios of global macroeconomic impacts of the pandemic.

According to Carlsson-Szlezak et al. (2020, 14) in order to determine the negative economic impact first of the pandemic, and now of the war in Ukraine, it is necessary to identify the main economic transmission channels through which market shocks negatively affect the economy, namely: a) direct impact on the reduction of consumption of goods and services, b) indirect impact on financial markets and their effects on the real economy, and c) disruptions in supply. Due to the increase in uncertainty and the duration of market shocks, there was the emergence of safe consumption and safe investment by consumers, investors and international trade partners (Peterson & Thankom, 2020, 18).

On the other hand, in his research, Giles (2022) states that geopolitical pressures related to the war in Ukraine threaten to stratify world trade, through the rise in prices caused by operating costs, the rise of tariffs or export bans, and the collapse of many production chains. The conflict in Ukraine has contributed to the disruption of supply chains, affecting commodity markets, trade and financial links. The reduced supply of oil, gas and metals on the market (the main supplier Russia), and wheat (the largest suppliers Ukraine and Russia together) sharply raised their prices, by over 8% which contributed to high inflation in the EU (a record in the last four decades). The importers of goods in Europe are the most affected by this. According to Nikolić (2022), when it comes to our region, the effects of the war in Ukraine spill over mainly through the channel of raw materials, and accordingly, the risks stem from possible disruptions in the supply of natural gas and oil.

All the circumstances and negative effects mentioned at the world level did not bypass our area either. It can be said with certainty that in some segments the domestic economy, which at the beginning of this century was closely linked to the EU economy, was even more affected. In the first half of March 2020, 168 businesses were temporarily closed and almost 5 percent of the total number of employees worked from home (Karajović, M. and others, 2021, 316). Disasters such as pandemics, epidemics, as well as serious climate disasters and wars can significantly affect demand through lower business investments, as well as weaker consumer demand (Tomić, Antonijević and Pejović, 2021, 49).

In the past reform period, economic policy holders in the RS undertook significant measures and activities that achieved positive results in neutralizing long-term economic weaknesses that limited the development trajectory of the Serbian economy (macroeconomic stability, stable inflation, growth in the employment rate) (Petrović-Randjelović and Radukić, 2021, 48). The program of economic measures to reduce the negative effects caused by the Covid-19 virus pandemic and support the economy of Serbia included: (1) postponement of the payment of payroll taxes and contributions for the private sector, then (2) direct assistance to the private sector by paying all or part of the minimum wage, (3) enabling the economy to take loans from the guarantee scheme on favorable terms, as well as (4) direct assistance to the population (Karajović et al., 2021, 316).

The very beginning of 2022 was marked by an increase in the price of energy on the world market, the main reason of which is the geopolitical and energy crisis related to the situation in Ukraine. Geopolitical pressures related to the war in Ukraine threaten to stratify world trade, through the rise of logistics prices, the rise of tariffs or export bans, and the collapse of many production chains (Nikolić, 2022, 6). Economic losses caused by the pandemic due to the decline in economic activity are the loss of GDP, the increase in the unemployment rate, the increase in corporate bankruptcies, the decrease in liquidity, the drop in share prices, the increase in energy prices, the increase in public debt, etc. On the other hand, the war in Ukraine led to a high rate of inflation, a drop in GDP, an increase in interest rates, etc.

2. Methodology and data

In the the following sequences of the paper, we discuss about macroeconomic indicators and their impact on economic trends in the Republic of Serbia and the surrounding countries, which were determined by the impact of SEK in 2008, the Covid-19 crisis and the war in Ukraine. The indicators that are highlighted in the paper are: GDP, reference interest rate, inflation and the movement of FDI. This work is based on a general hypothesis (assumption) which reads:

- H0: The economic and political conditions in the world caused by the World Economic Crisis, the Covid-19 pandemic and the war in Ukraine are reflected in the economic trends in the RS and the neighboring countries.

A special hypothesis follows from the general hypothesis, which reads:

- H1: The current economic crisis caused by the Covid-19 pandemic and the war in Ukraine leads to greater negative consequences than was the case with the World Economic Crisis of 2008.

In order to respond to the set goal of the research, data were collected on gross domestic product (GDP), reference interest rate, inflation and the movement of foreign direct investments. The data were collected from official sources such as the IMF, NBS, the Ministry of Finance of the RS, the Bureau of Statistics and the Central Banks of the observed countries, as well as using the World Bank Data Portal, which provides an insight into global economic and social statistical data. The data were collected for the period from 2006 to 2022. This period is determined to include all three financial crises that are discussed in this paper. The countries included in the research are the Republic of Serbia, Bosnia and Herzegovina, the Republic of Montenegro, the Republic of Albania and the Republic of North Macedonia.

