

## 2021 SME COUNTRY FACT SHEET

# SERBIA

### Brief introduction

- The Serbian economy has been moderately affected by the COVID-19 pandemic. In 2020, GDP declined by an estimated 1%, while total employment increased by 1.9%. SME value added fell by 0.3%. The hardest hit sectors were the *accommodation and food services* sector and the *wholesale and retail trade* sector, with SME value added declining by 4.7% and 3.9% respectively. In contrast, small and medium-sized enterprises (SMEs) in the *manufacturing* sector and in the *information and communication* sector performed strongly, with value added growing by 4.9% and 4.0% respectively.
- In 2018, SMEs generated 57.2% of value added and 66.1% of employment, slightly higher than the respective EU averages of 52.9% and 64.9%.
- However, the average productivity of SMEs was only EUR 12 800, well below the EU average. Serbian SMEs employed an average of 2.9 people in 2018, significantly less than the EU average of 3.7.

### RECENT DEVELOPMENTS 2019-2020



The data for 2020 are estimates produced by DIW Econ, based on 2008-2020 data from national and Eurostat databases. GDP data are based on provisional data from Eurostat. Total employment is based on data from the State Statistical Office of the Republic of Serbia.

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
<b>SMEs</b> (0 -249 persons employed)	322 658	99.8%	926 175	66.1%	11.856	57.2%
<b>LARGE ENTERPRISES</b> (250+ persons employed)	536	0.2%	475 625	33.9%	8.862	42.8%

Data for 2018. The data are based on data provided by the Statistical Office of the Republic of Serbia.

## SME-RELATED STRENGTHS AND CHALLENGES

### KEY STRENGTHS

- According to the survey on the access to finance of enterprises (SAFE) carried out by the European Commission/European Central Bank, only 4.5% of SME loan applications were rejected in Serbia in 2019 – significantly below the EU average and a considerable improvement since 2017, when this rate stood at 8%.
- According to the World Bank's Doing Business report, it takes just 7 days to start a business in Serbia, which is below the EU average of 12 days. The cost of starting a business in Serbia as a share of income per capita – which currently stands at 2.3% – is also lower than the EU average of 3%.
- Serbian SMEs benefit from fast and simple export procedures. According to the World Bank, border compliance procedures in Serbia only take 4 hours – half the EU average.
- As reported by the World Bank, Serbia has a strong insolvency framework, rated much higher than the EU average

### KEY CHALLENGES

- According to the Global Entrepreneurship Monitor, early-stage entrepreneurial activity in Serbia is rather low at 5% – half the EU average. The difference is even greater for female early-stage entrepreneurial activity – it amounts to only 2.8%, against an EU average of 7.5%.
- Inefficient public administration and an unpredictable business environment present a major obstacle to entrepreneurship in Serbia. The widespread shadow economy remains a major impediment to the development of a strong corporate sector. Businesses identify corruption and problems in exercising the rule of law as key obstacles to the investment climate and economic development.
- Serbian SMEs lag behind in the uptake of advanced digital solutions. According to the Statistical Office of the Republic of Serbia and Eurostat, only 27% of them use enterprise resource planning software to share information between different functional areas, compared to 35% in the EU, and only 18% use cloud services.

## OTHER KEY SME-RELATED BRIEF INSIGHTS



### IMPACT OF COVID-19 CRISIS ON SMEs

According to a World Bank report on the labour market in 2020, the sectors hardest hit in Serbia by the COVID-19 crisis were hospitality, retail, real estate, and professional services. The measures to support the private sector during the crisis included payments of non-refundable grants to SMEs in May-July and August-September 2020. In addition, 900 000 employees in SMEs received minimum wages from the government during this period.



### DIGITALISATION OF SMEs

In recent years, the government has launched several policy measures to improve the digital capacities of SMEs in the country. In 2019, the Ministry of Economy launched a programme to support the digital transformation of SMEs, which currently has 600 SMEs in the implementation phase. In 2020, the government also launched the SPEED 2.0 programme, which offers support to SMEs from all industries to create and implement a digital transformation strategy.



### START-UP ENVIRONMENT

According to the Digital Serbia Initiative, the Serbian start-up ecosystem is still in the development stage. Start-ups face difficulties in raising funding – more than half of them rely on their own funds and have not raised any external funding.



### ACCESS TO FINANCE

EU programmes (e.g. COSME, Western Balkans Enterprise Development & Innovation Fund, InnovFin, European Fund for Strategic Investments, European Investment Bank) have made significant investments to improve access to finance for Serbian SMEs. Only the COSME programme supported SMEs with EUR 1.3 billion in 2014-2020. According to the SAFE survey, perceptions on access to public financial support have significantly improved over the last decade.