

Serbia Watch: Weak industry and retail sales performance

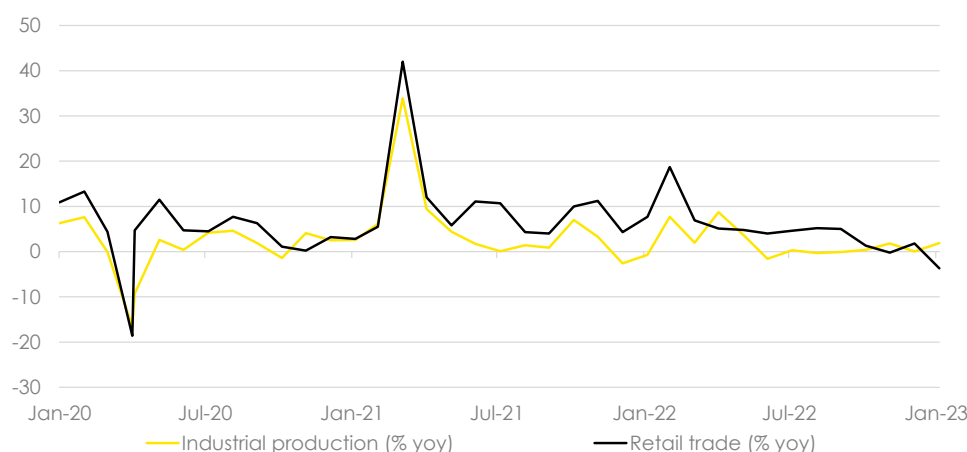
After a strong start in January (+4.1% yoy), industrial production slowed in February (+1.9% yoy) due to manufacturing. Meanwhile, retail trade moved into the red zone again, amid growing financing and energy costs.

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Industrial production slowing, as retail trade declines



Source: The Statistical Office of the Republic of Serbia, RBI/Raiffeisen Research

Following the healthy start in January (+4.1% yoy), **industrial production slowed down its pace in February** (+1.9% yoy), as **manufacturing moved again to the negative territory** (-3.7% yoy) after being positive for one month in January. **Electric energy production performed quite well**, due to comparatively low temperatures, posting growth of 29.6% yoy, as mining fell by 1% yoy. The weakening in the manufacturing sentiment is not a surprise, given the increased financing cost, decline in the domestic and external demand and electric energy and gas prices hikes agenda throughout 2023 and 2024. Most sectors (15 out of 24) were in negative territory, whereas growth was observed in the production of optical cables, vehicles, basic pharmaceutical products and tobacco products.

Retail trade (constant prices) fell by -3.8% yoy in February after 1.8% yoy growth in January, supported by the **growing food prices** and **minor adjustments in the real wages** in the private sector. Food and non-food consumption fell by -5.3% yoy and -6% yoy respectively, while oil consumption, being the main retail trade drivers in the past months, delivered only marginal growth of 3% yoy.

Exports and imports slowed their growth dynamics this year, as compared to the last year. Exports slowed due to less demand coming from EU and imports due to less energy

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imports. Thus, exports grew in February by 17.9% yoy while imports by 2.7% yoy, resulting in a moderate foreign trade deficit (+27.4% yoy)

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