



Highlights of the Month

IMF and World Bank help Serbia maintain its course. [Read more >>>](#)



Meet Us

Meet us at various conferences, trade fairs, and seminars around Europe and the United States. [Read more >>>](#)



Sector Close Up

Information Technology 2009

See how this industry is maintaining its steady ascent. [Read more >>>](#)



Q & A

Mr. Vukasin Pejovic, Manager, Embedded.rs Industry Cluster

Learn how Serbia's electronics cluster is putting Serbia on the global electronics map. [Read more >>>](#)



Monthly Reporting

Gloom regarding the financial situation spreads. [Read more >>>](#)



Arts & Entertainment

Come join the celebrations of dance, fashion, and music taking place this month throughout Serbia. [Read more >>>](#)



The Other Home

World-class wine and breathtaking scenery are waiting for you in Vojvodina. [Read more >>>](#)



Must See

There's something for everyone at the newest spot in Belgrade's trendiest neighborhood. [Read more >>>](#)

IMF Agreement

The International Monetary Fund (IMF) and Serbian officials have reached an agreement on a credit "stand by" arrangement worth about € 3 billion which will last until April, 2011. The new agreement will replace the precautionary credit arrangement previously in effect since January which envisioned a € 402.5 million withdrawal.

Diana Dragutinovic, Serbia's Minister of Finance, said that the government's economic policy will be adapted to the economic crisis. The national budget will be readjusted, mainly by changing tax policy and reducing budget payments. Dragutinovic announced that officials are also considering implementing a 6% tax on monthly incomes larger than 12,000 RSD. The budget rebalance will also freeze salaries and pensions at the levels they stood at in December 2008 instead of allowing them to fluctuate to adjust to inflation levels as was previously intended.

World Bank Loan to Serbia

The Board of Managers of the World Bank has approved a \$34.9 million loan to Serbia to stimulate economic growth. The loan will help the Government of Serbia's pass measures to improve the business environment, which will in turn encourage the establishment of new enterprises and attract direct foreign investments.

The loan will also develop a more efficient and stable financial sector by strengthening control of the banking sector and encouraging the development of the capital market. This loan is the first in a series of three program loans that will support Serbia's development policy, which aims to help Serbia construct key institutions and cope with challenges in both the private and financial sectors.

Filminserbia.com Launched

The internet portal www.filminserbia.com was unveiled in Belgrade on March 13th. The site will provide information on the benefits of filming in Serbia as part of an ongoing effort to present the domestic film industry as more competitive than those in the surrounding countries. The portal contains data on production and postproduction services, examples of shooting locations, as well as information on realized joint productions, teams and equipment. Nebojsa Bradic, the Serbian Minister of Culture said the state would provide "additional support" in the form of tax relief for the film industry and via a super-guarantee fund for crediting movies.

Railway Modernization

The Czech Republic is willing to assist the credit modernization of railway Corridor 10 in Serbia with € 300 million on the condition that Czech companies are allowed to participate in its construction. "If Czech consortium Eniksus gets the job to modernize and electrify certain parts of Corridor 10, we will use the standard export support instrument and the Czech Export Bank will approve that loan," noted Matijas Vitek of the Czech Ministry of Industry and Trade in an interview in Tiden magazine.

Energy Agreement with Italy

The Ministry of Energy and Mining of Serbia and the Ministry of Economic Development of Italy signed a protocol on cooperation in the energy sector on March 9th, 2009 in Belgrade. The document lays out the scope of cooperation between Serbia and Italy in realizing the PEOB project while also detailing how the countries

will work together in the domains of renewable energy, hydro-energy, and mobile electric power systems.

Lexmark Expands into Serbia

American company Lexmark announced that it has taken over Ceemark, a distributor in the Serbian market. The office in Belgrade will serve as regional office which will also cover Bosnia and Herzegovina and Montenegro. Lexmark has already been present in Serbia since 2002, operating with annual turnover of around \$ 7 million.

CRBS in Kragujevac

Chinese construction company CRBS, which built the "Bird Nest" stadium for the 2008 summer Olympic Games in Beijing, will likely be chosen to construct € 300 million worth of infrastructure for Fiat Srbija. The Government of Serbia will soon render a decision regarding this offer.

