

# The Impact of Import, Export and FDI on the Economic Growth of the Western Balkans Countries

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## ABSTRACT

Macroeconomic stability is one of the important factors influencing the growth and development of national economies in today's modern global economy. Economic policy should create conditions for macroeconomic stability and economic growth based on increased investment, exports, savings, productivity, and competitiveness, while reducing macroeconomic imbalances, especially the fiscal deficit, inflation, and the current account deficit. In order to achieve macroeconomic stability, as well as sustainable economic growth, it is important to pursue a rational economic policy and carry out accelerated structural reforms. The main objective of the paper is to analyze the impact of key indicators, i.e., export and import of goods and services and FDI on economic growth of the Western Balkans countries. Such an analysis is important to show the state of the economy and predict its stability. The research focuses on the countries of the Western Balkans, while the analysis uses secondary data from the UNCTAD database for the period 2011-2020. The research results indicate that Serbia is progressing much faster than other countries of the Western Balkans. In the coming period, a growth trend can be expected in all Western Balkan countries, which will result in better economic development and increasing openness to new investments.

**Key words:** *macroeconomic indicators, economic growth, export and import, FDI, WB countries*

**JEL Classification:** O11, F21

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## INTRODUCTION

A stable macroeconomic environment is very important for business operations, and thus for the development of the competitiveness of an economy (Marjanović & Domazet, 2021). To achieve macroeconomic stability and sustainable economic growth, it is necessary to pursue a rational economic policy and carry out accelerated structural reforms. Macroeconomic policy is a set of government activities aimed at achieving the most important economic goals. Nowadays, it is generally accepted that all macroeconomic policy activities should be aimed at maintaining the general balance and stimulating economic growth. Effective macroeconomic policy implies the sustainability of determining factors, i.e., harmonization of objectives and instruments, setting realistic objectives, harmonization of macroeconomic policy measures, selection of the most efficient measures, and timely action.

National economic policy makers strive to achieve a general macroeconomic balance, which is accomplished by quantitative and qualitative consideration of trends in macroeconomic indicators and responding to their movements. The selection of macroeconomic instruments

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varies among countries, with developed countries relying on a smaller number of instruments such as conducting fiscal and monetary policy with reference to foreign exchange policy while others are guided by income distribution policy and foreign exchange policy, in addition to mandatory fiscal policy (public spending and taxes) and monetary policy (money supply and interest rate). Inadequate conduction of one policy can be a constraint on another, which has a negative impact on macroeconomic stability. The goal of macroeconomic policy is to provide sustainable economic stability in the country and thus provide conditions for economic growth.

Traditional macroeconomic analysis attempts to answer the question of how one economy reacts to different policies and institutions. Macroeconomic results are usually measured to determine the extent to which decision makers in a country have achieved their pre-set goals. They represent the starting point and one of the most important elements for formulating a national economic development strategy. Macroeconomic indicators show the position of a country in the international economic system. However, it is very difficult to assess and rank countries based on these individual criteria alone. For this reason, many international organizations such as the International Monetary Fund (IMF), the World Bank and United Nations Conference on Trade and Development (UNCTAD) compile various indices that combine several individual indicators and thus measure the level of development, stability of the financial system and many other parameters. In the coming period, structural and institutional reforms should gradually strengthen the potential growth of countries that have not yet joined the EU, helping them to prepare for the accession process. One of the main goals of these countries is certainly to preserve macroeconomic and financial stability, as this would contribute to better implementation of structural and institutional reform programs in order to achieve faster and more inclusive growth, job creation and a better standard of living.

## **LITERATURE REVIEW**

The main macroeconomic indicators are used to describe the state and efficiency of a national economy. Unlike other types of indicators, they are directly related to each other. Macroeconomic indicators are not only mutually related within one economy, but between different economies as well (Mukhamediyev et al., 2018). The relationship between economic growth and macroeconomic indicators has long been a popular issue of debate in the literature of economic development (Tas et al., 2013). In order to adequately create macroeconomic policy, it is necessary to provide accurate and timely information on the current state of economic activity (Sédillot & Pain, 2003). Accordingly, it can be concluded that macroeconomic policy is a set of activities undertaken by the government of a country to achieve the most important economic goals (Marjanović & Zubović, 2020). Consequently, economic growth, high employment, price stability and balance of payments are the basic goals of macroeconomic policy of a country.