The data was analyzed by comparing the changes over the years in order to show how the crises affected the economy of the observed countries. In this way, it is possible to highlight the spheres in which the main challenges arise during crises, which further helps to understand the position of the Republic of Serbia and the countries in the region during the current crisis caused by the consequences of the pandemic and the war in Ukraine. The data collected through this research will be tabulated in order to provide an overview of the changes that may be important for further understanding of the problems that financial crises lead to. The example of Serbia will be in focus, but other countries will also be included in this discussion so that comparative conclusions can be drawn.

3. Research results and discussion

3.1. Gross domestic product (GDP)

A significant stagnation in the development of Serbia and the growth of GDP is certainly the period during SEK 2007 and 2008, then a decade later, the crisis caused by the pandemic of the COVID virus in 2020 and 2021, which was followed by the war in Ukraine in 2022, which caused an ongoing crisis on a global level. Just like Serbia, the world economic crisis did not bypass the surrounding countries (BiH, Montenegro, Albania and North Macedonia). In the following Tables 1 and 2, the movement of key macroeconomic indicators in the Republic of Serbia and surrounding countries in the period from 2006 to 2022 is presented.

Table 1. Movement of key macroeconomic indicators in the Republic of Serbia and surrounding countries, 2006-2013.

	2006	2007	2008	2009	2010	2011	2012	2013
SERB	Republic of Serbia							
GDP, in million EUR	25,930.7	31,557.9	35,712.5	32,486.2	31,545.8	35,431.7	33,679.3	36,426.7
GDP, per capita, in EUR	3,498.7	4,275.2	4,858.7	4,437.5	4,326.4	4,896.2	4,676.7	5,082.9
Real growth rates	5.1	6.4	5.7	-2.7	0.7	2.0	-0.7	2.9
Bosnia and Herzegovina	Bosnia and Herzegovina							
Nominal GDP of BiH, in million EUR	10,255.2	11,528.7	13,048.0	12,679.5	12,969.1	13,412.0	13,407.7	13,692.0
GDP, net per capita, in EUR	2,897	3,257	3,687	3,583	3,665	3,792	3,794	3,878
Real growth rates	5.41	5.86	5.44	-3	0.87	0.96	-0.82	2.35
Montenegro	Republic of Montenegro							
GDP in current prices, in millions EUR	2,169.6	2,689.1	3,103.3	2,993.9	3,125.1	3,264.8	3,181.5	3,362.5
GDP per capita, in thousand EUR	3,528	4,366	5,030	4,842	5,045	5,265	5,126	5,412
Real GDP growth, (%)	...	6.8	7.2	-5.8	2.7	3.2	-2.7	3.5
SM	Republic of North Macedonia							
GDP in million EUR (current exchange rate)	-	6 095	6 772	6 767	7 109	7 544	7 585	8 150
GDP per capita in EUR	-	2 982	3 308	3 300	3 459	3 665	3 680	3 948
Real GDP growth rates, (%)	-	6.5	5.5	-0.4	3.4	2.3	-0.5	2.9
AL	Republic of Albania							
Net GDP in millions of EUR	7,090.8	7,810.4	8,799.6	8,660.9	8,999.2	9,268.1	9,588.6	9,626.0
GDP, net per capita, in EUR	2,369.5	2,629.8	2,985.6	2,958.5	3,088.4	3,190.7	3,304.9	3,322.9
Real GDP growth, in %	5.9	6.0	7.5	3.4	3.7	2.5	1.4	1.0

Source: Statistical Offices and National Banks of the observed countries

According to the data that can be found in Table 1, it can be noted that the GDP in the RS during the observed period was the lowest in 2006, when it amounted to EUR 25,930.7 million, and the real growth rate in 2009 was -2.7. The drop in GDP is a consequence of the global economic crisis that began in 2007. An even greater drop in GDP can be observed in the case of the Republic of Montenegro with a real GDP growth rate of -5.8. Significant declines were also noticed in the other observed countries. It is interesting to note that while the following years 2010 and

2011 led to a slight increase in GDP, in 2012 there was a drop in GDP in all the observed countries. After 2012, GDP grows, and the only thing that changes is the amount of real GDP growth.

