

BUFF/10/89

June 24, 2010

**Statement by the Staff Representative on the Republic of Serbia
Executive Board Meeting
June 28, 2010**

This statement provides information that has become available since the issuance of the staff report (EBS/10/118). The new information does not alter the thrust of the staff appraisal.

1. **Prior actions for the fourth review have been completed.** The government submitted to parliament on June 17 a comprehensive pension law, incorporating both parametric reforms and a revised indexation formula, effective April 2011 (*prior action*). Also on June 17, the government issued several decisions to ensure that reductions in public administration headcounts at the central government level will be implemented in line with the law passed in December 2009 (*prior action*).
2. **Recent data releases have been in line with the economic outlook in the staff report.** Inflation declined further to 3.7 percent year-on-year in May, compared with 4.3 percent in April, largely reflecting food price movements and base effects. The current account deficit narrowed again in April, reflecting an improved trade balance, but also continued strong remittances.
3. **Serbia's EU candidacy hopes remain on track.** EU foreign ministers gave the go-ahead on June 14 for the Stabilization and Association Agreement (SAA) to be considered by parliaments for ratification. Serbian officials hope that Serbia might gain candidate member status next year.