A delegation from CRBS recently visited Kragujevac and offered to build several bypass roads and a tunnel on the route of the south bypass. CRBS plans to locate its headquarters for southeast Europe in Kragujevac and it is believed that it plans to use the location in Kragujevac as a springboard to serve the wider European construction market.

Amstel Pending License

Boris Tadic, the President of the Republic of Serbia, spoke on March 6th to Jean Fransoaz Van Boxmer, the Director General of Heineken, and expressed satisfaction with Heinken's continuous reinvestment into Serbia. Van Boxmer said that the United Serbian Breweries is currently awaiting a license to produce Amstel beer in Serbia.

Dutch Briquettes in Loznica

Dutch company Revit BV is interested in constructing a factory of wooden briquettes in the Loznica region. Its representatives recently met with city authorities to discuss the potential expansion. Revit BV would open a highly automated factory, investing about € 2 million and employing roughly 15 people.

Manindra and Sonalika Considering Serbia

Following the signing of an agreement on agricultural cooperation with Indian officials, Sasa Dragin, the Minister of Agriculture, said that Indian companies Mahindra and Sonalika have expressed interest in producing tractors in Serbia. Dragin said that the value of any potential investments had not yet been defined and that the negotiations were underway.

Renewable Resources

The Minister of Energy and Mining of Serbia Petar Skundric announced the construction of two wind-parks in Serbia in 2009, in which about € 600 million would be invested. Generators will be built in Kovin and Vrsac, and that their power would be 200 MW.

Presently, Serbia obtains very small quantity of energy from renewable sources and the target portion is 12% which should be reached within the next four or five years. Minister said that Serbia has the potentials to obtain the same quantity of energy from renewable sources on annual basis as the use of 3.8m tons of oil would produce. The use of biomass only could replace 2.4 million tons of oil on annual basis. Hydro-potentials could enable construction of power facilities of small and medium capacities (total of 1,000 MW).

Serbia and Russia FTA Expanded

Serbia and Russia have signed a protocol that expands the existing Free Trade Agreement (FTA) between the two countries. The FTA now encompasses 95% of products, not including automobiles. Negotiations regarding duty-free export of automobiles from Serbia and Russia will be resumed in the coming months. The protocol, which is already in effect, liberalizes exports of all drugs, slaughterhouse products, confectioneries, and wine. It also abolishes duties on refrigerators, freezers and other cooling appliances. Other products that are now part of the agreement include: washing and drying machines, certain kinds of carpets, wooden office furniture, soaps, wool fabrics, mattresses, bed linens, apple juice, and malt beer. The agreement still does not include: automobiles, sugar, meat, cigarettes, wooden furniture other than office furniture, glucose syrup, non-denaturized ethyl alcohol, champagne, yarns and cotton fabrics, some air pumps, tractors, cash registers, TV sets, and monitors.

No Investment Drop-off in Indjija

The global economic slowdown doesn't seem to be stopping investors from flocking to Indjija. Three new, Greenfield factories should soon be put in operation - Aha Plastik from Slovenia, Martini from Italy, and Gombit and Galenika Magmasil from Serbia. Mayor Goran Jasic points out that the most significant contribution will come from Danish company Grunfos, whose investment will create an additional 500 jobs.

Wiener Stadtische Reaps Life Insurance Profits

Insurance company Wiener Stadtische announced that it increased the gross life insurance premium in Serbia in 2008 by 16%, or 1.73 billion RSD. According to the announcement, Wiener Stadtische had more than

46,000 life insurance contracts at the end of 2008 and that life insurance accounted for 39.4% of the company's portfolio last year. The average premium amounted to about € 500, while the average length of insurance was 19 years. Wiener Stadtische paid out 260 million RSD worth of life insurance premiums in 2008.

Meet Us

April 7, 2009

OECD Investment Compact Meeting

Brussels, Belgium

April 8, 2009

Investment and Export Promotion: Coordinating the key players

Belgrade, Serbia

April 16 – April 18, 2009

Locations Trade Show

Santa Monica
California, USA

April 21, 2009

Hannover Messe

Hannover, Germany

April 22 – April 27, 2009

Salone Satellite design fair

Milan, Italy

April 24, 2009

Invest in the Western Balkans conference

Vienna, Austria

April 28, 2009

Serbia's Economy: Challenges and Opportunities,

Cambridge
Massachusetts, USA

French Companies Expand in Nis

Representatives of French company SAGEM signed a contract with Electronic Industry Nis to open a factory which will produce electric meters. About 250 workers will be employed in the unit. Nis Mayor Milos Simonovic also announced that Mr. Bricolage, another French company, will begin constructing a

business – distribution center in May which will employ about 200 people.

