



Development Potentials Index of Tradable Sectors



Development Potentials Index of Tradable Sectors in Serbia - DPI 2014-Authors: Nemanja Šormaz Center for advanced economic studies Director Danijela Bobić Center for advanced economic studies Program director



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A century and a half long tradition of the chamber system of Serbia and widely spread chamber network and representative offices abroad are the guarantee for the effective application of all mechanisms of support to the economy and the business community. The Chamber of Commerce and Industry of Serbia is responsible partner and support to business by representing the interests of members in front of the state authorities and institutions, carrying out the public powers by the issuance of various documents, developing economic cooperation with foreign countries, representation, protection and promotion of interests of Serbian business in the country and abroad, education service, independent proceedings of disputable cases with the Court of Honor and arbitration.

Addition to numerous public powers (foreign trade activities, consensual financial restructuring, freight forwarding operations, certification services, solvency certificates) CCIS issues qualified electronic certificates which provide to entrepreneurs secure e-business with less cost, simple procedures and greater efficiency. CCIS is reliable partner to the State in improving the quality of labor and the introduction of a dual system of education, given that business education is an essential condition for increasing the intellectual capital and the profitability of each business entity. The representativeness of CCIS and sectoral associations at the international level is confirmed by membership in many international organizations (ICC, Eurochambres, ASCAME, ABC, BC BSEC, AIC Forum, WFA, GIRP, CoESS, EURATEX, IRU, World ATA Carnet Council, FIATA).



CEVES is an independent think-and-do-tank devoted to advancing Serbia's economic recovery, democratic consolidation, and convergence with the European Union through evidence-based policy advocacy, and by mobilizing stakeholders and the public to engage in institution-building, and civic or concrete project initiatives. CEVES was founded in 2004 by a group of Serbia's top-ranked economists. Since then, it set new standards in Serbia for macroeconomic and policy analysis with the publication of Quarterly Monitor of Economic Trends and Policies in Serbia, and together with the Economics Faculty of the University of Belgrade, with the founding of the Foundation for the Advancement of Economics (FREN), which has become Serbia's go-to think-tank for macroeconomic, social inclusion and employment research.

CEVES is focused on developing areas of research relevant to inclusive and sustainable economic growth filling a key gap in knowledge — such as industrial organization, key sector economics (e.g. agribusiness, energy and knowledge economy), and corporate governance. Developed knowledge CEVES uses to promote change in line with European standards and values through advocacy, capacity-building and stakeholder mobilization. The mobilization of stakeholders, or the broader public, is an important goal and tool for CEVES. Decentralized market forces anywhere need to be complemented with collective action, be it by the government, or through the self-organization of professional, business and civil society organizations. To the extent that Serbian government can be spurred into action, CEVES is committed to advocate and partner with it for adoption of such policies, and where it is not, it is committed to building the necessary constituencies for action outside the public sector. However, mobilization is only conceivable if a society can be rallied behind positive goals, within the context of a shared vision. Therefore, CEVES devotes its resources to identification of economic & employment growth opportunities, and formulation of national & sectorial development strategies.

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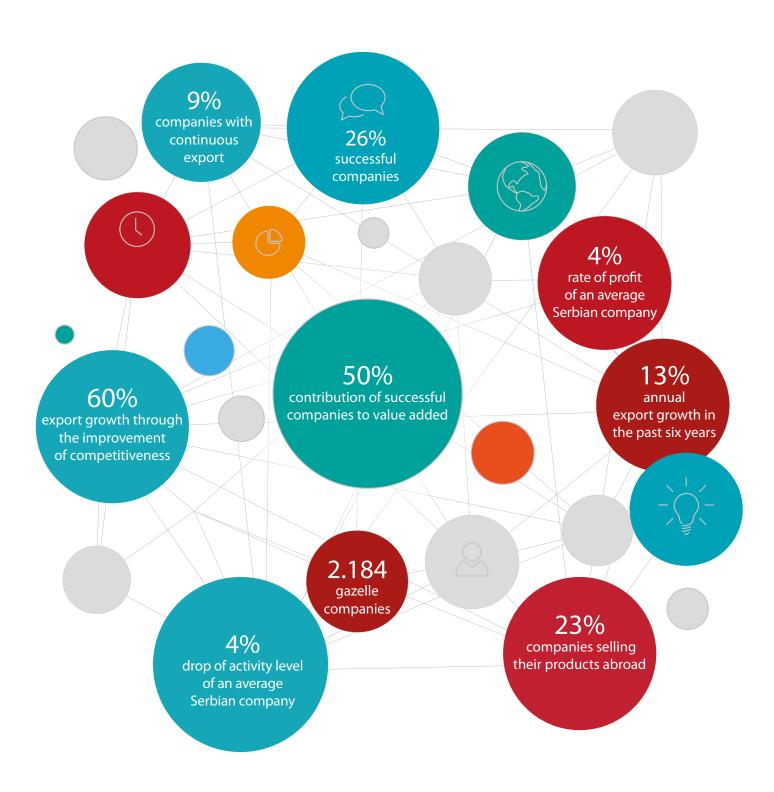
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Serbia's economy requires a new development paradigm. Looking at the period from the beginning of the economic and political changes at the end of 2000 until today, the economic development of Serbia can be divided into two sub-periods - the period before the economic crisis that hit Serbia in late 2009 and the period after the impact of the crisis. Pre-crisis growth was dynamic, and amounted to 5.5% per annum. Growth relied on the expansion of the service sector, its supply was determined by foreign direct investment, and demand for services was financed by loans from abroad. Although the then economic growth tripled GDP per capita and raised the standard of living, the arrival of the economic crisis showed that the growth was not sustainable, inclusive or smart. The crisis stopped the flow of capital, leaving Serbian economy insufficiently competitive, with outdated technology, focused on the national market and dependent on domestic consumption, which eroded. Also, the economic growth did not create jobs ("jobless growth") - the number of formally employed in the economy dropped by more than 300,000. The economic crisis brought a significant change and facing a new reality the companies were forced to turn away from the anemic local and turn to demanding foreign markets. A long industrial tradition, foreign investment, good geographical position, product manufacturing know-how, but also a low starting point, enabled a dynamic initial growth of Serbian exports, which in the period from 2009 to 2014 increased from 26% to 44 % of GDP. It is of significance that most of the growth was achieved thanks to the increase of competitiveness, i.e. taking some of the market share over from foreign rivals. However, low investment, reflected even in one of the lowest levels of productivity in the EU, contributed to difficult access to foreign markets for Serbian enterprises (only 23,2% of enterprises in the tradable sectors do export), and even harder survival in foreign markets (every fourth company survives for more than 3 years in these markets). On the other hand, many foreign investors who served as a growth-engine have reached full production capacity. Since the base is not as "low", the Serbian export growth has slowed down, and with no new investment or strengthening of the private sector, it will come to a halt. In order for the economy of Serbia to make an additional step forward, and reach the share of exports in GDP of comparable European countries (over 70%), it is necessary to turn away from the ad-hoc solutions and turn to creating systematic sectorial custom-made policies, which together form a whole, with the aim of raising competitiveness and conquering the foreign markets.

It is necessary to create high-quality information and analytical basis which will allow an effective process of planning, decision-making, implementation and monitoring. Policy makers and donors who are committed to fostering the economic development, employment and competitiveness, are forced to design their policies without all the benefits that quality data and in-depth analysis could bring. Therefore, even if efficient - doing things the right way, they are not effective - not doing the right things, and therefore the invested resources are not used productively. In today's world, when changes occur instantly, and often affect the activity at the opposite end of the world, information is a major resource. Not any kind of information, but accurate, meaningful and timely information. Therefore, anecdotal approach to identifying problems, based on the conventional wisdom about the advantages and opportunities of the Serbian economy, as well as the "one size fits all" policies aimed at solving them, are not adequate. It does not help that even the little research that is conducted, gets mainly directed to the largest and most visible actors in the economy. To really make progress, it is essential that decision makers know the structure of the economy, and from different angles - size, regional, proprietary, sectorial, and then to understand what factors should be encouraged in order for the economy to become more resilient and more successful. Only then follows the process of getting to know the environment and understanding how the environment influences the local economy, and what the local economy can expect in contact with the environment. If you do not know yourself or the environment, you are unable to compare yourself. Without comparison, there is no basis for progress, or the knowledge of what, how much and when to improve. There is also no possibility to see whether something has really improved. Therefore, without quality data and analyses, there is no possibility of progress - at least not long-term and sustainable progress.

Where are we?



Introduction

Economic development needs to be built on competitive companies. Companies are considered competitive if they have proved to be resilient and flexible in the harsh conditions of the global economic crisis and have managed to grow, defeating rivals in the increasingly demanding global market.

Identifying and familiarizing with the competitive companies should be the starting point in defining the development strategy of the Serbian economy. These companies need to be examined more deeply - on the one hand, to recognize the "recipe for their success," and on the other hand, to remove the obstacles that stand in the way of further progress. In this way, Serbia would be better positioned to "ride the wave" of potential that these companies possess, and indirect help would reach others too –they would have the possibility to "use the best recipes in their kitchens". The decision-makers should ensure the "ingredients" are as accessible and affordable as possible.

The research, conducted by the Center for Advanced Economic Studies (CEVES) in cooperation with the Chamber of Commerce and Industry of Serbia (CCIS), is aimed at "lighting the way" for decision-makers in creating development strategies. Throughout the report, the sectors with a high potential for development are identified – they consist of competitive companies, and should present the driving force behind the development of Serbian economy. Based on the research results, CEVES and CCIS will conduct in-depth analyses of the most competitive sectors, focusing on key success factors and recommendations for the elimination of barriers which inhibit further growth. In addition to the benefits which are tangible in the short term, the important aspect of the research is its sustainability –it will be updated on an annual basis, which will allow key stakeholders to evaluate the effects of the measures taken and to have an objective overview of the direction in which they "pushed" the sectors of the Serbian economy. Active participation of the CCIS representatives in developing the methodology, interpretation of results and in-depth familiarization with the recommendations of sectorial analysis aims to build the institutional and analytical capacity of the associations within the CCIS. This creates the ability for the associations within the CCIS to independently carry out in-depth analysis in the future as well, but also to touch upon the broader set of sectors.

The results of our research are intended for different interest groups. Interest groups that act or are interested in acting in the Serbian economy can optimize the direction and intensity of their activity by using the information provided by this research. The Chamber of Commerce and Industry of Serbia will be able to intensify cooperation with companies, knowing the modality of assistance, the area of assistance and the extent of assistance they need. The results will be of benefit to the Government of the Republic of Serbia, financial institutions, existing and future enterprises and entrepreneurs, with a particular emphasis on exporters, investors and the wider academic community.

The report consists of three chapters. The first chapter explains the essence, structure, significance, purpose and methodology of measuring development potentials. The second chapter familiarizes the reader with and interprets the most important research results – by ranking the sectors according to the development potentials, and pairing these potentials with the structure of the sectors and characteristics of the broader sector industries, the chapter provides basic information about the policies that need to be made for the potential to be utilized. The third chapter goes down to the level of the very sectors, presenting the most important characteristics of each of the 114 tradable sectors.

