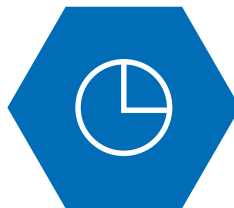




Production activities growth is recorded in March - 23.8% of the surveyed companies have declared that their production activity is growing, with 8.1% of the companies with decrease in production activity. Based on data from the survey, in the first three months of this year, a growth of production activities has been recorded, but not as high as in the same period last year.

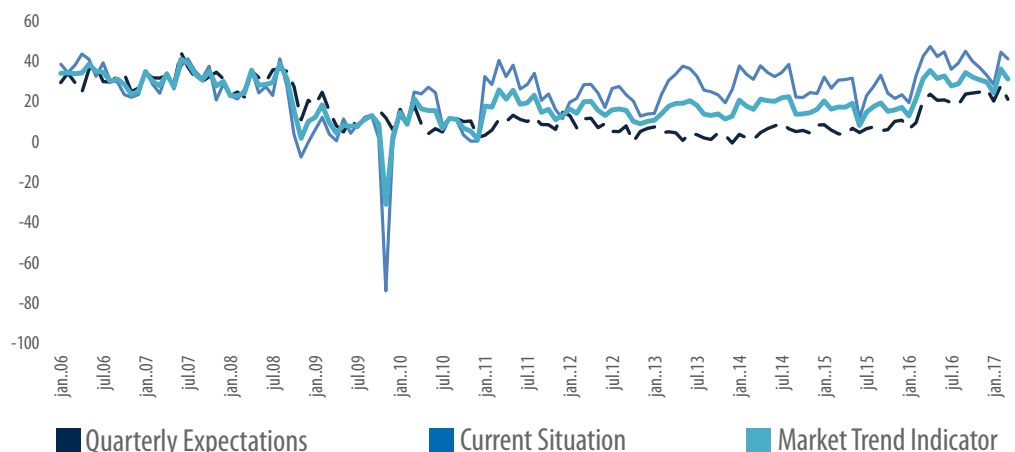


Average utilization of production capacities, on the joint sample of public and private companies, is lower compared to the comparable March 2016 for 3%. Observing only the private sector, the average capacity utilization increased by 1.5% compared to March last year.

- Indicators of expected quarterly sales on domestic and foreign markets show relatively strong conjuncture. Accordingly, every third surveyed company plans to sell more on the domestic market, while every fourth company is planning higher exports in the next three months.
- When asked about the production capacity in relation to the contracted sales, 17.8% of companies said that they are too large, while 2.2% of companies stated that they are too small, which is slightly worse compared to the March last year.
- As for new employment, 13.6% of companies have said that they plan to increase the number of employees in the next three months, with 5.9% of companies planning decrease in the same period.

Based on the responses from the monthly survey on the conjuncture in the domestic industry, which has been implemented since mid-1994, a set of indicators of the current situation and the quarterly expectations have been created. All indicators are obtained by deducting the percentage of responses indicating the increase or positive change from the percentage of responses indicating a negative change or drop. For example, if 30% of companies stated that their production is growing, and 10% that their production is in decline, the indicator will have a value of 20. Percentage of firms stating that the state was unchanged (in this case 60%) is not taken into account. The survey is conducted on a representative sample of private and state companies.

## GENERAL BUSINESS CLIMATE INDICATOR (2006 - 2017)



\*The overall indicator is obtained as the average value of the indicator of the current situation of the companies and quarterly expectations

The overall business climate ratio in March recorded a lower value compared to February for 5 pp as a result of somewhat lower quarterly expectations, as well as lower scores on the current situation of the companies. In relation to the comparable March last year, the ratio has recorded an almost identical value.

The level of utilization of production capacity, taking into account the joint sample of private and state companies, amounted to 71.3% in March and was higher than in February for 3,7 pp. Compared to March 2016, the average utilization of production capacity was lower by 2.3 percentage points. The level of utilization of production capacity in the private sector in March amounted to 67.6%, thus achieving a higher level compared to comparable March 2016 by 1 pp.

Production activities growth is recorded in March - 23.8% of the surveyed companies have declared that their production activity is growing, with 8.1% of the companies with decrease in production activity. Compared to comparable March 2016, a lower growth of productive activity has been recorded (35.3% of the surveyed companies declared that their production activity was growing, with 7.2% of the companies with decline in production activity). Average monthly level of production activity ratio in the first quarter of this year amounted to 5 pp, and is lower than in the same period last year when it was 12.6 pp.