New FIC Director Appointed

Aleksandar Radosavljevic, the Director General of Carlsberg Srbija, has been appointed President of the Foreign Investors Council (FIC), an organization that gathers over 120 companies operating in

Serbia. Radosavljevic, the former Vice President of FIC, replaces the Stein-Eric Velan, the former Director General of “Telenor” in Serbia who himself has been appointed CEO of Telenor Group in India.

Panaiotis Vlasidiadis, the President of the Executive Board of Alpha Bank in Serbia, has left the Administrative Board of FIC. Ćel Morten Jonsen, the new Director General of “Telenor,” will also join the administrative board.

SIEPA

Serbian Electronics Firms' Premiere in Nuremberg

Serbian companies involved in embedded electronics had the opportunity to participate in one of the leading trade fairs in their field, the Embedded World fair in Nuremberg, Germany. This year, the fair hosted some 704 exhibitors and was visited by over 16,000 people. HCP, EUROICC, Advanced Control Systems, Institut Mihajlo Pupin, Integra Solutions, Mikroelektronika, Bitgear Wireless Design Services, and Embedded.rs kluster all had the chance to show off their wares at this fair, held from March 3-5. These firms achieved great successes in spite of this being the first time these firms were present at Embedded World. The total projected export value from these firms resulting from Embedded World is between € 300,000 and € 500,000. SIEPA coordinated the firms' participation with financial assistance from the German Organization for Technical Assistance (GTZ) and the United States Agency for International Development (USAID).

Serbia at Foodex 2009 in Tokyo

Six Serbian companies presented their products within the national stand at one of the world's largest food fairs – Foodex, which took place in Tokyo from March 6-9. Sicoberry, Frigo Grand, Sirogojno, Elixir Food, and Igda have drawn a lot of attention enabling Serbian companies to establish numerous contacts with potential importers and distributors for their products on the Japanese market. Jelic winery found an official distributor for the Japanese upscale wine market. Hoping to build on the successes of this year's Foodex, SIEPA has already applied for next year's exhibition (March 2 - 5, 2010) to display bigger stand and bring an even larger number of wine exporters.

Serbian Food Makers Exhibited at London's International Food and Drink Event.

Five Serbian food companies jointly exhibited their products at London's International Food and Drink Event

(IFE) between March 15 and 18. IFE, an event held every second year, brought together some 1,200 companies and 30,000 visitors in 2007. The Serbia Investment and Export Promotion Agency (SIEPA) led the organization of the event which also received financial assistance from the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia. The joint exhibition included companies such as Igda, Foodland, Yugotrejđ, ITN, and Jugoprom. In total, Serbian food and drink companies made over 120 contacts; Serbian exporters' total projected export value from this exhibition is roughly € 1 million.

Serbian Wines & Brandies a Hit

Eight companies from Serbia presented their products at Exhibition of Wines and Spirits Prowein in German city of Düsseldorf between March 29 and 31. The event was co-sponsored by the Ministry of Agriculture of Serbia, SIEPA, and GTZ. The wines at Serbia's national booth were represented by wine cellars Aleksandrovic, Kovacevic, Vrsacki Vinogradi, and Navip. The visitors of the exhibition also had the opportunity to get to know the quintessentially Serbian liqueur – brandy. Guests sampled plum brandy, pear brandy, apricot brandy, apple brandy, grape brandy, and various other varieties offered by “RB Global, Prokupac and Rakia Bar.

SIEPA Now Accepting Applications for Investment and Export Projects

SIEPA is now accepting applications for allocation of non-refundable resources for investors/investment projects in manufacturing activities, internationally marketable services and the research and development sector until April 24th, 2009 at 1700. We are also accepting applications for financing activities that increase exports from the Republic of Serbia until April 27th, 2009. Detailed information and documentation can be found at www.siepa.gov.rs, by calling 011/ 3398 550, 3398 653, 3398 545, 3398 772, or by inquiring in person at SIEPA's offices.