Executive summary

- In difficult market conditions, imposed by the global economic crisis, companies operating in certain sectors of the Serbian economy proved to be more successful, resilient and flexible. The structure of these sectors varies from very concentrated, led by a single or small number of dominant enterprises, to fragmented sectors with many companies. Among the concerted, a number of prosperous sectors based their growth on high inflow of investments, and the consequential dynamic production and exports. Such are transport industry sectors production of motor vehicles and tires for motor vehicles; as well as the production of household appliances, and production of socks in the textile industry. On the other hand, there are less familiar sectors in the Serbian economy, which "surfaced" thanks to a wide network of healthy and agile small and medium-sized enterprises. The example are the sectors of production of metal products tools, blades, containers, profiles, and structures, as well as the chemical industry sectors manufacture of various rubber products and plastics. Such sectors are of particular importance for the development of Serbian economy, because in them lie the potential "stars", capable of growing into large companies, and becoming new growth drivers.
- The Development Potentials Index attempts to identify sectors with a healthy base of enterprises, but also to put into focus those who can contribute to broader economic and social priorities. The sectors that cut across multiple value chains, and thus are largely associated with a number of other sectors, have stronger potential to spill over their development to the rest of the economy. Wood furniture industry is an adequate example, which together with the entire wood industry in Serbia has a large and untapped development potential. Serbia has significant resources of wood, which is insufficiently used. In order to take advantage of these potentials, it is necessary to use to the full extent the legally available annual quantities of timber, and direct it into the local production of the highest value added products. This would open a space for the entry of new companies along the entire value chain of wood industry from storage facilities and sawmills, through those that would produce panel sand, plywood, construction beams, to final products such as wooden barrels, wooden packaging, windows and doors, and finally wooden furniture. This comprehensive and inclusive approach is an example of the smart use of resources and potentials of an economy, which results in the creation and inclusion of a large number of new companies and creating new jobs.
- Sectors that have distinguished themselves in the top 10 according to the development potentials are: the manufacture of motor vehicles; manufacture of electrical and electronic equipment for motor vehicles; production of socks; household appliances; processing and preserving of fruits and vegetables; production of tires for vehicles; electricity production; general-purpose machines and animal food. Eight of these ten are highly concentrated, which means that their growth is largely determined by the operation of one or a small number of companies. The extent to which the existing development potential of these sectors will be used depends on investment and development policy of the dominant companies. The final ranking of the sectors, according to the Development Potentials Index, is a synergetic result of all the 9 pillars of the index. As the final ranking is a cumulative result, this means that the top-ranked sector holds the most appropriate combination of performances across all the pillars. However, at the same time it does not need to have the best result in all nine pillars. The main pillars and those that determine the final results are export performance and general performance. Thus, for example, manufacture of metalworking machines sector has solid results in all other pillars, regardless of the current deteriorating export performance, which indicates the existence of development potentials, and significant preconditions for export performance improvement in the future.
- Looking at the broader spectrum of industries, the relatively best results were obtained by chemical and wood
 industry, as well as the production of machinery and electronics. These three sectors account for almost two
 thirds of the sectors with the highest development potentials. It is important to point out that these sectors
 are mostly low concentrated, and have ample room for growth that can be achieved in the future. On the other
 hand, the remaining third of the sectors with high development potentials, though small in number, makes up a

large share of Serbian economy - and refers to the transport equipment manufacturing, metal and textile industry, but also a smaller part of agribusiness.

- In absolute terms, the most sectors with high development potential (the first and second group) are in the branches of Machinery and electronics and Chemistry. Out of a total of 46 sectors with high development potential, these two groups include as much as 45% (over 60% if looking at only the highest, the first development group!), although the two branches account for 32% of the total number of sectors.
- In relative terms, the largest share of sectors with high development potential is in the branch of chemistry as much as 70%. The other two branches, in which more than half the sectors have a high development potential, are transport equipment, textiles, and wood and paper. In the branch of machines and electronics, the share is nearly half as much, and amounts to 48%.

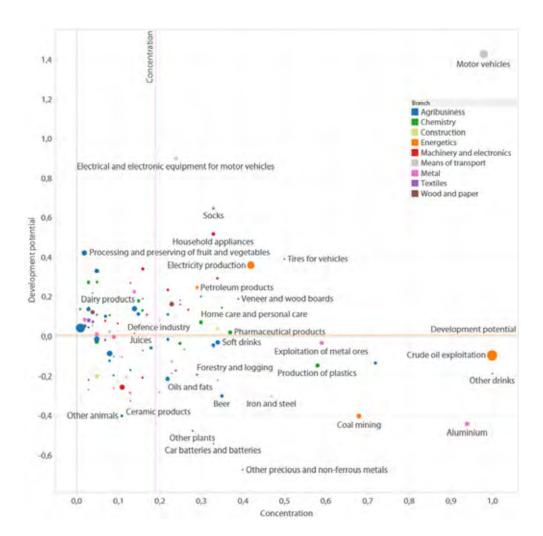
Sector Development Sector Development Potentials Development potentials indicate the possibilities and tall sources of

Development potentials indicate the possibilities and capabilities of the sector while the structure indicates potential sources of growth in the sector. Understanding of both elements is crucial in defining the strategies that need to be applied so the potential that the sector possesses would be utilized as much as possible. If the sector is highly concentrated, the potential growth is determined by the future investment activities of a small number of companies, which have often already stepped into the stage of maturity, and are currently exploiting their existing capacities to a large extent. The more concentrated the sector is, the more potential growth is determined by the activities of a large number of existing micro, small, medium and large companies, as well as new entries into the sector.

Starting from the structure, we classified the sectors that had demonstrated high potential into two groups: 1) the sectors with active development potential and 2) the sectors with passive development potential. The graph below shows all 114 tradable sectors in the Serbian economy. Each sector is represented by a circle, the circle color is associated with the broader industry branch, and the size of the circle depends on the amount of sector income. The vertical position of the sector is determined by its development potentials, and horizontal by the level of concentration. The higher the sector is positioned, the higher its development potentials are; the further to the right, the more concentrated. Sectors with active development potential are located in the second quadrant - above the horizontal yellow line (which divides high from other levels of development potentials) and to the left of the vertical pink line (which divides the concentrated from non-concentrated sectors). The sectors with passive development potential are located in the first quadrant - above the yellow and to the right of the pink line.

Active development potential is present in the low-concentrated sectors. A significant number of companies in these sectors have proven to be competitive on foreign markets, despite the problems that undermine their competitiveness. These are, primarily outdated technology and difficulties in setting up the financial structure, analytical planning, and finding adequate partners. With the proper vertical policies that target the specific and sector-specific problems that the companies face, it is possible to populate and expand the sectors through new investments and entrepreneurial ventures, as well as through the rapid growth of existing businesses. Development potential is called active because it is in a certain way intrinsic in the observed activity. It does not depend on one or a small number of companies, but on the synergy of several factors - resources, knowledge, tradition, regulations, geopolitical position...

The sectors with active development potential are, as a rule made up of a relatively large number of companies. Active development potential of the Serbian economy lies in the food industry branches (based on cereals, milk and fruits - blue circles), as well as in higher value added sectors within the chemistry (rubber and plastic - green), metal (fabricated metal products such as tools, blades, containers, profiles and structures - pink), machines (general and special purpose machines, as well as machines intended for the food and metal industry - red), wood and paper (primarily furniture, as well as paper products and cardboard - brown) and textile (production facilities, clothing and footwear - purple) branches. Within these sectors, with appropriate efforts of both - companies themselves as well as decision-makers, it is possible to expect the growth of existing companies, the entry of new companies and the growing internationalization of activities.



Graph 1: Development potentials and sectors' concentration

As an example, one can take the general purpose machinery manufacturing sector consisting of over 350, mostly micro and small companies, which employ 3,600 people, creating 19 billion dinars of revenue and more than 5 billion dinars of value added. Sector activities in the post-crisis period grew by 6% annually, and one in four companies was profitable, expanded its activities and employed new staff. Since 2009, total exports grew by 60% annually, and in 2014 reached 250 million euros. Out of this growth, more than two-thirds was achieved thanks to the improvement of the competitive position and increasing the market share. Perhaps the most important fact is that one in two companies in this sector managed to place its product on the international market. Policies that would enable increase in productivity¹ and higher level of sustainability², would multiply the performance and importance of the general purpose machinery manufacturing sector. The need for such policies is even more important if one keeps in mind that the presented sector is quite intensively connected with a wide Ranke of other sectors, so that the development effects would spill over to other branches of metalworking, mechanical, electronic, electrical and chemical industries.

Passive development potential is present in highly concentrated sectors. Although they have expressed their competitiveness on international markets, along with an above average combination of profitability, productivity, and activity growth, the main question for the future concerns the sustainability and diversification - how to enable the growing contribution of these sectors in the long term. The motor vehicle sector is an extreme example of a passive development potential. This sector has been the cornerstone of economic development in the past five years. The arrival of Fiat, "revived" many related industries, the entire sector grew 77% annually. Total exports soon exceeded one billion euros, and the productivity and profitability of the whole industry branch were brought up to a significantly higher level.

^{1.} Productivity of said sector is two times higher in Croatia and Slovenia, three times higher in Hungary, the Czech Republic and Slovakia, and 6 times higher in the EU28.

^{2.} Less than half of the companies manage to survive the first year in the foreign market to which the product is exported, and every fifth company managed to survive for three years.

However, after a few years of rapid growth, Fiat reached its peak – in order to keep the position of the growth engine, it is necessary to begin production of new models of cars, which would continue the initiated dynamic growth, but also encourage further growth of the sector of electronic and electrical equipment, manufacturing of body, equipment and parts for motor vehicles. Also, it is necessary to continue working on the greater involvement of local companies in the value chain of motor vehicles production (primarily the sectors of metals, plastics and rubber). Transfer of technology and "know-how", as well as a higher degree of involvement of local labor in the processes of decision making and management, would have a positive impact on tackling the greatest ailment of the Serbian economy - low productivity.

Sectors with passive potential are mainly driven by foreign direct investments or state-owned enterprises. Passive development potential is present in the chemical industry (agrochemicals and fertilizers, as well as the production of basic chemicals) and health care (hygiene products), electronical industry (appliances for households, medical instruments and electronic wires and optical cables), automotive industry (manufacture of motor vehicles, manufacture of tires for motor vehicles, body, as well as the manufacture of electrical and electronic equipment for motor vehicles), the final products of the textile industry (socks and underwear), defense industry, and metal packaging and radiators. Development potential is passive because, generally, there is no foothold in the very characteristics of the Serbian economy, but it is "in the hands" of one or a small number of dominant companies that enable competitive business by way of their characteristics. Room for new entrants is low, and the existing companies have probably already reached the stage of maturity. Therefore, the exit of one of them dramatically undermines competitiveness (as in the case of Steelworks). In order to activate the passive potential and have it spill over to other undertakings, it is necessary to use the cost–benefit analysis to create a network of incentives (not necessarily financial ones) and stimulate additional investment of dominant players, transfer of technology, knowledge, innovative activities and advanced manufacturing processes, as well as filling the gaps in their branched value chain in cooperation with local companies.