One of the main tasks of each country is to increase production and exports, which should aim to achieve stable economic growth over time (Marjanović & Domazet, 2018). According to Bakari & Mabrouki (2017), exports and imports can play a crucial role in the economic development of every country. In this regard, they conclude that exports and imports are considered one of the main drivers of economic and social development. Exports and imports of goods and services are part of a current account within a country's balance of payments. The results of most empirical research show that openness to international trade encourages economic growth. Tahir & Azid (2015), in their research on a sample of 50 developing countries in the period from 1990 to 2009, prove that openness to international trade has a positive and statistically significant impact on economic growth. However, they point out that developing countries should focus on importing new technologies and capital goods instead of consumer goods. Ulaşan (2014) empirically proves that openness to international trade alone does not contribute to economic growth without previously established institutions and the existence of macroeconomic stability. In the research that included 28 EU countries for the period 2010-2019, the authors analysed the import of goods and concluded that that "Imports of Goods" is negatively associated with "Private Consumption

Expenditure at Current Prices”, “Consumption of Fixed Capital”, and “Gross Domestic Product” and positively associated with “Harmonised consumer price index” and “Gross Operating Surplus: Total Economy” (Costantiello et al., 2021). According to Nguyen (2011), the export-led growth hypothesis is based on several assumptions. First, exports contribute to higher levels of specialization in production, which in turn leads to higher productivity as well as increased economic growth. Also, as exports grow, resources are allocated more efficiently by shifting factors to more productive export sectors.

The inflow of foreign direct investments (FDI) also plays an important role in stimulating economic development of all countries, and particularly of developing and transition countries. Therefore, it is not surprising that they are considered an effective way to raise the comparative advantages of a country, as well as a significant source of economic development, modernization, growth of production, exports, employment, and income (Domazet & Marjanović, 2018). Iamsiraroj & Ulubaşoğlu (2015) conducted research on a sample of 140 countries in the period 1970-2009 and found that FDI have a positive impact on economic development. In addition, they point out that this connection applies equally to the most developed countries, as well as to developing countries and countries in transition. Accordingly, the positive effect of FDI is greater in more open trade countries, and in countries with more developed financial sectors. In their research, Pjanić & Mitrašević (2021) concluded that attracting FDI for most countries is a necessary condition for increasing production and exports to a level that will allow the country, among other things, to achieve stable economic growth. It is very important that governments create an adequate business climate for investors since it is one way to attract FDI (Hagemeyer & Tyrowicz, 2011). When competing to attract FDI, countries can increase the supply of public inputs, subsidies, or tax incentives to foreign investors (Vukšić, 2013). Sabir et al. (2019) concluded that the institutional quality has a positive impact on the inflow of FDI. According to the presented conclusions, the coefficient of corruption control, government efficiency, political stability and rule of law are more important for FDI inflow in developed countries compared to developing countries, which clearly indicates that institutional quality is an important determinant of FDI in developed countries.

## DATA ANALYSIS AND FINDINGS

Since the economic development of a country is largely influenced by actively pursued macroeconomic policy, this paper seeks to present the current state of national economies of the Western Balkans in terms of selected macroeconomic indicators. The objective of the paper is to show the mutual relationship and position of each of the observed economies by a comparative analysis of selected macroeconomic indicators. The analysis focuses on (a) imports and exports of goods and services and (b) inflows of FDI. The analysis is based on the available secondary data from the UNCTAD database for the period 2011-2020.

