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## Macroeconomic indicators - Serbian Q2 GDP down by 4pct YoY

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Bloomberg reported that Serbia's first recession since NATO bombed the country a decade ago extended to the second quarter, pushing the inflation rate to a two year low and creating room for the central bank to cut Europe's highest interest rates.

The Belgrade based statistics office said that gross domestic product shrank 4% YoY after a revised 4.2% in the first quarter. The median estimate of six economists in a Bloomberg survey was for a contraction of 6%.

Serbia's economy is shrinking for the first time since 1999, when North Atlantic Treaty Organization bombs destroyed most of the country's infrastructure. The recession forced the government to seek international aid and slowed inflation, which may help the central bank cut borrowing costs from 12%, Europe's joint highest with Iceland.

Mr Timothy Ash economist at Royal Bank of Scotland Plc said that "The ongoing deflation in domestic demand as the recession has hit has reined in inflation. As inflation eases, and given the relative stability of the dinar, we think the central bank will continue to cut official policy rates."

The annual inflation rate fell to 7.1% in September from 7.9% August, hitting the lowest since August 2007. In the month, consumer prices rose 0.2%. August industrial output fell 10% YoY, following an average pace of 15% in the first seven months. Export slumped an annual 25.8% July.

(Sourced from [www.bloomberg.net](http://www.bloomberg.net))

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