Table 2. Movement of key macroeconomic indicators in the Republic of Serbia and surrounding countries, 2013-2022.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
SERB	Republic of Serbia								
GDP, in million EUR	35,467.5	35,740	36,779	39,235	42,892	46,005	46,815	53,329	60,368
GDP, per capita, in EUR	4,973.2	5,037	5,211	5,588	6,143	6,624	6,786	7,803	8,917
Real growth rates	-1.6	1.8	3.3	2.1	4.5	4.3	-0.9	7.5	2.3
Bosnia and Herzegovina	Bosnia and Herzegovina								
Nominal GDP of BiH, in million EUR	13,988.5	14,791.4	15,474.5	16,260.7	17,354.4	18,296.8	17,756.2	19,995.4	24,188.7
GDP, net per capita, in EUR	3,967	4,204	4,407	4,641	4,964	5,241	5,110	5,791	5,998
Real growth rates	1.15	3.09	3.24	3.24	3.83	2.89	-3.02	7.39	14.0
Montenegro	Republic of Montenegro								
GDP in current prices, in millions EUR	3,457.9	3,654.5	3,954.2	4,299.1	4,663.1	4,950.7	4,185.6	4,955.1	5,796.8
GDP per capita, in thousand EUR	5,561	5,873	6,354	6,908	7,495	7,959	6,737	8,002	-
Real GDP growth, (%)	1.8	3.4	2.9	4.7	5.1	4.1	-15.3	13.0	6.1
SM	Republic of North Macedonia								
GDP in million EUR (current exchange rate)	8 562	9 072	9 657	10 038	10 744	11 262	10 852	11 690	11,980
GDP per capita in EUR	4 141	4 382	4 659	4 839	5 175	5 423	5 236	6 365	6,768
Real GDP growth rates, (%)	3.6	3.9	2.8	1.1	2.9	3.9	-4.7	3.9	3.6
AL	Republic of Albania								
Net GDP in millions of EUR	9,972.4	10,257.3	10,721.9	11,550.4	12,828.7	13,755.3	13,312.6	15,142.1	17,961.8
GDP, net per capita, in EUR	3,450.4	3,563.1	3,727.2	4,022.7	4,475.9	4,818.9	4,690.4	5,390.9	6,429.7
Real GDP growth, in %	1.8	2.2	3.3	3.8	4.0	2.1	-3.3	8.9	4.8

Source: Statistical Offices of the observed countries and National Banks of the observed countries

The consequences of the pandemic are visible when looking at the real GDP growth rate. The growth rate was 4.3 in the RS in 2019, and in 2020 it would be -0.9. The Republic of Albania has a similar drop in real GDP growth rate from 2.1 to -3.3. The Republic of S. Macedonia during 2019 had a real growth rate of 3.9. In 2020, this rate was -4.7. The example of the Republic of Montenegro best shows the decline in the real GDP growth rate. In 2019, the real growth rate was 4.1, and in 2020 it would fall by 15.3.

These trends indicate that crises have affected the GDP of countries, which is most visible through the real GDP growth rate. It can be noted that each of the crises in its own way led to an impact on GDP. In this respect, the data are consistent, but we should also look back on 2012 and the change that occurred then (fall in GDP and real growth rates), after a period that previously indicated that there could be progress and the achievement of stability in the economic field. This indicates that the consequences of crises extend much further, and that it can be expected that even the current crisis will have consequences that will be manifested later when the crisis period is over. Although this parallel does not necessarily mean that this scenario will certainly occur, there is a reasonable doubt that this kind of impact of economic crises could be expected. Therefore, as a well-founded conclusion, it is good to point out that you should be on alert and monitor all changes that may arise from the current two crises.

3.2. Reference interest rate

The National Bank of Serbia (NBS) determines the reference interest rate (RKS) and publishes it on its website (Article 41 of the Law on the NBS). The NBS, that is, the Monetary Board consisting of the governor and vice-governors, targets (Article 4 of the NBS Law) the reference short-term interest rate as the basic instrument of monetary policy from September 30, 2006, as do the ECB and the FED.

The Monetary Board of the NBS, in accordance with the decision (Ostojić, S., 2009, 355), determines the amount of RKS and basic interest rates on the basis of which the NBS collects from banks and pays interest to banks, based on transactions on the money market. RKS is the highest or the lowest interest rate applied by the NBS in the procedure of conducting repo transactions, i.e. the purchase of securities, with a maturity of two weeks (from 12 to 16 days). The amount of the RKS is determined by the Decision on the amount of the RKS rate of the NBS based on operations on the money market.

