

Top Stories

SERBIA RECORDS DEFLATION IN JULY

YEAR-ON-YEAR INFLATION GOES DOWN TO 3.2% IN JULY, AS SERBIA REGISTERS MONTH-ON-MONTH DEFLATION.



Year-on-year inflation decreased from 3.6% in June to 3.2% in July, according to the National Bank of Serbia's (NBS) data. Year-on-year core inflation stood at 1.7% last month, the NBS said in a statement on its website. In July, the consumer price index (CPI), the official measure of inflation, was down 0.4% month-on-month and up 2.5% compared to December 2016, the Statistics Office said in a statement. Prices of food and non-alcoholic drinks had the sharpest month-on-month decrease in July, of 2%, as prices of clothing and footwear declined 1.1%, transportation 0.9%, restaurant and hotel services and education 0.2%, and housing, water, electricity, natural gas, and other fuels and communications 0.1%. At the same time, prices of recreation and culture increased 3.5% and alcoholic drinks and tobacco 2.8%.

Daily: German do-it-yourself retailer Bauhaus interested in opening store in Bubanj Potok as mayor says Swedish furniture giant IKEA's development drawing strong investor interest. Swedish furniture producer and retailer IKEA's development in Belgrade's suburb of Bubanj Potok, where it opened its first Serbian store last week, has attracted strong investor interest in this part of the city, Mayor Sinisa Mali has said, adding that retail parks have been discussed, while Turkish investors are interested in building a water park, Blic reported. According to Blic, German do-it-yourself retailer Bauhaus is interested in opening a store there. IKEA's store is on 14 hectares of the 31-hectare piece of land the company bought in Bubanj Potok, and the remainder of the land is planned for further commercial development, Vladislav Lalic, regional property & expansion manager at IKEA South East Europe, recalled, noting that a retail park spanning 40,000 square meters could be built there under an investment of between EUR 60 million and EUR 70 million. IKEA is expected to make a decision on the matter by the end of the year, according to the daily.

Serbia has much to do concerning rule of law, EU would like dialogue with Kosovo to be held at both presidential, governmental levels, European Parliament rapporteur says. Serbia is doing good work on its path to the EU, though much remains to be done, especially concerning the rule of law and the fight against corruption, the European Parliament's (EP) rapporteur for Serbia, David McAllister told reporters following a meeting with Serbian President Aleksandar Vucic in Belgrade on Saturday, local media reported. McAllister said that he wishes for Serbia to open as many new chapters of EU accession talks as possible in the coming period. He said that the EU would like Serbia's dialogue to be held at the presidential and governmental levels, noting that it is important for the sides to resume their EU-facilitated dialogue and to implement reached agreements. For his part, Vucic said that he does not share McAllister's position that the rule of law is a key issue for the EU concerning Serbia's progress toward membership. The key issue is Kosovo, followed by Russia, according to Vucic.

Working group decides state copper miner RTB's privatization should be launched as soon as possible given strong interest from China, Russia, Canada, news agency told. The working group for the privatization of state copper mining and smelting company Rudarsko-Topioninarski Basen (RTB) in Bor has decided, in agreement with the International Monetary Fund (IMF), that the company's privatization should be launched as soon as possible, taking into account strong interest of possible strategic investors from China, Russia, and Canada, Beta has been told at the Economy Ministry. RTB is implementing a reorganization plan as part of pre-packaged bankruptcy, the news agency recalled. Mining and Energy Minister Aleksandar Antic said earlier that the government is in talks with a large number of companies, including those from China, Russia, and Canada, in an effort to find a partner for RTB, one capable of investing up to EUR 1 billion over the next several years, according to previous reports.