From Development Potentials to Development Policies

Horizontal policies should provide stimulating business environment for all sectors and companies. Horizontal measures refer to reducing barriers to entering the market, more accessible and more affordable sources of financing, an educated workforce, a functional legal system, macroeconomic stability, satisfactory infrastructure network and other elements that make up the business environment attractive. They should be designed and implemented in parallel with the process of identification of "potential champions."

Vertical measures represent an add-on to the horizontal ones and should be directed towards priority sectors. It is necessary to strengthen the capacity of the identified "potential champions" and increase the chances when entering the foreign market, through "tailor-made" policies which would be consistently supported by all decision-makers and policy-makers in the chain of decision-making.

The cost–benefit analysis of the sectors with passive development potential should determine their actual importance for the Serbian economy, and then accordingly offer a network of incentives. The starting point should be the contribution to value added and the creation of quality jobs, then the possibility of involvement of local suppliers and the impact on competition, all the way to the analysis of the complexity of the product and potential for sophistication. In accordance with the importance of the sector, it is necessary to develop adequate incentive network, which should aim to have the greatest possible "embedding" of the characteristics and potential of the sector in the local economy. In addition to financing, which should continue to serve as the initial bait, qualitative incentives are necessary as well, in order to ensure the sustainability and stability of investments - primarily through the improvement of educational staff, prepared network of suppliers, incentive and associated manufacturing zones, proactivity of regions themselves as well as the local governments. The above noted applies to entities where the state does not participate in the ownership structure. If however that is the case, then the cost–benefit analysis, as well as the comparison with the competition, should give an answer as to the level of corporatization that would be necessary in order to achieve optimization of sector performance.

Sectors with active development potential need to be approached through even more detailed analysis and parsing, in order to obtain an accurate picture of the key factors of success. Sectors with development potential differ by the existence and availability of resources, transport costs and economies of scale in the case of non-existing resource base, position in the value chain, the importance of marketing and innovation, the possibilities of association, the ease of finding a customer base... Depending on the success factors and key characteristics, the defined groups of sectors need to be coupled with appropriate policies that will address the most important problems the promising sectors are facing. During the process of creation and implementation of vertical policies, it is crucial to reach an agreement and synchronization of all decision-makers: Ranking from those that most directly affect the business environment (ministries and agencies, especially in the field of economics and finance), and local governments, through institutions that affect the same sectors in the field of standardization, accreditation and harmonization, scientific institutes which should provide a contribution to increasing productivity and advances in technology, then financial institutions, all the way to the Chamber of Commerce and Industry of Serbia which has the most direct contact with the industry itself.



1.1. What are the development potentials of a sector?

The development potentials of a sector point to the ability of its companies to use the healthy and sustainable channels for direct and indirect creation of value added and quality jobs. To better explain the essence of development potentials, and then facilitate their measurement, it is necessary to decompose the definition and further clarify its key segments:

Their reflection, investment and effort, production and business contribute to social welfare. Companies are those that compete, that create value, innovate, trade - not the state, not the sectors. Thus, in identifying the development potentials of a sector, we focus on and carefully observe the health and capability of its companies. Companies are grouped by sectors in order to observe the systematic nature and intensity of the capability - sectors unite companies that use similar materials, raw materials, workers, and equipment, so they could, through similar manufacturing process, place qualified products (that are usually close substitutes) on the market. Within the sector, the higher the concentration of companies able to "push" growth, and the more powerful the "push", the higher the importance of this sector to the development path of Serbia.

Healthy and sustainable channels - the only truly healthy and sustainable way of development is the development which is based on increasing of competitiveness. If companies increase their competitiveness, they become relatively more successful than their rivals, and consequently increase their market share. This means they either produce higher quality products at a similar price, or equal quality products at lower prices and more favorable payment terms. Climbing up to the level of the sector, competition precisely reflects increased presence of such companies. The more such large companies are present, the greater availability of resources necessary for the performance of activities within a sector is. Therefore, the healthy and sustainable development channels are based on the availability of the necessary resources and knowledge of companies to transfer the resources into competitiveness which will help them beat the rivals.

Direct and indirect channels - a direct contribution to the growth is determined by the growth of activities of the very company, or the sector comprised by a group of companies. On the other hand, the indirect contribution is determined by the degree of association of the company with companies from other sectors. As the number of connections grows and the intensity of the connection increases, the degree of spillover effect of "individual" development to the rest of the economy. Positive growth of the sector opens up space for the development of related industries. However, the decline in activities in the sector consequently creates repercussions for others too. Therefore, the development of the sector should be followed wisely, especially in order to utilize all the potentials of an economy. As an example, the strong growth of the construction industry can generate the development of related sectors - mining, metal, wood, plastic, glass, etc. With the lack of basic monitoring of development trends and timely adjustment, a large part of spillover might come through the strengthening of import trends, rather than through the strengthening of local production. In this way, the growth of a sector, rather than to support economic growth, might completely neutralize it by imports, which is a deductible item in GDP.

Value added and quality jobs - GDP growth, and growth of the value that is created within the framework of an economy annually is the ultimate goal to which every economy aspires. This is an indicator of the vitality of an economy - GDP increase indicates that there has been a revival and return to prosperity path. However, it is important to note that the increase in GDP should not be the only objective, but that it must be accompanied with the fulfillment of other important socio-economic goals of the Serbian economy. First among equals is the creation of employment, and not any, but quality employment. Quality employment means creating jobs with salaries that restore worker dignity, with a possibility of learning, professional advancement, and taking increasing responsibility. Another goal that should be mentioned is the strengthening of the private sector through fostering entrepreneurship and attracting foreign investment, where the state should take over the role of the partner and push the whole process—through the improvement of the business environment, as well as through delegating tasks to a more flexible and more efficient private sector.

1.2. Why is it important to observe the development potentials of a sector?

Observing the development potential from multiple angles is an essential step in defining strategies and optimizing activities of both policy makers and other decision makers.

Development potentials allow for a systematic selection of priorities. Resources, not only material ones, but also knowledge and time, are a limited category. In order to utilize resources efficiently and effectively, it is necessary to define priorities. Development potentials specifically allow prioritization of economic sectors, according to different criteria and by different types of decision makers. Development potentials respond to the most intriguing questions faced by the decision makers each day - which sectors are the most significant for the Serbian economy? Which sectors are the most competitive in the Serbian economy? Which sector is the most fitting as a focus in attracting foreign direct investment? Which sectors have the viability and are desirable in terms of developing entrepreneurship? Which sector will provide the greatest effect per one dinar of investment, when this is translated into the creation of value added and job creation? Which sectors grow the fastest, which are the most profitable, and the most sustainable? Which sectors are successful within their core business, or have problems with financing? Which sectors have the largest number of "gazelles"? Which sectors have the most resistant and most enduring companies? Development potentials respond to all the above, but also to many other questions. The final question to which the development potentials respond to a certain extent is the identification of sectors that are capable to be the general engine of development of the Serbian economy and how to approach the starting of this engine.

Development potentials indicate the measures to be undertaken to support the priority sectors. The potential and structure of the sector drive the set of measures. The measures must be "tailored" to fit the sectors themselves. The higher the sector potential, the deeper and more precisely targeted by development measures it should be. Using development potentials, we can find out whether companies have access to the local resource base, to what extent they use it, whether they are in a competitive or monopolistic environment, whether the sector is dominated by local private, state or foreign companies, which sectors are pulled by the operation of one or a small number of companies, and which by the mass of micro and small companies, in which part of the value chain the sector is located, how it stands in relation to foreign rivals, which the main advantages are, which the main disadvantages of the sector are. Finding answers to these questions inevitably leads to defining the measures to be taken in order to encourage the development of prosperous sectors.

Development potentials provide reliable evaluation of achieved results and the measures taken. Measuring the development potentials annually enables the interim comparability. In this way, decision-makers are able to see if the strategic industries have been appropriately selected and whether they are properly supported. Development Potentials Index clearly indicates which sectors have shown progress, how much progress has been made and in which areas it has been made –capturing all key segments of the economy that are of interest to decision makers. Progress of a particular sector in productivity, the number of successful companies, the survival rate, liquidity, export competitiveness, production diversification and complexity, encouraging entrepreneurship, attracting investment and creating jobs - speaks volumes about the quality of the measures taken. The more progress a sector makes and the more areas in which it is made, the better the job the decision-makers have done.

1.3. Who is the index intended for and how can it be used?

The research results are intended for different stakeholder groups which operate or are interested in operating in the Serbian economy, and which can use the ideas, information and facts the research has produced to optimize the route, direction, intensity and impact of its activities. The results of the research, summarizing the detailed and exhaustive analysis in one index with 9 sub-pillars, clearly show the development potentials of a large number of sectors in the Serbian economy. The potentials demonstrated should be translated into performance through the optimal and synchronized operation of stakeholder groups. Therefore, the results represent a bridge between the stakeholder groups and their optimal actions, which should affect the accelerated and higher quality development of tradable sectors of the Serbian economy. In this chapter, we present the stakeholder groups that the research results are dedicated to, as well as the special areas of research which should be of intrinsic interest to them:

- 1. The Chamber of Commerce and Industry of Serbia analyzing research results of, the CCIS will be able to determine to whom, in what way, in which field and to what extent assistance is needed. On that basis, it is necessary to create a set of specialized services that can largely affect repairing the business environment and boosting business. The lack of analytical and strategic capacity, insolvency and illiquidity, lack of awareness of the markets and opportunities definitely present the ailments of the entire Serbian economy. However, the obstacles are not evenly and uniformly distributed, and, in order to eliminate them as much as possible, it is necessary to distribute them according to sectors, lower them to the level of the field and the level of enterprises through associations and regional chambers, identify deviations and priorities, propose and design solutions and then implement the same, in cooperation with companies. The analysis will be carried out periodically, on an annual basis, so it will be possible to monitor the effectiveness of the measures and policies taken.
- 2. The Government of the Republic of Serbia, with the relevant ministries and bodies the results indicate the sectors that have the ability to influence the burning issues of the economy, primarily the creation of quality jobs, popularization of entrepreneurship and attracting the foreign capital. The sectors that have the capacity to contribute to the achievement of key socio societal goals, must find themselves under the scrutiny of policy makers. This does not necessarily mean that each sector which has the ability would indeed succeed in utilizing it precisely the policy-makers are those who have tools that can design and clear the way along which a particular sector will be moving.
- 3. Financial institutions the results indicate the sectors whose operations are the healthiest and most sustainable, and those whose companies systematically manage to create value added, increase the activities and regularly service their obligations. In the context of the Serbian economy, many of these companies, and therefore the sectors that they make up, have significant room for further growth financing, and regular servicing of debt. The results will help banks to more clearly refine sectors and to precisely target the portion of the ¾ of the Serbian economy which currently does not use external sources of funding, that represents a desirable partner.
- 4. Companies and entrepreneurs research results set only the company and the sector in which it operates into the same global coordinate system. Companies will be able to see not only how their competitors do business, but also what it is that separates them from the competition, both in the positive and in the negative way. The comparison with the average, and with the results of the entire sector, will enable the companies to realize if they manage to follow the trends of demand, capital, profitability, productivity... The most significant deviations are a signal of what should be corrected, or exploited to an even greater extent, so the companies would manage to follow and even to outpace the trends. Also, the research results suggest the nature of the potentials of the companies which a company is vertically integrated with suppliers and buyers. Therefore, the results allow companies to comprehensively assess and evaluate their real business environment, and to create a business strategy in it.
- 5. Exporters even though they fall into the group of existing enterprises and entrepreneurs, it is necessary to set them apart and emphasize the benefits that they can gain from research results. Given that export is identified as a component of the Serbian GDP with the highest growth potential and contribution, a special segment of the results is directed towards the international activities of enterprises. By measuring the extent to which the enterprises are competitive, successful and sustainable in exports, by markets and products, new findings are revealed, that should focus the efforts of the enterprises in terms of what to export, how to export and where to export. Results of the analysis indicate the sectors in which Serbia has initial and natural advantages, and which

of these advantages it manages to utilize, and to what extent it is sustainable. Export of competitive products in the open, available and expanding markets should enable the increase of the share of exports in the GDP from 40% to a level that is more appropriate to the economies that are or were in similar geo-political and economic situation (the average of the countries of the Visegrad group is about 80%, Slovenia 75%, while the share of exports in GDP of Bulgaria is near 70%).

