

The European Bank for Reconstruction and Development (EBRD) said on Thursday it expects the Serbian economy to expand by 0.5% this year as stronger external demand and lower oil prices may offset the short-term negative effects from the fiscal consolidation under the programme agreed with the International Monetary Fund (IMF).

In May, the EBRD said it sees Serbia's economy expanding by 0.3% this year.

Serbia underwent three recessions in the last six years, but a modest recovery is under way in 2015, with exports seen as the main growth driver supported by supply-side effects - the re-launch of operations of a major steel plant as well as normalization of coal extraction and power generation in the second half of the year after the damage caused by last year's floods, the EBRD said in a statement.

The multi-lateral lender, however, cautioned that despite the improvement in industrial production, declining car production and a worse-than-expected agricultural season weigh on this year's growth.

Growth is anticipated to accelerate from 2016 in line with expected stronger EU growth and a pick-up in domestic investment. As high non-performing loans (NPL) are likely to be resolved only gradually, credit growth may remain moderate, but medium-term prospects are favourable provided the reform programme envisaged in the IMF agreement is implemented.

The EBRD noted that Serbia has room for further monetary easing, speeding-up major infrastructure projects, making progress with NPL resolution and improving the business environment.

In February, the IMF signed off on a 1.2 billion euro (\$1.3 billion) stand-by arrangement that aims to help Serbia restore public finances' health, increase the stability and resilience of the country's financial sector and implement comprehensive structural reforms.

The Serbian economy contracted by 1.8% in 2014, mainly due to devastating floods that hit the country in May.

source: wire.seenews.com