Information Technology (IT) Sector

Source: Ekonomist Magazin

Concentration

Although high growth was maintained during 2007, the Serbian IT market is still lagging behind neighboring countries – Croatia, Bulgaria and Romania. According to estimations of market research companies, the size of the Serbian IT market in 2007 was between \$ 460 and \$ 480 million, which is about 25-30 % more than 2006 (\$ 370 million). Expectations of experts and the needs for economic development hint towards high market growth over the upcoming 10 years, at an average rate of 15 % per year.

On the basis of market development analysis from 2001 and experience from the region, the trend of the dominant share of hardware and

equipment is expected to continue over the next five years, and only beyond 2014 software and IT services will have a dominant share of the Serbian IT market. The low level of IT services share, about 17 % of total consumption in the field of information technologies, is at the same time an indicator of the low level of technological development in the country. In spite of Government intentions to stimulate development of the information society, at this moment only the public sector has significant IT investments in Serbia. Although most private companies consider computerization and automation of operations as a “fashionable trend”, modernization has been reduced to individual cases with significant IT projects. However, we should underline that there is an increasing number of companies that are seriously preparing to improve and modernize their operations through the implementation of computerized business systems. The use of computers in households recorded an increase of almost 30 %. In 2007, 34 % of households in Serbia owned a computer, in comparison to 26.5 % in 2006. In spite of the high growth rate of the number of households that own a home computer or notebook, Serbia is at the bottom of the list of European countries, but in front of Bulgaria, Romania and Greece, who are EU members.

The leading companies in the field of information technologies in Serbia recorded average revenue growth of 46.5 %. Although such growth

should be looked at cautiously since computer equipment in Serbia is mostly sold to end users through a cascade chain (distributor – partner – seller), it still proves that the IT segment experienced concentration and a decrease in the number of small enterprises.

The first company on the list is still Comtrade Group, which according to consolidated balance recorded revenues of € 173.7 million, is 55.2 % higher than in 2006. Having in mind that besides Serbia, Comtrade Group also operates in the markets of Bulgaria, Macedonia, Albania, Montenegro, Bosnia and Herzegovina and Slovenia, estimations (based on balances of companies that operate in Serbia exclusively) show that revenues of about € 125 million were recorded in the Serbian market.

Other companies that appeared on the list of the leading IT companies in Serbia also recorded average revenue growth of 40 %. It is interesting that EBITDA all of the companies, except for Saga, which recorded earnings before taxation of 16.9 % or € 7.6 million, was still lower than the world average and amounted to between 5.4 and -0.3 %. Informatika is the only company that recorded a loss in 2007. According to expectations, further economic development will result in an increase in IT investments, and in the upcoming years we can expect a growth rate that will be higher than the average in the region. It is estimated that the IT market will double over the next five years and that in 2012 it will amount to more than \$ 1 billion.

Energy Sector

Rank	Company	Operating revenues 2007	Operating revenues 2006	Growth of Operating revenues	Number of employees 2007	EBITDA 2007	EBITDA margin 2007
1	Comtrade Group	173,712	111,923	55.2%	583	8,482	4.9%
2	Pakom	54,817	39,683	38.1%	249	1,014	1.8%
3	Kim-Tec	48,986	22,283	119.8%	67	1,519	3.1%
4	Saga	44,988	34,937	22.3%	388	7,600	16.9%
5	Informatika	31,819	33,199	22.3%	206	-102	-0.3%
6	PIN Computers	24,676	17,290	42.7%	55	1,323	5.4%
7	Alti	23,887	15,618	52.9%	84	801	3.4%

Mr. Vukasin Pejovic, Manager
Embedded.rs Industry Cluster

Embedded.rs is a new initiative launched in 2008. The guiding idea behind this cluster is the strengthening of embedded technologies (integrated electronics systems) in the Republic of Serbia. The cluster's objective is to popularize the industry, improve cooperation between educational and research institutions, and to offer answers to current market needs by unifying business processes and improving their quality.

Regarding services that companies in the cluster offer to its clients, what exactly do they encompass, from the initial phase until completion?

The main characteristic of the companies in the cluster is that they have a profound knowledge of technology and are capable of delivering it in many different forms. Therefore, meeting the market needs from technological perspective becomes a matter of adapting internal procedures to a certain market requirement and satisfying it to the detail. This is far from trivial process and seeks a significant level of maturity of every single member of the cluster.

What sets electronics companies in Serbia apart from other companies in the region?

The goal of the cluster is to profile the companies as mature and reliable embedded systems providers. In a way, companies from the cluster are to become a technology "elite" of this region and to brand Serbia and Serbian companies as reliable partners in every business.