- **6. Future and potential entrepreneurs** the results suggest which sector are the most open ones, but also the most favorable for the entry of new entrepreneurs. The ease of access to the sector, the necessary capital, dynamics and success of other entrepreneurs, the results achieved by other entrepreneurs, are surely the answers to questions posed by every person who is planning to invest in a particular business. Based on the responses, the decisions shall be made to which of the sectors should be entered. For sure the future entrepreneurs will find of special importance those sectors in which there are no significant barriers, the sectors whose product demand is growing, in which there is a healthy competition, and in which companies of comparable size and knowledge are able to develop. The research results will facilitate the selection of an appropriate sector and creating operation strategies in the same.
- 7. Investors results, on one hand, clearly indicate the sectors to which it is necessary and / or appropriate to attract investors, and on the other hand show which sectors are attractive for investment. An analysis of export competitiveness, productivity and performance of related sectors along the value chain in which the investor would be located, indicate the sectors in which investors can expect adequate support from the local economy. On the other hand, analysis of local demand, profitability, and future trends of international demand, shows which sectors can provide certain security and a satisfactory return on investment for investors. In order to attract investors to specified sectors, and to then increase the social welfare as largely as possible, it is essential that policy-makers and decision-makers make the individual sectors sufficiently strong and attractive foremost to strengthen the base of high-quality companies that are in value chain (local companies which would multiply their development "binding" to the investors –which, for example, in the case of FIAT initially did not happen).
- 8. The academic community data sources, coverage of subjects, the methodology used and the results, bring to the scene a whole new level of complexity and knowledge. Databases that include the status and financial data of all entities in the Serbian economy were used for research purposes. The databases also include the entities and their international, innovative and investment activities. Several international classification and classifications that are standardly used were linked and adapted to the needs of the Serbian economy. The result production process used the world's best practices and recognized analyses, and complex statistical and econometric models. Availability, value and uniqueness of new findings, as well as the methodology, in which there is room for improvement and progress, will certainly be of importance to stakeholders to analyze the results and use methodologies for other purposes.

Given the variety of topics covered by the index, and the different priorities of the various stakeholder groups, the plan is to create a partial index too. The difference between general and partial index is reflected precisely in the importance of certain areas. In the case of the general index, which assesses the development potentials primarily for the needs of the CCIS, the importance of certain topics is determined so that they properly depict the current development of the industries, as well as the potential for their future development and the contribution of the most important economic and social goals. Partial indexes, depending on the stakeholder group they are intended to, will give greater importance to certain themes, prioritizing those indicators which are the most important for the stakeholder group. For example, in the case of banks, the indicators that describe the financial health of companies will receive greater importance than is the case in the general index. However, all the indicators that are represented in the general index will be represented within the partial index because together they form an indivisible whole and the activities and results of operations of one sector depend on it.

1.4. How do we measure the development potentials of a sector?

Development potentials of a sector are measured by a composite index comprised of four main components: the exhibited performance, potential for further economic development, contribution to socio-economic objectives, and expert opinions.

The components are complementary and successively increase the effect of each other.

- **Exhibited performance** shows the effect that the companies have achieved in the local and foreign markets in the post-crisis period. The component indicates how the companies within the sector have been able to cope with the negative consequences of the crisis, to grow and dynamically develop, operating successfully within their core activities.
- **Potential for further economic development** "adjusts" the performance achieved in the past to include new expectations, emphasizing the "effect" of a positive trend in those that are expected to prosper in the future, and those that encourage the growth of others through their self-growth.
- **Contribution to the socio-economic objectives**, building on the already achieved and the expected in the future, a special importance is given to sectors that have the capacity to assist in the achievement of national priorities through attracting investments, integrating and strengthening the SME sector and employment creation.
- **Expert opinions** bring a dose of experience and subjectivity, which aims to correct the imperfections of the data, methodologies, approximation processes and other "shortcomings" of relying solely on quantitative indicators.

Components can be broken down into nine pillars: (1) general performance, (2) export performance, (3) sustainable performance, (4) growth potential, (5) spillover effects potential, (6) sophistication potential, (7) employment creation, (8) investment attraction, and (9) encouraging of entrepreneurship and development of micro and small enterprises. The pillars branch out to sub-pillars, which are then described in detail by over 100 indicators. Detailed overview of the pillars that make up the index, described through indicators, is shown in the Appendix no. 1 at the end of the report. In this chapter, we present a graphic scheme of the methodology and structure of the index, and then a qualitative description of the pillars, so readers could create a picture of the essence and importance of each.



Figure 1.1: Structure of the Sector Development Potentials Index

Scope of Analysis



The analysis does not cover:

- Exports of services (unreliable and / or inaccessible data)
- Entrepreneurs who are not required to submit financial statements to the Business Registers Agency (inaccessible data)

Component 1: Exhibited Performance

Competitiveness is a collection of relevant resources that allows the company to achieve a dynamic and sustainable growth, while constantly offering new solutions, which move it up the competitiveness ladder and meet the appetites of the company as well as and the market needs. Competitiveness at the level of one sector can be defined as the synergy of competitiveness of individual companies that make it up. As the sector gets more competitive, it becomes clearer that the country-level resources that companies from this sector use are more accessible, diverse and fruitful.

Competitiveness is the main factor of modern and successful business. If we imagine the business as a race, and the market as an endless track, the other companies as rivals, the business environment as climatic and geographical conditions, business success as lap time, the competition would represent a combination of all the characteristics that make a champion - predisposition, talent, fitness, strength, agility, tactics, equipment... Competitiveness is decisive in making a satisfactory lap time - competitiveness is the key factor of progress, the transition to higher levels of complexity and demand, competition with better players, running after the champions, then along the champions, and eventually growing into champions.

The results are the main indicator of competitiveness, but they should be interpreted from different angles. The lap time is what tells us how the company is prepared for the conditions prevailing in the market, for the pressure of rivals and customer needs. Although there are no uniform criteria of competitiveness, it is clear that a company can be considered competitive if its results are satisfactory, but also growing and sustainable. Such results can be achieved only by a company that has the knowledge, and knows the customers, associates, technology and market. In the context of the results, it is certainly important to observe the growth rate of the company, but also the quality of that growth - sustainability and health of the company - it is important to run fast, but not lose stamina, plan and patience. Also, climbing the new development ladder plays a very important role in the life and performance of a company, so the two very important competitiveness signals are the ability of companies to go to the increasingly demanding markets, but also to develop wisely, through the ideas and invention, transformed into innovation and new technologies, which allow satisfying the needs of demanding customers in terms of sophistication, design and usability of the product.

A quality product is a necessary condition of competitiveness, but not sufficient. The company has the predisposition to be competitive when it knows how to make a product - knows the needs of customers, knows the characteristics of the product, know which machines are needed to make the product, knows what people are needed to conceptualize the product, knows the ingredients necessary for the product to be of high quality, functional and usable, knows how much funds are needed, but also knows where to find them. However, competitiveness is more than that - the company must also know where to place the product in order to sell it, whom to sell it to and for how much. Competitiveness is a comprehensive and complete knowledge and skill, supported by patience, work, experience, strategy and proactivity.

A component of competitiveness achieved is the first step in the scan of the status of the Serbian economy and finding out where its greatest potentials are. The competitiveness achieved, through three pillars, refers to the capacity of the very companies to operate profitably and grow thanks to their main activities (Pillar 1), to compete with their products in international markets with an even stronger competition and to win (pillar 2), and finally to do so in a sustainable way, enabling their business to survive (pillar 3).

Pillar 1: General Performance

General performance demonstrates the ability of companies in the sector to grow quickly, in a productive and profitable way, creating value added and jobs. The existence of a relatively large number of companies with such capabilities within the sector points to the greater availability of the necessary resources and knowledge within the sector. For a sector that has achieved better performance in general it can be said that it is more attractive and more suitable for the development of the company.

The increase of activities of a company demonstrates its ability to generate demand and increase income - either through the ability to sell more products to existing and new customers or by increasing prices on the basis of differentiation from the competition. The Serbian economy in the period of 2009-2014 failed to increase activities

significantly. As a result of a halt of local demand and foreign investment, but also a lack of participation in foreign markets, the Serbian economy recorded a modest annual real growth of activity of only 2%. An average company in the Serbian economy failed to keep pace even with this growth, nor to maintain the achieved pre-crisis level of activity, but was forced to decrease the business by 4% annually. The conclusion is that the modest growth was achieved thanks to the bigger companies that succeeded to re-orient their business to foreign markets in a relatively short period of time and avoid a reduction of revenue. Growth came primarily because of new entrants - observed at the sector level, the largest growth was recorded in automobile industry, where the activities of manufacturing of motor vehicles and the manufacturing of electrical and electronic equipment for motor vehicles grew by 53% and 56% per annum, respectively. On the other hand, a deep decline was experienced in the sectors of iron and steel; and steel profiles - 5% and -21% per annum. It is interesting to say that a rapid growth of average companies was recorded precisely in the iron and steel sector, where other players saw their chance in the market with the departure of US Steel, but in total volume, this still could not make up for a profound decline in the whole sector. Growth of activity is a prerequisite for healthy development, but certainly not a sufficient condition –it reflects in the revenue, but not in the cost side, and does not say enough about the efficiency of growth per se. Therefore, within the general performance, more indicators are used in order to see the full picture.

Profitability and productivity indicate the capacity of companies to offer "the right" product, a desirable one in the eyes of customers, in such a way that their inputs in the production are employed in an efficient manner. Both sub-pillars in the long term indicate the efficiency and effectiveness of business activities of the company, which is reflected in the encouragement of owners and other stakeholders to invest more funds. High average profitability consequently attracts a large number of new investors, which further enhances the importance and growth of the sector. Profitability, measured by EBITDA margin, was positive and relatively high at the level of the economy (9%), and even at the level of average company (4%). These facts indicate that Serbian companies know how to produce a product and are able, in the context of "core" businesses, to operate profitably - but that the problem lies primarily in the financial side, but also in the possibilities for product placement - higher sales would produce the higher absolute amount of profit. Companies were not able to provide the financial resources to invest in the expansion and modernization of facilities, and those that did manage to do so – struggled with the expensive cost of borrowing. The productivity of the Serbian economy clearly indicates the kind of difficulties the companies faced in the production process. Overall productivity is EUR 13,500 per worker, while the same figure is two, or four times higher in the new Member States and the European Union. The productivity of the average company is much lower, amounting to only about EUR 5,500 per employee. The increase of productivity, primarily through the modernization of technology and equipment, as well as the professional training of the workforce, is the requirement for sustainable growth of competitiveness - and is a priority of the Serbian economy in the coming years.