Table 3. Movement of the reference interest rate of the NBS in the period from 2006 to 2012

Name	2006	2007	2008	2009	2010	2011	2012	2013	2014
RKS	14.00%	10.00%	17.75%	9.50%	11.50%	9.75%	11.25%	9.50%	8.00%

Source: <https://nbs.rs/sr/ciljevi-i-funkcije/monetarna-politika/kamatne-stope/> downloaded on 03/09/2023

Following the movement of RKS (tabular and graphic display) before the crisis in 2008, it can be seen that the rate in 2006 (14.00%) and 2007 (10.00%) was lower compared to the year of the crisis, where it was recorded at 17.75%. The reason for such a high RKS is the strengthening of inflationary expectations in the observed year. In 2009, the RKS dropped to 9.50%. It is safe to say that the NBS pursued a restrictive monetary policy for almost the whole of 2010, as well as the beginning of 2011, thus defending the growth of the exchange rate, i.e. depreciation of the dinar. After a period of lowering the reference interest rate of one year, at the beginning of 2012, the NBS started raising the reference interest rate again, thus continuing the restrictive monetary policy.

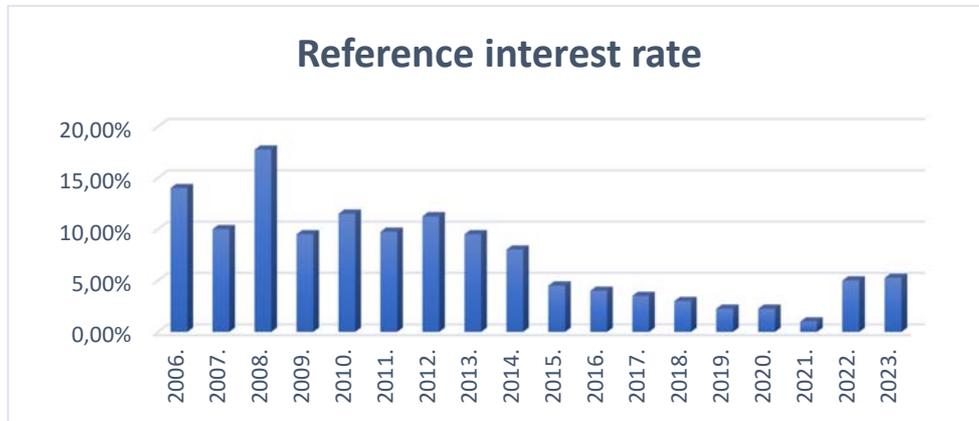
Observing these changes, it is clear how the economic crisis is reflected in RKS. RKS is not an exception when looking at the economic impact of the crisis on the Republic of Serbia. The data on RKS are in agreement with the trend of observed changes in the data collected and analyzed on GDP. In 2013, there was a decrease in the interest rate to 9.50% compared to 2012, and this decrease was further transferred to 2014 and 2015. In 2016, the RKS was 4%, while in 2017, the RKS fell below 4%, and in 2018 it reached a height of 3% [1]. It can be stated that the reference interest rate from 2015 to 2018 moved within the target range.

Table 4. Movement of the NBS reference interest rate in the period from 2019 to 2023

Name	2015	2016	2017	2018	2019	2020	2021	2022	2023
RKS	4.50%	4.00%	3.50%	3.00%	2.25%	2.25%	1.00%	5.00%	5.25%

Source: <https://nbs.rs/sr/ciljevi-i-funkcije/monetarna-politika/kamatne-stope/> downloaded on 03/09/2023

Based on the observed years, the NBS kept the RKS at the same level in 2019 and 2020, taking into account the expected trend of inflation and its factors in the coming period. During 2021, the NBS implemented a less expansive monetary policy and kept the RKS at 1%. In 2022 and 2023, the NBS tightened the monetary conditions for the reason of limiting the secondary effect of price growth through inflationary expectations and thereby putting the inflation in the RS on a downward path. Nevertheless, the increase of the RKS by the NBS had a significant impact on the current credit liabilities of commercial banks, because there was an adjustment and an increase in interest, which led to an increase in the annuity, and therefore to an increase in the total debt.

Chart 1. Movement of the NBS reference interest rate for the period from 2006 to 2023

Source: Statistical Offices and National Banks of the observed countries

The change in RKS, when it comes to the crisis caused by the pandemic and the war in Ukraine, results in similar changes that were identified in the SEK period. However, due to a different policy of the state, which is directed towards other goals based on previous experience, the growth of RKS is not at the level it was during the 2008 SEK. At the same time, by maintaining the relative stability of the exchange rate of the dinar against the euro, the NBS significantly contributes to limiting the spillover effects of import price growth on domestic prices, as well as overall macroeconomic stability in conditions of increased global uncertainty. In addition to GDP and RKS, it is important to consider the impact of the crisis on inflation as one of the important parameters for assessing the economic consequences of the crisis.