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Politics

Ex-acting GM of state coal miner Resavica gets 30-month prison term, RSD 6.23 million fine. Stevan Dzelatovic, former acting general manager of state-run underground coal miner PEU Resavica, has been sentenced to 30 months in prison and a RSD 6.23 million fine for taking a EUR 30,000 bribe, the organized crime prosecutor's office said on Friday, local media reported. Dzelatovic, who signed a plea bargain on June 30, is also banned from holding a public post for a period of 10 years. He was arrested on April 19 this year, reports recalled.

Daily: Croatian president, prime minister agree to nominate Gordan Bakota to serve as new ambassador to Serbia. Croatian President Kolinda Grabar-Kitarovic and Prime Minister Andrej Plenkovic have decided to nominate Gordan Bakota to serve as the country's new ambassador to Serbia from September 1, local media reported, citing Jutarnji.hr. Bakota is a career diplomat who has served as Croatia's ambassador to Austria as well as to Turkey.

Ex-DS leader Boris Tadic says ready to cooperate with DS, but not to rejoin party. Boris Tadic, former Serbian president and ex-Democratic Party (DS) leader, who currently heads the Social Democratic Party (SDS), has told Nedeljnik that he is ready to cooperate with the DS and other democratic-bloc parties, but that he has no intention of returning to his former party, local media have reported. Tadic also said that it is important to create a strong opposition, rather than a strong political party. Last week, DS leader Dragan Sutanovac said he is ready to invite Tadic back into the DS, according to previous reports.



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Business & Economy

Pharmaceutical company Hemofarm cannot comment on tendering for acquisition of state drug maker Galenika, as tendering has not been launched yet, news agency told.



Vrsac-based pharmaceutical company Hemofarm, part of Germany's Stada, is observing all developments on the market and reviewing options for a possible expansion of operations, but it cannot comment on tendering for the acquisition of state drug maker Galenika, as tendering has not been launched yet, Beta has been told at Hemofarm. According to earlier reports, bids for a majority stake in Galenika are expected to be invited in early September. Galenika's future majority owner will be required to buy EUR 71.7 million in Galenika's debts to banks for EUR 25 million, to which the creditors in question have agreed in principle, on condition that privatization is carried out within a short time period, news agencies were told at the Economy Ministry earlier. Also, Galenika's employees who agree to voluntary redundancy are to get severance pay of EUR 400 per year of service, a half of which is to be financed by the state and a half by the future majority owner, news agencies were told. Vecernje Novosti learned earlier that Hemofarm, a consortium of Russia's NPO Petrovax Pharm LLC and the UK-based Frontier Pharma Limited, Serbian medical supplies producer and trader Sinofarm, and Brazil's EMS are mulling a possible acquisition of a majority holding in Galenika. A tendering procedure to select a strategic partner for Galenika was scrapped in March, after the sole cleared bidder, the Petrovax-Frontier consortium, failed to reach an agreement with banks over Galenika's debts, according to earlier reports.

Dinar rises to fresh 2017 high in Friday's trading. The dinar added 0.1% against the euro in Friday's trading, taking gains to a second day, as the National Bank of Serbia (NBS) decided that there was no need for an intervention on the foreign exchange market, local media reported. The NBS' median exchange rate for today is RSD 119.6677 to a euro, the domestic currency's new 2017 high, compared with Friday's RSD 119.8180. Since the beginning of the year, the dinar has strengthened 3.2% versus the eurozone currency, according to the central bank's website. The central bank has so far this year bought a total of EUR 745 million on the forex market to

prevent major one-day hikes of the domestic currency. The NBS has also sold EUR 345 million in 2017 to prop up the dinar.