The success of a company is a term that is specifically defined by this methodology, and as a sub-pillar it describes the quality and comprehensiveness of sector growth. It identifies those companies that have shown the ability to grow, develop and employ more workers. Therefore, the quality of sector growth implies the existence of a large number of successful companies that contribute to the overall growth as much as possible. Quality growth does not mean growth based solely on the growth of one or a small number of companies. The relatively large number of successful companies opens space to additional sector development, attracting new investors and investing in innovative and developmental activities. Every fourth company in Serbian economy has been able to increase their activities, while operating profitably within the core activity and retain or increase the number of employees. One of the industries with the largest number of such companies is the processing and preserving of fruit and vegetables, in which as many as 38% of the companies were successful. On the other hand, the motor vehicle industry, although it had the most intense and productive activity growth, contained relatively the number of successful companies which clearly indicates that the growth was driven exclusively by the activities of one company that makes it more risky too.

Fast-growing companies, the so-called "gazelles" are especially prominent among successful companies. These are companies that managed to have a strong and constant growth and hiring, and double the initial capital in the period of four years. Their importance is primarily reflected in the creation of a significant portion of the created jobs. Unlike them, big systems mostly do not create new jobs - in Serbia very often, due to the inefficiency of operations, they tend to lead to the closure of positions. The percentage of gazelles in Serbia is 3%, of the 100 companies, 3 can be considered as gazelles. However, how such a small number of companies can contribute to economic growth is best reflected in the following data: gazelles in the past 6 years created 51,500 jobs, while business companies lost 158,000 jobs; gazelles created a revenue growth of 714 billion dinars, while the rest of the economy reduced revenues by 43 billion dinars; gazelles participate in total exports with 26%, while their annual growth of activities amounted to 36%. Finally, perhaps the most important finding is that there are 1,625 gazelles that have fewer than 20 employees - potential that lies in these small businesses can be regarded as the true driving force.

Pillar 2: Export Performance

Export performance distinguishes those sectors that have the resources necessary for a strong, dynamic, diversified, inclusive, and sustainable export. Success in foreign markets signals the sector's ability to produce a competitive product, but also to continuously improve its market position while competing with foreign rivals. Therefore, this pillar provides a more comprehensive picture of the viability of the sector that achieves sustainable growth based on increasing participation in global trade.

The first two sub-pillars describe the sector's ability to provide a favorable position in international markets, and the capacity to improve the position thus acquired. The volume of exports of the sector, through their achieved position in foreign markets, reveals the existence of comparative advantages. In this way, it indicates the existence of skills, resources and efficiency in the production of products and their sale outside the local market. On the other hand, the analysis of dynamics of export determines the presence of skills to further improve the acquired position. Therefore, the dynamics indicate the existence of a competitive advantage, as the ability of the sector to innovate and improve business processes in order to maintain and improve its export position. The assumptions are the terms of sustainability and improvement, where the sector must continuously transform the existing capabilities into advantages, in order to achieve and maintain competitiveness. Under pressure by the global economic crisis, which led to saturation of the local market, a paradigm shift started in the Serbian economic growth. Companies increasingly turned to the vast and more liquid European market, resulting in an increase in exports in the period 2009-2014. However, in addition to significant growth in exports of even more importance is the information that the growth was based on the increase of competitiveness. Of the total growth of exports, the largest part is due to the fact that Serbia took a piece of the pie from the rivals. However, although the export activities have experienced expansion, export still accounts for less than 45% of GDP, and room for growth in exports remains the largest untapped potential on the road of economic development.

Achieving diversification in exports indicates the degree of success in eliminating the key risks. Reliance on a single export market, one product or one customer exposes the company to different types of risk. Diversification of exports influences the reduction of these risks. Diversification defined in this way includes production and marketing component. The sectors that are able to produce a large number of competing products and to enhance market share in a large number of foreign markets bear less risk in their operations. Diversification indicates the ability of companies within the sector to adapt its production to different needs, values and cultures. In this way, in addition to minimizing uncertainty as a result of external shocks and changes in demand in individual markets, diversification of exports indicates the presence of a wider spectrum of necessary capacity and expertise. Export growth and competitiveness of the Serbian economy reflected in most export products and on most foreign markets. However, the other side of the coin, the absolute one, indicates that the competitiveness is predominantly created by only a few sectors - in which the inflow of foreign direct investments facilitated the growth of competitiveness.

Inclusiveness of exports indicates a systematic ability of companies within a sector to recognize and meet the needs of foreign customers, and successfully compete with foreign competitors. The success of a company to follow the dynamic global trends has the decisive influence on the sustainability of export performance in the future. If the export position is concentrated, it narrows the room for future growth of exports that would otherwise be achieved by greater inclusiveness. Lack of inclusiveness of exports is an important barrier to stronger internationalization of economy - a relatively small number of companies from the tradable sector sell products to foreign markets, while the placement in leading sectors is highly concentrated, which indicate that export primarily depends on a small number of large exporters. In Serbia, the largest 5% of exporters represent 84% of total Serbian exports. Serbian companies face problems when entering the foreign markets, and surviving in them. In Serbia, out of the total number of companies, only 23.2% export their products. Also, only 9% of exports are continuous. If we put aside the established exporters, who sell their products to foreign markets each year, there remains a large group of companies that either does not export, or exports on an irregular basis. In order to facilitate the creation of a wider and healthier base of exporters, it is necessary to identify the critical factors that dominantly influence the success of the companies in foreign markets. The process of overcoming the obstacles that stand in front of potential and existing exporters must be supported and facilitated by the decision makers together with the relevant institutions. Increasing export inclusiveness is the basis for the next component of the pillar, which is the creation of sustainable growth and continuous improvement of exports.

The sustainability of export performance is the final perspective that gives the time-depth to the entire pillar, with a focus on the potential to continue advancing exports in the future. The basis for the sustainability of export performance is in the increasing of the number of exporters, as well as maintenance of existing exporters to foreign trade arena. The research suggests that Serbian exporters are characterized by expressed problem in achieving continuity in export activities. Only 45.8% of companies maintain export operations from year to year, and only 22.8% manage

to do it three years in a row. Matching the information on the difficulty of survival with the already small number of existing exporters clearly shows the need for the creation of vertical policies that would enable promising companies more durable activities in the international market. The sub-pillar of sustainability in it combines the growth in the number of exporters, as well as the number of successful companies that currently do not export as an indicator of relatively "ready" potential of companies to get include in the export in the future.

Pillar 3: Sustainable Performance

The third pillar of exhibited performance –the "health" of companies, provides a sustainable perspective of the component. Despite a profitable and productive business, and successful sales of products to foreign markets, management of finances is often a burning issue for companies. The problems of over-indebtedness and insolvency may suspend operations and close the entire business in a given period of time. Therefore, it is significant to match the good performance of the companies with their ability to achieve it long-term and in sustainable manner.

The main indicator of the presence of healthy companies in a particular sector is the share of companies that primarily manage to survive. In the Serbian economy, in the period from 2005 to 2014, out of the newly established enterprises, 57% of companies survived. In order to identify factors that primarily affect such a low survival rate, an additional deeper analysis is necessary. However, it is important to note that certain rates of failure to survive are expected. Therefore, the results should be corrected for the expected trend according to the results of certain groups, both for sectors and the size of enterprises. In certain sectors, as well as for smaller companies, the expected survival rate is relatively lower.

Indebtedness - This problem particularly affects micro and small enterprises, and sometimes medium ones, which often have not resolved the issue of accounting, and consequently - the financial plan. The companies are often unable to manage their cash flow, which leads to the problem of illiquidity.

The problem of non-performing loans, as a burning issue of the entire Serbian economy is closely linked and significantly affects the insolvency of companies. Significant number of companies is entering into insolvency, not due to poor performance or poor management of finances, but due to the inability to collect receivables within the agreed, predictable period of time. The resulting lack of liquidity combined with low availability of financing sources, incomplete recovery of production capacity, and regulatory burdens lead to the creation of a sort of vicious circle, which is difficult to solve. Together, these lead to the issue of general illiquidity of the entire economy.

Component 2: Economic Development

Economic development at sector level is defined as the potential of the sector to improve its growth of activities and to simultaneously have a spillover effect on the rest of the economy. Just like sectors themselves, companies are not isolated islands in a sea of a country's economy. They depend on each other, and are connected either through the value chain, or through market competition. Looking at the economy of the country as a map of companies and sectors, we can see that certain sectors occupy a more "central" position in relation to others. The sectors that occupy a central place are of great importance for the overall development and have more powerful influence on the whole economy. Examples of such sectors in the Serbian economy are the production of metal parts, production of wood and plastics, as well as production machines. Growth in these sectors, directly or indirectly causes growth or decline in related sectors. On the other hand, certain sectors are largely dislocated and their movements have a marginal effect on the economy. Effects that sectors with its development and growth products have to the rest of the economy are called spillover effects. As the links between the sectors become more numerous and more intense, the potential for spillover effect grows, and the sector becomes more important for the whole economy.

Spillover effect is mainly achieved through two main forms: through creating a knowledge base in an economy and through value chains of sectors. The direction of the spillover effects may not be pre-defined and predictable, and is therefore important to monitor growth trends of sectors and their interdependence. Re-development of the automotive industry in Serbia stressed the importance of preparing the ground for the initial arrival of foreign investment (or any stronger growth in certain sector of the economy). The direct influence of the expansion of this industry is exerted on the growth 'support' sectors such as the production of raw materials and semi-finished products. However, this growth can be achieved through the development and / or improvement of local production or through the strengthening of import trends. Which direction will be realized depends on the agility of the economy and companies to timely recognize future trends and provide favorable grounds for the development of the necessary products. How to do business in the market environment and competitive conditions, the development of local production which will provide the desired products in the required quality – this issues cannot be addressed "ad hoc", but through careful preparation and on time. Another direction of the spillover of sector growth in the economy is reflected through the creation of collective knowledge and creation of predisposition for the sophistication of products and manufacturing processes within the entire economy of Serbia. Modern economic theory and practice indicate the importance of innovation and the development of complex products for overall economic development. Improving one sector is reflected through the creation of favorable grounds for the development of similar products from similar sectors, even when they have not been manufactured before. Many countries have shown that the development of one sector can have a strong focus for the country: South Korea is an example of how continuous development and sophistication of production "basket" leads to accelerating economic growth.

The potential for economic development is determined by three pillars: growth potential (pillar 4); spillover effects potential (pillar 5); sophistication potential (pillar 6). The basic idea is to map the potential of the sector to push overall economic development. The entire second component of the index gives a dynamic element, the temporal dimension that seeks to scan future trends and opportunities. In this sense, the greatest challenge is to accelerate productivity, and contribute to national priorities through the growth of the sector itself and at the same time contributing to the development of other sectors.