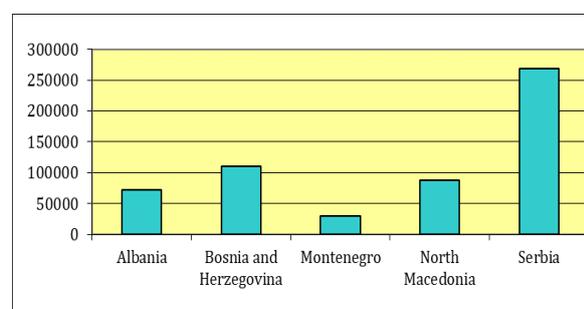
The first part of the analysis aims to present the annual imports and exports of goods and services in the Western Balkan economies in the period 2011-2020 (Table 1). Exports and imports of goods and services are part of the current account within a country's balance of payments, with exports consisting of goods and services produced in the country and sold to foreign buyers, while imports are goods and services purchased from abroad by residents of one country.

**Table 1.** Import and export of goods and services and foreign trade deficit (in million U.S. dollars)

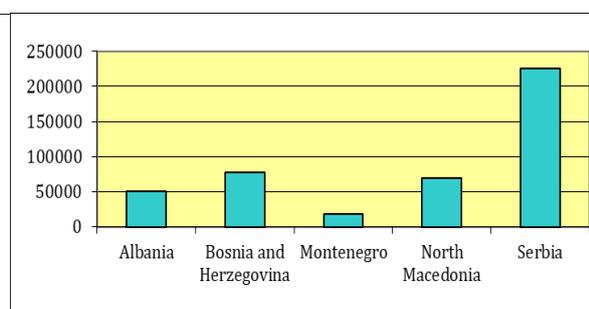
Import of goods and services	WB country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Albania	7644	6753	6882	7291	5969	6384	7288	8234	8291	6913
Bosnia and Herzegovina	11608	10532	10824	11513	9560	9741	11176	12359	11923	10390	
Montenegro	2975	2769	2807	2820	2511	2823	3215	3748	3667	2961	
North Macedonia	7983	7496	7656	8525	7569	7917	8924	10469	10912	9864	
Serbia	24456	23256	25154	25654	22355	23843	27408	32679	33832	29746	
Export of goods and services	Albania	4765	4400	4615	4921	4166	4610	5535	6491	6524	5064
	Bosnia and Herzegovina	7541	6744	7311	7556	6778	7123	8424	9471	8927	7462
Montenegro	1900	1672	1815	1810	1699	1757	2012	2304	2360	1188	
North Macedonia	5934	5382	5836	6699	6064	6326	7294	8772	9018	8281	
Serbia	17140	16336	20319	21122	19171	21186	24506	28199	29256	27693	
Foreign trade deficit	Albania	2879	2353	2267	2370	1803	1774	1753	1743	1767	1849
	Bosnia and Herzegovina	4067	3788	3513	3957	2782	2681	2752	2888	2996	2928
Montenegro	1075	1097	992	1010	754	1203	1203	1444	1307	1773	
North Macedonia	2049	2114	1820	1826	1505	1591	1630	1697	1894	1583	
Serbia	7316	6920	4835	3184	3184	2657	2902	4480	4576	2053	

Source: UNCTAD, 2021.

In terms of import of goods and services in the analysed ten-year period (2011-2020), it can be clearly concluded that Serbia ranks first in the region. With a higher level of public investment and infrastructure works, it is almost certain that this will be reflected in the increased need for the import of equipment. Germany and China stand out as the most relevant trade partners with a share of 13.3% and 12.5% in the total imports of Serbia in 2020, respectively (Jovičić et al., 2020). In the coming period, the growth of imports of goods and services in most countries in the region will be driven by the growth of domestic demand. In terms of exports of goods and services, new investments and continued expansion of export supply are expected to provide high growth in exports in the medium term. After eliminating the consequences of the COVID-19 crisis, the recovery of exports of goods and services in all countries of the Western Balkans is expected. These countries mainly rely on the demand in the EU and the region, which is not surprising considering that during 2020 the largest part of exports was placed on the EU market, CEFTA and the market of the Eurasian Union countries. In order to strengthen cooperation between the countries of the region, in the framework of the Open Balkan initiative (colloquially known as Mini-Schengen), an agreement was signed between Serbia, Northern Macedonia, and Albania with an aim to facilitate import, export, and movement of goods, along with the abolition of border control between these countries from January 1, 2023 (The Government of the Republic of Serbia, 2021).