Trade minister says people “have no reason to fear” move that would “de jure” remove ban on trade in GM products in Serbia to enable WTO entry, as ban would “de facto” remain in place. Serbian trade minister Rasim Ljajic has told N1 that people in Serbia “have no reason to fear” a move that would “de jure” remove a ban on trade in genetically-modified (GM) products in the country, which is a requirement for Serbia’s entry into the World Trade Organization (WTO), as trade in GM products would “de facto” continue to be banned under regulations accompanying legislation in question, Beta reported. When it comes to bilateral talks on Serbia’s WTO entry, there are outstanding issues with four countries currently, he said. The US has indicated it will drop its demand concerning meat if Serbia resolves the issue of genetically modified organisms (GMO), Ljajic said. Talks with Brazil are on poultry quotas, with Brazil demanding 500 metric tons and Serbia agreeing to 50 metric tons, he said, noting that Brazil exports 500 metric tons to Kosovo, which it sees as part of Serbia, “so nothing would change” for Brazil. Ukraine is a serious problem for Serbia’s WTO entry bid, but the EU is on Serbia’s side in this matter, he said. He also noted that Russia now has demands over steel and cars. Russia is seeking to protect itself during the period before Serbia becomes an EU member state, when Serbia’s free trade agreement with Russia will cease to apply, he said. Ljajic said that WTO entry would be important for Serbia to deal with disputes such as the recent one over Croatia’s imports of fruits and vegetables. Croatia’s decision to cut a phytosanitary fee from EUR 270 back to some EUR 12 has meanwhile been published in the country’s Official Gazette and taken effect. According to Ljajic, Serbian exporters can start disputes before Croatia’s courts over any damage during the application of the hiked fee.

68% of 100 companies surveyed by employer association believe there is currently no room for raising minimum hourly wage. The Employers’ Association of Serbia (UPS) has conducted a survey of 100 companies that showed that 68% believe that there is currently no room for raising the minimum hourly wage, while 32% believe that the wage should be increased, a half of whom think that the wage can be raised from RSD 130 currently to no more than RSD 140, local media reported yesterday, citing Tanjug. The survey was conducted so that the UPS can make its position on the matter clear to the other members of the social-economic council by September 15, according to UPS Chairman Nebojsa Atanackovic.

Serbia’s AIK Banka submits higher of two binding bids for 55% of Slovenia’s Gorenjska Banka, but bidders asked to improve offers, Slovenian daily learns unofficially. Serbia’s AIK Banka has filed the higher of the two binding bids for a 55% stake in Slovenia’s Gorenjska Banka, in which it already has a holding of more than 20%, Slovenian daily Delo has learned unofficially, according to reports. Both bids, the second of which from US private equity firm Apollo, have fallen short of the ask price of EUR 298 per share, and the consortium of shareholders selling the majority holding has asked the bidders to improve their offers, Delo has learned. According to the daily’s unofficial sources, AIK, part of banking-to-agribusiness company MK Group, offered EUR 280 per share and Apollo EUR 230 per share.

Belgrade-Sarajevo highway not to be built if no agreement is reached on route within Bosnia-Herzegovina, Serbian minister says. Serbian Construction, Transportation, and Infrastructure Minister Zorana Mihajlovic has called for an agreement within Bosnia-Herzegovina on the route of a highway to link Belgrade and Sarajevo, noting that the highway will otherwise not be built, local media reported, citing Sputnik Srbija. According to earlier estimates, the highway would cost some EUR 850 million to be built. Bosnian Serb entity Republika Srpska wants the highway to run through Visegrad, while Muslim-Croat entity Federacija BiH wants it to run through Tuzla. The highway should be financed by Turkey, most likely through a loan that would be repaid by Bosnia-Herzegovina and Serbia, Srna wrote, according to N1.

German wiring systems supplier Leoni considering location for fourth plant in Serbia, Leoni Serbia top man says. On the back of good business results, German wiring systems supplier Leoni is reviewing possible locations for opening its fourth plant in Serbia, Klemens Sachs, top man at Leoni in Serbia, has said, RTS reported. In late July this year, Leoni opened its third production facility in Serbia’s southern city of Nis, following a EUR 22 million investment, according to previous reports. The German company, which launched operations in Serbia in 2009, also has plants in Prokuplje and Boljevac. In Serbia, it produces components for BMW and Jaguar cars and has a staff of 5,770, RTS reported.