Pillar 4: Growth Potential

Speaking of the growth potential, we are primarily talking about the intersection of two streams of information: what are the needs for products in the local and international markets; and what are potentials for Serbia to produce them. As the matching of needs and potentials is a basic but also a very general point of view, it is necessary to define frameworks through which these trends will be identified and "caught". Monitoring of potential for growth, for the purpose of creating the Development Potentials Index (DPI), does not aspire to fully define the precise patterns of demand, but to look at the basic and dominant trends.

The potential for growth in certain sectors are observed primarily through the trends in demand for products in the local and international market, its structure and dynamics. In this way, we identify the needs, through growth and sustainability of the demand of each sector, as starting points for the analysis of future potentials. Giving thus a broader framework of potential for the expansion of a specific sector, directs us towards determining the internal capacities and potentials for achieving growth of only the very sector in Serbia.

When we speak about the possibilities (potential) for sector growth to follow the growth in demand, we primarily

speak about a certain probability for achievement. Starting from the current production capabilities and capacities in the country, it is possible to create a network of expectations that will induce the most likely courses of action and directions with the highest probability to significantly contribute to the development. The growth potential of the sectors in Serbia is concerned exactly with the likelihood to create capacities for the production and the degree to which these maximum capacities are unused. This potential also includes the existence of the resource bases, such as agricultural, forest, mineral resources, etc.

Pillar 5: Spillover Effect Potential

The prosperity path of a society requires the exploitation of the benefits of broader sectorial internal and external openness and interconnectivity. It is a generally accepted view that state intervention is justified only if it creates positive externalities. Very often, these externalities have been observed only through the angle of creating employment, as the pressing problem in Serbia. However, the level of observed positive externalities should be extended to a wider and general impact on the overall economy, and thus set aside the sectors with the ability to push their own growth and the growth of others.

We observe the ability of the sector to push the growth of others and contribute to overall economic development through the quantification of the spillovers potential. The very spillover potential is divided into intrasectoral and intersectoral potential. Intrasectoral spillover effect includes the potential for growth and development of individual companies or of certain production groups within the sector, to push the overall development of the sector. On the other hand, the potential for intersectoral spillover effect foresees the possibility of achieving broader development so that the development of one sector pushes the development of other sectors. Such spillover implies three courses of action: spillover throughout the value chain; spillover through the group of sectors that use similar technology, knowledge and inputs; and the widest view, spillover through the entire economy.

It is difficult to predict which of the channels of spillover will be achieved and dominate in the whole generated positive externalities. Some sectors are, by their very nature, more isolated, with difficulties to pass their growth onto the growth of others. However, defining the network for cross-sectorial connection and the type of connection opens up a space for identifying the tendency to spread the effects. In this way we define which sectors have a stronger tendency to contribute to broader economic development, and which do not.

Pillar 6: Sophistication Potential

There is a wide economic consensus that the secret of economic development lies in increasing sophistication of product basket of a country. Sophisticated sectors contribute to accelerating the broader economic development, by improving technology, production processes and lead to the creation of higher value added compared to the more resource-based products. Promoting economic development of a country is achieved through the production of an increasing number of new, complex products, produced on the basis of advanced technologies and knowledge. Simple increase of the production of existing products, particularly of low complexity, leads to growth, but to insufficient economic development.

The complexity of the product is a key element of improving the sophistication of a country's production, and the production basket it "offers" to the international market. Improving the sophistication of products in addition to providing a rapid development of the sector, serves as a lever for the overall economic development. Expanding the production base of higher complexity products contributes to increasing the collective knowledge of a society. The presence of sophisticated and improved collective knowledge makes room for significant spillover effects through the advancement of products of other sectors.

Investment in innovation activities, along with investment in research and development, is a channel that has a direct impact on increasing the productivity of companies and the improvement and diversification of the products themselves. The level of technological development has a decisive influence on the success of a company, and consequently the entire sector. Technology improvement, product innovation, production processes innovation, and of marketing activities innovation lead to the creation of competitive advantage and accelerating growth.

Further accelerator and a trigger for the development process is the pace of adoption and the quality of education of the individual, and the ability and speed of diffusion of collective knowledge. The level of education observed through the average level of education of the workforce, but above all the quality of the education system is the determining factor of the prosperity of a society. The quality of education is the primary criterion that defines the success of the sector as well. It refers to the education of the entire Ranke of the workforce: from the ability of owners / managers to manage the company, specialized experts to create and promote a product to operational workers to efficiently and effectively create a product and implement operational processes. However, an important aspect of the development of the entire economy is the ability to use the collective knowledge.

Component 3: Socio-Economic Priorities

Socio-economic priorities show how the growth of certain sector contributes to improving key segments of social and economic welfare. It can be argued that almost every value creation and growth contributes to overall economic growth of the country. However, not all growth is equally important for economic growth. Likewise, not every economic growth is equally important to increase the welfare of citizens. Decision-makers add the improvement of the quality of that growth as a goal to the issues of general economic growth and development, particularly from the aspect of the welfare of citizens. From a societal perspective, the growth that at the same time creates employment is to some extent more desirable. Such general aim gets its importance in particular in terms of high unemployment, which is present in Serbia. However, it is important to observe employment creation through two directions: the sector's ability to create and increase the number of jobs, and the sector's ability to create high-quality jobs. Only in the synergy of these two directions, employment growth achieves its full contribution to improving the welfare of citizens. In contrast to the potential for economic development, this component of the index looks at the specific priorities of economic growth, but also the quality of that growth, which is reflected in the quality of the citizens' welfare increase.

Pillar 7: Job Creation Contribution

Creating quality jobs is the most desirable "byproduct" of economic growth. Such economic growth truly affects the improvement of the standard of living, poverty reduction, more equitable income distribution, strengthening labor market and workers' rights, work ethic, motivation and reduces the drain of the most talented workforce. Therefore, decision makers should, in addition to dynamics, take into account the quality and inclusiveness of economic growth too. Such general aim becomes particularly important in conditions of high unemployment in Serbia - over 18% of the population of working age is unemployed, and 43% of young people looking for work now do not work. Or, seen from the perspective of the total number of citizens of working age, only every other person is engaged in paid work, by working at least one hour a week.

Economic growth is not, by itself, necessarily accompanied by the creation of jobs. In the past decade, the Serbian economy too experienced the so-called "jobless growth". In the period of economic prosperity between 2001 and 2008, when the average real GDP growth was above 5% and GDP per capita was quadrupled, the economy lost as many as 340,000 formal jobs. Although productivity increased significantly, oversized, outdated technology, and non-competitive real sector of the economy slowly, year by year, adjusted to the new market conditions, and much smaller local market and significantly greater number of rivals in it. In order to make the turn, and have the paradigm shift, it is essential that policy makers set targets and then use analysis and implementation of policies to govern the economic growth, taking into account its other characteristics besides its increase rate.

The growing sectors which at the same time have the potential to create high-quality jobs should be of special importance for policy makers. These sectors should primarily be recognized, and then targeted by the policies that would enable the effects of their economic growth to spill over as much as possible to the welfare of society. Sectors differ in the ability to create jobs as well as in the ability to provide high-quality jobs. In the post-crisis period in Serbia, it is precisely these two components - quality and quantity –which often were "in conflict". For example, if we take earnings as a rough assumption of the quality of jobs in one sector, then it can be concluded that no tradable sector which generated jobs paid more than the average salary in the country. Conversely, in sectors where wages are relatively high, there was a reduction in the number of jobs. The only exception is plastic and rubber industry, which in the post-crisis period increased the number of jobs, maintaining earnings at a higher level than the average in the country.

How to identify sectors that have the potential to create good quality jobs? It is necessary to take one step at a time, i.e. first identify the sectors that have the potential to create jobs, then assess the scope of jobs that can be created, and finally assess the quality of those jobs.

The potential for job creation depends on the demand for the products of the sector, but also on the ability of the sector to adequately respond to the demand. If we start from the individual company cases, a reasonable assumption is that the company will increase the number of employees when it gets the opportunity to extend the scope of its activities. That will happen if the demand for the products produced by the company grows - growth in demand can occur externally, as a result of global changes in consumer preferences and rising income of custom-

ers, but also "induced" - the company itself, by its activities may take over market share from rivals, and increase its activities, even in conditions of unchanged demand level. Therefore, the sense of the capability of the sector to create jobs, can be provided, on the one hand, by the trends recorded in the past, as well as reasonable predictions relating to the future growth of the sector, and, on the other hand, the competitiveness of the sector itself, its ability to compete with rivals and increase market share.

- The number of jobs that a growing sector can create depends on the size of the sector, its rate of expansion and on the manpower necessary to support this growth. In the case of individual companies, the larger the company, given the increase in demand, the more jobs it will create. On the other hand, the faster the demand growth, given the size of the company, the faster growing the volume of work, and therefore the growth and needs of the company in terms of human resources. Therefore, two components that delimit the scope of job increase are the size and dynamics of the subject observed. However, the need for new employees depends on the type of activity of the company and the technology of operation some companies will be able to increase their activity at no significant increase in the number of employees, if they are capital- and technology-intensive; in other companies, which are labor-intensive, growth in the number of employees is a key determinant of output growth such as in the textile industry or agriculture. Replicating the analogy to the case of the whole sector, composed of individual companies, the conclusion is that the greatest effect on the growth of the number of employees can be achieved by large and labor-intensive sectors, which manufacture products or provide services characterized by rapid demand growth.
- The quality of jobs depends on a whole series of factors which, from a macro point of view, can be approximated by the level of compensation for the work done, the complexity of the operation, and the possibility of progress and prosperity. The level of compensation can be estimated through average net salary, the complexity of tasks in a given sector, through the required educational structure, and the opportunity for advancement through investment in training and development of staff. As the average salary gets higher, the education structure tailored to complex jobs that require a university degree, and the investment in training and development get more generous, the job quality becomes higher.

The conclusion is that decision-makers should ensure that economic growth is inclusive, and affects the raising of living standards and a fairer distribution of income. This will occur if there is identification and support to competitive, big enough, and labor-intensive sectors, with products whose demand is growing, the sectors which need to hire workers in order to respond to the growing demand, where the workers are hired to work in complex, responsible and adequately paid and prosperous jobs. In practice it will not be easy to find a critical mass of such sectors, and the component of the index will identify candidates which are closest to meeting the set criteria through their synergetic operation.

Pillar 8: Investment Attraction Contribution

Attracting investment, particularly foreign investment, is one of the leading goals of economic policy of Serbia. However, not all sectors contribute equally through investment, and not all sectors are equally attractive to future investors. The potential for investing synergistically is determined by two components: room for investment, and the attractiveness of the sector. As the sector gets more attractive and there is more room for investment, and its investment potential get higher. If the sector is attractive, but there is no room for investment, or if the room for investment is plentiful but the sector is not attractive, the investment potential is lower.

The room for investment is determined by the ability of investors to enter the market. This area depends on the regulatory barriers (for example, it is not possible to invest in the defense industry - therefore, room for investment does not exist), resource barriers (it cannot be expected to see an investment which would include additional exploitation of already overstrained energy resources - oil, gas, coal) but also the current market structure - the presence of other private investors, especially large (narrowed investment potential in the tobacco industry, where there is already an oligopoly created by large foreign companies), which are already positioned in the market in marketing and logistics terms, and draw on resources and knowledge. The room is narrow also in the case of large and dominant state-owned enterprises, but if there is a political and economic interest, they can be privatized in the short term.

