Serbia’s rising star

**Metalfer Group – Thinking Ahead**

Offering customs-free access to 75% of the global market, a young, talented workforce, and high potential for future growth in sectors such as construction and IT, Serbia has risen to become the leading investment location in Central and Eastern Europe. Foreign direct investment inflows more than doubled between 2013 and 2018, and rose by 44% in 2019 to end the year at $4.3 billion.

Growing the economy and attracting new investment is high on President Aleksandar Vučić’s agenda. Speaking with the US Department of International Finance Cooperation after the IFC announced plans to establish operations in Belgrade, he highlighted the importance of new trade and investment, particularly in infrastructure. “It is important to take care of the prosperity of our country, to take care of our people. This is a good job for all people who live together with us. We will build roads and railways. This creates a better life for people, a better economy, everything we dreamed of.”

The government is currently undertaking extensive economic reforms to improve the business climate and bolster investment. They will underscore the competitive advantages already on offer, including an upcoming package of tax incentives that are the most generous in the region, a highly-skilled and cost-effective workforce, and a strong outsourcing industry, particularly IT. A free trade agreement with Russia already allows Serbia access to a large consumer market, while plans to invest in infrastructure should further support robust growth.

Perhaps that’s why Serbia rose four spots on the World Bank’s Doing Business 2020 survey to 44th place globally, ahead of Belgium, Montenegro, Croatia, and Hungary, and ranked 9th globally in “the dealing with construction permits” category.

Vučić elaborated on his mid-term plans for the country, which will keep it at the forefront of regional and European growth: “In the next four years, the objective is to raise the economic strength of Serbia including the living standards of citizens, to continue the construction of roads and railways, as well as to enter new projects and strengthen the health power of Serbia. Great things await us, it is important to work not to be satisfied with the results from the past. I am looking into the future, and I am very optimistic.”

Even so, the country faces challenges. Infrastructure is a major bottleneck, with only 8% of the population having access to sewage systems, and only 12% of the roads are in good condition. The country is also vulnerable to natural disasters, with floods, earthquakes, and landslides occurring regularly. However, the government is committed to investing in infrastructure, and the country has already made significant progress in this area.

The country’s success in this area is evident in the country’s recent infrastructure projects. For example, the Belgrade-Budapest railway project, which connects Serbia to Hungary, is a testament to the country’s commitment to improving transportation infrastructure. This project is expected to boost the country’s economy by increasing trade and tourism, and improving the quality of life for its citizens.

Another significant project is the construction of the 3,000-seat Novaković Stadium in Belgrade, which will be used for the 2022 World Cup qualifiers. The stadium is expected to attract thousands of fans to the city, boosting the local economy and enhancing Serbia’s reputation as a destination for sports events.

In conclusion, Serbia is on a trajectory of growth and development, with a focus on improving infrastructure, enhancing the business climate, and attracting foreign investment. With its strong competitive advantages, the country is well-positioned to continue its ascent as an economic powerhouse in the region.
Real estate in Serbia is benefiting from the country’s economic resilience in the face of the Covid-19 pandemic. While the country will take a modest macroeconomic hit in 2020, analysts project that real estate prices will still rise between 3% and 9% on average this year, while 28,500 sq m of commercial space was commissioned in Belgrade in Q2 2020 as rising urbanization and steady demand for new space continues driving growth.

Having set the stage for strong future growth with a long-term vision and sharp focus on quality and sustainability, the company is now setting its sights on further growth. But the government of Serbia delivered a series of legislative packages beginning in 2016, transforming real estate investment into a sector critical in improving the company’s liquidity. Since then, Srbijagas has acquired the Srbija gas distribution company for SRD5 billion (€42.5 million). Indeed, between 2015 and 2019, the company reported total net profits of €280 million, with profits rising to hit SR2 billion (€17 million) during Q2 2020. Bajatovic attributed this success to the company’s strong values and deep foundations in the country.

"The brand itself is a big advantage from the start; our partnership with our customers is great. At any moment, we can guarantee a complete supply of gas and total price transparency. We are supported by our financial recovery and strong foundations, which customers are aware of. We’re not only a distributor of gas; we’re an important actor in the economic life of Serbia." 

"We have unbundled our transportation service, and soon we will do the same with distribution as well as the trader. That means that Srbijagas will act as owner of various energy activities, and its role will be more of a fund rather than a public company. We would provide partners with investments, including public-private partnerships, that are backed by the government of the Republic of Serbia. The country is serious about developing its gas sector," he said.