**SERBIA**

Serbia’s economic freedom score is 65.2, making its economy the 59th freest in the 2022 Index. Serbia is ranked 35th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Over the past half-decade, Serbia has enjoyed modest economic growth in every year except 2020. A five-year trend of generally expanding economic freedom has solidified the country’s position among the “Moderately Free” countries. Boosted by higher scores for fiscal health and judicial effectiveness, Serbia has recorded an impressive 6.3-point overall gain of economic freedom since 2017. Monetary freedom and trade freedom are improving, but government integrity is far too feeble for an aspiring member of the European Union.

**IMPACT OF COVID-19:** As of December 1, 2021, 11,744 deaths had been attributed to the pandemic in Serbia, and the government’s response to the crisis ranked 111th among the countries included in this Index in terms of its stringency. The economy contracted by 1.0 percent in 2020.

**BACKGROUND:** Independent since the collapse of Yugoslavia in 1991, Serbia applied for membership in the European Union in 2009. A 2013 agreement normalized relations between Serbia and Kosovo. President Aleksandar Vucic’s center-right Progressive Party won three-quarters of the seats in parliament in June 2020 elections that were boycotted by the opposition, further cementing his hold on nearly every lever of power. Serbia cannot become a member of the EU without additional reforms, stronger rule of law, and improved relations with regional neighbors. Serbia has strong energy, historical, and political ties to Russia in addition to expanding links with China. Serbia’s largely market-based economy relies on manufacturing and exports, and state-owned companies remain a significant presence in certain sectors.
Serbia has an adequate body of laws for the protection of property rights, but enforcement through the judicial system can be very slow. Obtaining clear title to land is difficult and uncertain. Enforcement of contracts is weak. The judiciary is inefficient and subject to undue political influence. Corruption remains a serious problem, especially in public procurement, natural resource extraction, and government-owned property.

The top individual income tax rate is 10 percent, and the corporate tax rate is a flat 15 percent. Other taxes include value-added and property taxes. The overall tax burden equals 24.1 percent of total domestic income. Government spending has amounted to 43.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 58.4 percent of GDP.

A slow bureaucracy, competition from money-losing state-owned enterprises, and nominally independent regulatory agencies that bow to political pressure are concerns for businesses. A Staff Leasing Law that went into effect in 2020 governs how much of a company’s workforce can be hired with fixed-term contracts through an agency. The government announced its intention to privatize 20 of Serbia’s remaining 78 state-owned enterprises by the end of 2021.

Serbia has seven preferential trade agreements in force. The trade-weighted average tariff rate is 6.5 percent, and nontariff barriers undercut overall trade freedom. Serbia is not a member of the World Trade Organization. Most sectors are open to foreign investment, but the lack of transparency deters more dynamic investment growth. The banking sector has been expanding, although the level of financial intermediation remains relatively low.