3.3. Inflation

In addition to GDP and RKS, inflation can be a good indicator of the impact of crises on the economic growth of a country. Inflation, in addition to affecting the daily activities of individuals and the consumer basket, greatly affects the opportunities for progress and leads to numerous challenges. In Table 5 and Graph 2, the data on how the inflation rate changed during the observed period are presented, on the basis of which the impact of the crisis was estimated.

According to the data in the Table and the Graph, it can first be noted that the inflation rate in 2008 doubled compared to the previous year. Thus, the inflation rate in the RS increased from 6.0 to 12.4, in the Republic of North Macedonia from 2.3 to 8.3, and in the Republic of Montenegro from 3.4 to 9.0. In Bosnia and Herzegovina, from 1.5 to 7.4. and the only exception is the Republic of Albania where this rate remained almost unchanged. Based on these estimates, it can be

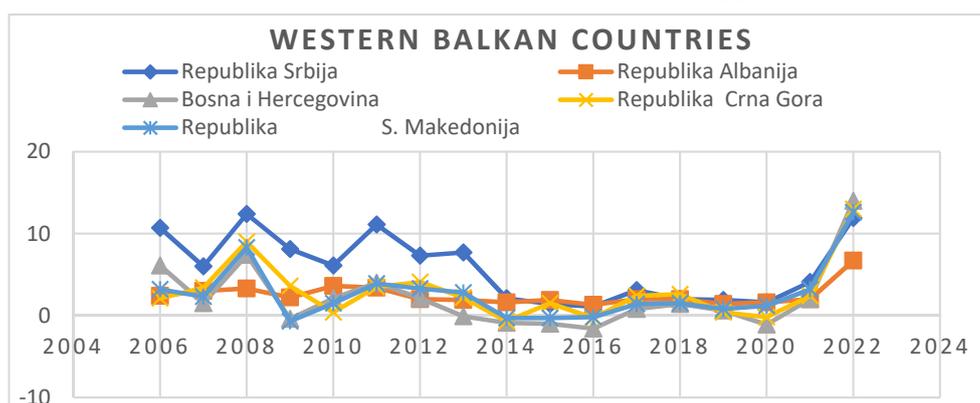
pointed out that the inflation rate is largely influenced by economic crises. That is to say that in the SEK period there was a big change in terms of the inflation rate.

Table 5. Inflation rates in the countries of the Western Balkans by year, from 2006 to 2022

Year	Republic of Serbia	Republic of Albania	Bosnia and Herzegovina	Republic of Montenegro	Republic of North Macedonia
2006	10.7	2.4	6.1	2.1	3.2
2007	6.0	3.0	1.5	3.4	2.3
2008	12.4	3.3	7.4	9.0	8.3
2009	8.1	2.2	-0.4	3.6	-0.7
2010	6.1	3.6	2.1	0.4	1.5
2011	11.1	3.4	4.0	3.5	3.9
2012	7.3	2.0	2.1	4.1	3.3
2013	7.7	1.9	-0.1	2.2	2.8
2014	2.1	1.6	-0.9	-0.7	-0.3
2015	1.4	1.9	-1	1.5	-0.3
2016	1.1	1.3	-1.6	-0.3	-0.2
2017	3.1	2.0	0.8	2.4	1.4
2018	2	2.0	1.4	2.6	1.5
2019	1.9	1.4	0.6	0.4	0.8
2020	1.6	1.6	-1.1	-0.2	1.2
2021	4.1	2.0	2.0	2.4	3.2
2022	11.9	6.7	14.0	13.0	12.6

Source: <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?end=2021&locations=RS-BA-AL-ME-MK&start=2000&view=chart>

Chart 2. Inflation rates in the countries of the Western Balkans by year, from 2006 to 2022



Source: Author

After 2008, specific measures were taken to reduce the inflation rate and certain results were achieved, and the inflation rate began to decline. It is of particular importance to point out that the inflation rate in the RS decreased first in 2009 to 8.1, and then in 2010 to 6.1, before it rose again to 11.1 in 2011. A similar jump was detected in other observed countries, with the fact that the inflation rates were significantly lower than in the RS. The only exception is Albania, on whose example it is not possible to notice that there has been a change in the inflation rate.