Two newly set up cooperatives ink deals on total of RSD 12.14 million in grants. Milan Krkobabic, minister without portfolio in charge of regional development, on Friday signed contracts with two new cooperatives set up in southern Serbia for a total of some RSD 12.14 million in grants, local media reported. Cooperative Zaplanjski Zasad Gadzin Han will receive RSD 5.9 million in grants to produce, process, package and market medicinal herbs, while Bee Cooper Devca will be granted RSD 6.24 million to set up an apiary. In mid-May this year, applications for grants were invited as part of the government’s program to set up or revitalize 500 cooperatives in

500 villages across Serbia over the next three years. The overall project is worth EUR 25 million, according to earlier reports.

Vojvodina seeks applications for RSD 3 million in grants to co-finance organic production control, certification. Vojvodina’s agriculture, water management, and forestry secretariat has invited applications for a total of RSD 3 million in grants for projects dealing with the control and certification of organic production, local media reported at the weekend, citing an announcement on the secretariat’s website. Grants of up to RSD 100,000 can cover up to 70% of project costs. Eligible to apply are businesses and individuals registered as farming households. Applications are due by November 24.

NBS’ forex reserves grow by EUR 277.7 million in July. The National Bank of Serbia’s (NBS) foreign exchange reserves increased by EUR 277.7 million in July, to almost EUR 9.95 billion, according to a news release on the NBS’ website. The NBS’ net reserves, a figure excluding banks’ forex reserves and other items, grew by EUR 302 million in July, to nearly EUR 8.28 billion. The biggest inflow, of EUR 220 million, in July came from the NBS’ forex market interventions on the buy side. Significant amounts also flowed in from the government lending activity and the sale of government forex-denominated securities on the domestic financial market, EUR 98.5 million, while EUR 109.5 million came from grants, interests and other sources. Outflows of EUR 150.3 million were due to changes in cross-currency trends in the global financial market, a decrease in banks’ forex reserve requirements, and the servicing of frozen forex savings and other liabilities. Trading on the forex market was worth EUR 669.3 million in July, up by EUR 155.9 million compared to June, with the January-July figure at some EUR 3.12 billion. In July, the dinar rose 0.4% versus the euro in nominal terms, as the NBS bought EUR 165 million to avert major fluctuations in the exchange rate.

BSE indexes rise on Friday. The Belgrade Stock Exchange’s (BSE) blue-chip index BELEX15 closed up 0.17% at 724.37 points on Friday, and composite index BELEXline added 0.26% to 1,560.12 points. Overall trading stood at nearly RSD 176.62 million, RSD 158.95 million of which was trading in bonds and the rest trading in stocks. Komercijalna Banka’s preferred stock was the top advancer, jumping 10.47% to RSD 950. Also on the upside, Energoprojekt Entel rose 8.01% to RSD 11,451 and Philip Morris Operations increased 1.67% to RSD 3,050. There were only three decliners on the regulated market, with Sojaprotein sinking 6.02% to RSD 281, Veterinarski Zavod Subotica sliding 0.79% to RSD 125, and NIS falling 0.14% to RSD 699. NIS had the top trade value, of RSD 8.03 million, followed by Energoprojekt Entel, with almost RSD 3.53 million, and Messer Tehnogas, with RSD 1.74 million.

PRODEX up at 213.52 points last week as trading value increases to RSD 61.97 million. The Novi Sad Commodity Exchange’s (NSCE) index PRODEX, which tracks wheat, corn, barley, sunflower, and soy, increased 0.87 points to 213.52 points last week, the NSCE said in a statement on Friday. The value of trade rose 11.93% week-on-week to RSD 61.97 million, as trade volume dropped 21.81% to 1,975 metric tons. Corn sold for RSD 18.92 per kilogram, including value-added tax (VAT), up 2.03% compared to the previous week, while the average price of wheat was RSD 19.41 per kilogram, including VAT, an increase of 0.51% from the week before. Soybeans went for the average price of RSD 65.97 per kilogram, including VAT, up 7.5 week-on-week. Barley changed hands at RSD 17.38 per kilogram, including VAT, down 4.14% from the previous week, while the price of triticale remained unchanged at RSD 17.05 per kilogram, including VAT.