**Figure 1.** Import of goods and services, 2011-2020. (million U.S. dollars)  
Source: Authors based on the UNCTAD (2021)



**Figure 2.** Export of goods and services, 2011-2020. (million U.S. dollars)  
Source: Authors based on the UNCTAD (2021)

In the period 2011-2019, except for 2012 and 2015, Albania had been recording an increase in exports, which, among other things, had had a positive impact on its economic growth. Despite higher electricity imports as a result of drought, the current account deficit was reduced due to tourism and exports of services. Also, number of tourist visits decreased by 60%, which reduced the Albanian exports. According to the INSTAT (2021), in the first five months of 2021, the value of exports amounted to 177 billion Albanian leva (ALL), which is an increase of 40.9% compared to 2020, and the value of imports amounted to ALL 354 billion, which is an increase of 30.5% compared to the previous year. The trade deficit amounted to ALL 178 billion, which is an increase of 21.7% comparing to the same period last year.

As for Bosnia and Herzegovina, the lack of progress in harmonization with EU regulations in the field of agriculture and rural development, food safety, veterinary, phytosanitary policy and fisheries continued in 2013, thus preventing exports of animal products to the European Union. On the other hand, the external imbalance was significantly reduced due to the stagnant private consumption and imports. The structure of exported goods in 2018 was unfavourable, with the largest share of low value-added goods. The country's trade performance still lags behind other countries in the region due to burdensome administrative trade procedures and limited export promotion capacity. According to the Agency for Statistics (2021), in the first eight months of 2021, exports amounted to KM 8,749 million, which is an increase of 32.5% compared to the same period in 2020, while imports amounted to KM 13,290 million, which is an increase of 22.6% compared to for the same period last year. The coverage of import by export amounted to 65.8%, while the foreign trade deficit amounted to KM 4,541 million.

Exports of Montenegro, whose share in world trade has been declining since 2008, began to grow again in 2011. On the other hand, its share in imports peaked in 2008 and has been declining since then. In 2015, the total value of exports of goods and services amounted to as much as 103.4% of GDP. However, net exports had a negative impact on Montenegrin economic growth. In 2020, the loss of the tourist season due to the COVID-19 pandemics and one of the worst recessions in Europe, led to a drop in exports of goods and services by about 50%. Also, imports decreased by 18%, thus affecting net exports that accounted for almost 50% of the total decline in GDP. According to the Monstat (2021), in the first seven months of 2021, the total foreign trade of Montenegro amounted to about 1.59 billion euros, which is a 12% increase compared to the same period in 2020. Exports of goods amounted to 235.2 million euros, which is an increase of 17.6% compared to the comparable period last year, while imports increased by 11.1% amounting to 1.36 billion euros.

Given that approximately 50% of exports of Northern Macedonia was oriented towards Eurozone economies, the Eurozone crisis in 2011 led to a decline in the country's exports. Limited credit growth slowed the growth of import, so the trade deficit increased slightly. However, economic activity of Northern Macedonia in 2016 was significantly supported by the export growth due to technological and investment zones, which also improved the country's trade balance. Foreign trade was under great pressure due to weaker economic activity of key trading partners, which jeopardized its development model based on exports and FDI. The pandemics has seriously affected exports, especially foreign manufacturing companies that are integrated into global value chains and receive most of their inputs from abroad. According to the official data of the State Statistics Office (2021), the total value of exported goods from the Republic of Northern Macedonia in the first seven months of 2021 amounted to 246,265,451 thousand denars, which is an increase of 34.5% compared to the same period in 2020. The value of imported goods in amounted to MKD 335,526,575 thousand which is a 33.9% increase compared to the same period last year. The trade deficit amounted to MKD 89,261,124 thousand, while the coverage of import by export amounted to 73.4%.