Can you briefly discuss how the cluster has grown over the recent period? What conditions in Serbia or the market have helped this growth?

Cluster is still a fresh initiative. It is starting to gain momentum, and it is expected that our latest activities are to help us in that. Only by having a significant number of companies in the cluster we can achieve the goals. Estimates are that there are at least two dozen companies that can find themselves properly integrated with cluster activities, and lately most of the companies that have survived a risky

periods in our past are becoming mature enough to fully understand the importance of one such initiative.

Recently, cluster embedded.rs together with seven of its members participated at the world leading embedded electronics trade fair, Embedded World 2009 in Nuremberg, Germany. Can you briefly describe the importance of participating in such exhibitions for Serbian companies dealing with embedded electronics? What were some of the results of the exhibition?

The Serbian embedded and electronics industry is not on the world map. Thus, the main goal of participating at the Embedded World was exactly that - to put us on the map. Moreover, the cluster and its member companies have successfully initiated the "branding" phase. Since this trade fair is one of the key exhibitions for the area in Europe it was targeted right from the start. During the fair, companies as well as the cluster generated a number of important business leads, some of which are expected to be realized in near future.

How would you describe the relationship with government agency SIEPA that organized the national booth at Embedded World 2009?

SIEPA and generally the people in Ministry of the Economy and Regional Development are, thus far, the only public sector bodies that have fully recognized the importance of this initiative and given us their support. We hope that the level of communication we have established will allow us to improve results of the Serbian embedded and electronics industry segments in future, and make a brand out of it. If the government worked with us more closely to create better business conditions for our industry, it would greatly benefit not only the cluster, but the entire country in general.

What do you think the government needs to focus on improving the most in order to help the electronics sector build on its recent growth?

The key step to do this is to open a constant dialogue with the industry, which must result in real improvements.

How has the economic crisis affected you and companies in the cluster?

We see the economic crisis as an opportunity for growth and for us to focus on future activities. We believe that money properly invested now will result in great benefits in future. Since most of the members are exporters, it makes a lot of sense to invest in R&D in Serbia until better market external conditions are met.

What is your opinion on prospective potentials?

Our analyses show that the potential is enormous. However, we need to be cautious about the rate of the growth, since companies need to prepare themselves procedurally and organizationally to support and sustain growth. The cluster is here to help them do exactly that.

The financial situation in Serbian households is quickly deteriorating, and optimism is declining as well

The majority of Serbians (roughly two thirds) believe their financial situation is becoming worse, primarily due to decreased income. That one in eight people believes that his/her income is inadequate shows that the aftershocks of the liquidity crisis in Serbia are impacting the standard of living. The most worrying statistic is that roughly 7% of Serbians are complaining about having lost a source of income altogether.

Given the obvious, negative decline of purchasing power and the accelerated appearance of the aftereffects of the global economic crisis, GfK Beograd continued its analysis in hopes of understanding how the the crisis is affecting aggregate consumer demand in March.

The data shows that 60% of respondents believe that their financial situation has worsened in the past 12 months (one in five respondents believe that his/her financial situation is much worse than it was previously). Only 5% of respondents think that their situation has improved. Men have felt the impact of the crisis more than women have, as have people aged 35 to 65 relative to other age groups. Residents of Belgrade have not felt the impact as much as other Serbians have, while residents of Vojvodina have, by their own estimation, been the most widely affected.



According to nearly half of all respondents, the primary reason for the worsened financial situation is the decrease in real income. That one in eight people believes that his/her income is inadequate shows that the aftereffects of the liquidity crisis in Serbia are impacting the standard of living (this is especially true for the 25-44 age group). Roughly 7% of Serbians are complaining about having lost a source of income (i.e. primary or secondary employment) altogether. This is more present in the 45-54 age group than in other groups.