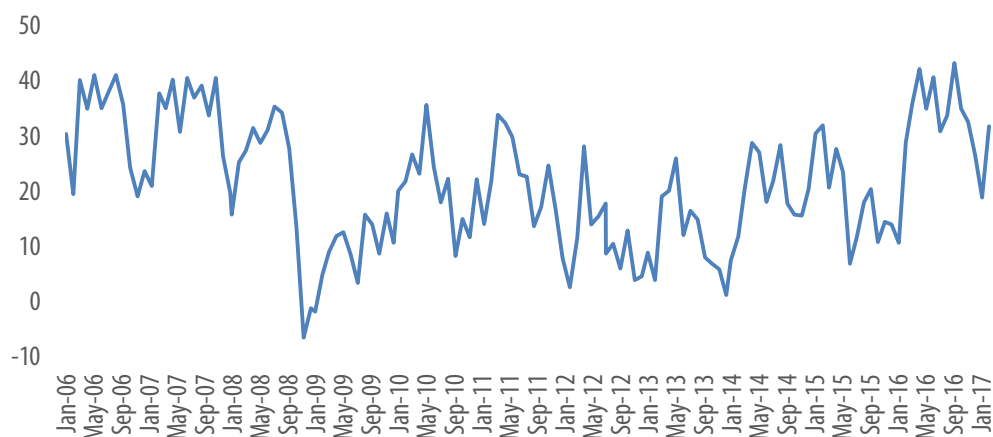
In the March survey, the ratio that measures the level of stocks of finished products again recorded a negative value of 9.7 pp (a larger number of companies pointed out that they have lower level of inventories in relation to the optimal level). Compared to March last year, the ratio recorded a slightly higher value.

In March, a slight decline in employment was recorded compared to February, according to seasonally expected effect. The ratio recorded a negative value of 1.7 pp (8.6% of firms have increased the number of employees, while 10.3% have decreased). Despite the decline in this ratio, there is a trend of improvement since the beginning of the year. For comparable last March, this ratio recorded a slight increase of 1.8 pp.

Quarterly expectations of the domestic industry companies in March indicate higher expected sales in foreign and domestic markets, as well as the moderate employment growth. However, in the comparable March last year, most ratios recorded a lower value.

The ratio of expected quarterly sales on the domestic market in the March survey achieved a value of 32 pp, which is almost identical value as in February. Compared to March last year, there was a lower ratio level for 3.9 pp.

## ANTICIPATED SALES RATIO FOR COMPANIES IN DOMESTIC MARKET (2006 - 2017)



The ratio of expected sales in foreign markets in the March survey recorded a similar value as in February. Accordingly, 26.9% of the surveyed companies have planned larger exports (27.7% in February), while 2.2% said that they will have a decline in exports (February 4%). Compared to March last year, the ratio has recorded a lower value for 6 pp.

## RATIO FOR QUARTERLY EXPECTED SALES IN FOREIGN MARKETS (2015 - 2017)



In March, the ratio that measures the production capacity in relation to the contracted sales recorded a decline compared to February. Accordingly, on the question on what are the production capacities in relation to the contracted sales

**17,8%** of companies said that they are too high  
(14.6% in February)

**2,2%** of companies stated that they are too small  
(in February 3.4%)

Compared to March last year, a slightly worse result has been recorded

(then, 17.4% of companies said that they had too large and 6.6% that they had too small capacity)

Ratio of inflation expectations in March has achieved the value of 11,9 pp, increasing by 0.6 pp compared to February. From October, the ratio is in a zone that indicates a moderate level of inflation expectations, which is a positive signal.

In March, the expectations in terms of new employment are reduced compared to February, but the ratio remains in the positive zone. Accordingly, 13.6% of the companies stated that they plan to increase the number of employees in the next three months (in February 22.9%), with 5.9% of companies planning reduction in the same period (in February 2.4%). Worse result was recorded compared to last March in terms of new employment.

When it comes to the highest limits in business operations, 42.7% of companies indicated the low demand (38.7% in February), followed by the low prices of products for 16.8% of the companies (25.5% in February) and the lack of credit for 16.8% of companies (15.2% in February).