The record level of FDI in 2019 affected the growth of imports and thus the growth of the current account deficit. However, Serbia's external balance has improved significantly since the World Financial Crisis in 2008, when the current account deficit was almost 20% of GDP, until

2019, when it was reduced to 7%. Despite the challenges posed by the pandemics, export of goods remained relatively stable. According to the Statistical Office of the Republic of Serbia (2021), the total foreign trade of Serbia in the first seven months of 2021 amounted to 33 billion U.S. dollars, which is an increase of 35.4% annually. Exports increased by 38.9% amounting to 14.33 billion U.S. dollars, while imports increased by 32.8% amounting to 18.68 billion U.S. dollars. Trade deficit was 4.35 billion U.S. dollars, which is an increase of 16.1% year-on-year. Serbia has the largest volume of foreign trade with countries with which it has signed free trade agreements, while EU countries account for 61.9% of its total trade. Germany is the largest single foreign trade partner of Serbia. The value of exports of goods in the first seven months is around 1.5 billion Euros, while the value of imports is around 2.0 billion euros. The second most important partner are the CEFTA countries, with which Serbia has a surplus of about 1.2 billion euros. In the observed period, export to CEFTA countries amounted to around 1.80 billion, and import amounted to around 630 million euros.

The second part of the analysis presents the state of FDI inflow in the Western Balkan economies in the period 2011-2020. (Table 2). Due to the lack of domestic investment potential, the countries of the Western Balkans are trying to get involved in international flows in order to attract investors from other countries. (Marjanović et al., 2020).

**Table 2.** FDI inflows in Western Balkan countries, 2011-2020. (in million U.S. dollars)

WB country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Albania	876	855	1.266	1.111	946	1.101	1.149	1.290	1.288	1.107
Bosnia and Herzegovina	497	395	276	550	361	350	492	574	400	371
Montenegro	558	620	447	498	699	226	559	490	417	529
North Macedonia	479	143	335	273	240	375	205	725	446	274
Serbia	4.932	1.299	2.053	1.999	2.348	2.352	2.878	4.091	4.270	3.440

Source: UNCTAD, 2021.

The countries of the Western Balkans are very attractive locations for foreign investors (Marjanović & Đukić, 2020). In the observed period (2011-2020), the inflow of FDI to these countries amounted to around 53,455 million dollars. Investments came mainly from the countries of the European Union, Russia, and China.

FDI in Albania in 2012 financed about 70% of the current account deficit, which was a 10% increase compared to the previous year. Most FDI was concentrated in the financial intermediation, services and industry sectors. In 2016, FDI was mainly concentrated in the oil sector, and it slowed down as a result of the falling crude oil prices. However, FDI inflow remained relatively stable at around 8-9% of GDP due to major energy projects, such as the Trans-Adriatic Pipeline and the Statkraft/Devoll hydropower project. In addition, Albania's economic growth in 2017 was mostly driven by the high level of FDI in the energy sector. Also, the low level of savings was largely financed by FDI inflows. FDI in Albania increased by 1.3% in the second quarter of 2021 compared to the previous year. Net FDI inflow increased by 2.4% in the second quarter of 2021, compared to the first quarter of the same year. In the second quarter of 2021, the largest volume of foreign investments in Albania, in the amount of 64.3 million euros, comes from the Netherlands, followed by Italy with 32.7 million euros and Turkey with 25.1 million euros (The Bank of Albania, 2021).

In 2013, Bosnia and Herzegovina recorded a decline in the FDI inflow, representing only 1.9% of its GDP. Restrictions on FDI continued to apply in the media sector where a 49% foreign capital limit was set. FDI net inflows fell from 2.6% of GDP in 2014 to about 1.4% of GDP in 2015, which is a poor result compared to the neighbouring countries. Despite the legal framework that provided favourable treatment to foreign investors, Bosnia and Herzegovina had a very low FDI inflow amounting to only 2% of its GDP in 2018. Almost 63% of FDI in Bosnia and Herzegovina comes from the European Union, mainly in the finance, retail and tourism sectors. Total