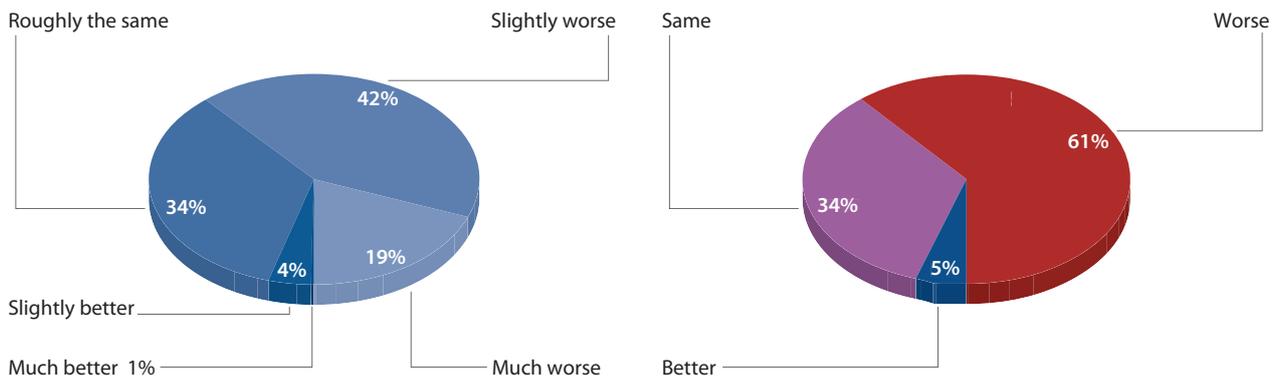
The decline in financial power has been accompanied by decreased

among the citizens of Serbia. In the three months since the last such survey, optimism has declined significantly: In March, some 50% of respondents said their financial situation would worsen in the following twelve months, whereas only one third of respondents indicated such in January.

The latest round of research in March was conducted on a representative sample of 500 people of 18 years of age or older. Results were gathered via telephone. This survey was carried to follow up on similar data that was gathered in January.

Source: GfK Belgrade 

Is your financial situation better, worse, or roughly the same relative to how it was 12 months ago?



Belgrade

April 1 - 15, 2009
6th Annual Belgrade Dance Festival

This year's Belgrade Dance festival will showcase world-renowned groups from France, the United Kingdom, the Netherlands, Brazil, Germany, and Sweden. The festival, which will be held at the Sava Centar and Yugoslavian Drama Theatre, will also feature other activities such as master classes, dance photography exhibitions, discussions with artists, a film program, and various other presentations.

www.belgradedancefestival.com

April 11, 2009
Moscow Men's Orthodox Choir
Concert

The Moscow Men's Orthodox Choir, widely recognized as the leading men's

orthodox choir in the world, will grace the Sava Centar with their extensive musical offerings this month. In the run-up to the Orthodox Christian Easter holiday, the group will sing various pieces from the wider Orthodox world dating from the 17th to the 20th centuries.

www.savacentar.com

April 23 – April 29, 2009
Belgrade Fashion Week

As one of the premier events in the city, Belgrade Fashion week is a unique time for various studios to strut their newest designs, for businesses and organizations to synergize with the fashion industry, and for the wider public to enjoy their latest creations. Numerous hotels, cultural centers, museums, galleries, and cafes around the city will play host to the various fashion week related events.

www.belgradefashionweek.com

The Other Home

Vukasin Pejovic, Manager,
Embedded.rs Industry Cluster

In the end, have you recently visited any and which tourist destination (in Serbia) would you recommend and why?

Sremski Karlovci and Fruska Gora. These two places are truly wonderful for wine tasting and for enjoying great scenery. Sremski Karlovac has one of the prettiest old towns in all of Serbia as well as the most famous high school in the country. Fruska Gora is home to some of the oldest and well-known wine cellars in Serbia. It's also a paradise for people who enjoy hiking and walking. The town's topography lends itself to long walks, which many come to enjoy for themselves each year during the town's marathon in May.

Must See

Supermarket

Situated in the happening area around Strahinjica Bana street, Supermarket stylishly combines a café, restaurant, gallery, spa, and store into one contemporary emporium that offers a little bit of something for everyone. The tastefully sparse interior, a large space previously occupied by an actual supermarket, blends seamlessly with the ultramodern architectural furnishings to create a truly unique atmosphere. Come enjoy the myriad of culinary and artistic offerings on hand while wandering through one of Belgrade's trendiest neighborhoods.

Address: Visnjiceva 10, Belgrade



Novi Sad

April 14 – April 24
NOMUS - Music Festival

The NOMUS festival, the premiere traditional music festival of Novi Sad, has been bringing together the most renowned musicians from across the country for years. This year, the festival is proud to present a program that fuses the traditional with the modern as it welcomes renowned performers from across the region.

www.nomus.org.rs

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