After 2014, there is a drop in the inflation rate in the RS, and this trend has been maintained with minor oscillations until 2021. In 2022, there will again be a significant rate of inflation and price increases due to global events such as the pandemic and the impact that the war in Ukraine is having. The jump also occurred in the observed countries, with the fact that the change in the rate in the example of the Republic of Albania is certainly smaller, and that this rate is certainly lower when compared to the rates of other countries. The rate growth and further instability can be expected in the coming period as well.

3.4. Movement of foreign direct investments (FDI)

Foreign direct investments (FDI) represent the most important additional source of financing the development of the domestic economy (Đurić, 2020, 280). The importance of FDI is reflected in their positive impact on trade in countries in transition by providing material and non-material resources that mobilize domestic factors in trade. In order for certain countries to be able to attract as much FDI as possible, they must create a favorable investment climate that includes stable economic conditions, positive attitudes of the authorities towards foreign investments, favorable foreign trade, foreign exchange and customs treatment of joint ventures, developed infrastructure, etc. In Table 6, there are data on the movement of FDI during the observed period, on the basis of which the impact of the crisis will be assessed.

In the RS, FDI was significantly reduced in the SEK period, with the fact that there were significant changes from year to year, which above all reflect the instability of this parameter. In 2010, there was a significant drop in FDI, only to return to the level from the beginning of the observed period in the following year. The biggest drop was recorded in 2012, when the least amount of foreign direct investment (EUR 752.8 million) was established in the RS during the observed period, which was only 2.2%.

Table 6. Inflow of FDI in the Republic of Serbia and surrounding countries in the period from 2006-2013 (in millions of euros)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
SERB	Republic of Serbia								
FDI, net, in million EUR	3,322.6	2,528.2	2,485.7	2,067.8	1,133.4	3,319.6	752.8	1,298.1	1,236.3
FDI, net, % of GDP	12.8	8.0	7.0	6.4	3.6	9.4	2.2	3.6	3.5
Bosnia and Herzegovina	Bosnia and Herzegovina								
FDI, net, in million EUR	441.8	1,328.8	684.1	180.0	306.8	357.4	307.3	208.1	414.7
FDI, net, % of GDP	6.6	11.7	5.3	1.4	2.4	2.7	2.3	1.5	3.0
Montenegro	Republic of Montenegro								
FDI, net, in million EUR	469.7	567.8	582.0	1,066.5	552.1	389.1	461.6	323.9	353.9
FDI, net, % GDP	-	25.5	21.5	37.3	18.3	12.2	15.1	10.0	10.8
SM	Republic of North Macedonia								
FDI, net, in million EUR	344.7	506.9	409.4	136.9	156.9	344.6	131.1	229.4	197.4
FDI, net, % GDP	6.3	8.3	6.0	2.0	2.2	4.6	1.7	2.8	2.3
AL	Republic of Albania								
FDI, net, in million EUR	258.6	481.1	665.2	716.9	793.3	630.4	665.8	953.2	869.2
FDI, net, % of GDP	3.7	6.1	9.7	11.2	9.1	8.1	7.5	9.8	8.7

Source: Statistical Offices and National Banks of the observed countries

The lowest level of FDI was recorded in BiH in 2009, which can be connected to the consequences of the crisis at the same time, because after that, the rate of FDI increased. It is interesting to note that in the wake of SEK in the Republic of Montenegro, investment through FDI increased, which is certainly contrary to expectations during the crisis. A similar increase occurs during the current crisis, although the increase is smaller. A smaller increase in FDI also occurred in the Republic of Albania, while a decrease occurred in the Republic of North Macedonia. As the one mentioned in the example of RS, there was a big drop after the beginning of the crisis, and then in 2012, after a short period in which there was an increase, the lowest point of the observed period was reached in terms of FDI.

According to the collected data, it can also be noted that the current crisis does not lead to a reduction in FDI. Compared to other parameters, it can be pointed out that FDI is less affected by the crisis, as if the oscillations that occur due to the changes caused by the crisis are also inconsistent.

Based on the data presented in Table 7, the inflow of FDI in the RS reached a record value in 2022 in the amount of 4.3 billion euros, while high levels of inflow of FDI were recorded in 2018, 2019 and 2021. Lower FDI inflows in 2020 can be justified to some extent by the global economic crisis caused by the COVID-19

pandemic. In addition, the inflow of FDI in 2020 based on the ten-year average inflow increased by 41%, while the analysis of the five-year average inflow determined the increase of 13%.