Currency Exchange Rates

Country	Currency	Median Exchange rate (RSD)
EU	1 Euro	119.8180
Australia	1 Dollar	79.8733
Canada	1 Dollar	79.8308
China	1 Yuan	15.2576
Denmark	1 Crown	16.1065
Japan	100 Yen	93.3744
Norway	1 Crown	12.7719
Russia	1 Ruble	1.6907
Sweden	1 Crown	12.5091
Switzerland	1 Franc	105.9586
Great Britain	1 Pound	132.1328
USA	1 Dollar	101.7303

Source: NBS (August 11, 2017 - latest update on www.bizinfo.co.rs)

Trading on BSE – August 11, 2017

Prime Market

STOCKS	Closing Price (RSD)	Change (%)	High (RSD)	Low (RSD)	Traded Volume	Traded Value (RSD)
NIS, Novi Sad	699	-0.14	700	691	11,485	8,030,610
Energoprojekt Holding, Belgrade	1,210	+0.17	1,215	1,204	2,930	3,546,376
Aerodrom Nikola Tesla, Belgrade	1,346	+1.13	1,350	1,339	250	336,006
Sojaprotein, Becej	281	-6.02	301	270	807	226,770

BOND SERIES	Closing Price (% of face value)	Annual Yield (%)	Price Change (%)	Low - High	Traded Value (RSD)
RSO15105	107,7782	-	+0.0253	107,7618- 107,7945	158,951,262

Standard Market

STOCKS	Closing Price (RSD)	Change (%)	High (RSD)	Low (RSD)	Traded Volume	Traded Value (RSD)
Metalac, Gornji Milanovac	1,901	0.16	1,901	1,901	25	47,525

Over-the-Counter Market

STOCKS	Closing Price (RSD)	Change (%)	High (RSD)	Low (RSD)	Traded Volume	Traded Value (RSD)
Energoprojekt Entel, Belgrade	11,451	+8.01	11,500	11,390	308	3,526,950
Messer Tehnogas, Belgrade	12,182	+1.51	12,200	12,000	143	1,742,000
Komercijalna Banka, Belgrade	950	+10.47	950	950	80	76,000
Kopaonik, Belgrade	2,934	+0.07	2,934	2,933	22	64,546
Philip Morris Operations, Nis	3,050	+1.67	3,050	3,050	18	54,900
Veterinarski Zavod Subotica, Subotica	125	-0.79	125	125	104	13,000

Multilateral Trading Facility

STOCKS	Closing Price (RSD)	Change (%)	Demand	Supply	Traded Volume	Traded Value (RSD)
Centar GD, Belgrade	7,800	-49.56	240	398	240	1,872,000
Sloga, Novi Pazar	220	+4.76	900	2,243	900	198,000
Central, Vrbas	510	0.00	405	246	246	125,460
Savremena Administracija, Belgrade	2,850	0.00	2,185	2,337	29	82,650
Vodoprivredno Preduzece, Cuprija	4,000	0.00	27	53	7	28,000

Source: BSE

Belgrade Interbank Offered Rate – August 11, 2017

BELIBOR	RATE
T/N	2.98
S/N	2.98
1W	3.11
2W	3.19
1M	3.31
2M	3.42
3M	3.54
6M	3.76

Source: NBS

Belgrade Overnight Index Average – August 11, 2017

BEONIA	RATE	TOTAL VOLUME
	2.58	2,000

Source: NBS

Weather Forecast

Monday, August 14

Partly cloudy. Low 16° C. High 25° C.

Tuesday, August 15

Mostly sunny. Low 17° C. High 28° C.

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