## COMPANIES THAT INDICATED THE LACK OF CREDIT AS A MAJOR OBSTACLE IN BUSINESS OPERATIONS (%)

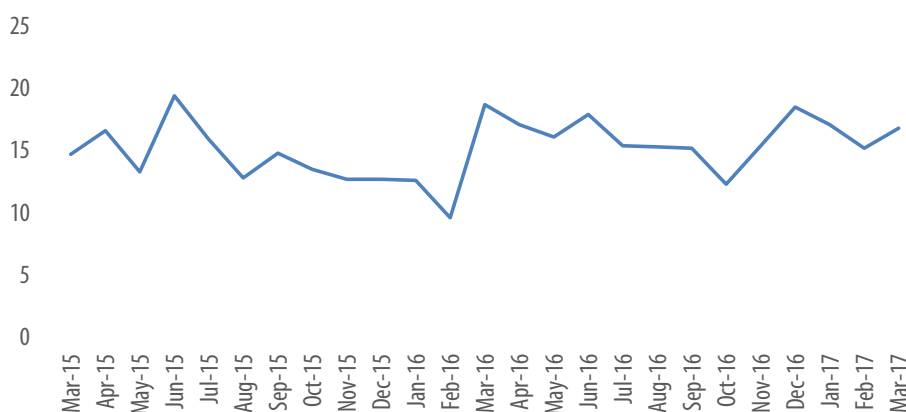


Table no. 1 provides an overview of the major obstacles in business in relation to the size of the company. The problems that dominate in all segments are still low demand and low prices. In the category of large companies, the most significant problem is low demand. As in the previous survey, SMEs have more prominent problems with lack of credit.

## MAJOR OBSTACLE IN BUSINESS BY COMPANY SIZE

(Table 1)

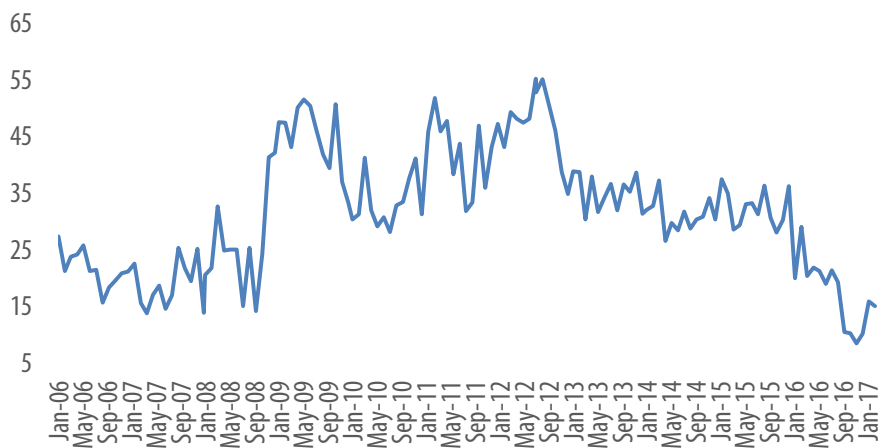
Major obstacle / company size	Micro	Small	Medium	Large
Low demand	54,2	41,0	32,1	72,7
Low prices	16,7	21,3	12,8	18,2
Lack of credits	20,8	16,4	20,5	0,0
Small capacities	0,0	6,6	3,8	0,0
Lack of workers	4,2	0,0	9,0	9,1
Lack of raw materials and spare parts from:				
a) domestic production	4,2	3,3	7,7	0,0
b) import	0,0	11,5	14,1	0,0

As for the problem of illiquidity in the domestic industry, in March, there were no significant changes compared to February. Accordingly, in March, 3.8% of companies stated that their level of claims is too high (6.3% in February), while 32.4% stated that their level of claims is high but can be handled (in February 30.2 %).

In March, the ratio of the expected risk in the business recorded a decline compared to February. This ratio totalled 19 pp in March, which represents an increase of 4 pp compared to February. Despite the decrease, the achieved level of the ratio points to a relatively low level of risk in the next three months. As can be seen from Chart 5, the risk in the business recorded a historic low in the fall of 2016, and has begun to grow at the beginning of this year.

## RATIO OF OVERALL LEVEL OF RISK IN BUSINESS IN THE NEXT THREE MONTHS

(2006-2017)



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