Table 7. Inflow of FDI in the Republic of Serbia and neighboring countries in the period from 2014-2022 (in millions of euros)

	2015	2016	2017	2018	2019	2020	2021	2022
SERB	Republic of Serbia							
FDI, net, in million EUR	1,803.8	1,899.2	2,418.1	3,156.5	3,551.1	2,938.5	3,656.9	4,305.9
FDI, net, % of GDP	5.0	5.2	6.2	7.4	7.7	6.3	6.9	7.1
Bosnia and Herzegovina	Bosnia and Herzegovina							
FDI, net, in million EUR	325.7	316.0	436.6	492.4	408.5	376.8	496.5	613.6
FDI, net, % of GDP	2.2	2.0	2.7	2.9	2.3	2.2	2.5	2.7
Montenegro	Republic of Montenegro							
FDI, net, in million EUR	619.3	371.6	484.3	322.5	304.6	470.5	581.6	782.6
FDI, net, % of GDP	17.3	5.2	11.5	8.8	7.5	11.1	11.8	12.6
SM	Republic of North Macedonia							
FDI, net, in million EUR	202.8	316.9	180.0	603.7	363.3	154.7	387.5	670.2
FDI, net, % of GDP	2.2	3.3	1.8	5.6	3.2	1.4	3.3	5.2
AL	Republic of Albania							
FDI, net, in million EUR	890.3	942.5	899.9	1,019.6	1,072.30	936.8	1,036.2	1,372.4
FDI, net, % of GDP	8.7	8.8	7.9	7.9	7.8	7.1	6.7	7.1

Source: Statistical Offices and National Banks of the observed countries

In 2019, the RS achieved the highest percentile coverage of GDP with FDI, as the inflow of FDI in Serbia of 3.55 billion euros covered 7.7% of GDP. Lower FDI inflows in 2020 can be justified to some extent by the global economic crisis caused by the COVID-19 pandemic. The net inflow of FDI in 2020 compared to 2019 was reduced by 17.25% (compared to the previous year), i.e. by 612.60 million euros [5]. In 2020, all observed countries had a reduced FDI inflow compared to 2019, except for the Republic of Montenegro, which had a significant increase in FDI inflow. Already in the next two years (2021 and 2022), all countries achieved a significant increase in FDI compared to previous years, which is a sign that investors have confidence in the mentioned countries. What can be concluded when all these parameters are considered is that the economic crisis of 2008 and the crisis caused by current events influence and change the parameters that are processed in this paper, which affect the economic trends in the observed countries.

However, the parameter that most reflects the impact of the crisis is the inflation rate, and through the analysis and observation of this parameter, it is best

to establish the extent to which countries are affected by these crises. It is especially important to pay attention to how long the consequences of the crisis are present in order to draw a conclusion about the expected duration of the consequences of these crises after the end of the conflict and the dangers brought by the pandemic, as well as the war in Ukraine. The consequence and need for recovery lasted a long time after SEK 2008, and the same can be expected in the case of the current crisis. GDP indicates changes caused by the crisis. The data on RKS also confirm these statements, and one can notice a change related to the period of the beginning of the crisis in 2008.

The data that has been collected gives conflicting conclusions when comparing the countries included in the research, as well as when comparing data from 2008 and data from 2020 onwards. Nevertheless, in general, the collected data lead to a uniform conclusion that as a result of the crisis, there are numerous challenges for national economies and that the challenges can be manifested through all or some of the parameters depending on other parameters and state activities.

Conclusion

The cause of the new economic crisis after the global recession after 2008 and the World Economic Crisis, is the pandemic caused by Covid-19, continued by the war in Ukraine, which is still ongoing. The changes in the observed parameters indicate that certain parallels can be drawn between these crises and this contributes to a better understanding of the potential consequences of the current crisis and the challenges that the economy of the Republic of Serbia is facing.

In this paper, the World Economic Crisis and the current crisis, which is a consequence of the pandemic and the war in Ukraine, which have threatened the normal development of economic relations in various fields, have been analyzed. The main difference is that the consequences of the World Crisis can be seen in their entirety, while the consequences of the current crisis and its further development, duration and scope can only be discussed hypothetically.

The striking GDP growth in the RS before the COVID-19 pandemic contributed to a more efficient and effective response to the emerging crisis. The financing of the RS through a record inflow of foreign capital, which was most pronounced in 2021 and 2022, where the success of the RS can also be seen in the reduction of the budget deficit. In 2021, under the influence of the pandemic crisis, the NBS conducted a less expansive monetary policy and, at the same time, kept the RKS at a low level (1%), while in 2022 and 2023 it tightened monetary conditions, all with the aim of putting inflation in the RS on a downward path, as a result of shortages due to the interruption of distribution channels for energy, oil and oil derivatives due to the war in Ukraine.