The attractiveness of the sector depends on the possibilities for sustainable and dynamic, profitable business operation. Given that the Serbian market is small, the attractiveness is mainly determined by developments in the global market - changes in demand, product prices, and raw material prices. However, the attractiveness depends on the local market too, the demand in it, and the price of labor.

However, the room for investment and the attractiveness of the market are the determinants observed from the perspective of investors; local policy-makers need to have a wider viewing angle - not only to identify attractive sectors with the possibility of entering, but to pair such ones with the possibility of spillover effects on the rest of the

economy. The most preferred are those investments that "force" investors to remain on the domestic market in the long term, but also that will create "dignity restoring" jobs, pull along a network of subcontractors, connect with well to do local companies to rely less on imports.

Pillar 9: Encouraging of Entrepreneurship and Development of Micro and Small Enterprises

The sector of micro, small and medium enterprises is a vital part of the Serbian economy, making up to 99% of the total number of companies. In addition to generating more than half of the value created, and created employment in the economy, it represents great potential for future growth. Amidst the scarcity of international capital flows, the expectation of stronger capital inflows through foreign direct investments are seems unlikely to be fulfilled. The reliance on the local economy is a possibility, but a necessity too. However, the "small" businesses (the small and medium enterprises) in Serbia are facing considerable difficulties both in business and in the overall survival. Therefore, in order to ensure sustainable and dynamic development, it is necessary to understand the problems and needs of this sector, as well as create conditions for their prosperity.

Encouraging entrepreneurship and development of small and medium-sized enterprises (SMEs) must have a holistic approach, which will simultaneously create a healthy and stable environment for the entry of new companies, as well as create an enabling environment for the prosperity of existing companies. In the first place this relates to the creation of institutional and macroeconomic environment that will enable smooth and fruitful operations of all actors in an economy. Then, as an upgrade to a healthy environment comes special focus on raising awareness about entrepreneurship and the development of entrepreneurial spirit and skills in the education system, both through institutional support and execution of entrepreneurial ideas. Last but not least, decision makers need to provide inclusive support to the development of a new (start-up) business - through administrative support, access to finance (micro finance), as well as providing a platform for business counseling and monitoring.

However, despite the importance and potential that the SMEs have, the Serbian economy is characterized by insufficient level of development compared to the European average. This applies not only to the phenomenon of the "missing middle", but also the phenomenon of the "missing small." In contrast to the EU average, where small businesses make up 6.4 percent and the middle ones 1 percent of the total economy, in Serbia the share of small companies is 3.2 percent and medium ones only 0.7 percent and as much as 96 percent are micro-sized enterprises. These companies, if they are able to produce a quality product, rarely have the capacity to generate growth. Therefore, the key question is how to ensure conditions for a large number of successful and prosperous SMEs and their transformation from small to medium and large companies?

Improving the competitiveness of the SMEs in the process of economic development and creation of employment is one of the four priorities of the EU Cohesion Policy 2014-2020. SMEs are recognized as a key driver of economic growth, innovation, employment and social integration. This is especially true as the lever is in the process of balanced local and regional development of a country. SMEs in Europe are further defined as key to recovery, particularly through the creation of employment, where 2 out of 3 jobs in the private sector are created by SMEs, while the rate of employment growth is twice as high compared to large systems. However, since the SMEs have a problem with attracting highly skilled labor, access to finance, and resistance to global change, the decision makers should pay more attention to them.

The final pillar of development potential index aims to identify precisely those sectors in which the relatively higher base of healthy and dynamic SMEs is noted, SMEs that are able to grow successfully, to integrate successfully into the global flows, with smooth entry of new players and survival more likely. Although not sufficiently recognized by the general public, there are sectors in the Serbian economy clearly distinguished by having achieved dynamic growth thanks to strong core of small and medium enterprises, which operate in a healthy way and continuously manage to improve local and international activity. These are primarily medium-value added sectors, which are located in the center of the value chain, as "helping link" providing inputs to sectors with the highest level of complexity.

In the process of identifying sectors that are significant in terms of encouraging entrepreneurship and the development of SMEs, the answers should be found gradually. First, the sectors which are sufficiently "open" for entry and survival of SMEs should be identified; then the sectors which already have a relatively wide base of healthy and agile SMEs which manage not only to survive but also to grow and develop; and finally, as the most demanding criteria, sectors whose companies have managed to sell their products to foreign markets and increase their foreign market share over time. In this way, the pillar consists of three sub-pillars: ease of SME entry and the ability to survive; healthy SME base; SME export competitiveness.

The first important issue for the integration and operation of SMEs in one sector is the ease of entry and the ability to survive in the market. Sectors vary in degree of concentration; the highly concerted ones often do not represent a "friendly environment" for the development of SMEs. It is hard to expect that a micro or small enterprise will easily

start a business manufacturing motor vehicles or in the oil industry, especially if there is already one or a few dominant players in the market who can reach customers more easily and cheaply. However, low concerted sectors in addition to large companies also consist of a large number of SMEs that succeed in an easier way to fighting for their own market share. On the other hand, a large number of companies after the establishment fail to keep the business in the long run. In the period from 2005 to the present day, 66% of the newly established companies managed to survive within a period of three years, while only half managed to do so within five years. However, these rates vary from sector to sector, and therefore the probability of survival in different branches is not the same.

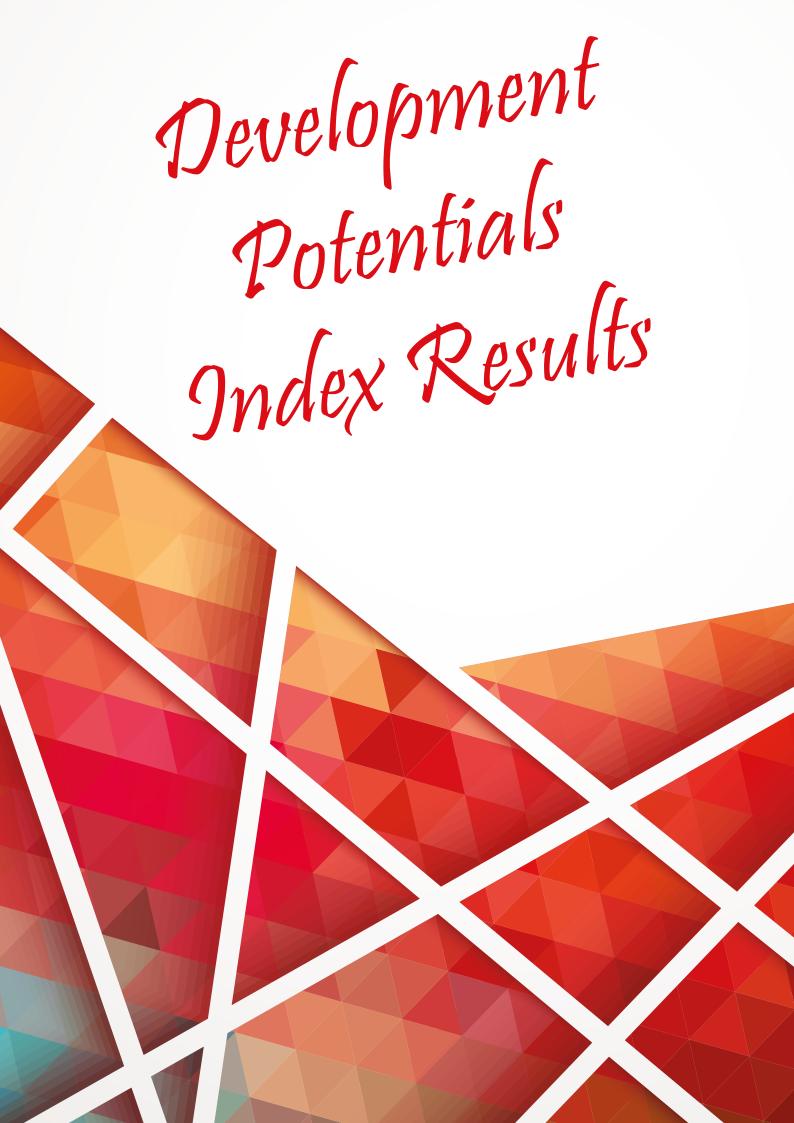
The most important indicator of this pillar refers to the existence of a wide base of healthy and dynamic SMEs that proved more resilient and more prepared to compete and operate profitably in the post-crisis period. In the previous period, the average SME has achieved performance drop of -3.9%, while the total SME sector stagnated with a small growth of 0.5%. However, SMEs differ among themselves in a number of characteristics - from the products manufactured, market conditions in which they operate, ownership structure, integration into international trends, etc. It is therefore important to better understand the structure of the sector and identify areas in which there are good as well as exceptional examples of SMEs. Thus, of the total number of SMEs, 26.3% were successful. Some sectors in particular stood out, which achieved their overall success and growth exactly on the basis of a significant number of dynamic and successful SMEs. Some of the examples are the sectors of the chemical industry (production of a wide Ranke of rubber and plastic) and metallurgical industry (sectors for the production of fabricated metal products - tools, blades, packaging, construction, etc.)

Export competitiveness of SMEs is the third and most severe indicator of the ability of SMEs, where they prove their performance not only by operating in the local market, but also through competition in foreign markets in much more demanding conditions. However, due to the lower capital and human resources, when entering the foreign markets SMEs face a number of barriers. The strongest barriers to raising export performance of the SMEs are related to inclusiveness and sustainability of exports - Serbian SMEs, in addition to problems with entering the foreign markets also find it difficult to survive on them. In the total number of small and medium enterprises, only 10.6% export their product and only 6.4% export their products continuously. If we do not count the established exporters who sell their products to foreign markets each year, we remain with a large group of companies which either do not export, or export from time to time. On the other hand, when companies come out to foreign markets, on average, only 41.2 percent of them manage to export to that market the following year, but only 18.7% manage to stay present three years in a row. It is therefore important to identify mechanisms that will enable a greater number of companies to find foreign buyers more easily and export continuously.

Decision makers should use horizontal and vertical policies to provide support, primarily to those SMEs that have already demonstrated dynamic growth and have the potential to become the new "big players" in medium-term, which will get to be in the group of bearers of economic growth. The starting point for "custom tailored" policy-for such companies may be in the non-concentrated sectors in which the greatest development potential is identified. The next step is to encourage the export capacity of the "potential SME stars", by easier access to foreign markets easier for them and assist financing of exports. Given its limited resources, even relatively solid SMEs usually do not have the capacity to independently find opportunities and buyers in foreign markets, analyze the specific requirements of the applicable legislation in those markets, and the costs of growth are often almost insurmountable. Therefore, it is necessary for policy makers to create a platform that will be aimed at addressing the critical obstacles facing these companies and thus enable continuous export.

Corrective Component: Expert Opinions

The imperfection of data, approximate values and other "shortcomings" of data, tend to cloud the results of quantitative analysis. Integration of experts in the process of sectorial ranking aims to provide qualitative contribution, based on experience, which will to some extent serve as an adjustment of results based solely on quantitative data. Their contribution will be primarily in the context of future trends and expectations.