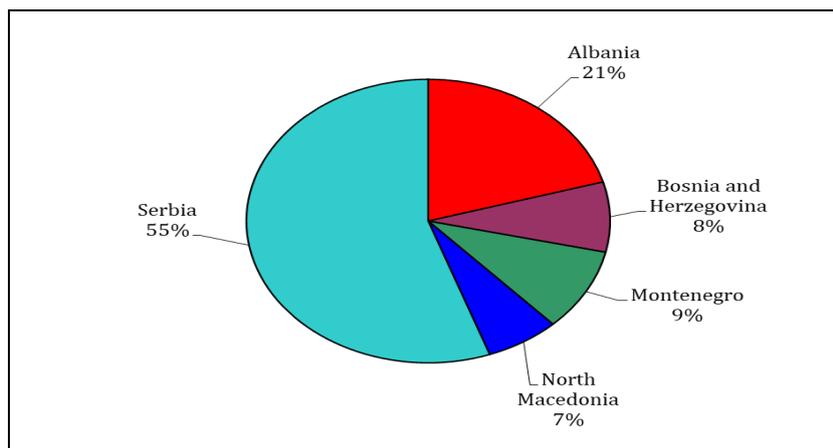
investments in 2020 amounted to KM 625.6 million, which is a decrease of 7.5% compared to 2019. Based on the data of the Central Bank (2021), in the first quarter of 2021, FDI amounted to KM 271.8 million, which is an increase of 14.6% compared to the first quarter of the previous year, when it amounted to KM 237.2 million. Given that the amount of FDI in the previous year was expected to decrease due to the coronavirus pandemics, its amount in the first quarter of 2021 (KM 271.8 million) was compared with the average of the first quarter in the previous five years (2016-2020). The average amount of FDI in the first quarter amounted to KM 268.1 million, which indicates that a more modest increase of 1.4% was achieved.

Despite a sharp slowdown in economic growth, Montenegro's FDI inflow in 2011 remained at more than 10% of GDP. In 2011, in addition to tourism, FDI was a major driver of Montenegro's economic growth. In 2020, almost 45% of the current account was financed by net FDI inflows. Net FDI rose by 50% despite a 15% drop in FDI inflows, mostly because FDI outflows fell by 58% in 2020. According to the data of the Central Bank of Montenegro (2021), in the first six months of 2021, the net FDI inflow amounted to 205.6 million euros, which is a decrease of 20.7% compared to the same period in the previous year. As a result of reduced debt investments, the total inflow of FDI was 349.6 million euros, which is a decrease of 7.75% compared to 2020. FDI inflows in the form of intercompany debt amounting to 162.6 million euros represented 46.5% of the total inflow, which is a decrease of 34.4% compared to the same period last year.

In the period 2011-2014, attracting FDI was a key goal aimed at achieving higher rates of economic growth and reducing unemployment in North Macedonia. The country was successful in attracting greenfield investments in 2011, especially in the auto parts industry. In 2016, the growth of export capacities financed through FDI had a large impact on the reduction of trade deficit, however, FDI inflows remained relatively modest despite favourable factors such as numerous tax incentives, strong protection for entrepreneurs, and simple business start-up procedures. In the first quarter of 2020, despite the crisis caused by the pandemics, FDI significantly increased. According to the National Bank of North Macedonia (2021), in the first half of 2021, FDI amounted to 288.2 million U.S. dollars, compared to the net inflow of 139.6 million euros in the same period in 2020. In the first six months of 2021, the inflow of FDI increased mainly as a result of registered net inflows from reinvestment of earnings and capital, and to a lesser extent due to lending between companies.

An overly complicated system of business-related laws and regulations hampered the competitiveness of the Serbian economy in 2012, and negatively affected FDI inflows, which is a key factor stimulating private sector growth and unemployment reduction. However, in 2015, Serbia achieved a significantly higher level of FDI compared to the previous year, amounting to 5.4% of its GDP. A significant part of FDI was directed towards production, which had a positive impact on competitiveness, as well as on the production and export base of the economy. In 2019, Serbia achieved a record high level of FDI, which stimulated imports, increased the current account deficit, and the level of foreign exchange reserves. Since 2015, the net FDI inflows in Serbia have consistently exceeded the current account deficit, reaching 7.8% of GDP in 2019. According to the UNCTAD (2021), Serbia attracted 3.44 billion U.S. dollars of FDI in 2020, which is over 50% more than the value of total FDI in Southeast Europe in the year of the COVID-19 pandemics, which reached 6,11 billion U.S. dollars. In 2020, FDI inflows remained strong despite the coronavirus pandemics, while in the first seven months of 2021, inflows amounted to 2.14 billion euros.