In the midst of the pandemic, the same economic policy measures as in other European countries were applied in the RS. The effects of those measures were positive, which is confirmed by the slight drop in GDP with significant fiscal costs. In order to speed up the economic recovery from COVID-19 and achieve a higher GDP growth rate in the medium term, the attention of economic policy makers should also be directed towards solving long-term structural problems. Special attention should be paid to the introduction of a more efficient management system in state-owned enterprises, primarily public ones, as well as to increasing the effectiveness of public investments, strengthening social security networks, taking measures to ensure greater competition on the market, better management of state aid and more effective tax administration, which together would act in the direction of improving the business environment and creating conditions for maintaining a high rate of economic growth.

World economic crises have become an inevitability of the modern global economy. It can be said with certainty that in the near future there will be even greater structural changes in the world economy, as well as that the consequences of the crisis will be felt in the coming years and that economists, as well as other experts, will come to grips with the numerous changes that follow us, both in the way of doing business and in the international, regional and national regulation of economic trends.

After the analysis, the conclusion is that the global crisis has a great impact on the development and economic trends in the country, affecting important economic parameters such as GDP and the inflation rate. The paper shows how to act in this case and how the state can respond to these influences. By analyzing the collected data, the first hypothesis was confirmed and it was established that there was a great impact of the World Economic Crisis, as well as that today there is an impact of the pandemic and the war in Ukraine on the economy of movement. To what extent this is reflected in economic trends remains to be seen in the future, but by comparison with the crisis of 2008, the road to stabilization is quite long after the end of the crisis itself.

Although the second hypothesis cannot be confirmed with certainty, given that the causes of this crisis are still ongoing, according to the indicators so far, it can be concluded that there is a significantly large impact of the last crisis on economic flows. Therefore, it can be said that this hypothesis has been partially confirmed, but that future research should focus on the challenges that will arise in the period ahead of us.

The challenges faced by the economic sector have a great impact on the further development of the country, which is in any case, according to the results of the research, unsteady. The contribution of the work can be seen in showing the scale and seriousness of the challenges that the Republic of Serbia and the countries in the region are facing as a result of the crisis. This indicated the changes occurring in the economic sector and the importance of certain areas such as the impact of the crisis on inflation.

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PRIVREDNA KRETANJA U REPUBLICI SRBIJI DETERMINISANA EKONOMSKO-POLITIČKIM USLOVIMA U SVETU SA OSVRTOM NA ZEMLJE OKRUŽENJA

Apstrakt: U ovom radu su predstavljena privredna kretanja u Republici Srbiji (RS) i zemljama okruženja za vreme svetske ekonomske krize iz 2008. godine i krize izazvane pandemijom COVID-19 na koju se nadovezao rat u Ukrajini. Navedene krize su na svoj način imale negativne posledice na svetsku ekonomiju, pa tako i na ekonomiju Republike Srbije i zemalja u okruženju. Svetska ekonomska kriza se do tada smatrala najvećom krizom u svetu, međutim kriza izazvana pandemijom COVID-19 i ratom u Ukrajini je nadmašila svetsku ekonomsku krizu. Traže se odgovori na pitanje kako Ekonomsko-politički uslovi u svetu izazvani Svetskom ekonomskom krizom, pandemijom Covid-19 i ratom u Ukrajini značajno utiču i na privredna kretanja u RS i zemljama okruženja i da li trenutna ekonomska kriza izazvana pandemijom Covida-19 i ratom u Ukrajini dovodi do ozbiljnijih posledica nego što je to bio slučaj sa Svetskom ekonomskom krizom iz 2008? Cilj istraživanja je sagledavanje promena makroekonomskih indikatora kako bi se ukazalo na ključne izazove za državu, što će omogućiti procenjivanje posledica zbog nepredvidivosti i trajanja pandemije COVID-19 i rata u Ukrajini i uticati na budući razvoj zemlje. Kako bi se odgovorilo na postavljeni cilj istraživanja, prikupljeni su podaci o bruto domaćem proizvodu (BDP), referentnoj kamatnoj stopi (RKS), inflaciji i kretanju stranih direktnih investicija (SDI) u zemlji i zemljama okruženja.

Ključne reči: Svetska ekonomska kriza, COVID-19, bruto društveni proizvod BDP, inflacija, strane direktne investicije SDI

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