Western Balkan countries lag significantly behind Serbia in terms of FDI inflows. In terms of FDI per capita, Montenegro ranks first. However, the level of investment per capita in the Western Balkan countries is significantly lower compared to the countries of the European Union. In the Western Balkans, investments amount to around 2,600 euros per capita, while in the European Union they amount to around 14,300 euros (Sanfey et al., 2016).



**Figure 2.** Share of FDI attracted by Western Balkan countries (2010-2020), in %

*Source: Authors based on the UNCTAD (2021)*

In the previous ten years, most foreign investments were directed to Serbia (29,662 million U.S. dollars), which makes up 55% of the total amount of all investments in the countries of the Western Balkans. It is followed by Albania with 10,989 million U.S. dollars (21%), Montenegro with 5,043 million U.S. dollars (9%), Bosnia and Herzegovina with 4,266 million U.S. dollars (8%) and Northern Macedonia with 3,495 million U.S. dollars (7%). In the period 2011-2020, more than half of the amount of foreign investment was directed to Serbia. This is primarily a result of the Serbian economic policy which has created favourable conditions for the arrival of foreign investors. However, according to the achieved level of economic development, the countries of the Western Balkans lag behind the developed economies of the EU. In the coming period, the focus is to be on attracting as much FDI as possible, given that they can significantly affect the economic growth of the Western Balkans (Marjanović & Đukić, 2020).

## CONCLUSION

The analysis of macroeconomic indicators is an important tool for measuring economic performance of a country. It provides the data necessary to assess the overall state of an economy. Macroeconomic policy is a set of activities aimed at stimulating economic growth. Accordingly, a well-conducted macroeconomic policy plays an important role in the development of the economies of the Western Balkans. This paper aims to analyse the selected macroeconomic indicators to show the state and position of individual economies in the Western Balkans, while the research focuses on imports and exports of goods and services and inflows of FDI.

In each of the observed years, the analysed economies recorded trade deficit, which does not necessarily mean that it has a negative impact on economic development. Given that trade deficit is financed by borrowing abroad or FDI, if foreign debt or foreign investment is invested in productivity growth, trade deficit can become a source of long-term economic growth. If this trend continues, it is quite possible that most Western Balkan countries will need new fiscal consolidation, which could jeopardize their already weak growth prospects and slow their progress, thus putting into question their accession to the European Union. Also, the development model of an economy cannot be based exclusively on FDI if the level of domestic private investment and public investment is insufficient or incorrectly channelled. Macroeconomic and financial stability, better investment, and business environment, and the implementation of infrastructure projects, are factors that can contribute to investment growth. In order to increase investments, it is necessary to ensure macroeconomic and financial stability, create an adequate business environment and implement infrastructure projects. All of the above point to the

conclusion that the economic development of the Western Balkan countries is determined by FDI, imports and exports.

In the first half of 2020, the impact of the COVID-19 pandemics on economic activity was more negative than expected. The IMF expects the recovery to be slower than previously forecast. The pandemic has negatively affected both foreign trade and the inflow of FDI in all Western Balkan countries. Serbia is currently in the most favorable position compared to other Western Balkan countries, given that the actively pursued economic policy has contributed to the creation of a favorable investment climate. The overall conclusion is that the set of economic measures adopted by the Serbian government have not endangered the country's macroeconomic and fiscal stability. Compared to other European countries, Serbia has solid economic parameters, while adequately adopted measures have prevented a deeper recession. In accordance with the COVID-19 situation at the global level, Serbia needs to preserve all important indicators and adopt economic measures to easily cope with the global crisis that has affected the whole world. The risk of a prolongation of the pandemics and its strong impact on certain economic sectors should be considered. Policy makers in all Western Balkan countries should develop several economic policy alternatives and crisis mitigation measures in line with different global scenarios. To minimize investment reduction, it is necessary to further strengthen cooperation with the EU and neighbouring countries, continue improving business environment and preserve macroeconomic stability.

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