2. Development Potentials Index Results

In this chapter, we present and interpret the results of the Development Potentials Index for all 114 tradable sectors of the Serbian economy. Based on these results, the sectors will be ranked from those with the highest development potential to those with the lowest one. Decision makers and policy makers, as well as all other interested parties, will have a clear insight into which sectors are able to push the recovery of the Serbian economy, relying primarily on the internationalization of activities and conquering foreign markets. Observing also the concentration of the sector, the starting basic measures will be proposed that are necessary for the progress of those most prosperous ones.

When evaluating the development potentials, the greatest importance was given to results already achieved. The focus is primarily on the export competitiveness of the sector - although it represents "only" one sub-pillar, export competitiveness clearly indicates which sectors are "potential champions." Also, the sub-pillar with significant impact on the final value of the index is successfulness - the intention is to highlight those sectors that contain relatively more profitably-growing companies. However, the final ranking of the sector is cumulative and synergetic sum of all nine pillars, thus it is important to emphasize that the best placed sectors do not have to be and are not best ranked by all pillars. The top sectors have achieved a harmonious balance, with particular prominence in the most important pillars.

The results are presented in five segments.

- The beginning shows the general state of the Serbian economy in the post-crisis period. Through descriptions of the paradigm of economic growth, which was dominant in the past decade and the negative consequences of the economic crisis, the necessity of ideological turn was presented as well as the necessity for establishing a new paradigm of growth through intensification of export activities of domestic companies.
- The second part brings the ranking of tradable sectors. Sectors are ranked according to the development potentials, especially the prominent ones that proved to be the most capable to push the economic recovery. However, the sectors that have a comparable development potential after the final analysis may significantly differ by characteristics themselves, i.e. their main strengths and weaknesses. In order to complete the picture, information about the final ranking is complemented with the results recorded in the framework of the individual pillars. Therefore, the final ranking of each sector is "explained" through the pillars and indicators that determine the final standings.
- The third part goes deeper into the structure of the sectors themselves. On the basis of the structure, all sectors with strong potential are divided into two groups: concentrated sectors have passive potential, while the sectors in which there is a sufficient level of competition have an active potential. List and characteristics of the sectors with active and passive potential are shown and explained in more detail below.
- The fourth part shows the development potentials of branches. All 114 sectors are classified into nine economic sectors, formed on the basis of similarity of economic activity and activities that characterize the sector: (1) agribusiness; (2) machinery and electronics; (3) metal; (4) chemistry; (5) wood and paper; (6) construction; (7) textiles; (8) transportation equipment; (9) energy. The share of sectors with high growth potential varies from branch to branch, as does the concentration of these sectors. Looking at the potential from the "bird's eye" perspective, a broader picture of the potential of the Serbian economy and of the possibilities of creating competitive value chains is painted.
- The fifth part talks about the policies that are needed to support the prosperous sectors. Every policy should depend on the current competitive position and structure of the sector, but also on the complexity of the product, position in the value chain, availability of resources and other factors that define the success of one sector. Persistent horizontal measures and vertical "custom-tailored" policies with coordinated cooperation of the competent authorities are the first step in the implementation of development strategy.

2.1. Serbian Economy Trends

The global economic crisis strongly "hit" Serbia in early 2009. It fully stopped the dynamic growth of the Serbian economy, and brought to light all the flaws of this growth. Since the beginning of political and economic changes in 2001 until the outbreak of the crisis, the Serbian economy grew annually at a rate of 5.5%, but this growth did not have a viable support. It was completely based on the development of non-tradable sector, which grew by a foreign investment on the supply side, and also on consumption financed by loans, on the demand side. In addition to the growth not affecting the increase in competitiveness, it did not solve the burning problem of unemployment. Serbia, as well as many transition countries before it, fell into the trap of the so called "jobless growth," i.e. a situation in which economic growth is not accompanied by job creation. The total number of people in formal employment in legal entities decreased by as much as 323,000, despite the dynamic economic growth in the period 2001-2008. The blade of the global economic crisis at the beginning of 2009 burst the bubble of Serbian growth, leaving the economy in a difficult situation –non-competitive tradable sectors were not able to fight the rivals in the short term, high unemployment grew further and large indebtedness of the system caused a general insolvency and began to stifle the healthy parts of the economy.

Changing the paradigm of growth became a necessity. It was clear that economic growth cannot continue to be based on consumption, in a situation where private consumption is shaken by rising unemployment and stagnation of salaries, while the oversized government spending serves as a means of controlling the damage. In the first years of the crisis the spending did not reduce, so as not to aggravate the decline, but it was clear that in the medium term, fiscal consolidation would be necessary. The global crisis strongly hit Europe, stopping abundant capital flows, and consequently the potential investments in Serbia. When it is considered that most healthy and prosperous state enterprises had already been privatized, it is not to be expected for investments alone to be able to be profiled as an engine of growth. The export remains the only truly untapped potential—it currently accounts for over 40% of GDP, but it is still far below the average of comparable new EU member states (Bulgaria near 70%, Czech Republic 80%, Hungary, Slovakia and Slovenia 90%).

Export experienced strong expansion, growing 13% annually, which increased it by 3 billion euros. Half of this growth was achieved thanks to increased competitiveness. In fact, when you eliminate the flow of international demand, as well as the specific market to which is exported and particular product that is being exported, the data say that the Serbian competitiveness effect was as much as 1.5 billion euros. This means that Serbian companies managed to increase their slice of the pie, or to "take over" from foreign rivals their part in the amount of 1.5 billion. However, the structure of exports and the effect of competition, which significantly predetermined the exports, clearly indicate that growth was a consequence of the internationalization of the activities by several of large foreign direct investors - primarily FIAT.

In order to prolong the achieved growth, and even accelerate it, it is necessary to systematically create and then exploit a competitive advantage. In the future, it will not be possible to base the growth predominantly on the growth of foreign investors because they have already reached a certain share in foreign markets, which will be difficult to increase without new investment in modernization and capacity expansion. Even if that happens, it should primarily be to support more decisive and stronger emergence of a large number of domestic companies to foreign markets. Indicator that over 50% of Serbian products had increasing competitiveness in the previous 5 years, as well as that the competitiveness of Serbian products grew on over 60% of export markets, despite the small number of exporters, low survival rate, and poor productivity and performance, is an encouraging signal and indicates that there is a chance.

The main goal should be to enlarge the base of exporters, and then invest in the sustainability of these exporters in foreign markets. Only 23.2% of enterprises in the tradable sector export to foreign markets. Less than half of companies that export the product to a specific market succeed to survive the first year in this market. Every fifth company manages to survive for three years. The total productivity of Serbian economy, measured as the ratio of value added and number of employees amounts to 13 thousand euros. This is more than Bosnia and Herzegovina, Bulgaria, and Romania, but also 50% less than Croatia, Slovenia, Czech Republic, Hungary, and Slovakia and three-quarters less than the EU average. Only 25% of companies in the reporting period can be considered successful - the successful group consisting of those companies which were able to increase their real income and employment, while in the long term achieving positive "core" profitability.

The Development Potentials Index of Serbian economy puts in the forefront those companies that have a systematic capacity for competitive internationalization of activities, profitable growth and more efficient and effective linkage with the rest of the economy. For industries with high growth potential, it is necessary to make foundations and build growth. For their potential to be fully utilized, it is necessary to know their competitiveness factors, compare them with rivals and then improve them through incentive strategies and active policies, and rise to a higher level. The Serbian economy has potential, it has a Ranke of enterprises with potential, from micro to large, and it is necessary to pave the way for them, then, to the extent possible, remove the obstacles out of the way, or at least lead the way for the companies to overcome them.

2.2. Final Ranking of Sectors by Development Potentials

The final results of the index are presented in the ranking of 114 sectors according to their development potentials. The final ranking reflects the development potential of the sectors according to their achieved competitiveness, ability to spill over their growth to the rest of the Serbian economy, and contribute to the development of socioeconomic objectives.

The final ranking of the sectors is a synergetic result of all the 9 pillars of the index. This means that the top-ranked sector may not have the best scores on all nine pillars. The final ranking depends primarily on the performance of the supporting pillars (export performance and general performance), as well as the combination of the performance of all pillars together. Thus, for example, the sector of metalworking machines production, regardless of the current deteriorating export performance, is in possession of a solid good mix of all the other pillars, indicating the existence of development potential and significant preconditions for the export performance to improve in the future.

The sectors that have distinguished themselves in the top 10 according to the development potentials are: motor vehicles; electrical and electronic equipment for motor vehicles; socks; household appliances; processing and preserving of fruit and vegetables; tires for vehicles; electricity production; general-purpose machines; animal food; and paper, pulp and cardboard. Among them, 7 sectors are concentrated, which means that their growth is largely determined by the operation of one or a small number of companies.

Sectors that have shown the lowest growth potential are: other precious and non-ferrous metals; car batteries and batteries; arts and culture; other plants; aluminum; glassware products; ceramic products; coal mining; other animals; and production and distribution of gas. As 5 out of 10 sectors are concentrated, such a bad result is somewhat the consequence of poor performance of the largest companies. This result is largely determined by a very poor export performance, as well as the inability of companies to cope with the crisis, achieve a certain recovery and growth, and operate profitably.

The final ranking of the sector by total development potentials and performances by the nine pillars of the index is shown in Table 2.1. Sectors are presented according to the development potentials, starting with the sectors with the highest, to the sectors with the lowest potentials. The following table shows the partial ranks - all the 9 pillars of Development Potential Index.

Table 2.1: Final ranking– final ranking of the sectors by development potentials (together with partial ranking by index pillars)

Final ranking Sector	General performance	Export performance	Sustainable performance	Growth potrntial	PoSpillover effect potential	Sophistication potrntial	Job Creation contribution	Investment attraction	Encouraging enterpreneur- ship and SME development
1 Motor vehicles2 Electrical and electronic equipment for motor vehicles	3 1	1 4	112 16	12 32	96 30	1 67	40 1	-	113 87
3 Socks	6	2	46	105	11	93	16	-	102
4 Household appliances	4	6	11	53	63	26	17	-	92
5 Processing and preserving of fruit and vegetables	7	9	91	69	15	68	18	-	12
6 Tires for vehicles	5	7	41	52	90	63	8	-	104
7 Electricity production	62	3	65	104	8	73	102	-	96
8 General-purpose machines	46	24	33	1	4	20	15	-	66
9 Animal food	17	10	97	40	7	50	23	-	23
10 Paper, pulp and cardboard	8	14	80	21	91	5	12	-	82
11 Plastic packing	12	22	64	61	9	102	39	-	6
12 Other plastic products	18	19	54	47	46	71	30	-	2
13 Special purpose machine	21	52 26	6	5	52 87	12 31	26	-	7
14 Petroleum products15 Electronic conductors and	29 28	20 17	10 15	17 23	67 59	18	49 67	_	13 73
optical cables	20	17	13	23	39	10	07	_	/3
16 Tools and blades	10	62	4	30	85	23	71	_	8
17 Machines for the food	25	35	35	58	83	27	37	_	3
and beverage industry	23	33	33	30	03	_,	37		3
18 Agro-chemistry	22	61	20	60	73	25	2	_	15
19 Electric motors and generators	63	18	14	59	40	13	55	_	44
20 Veneer and wood boards	45	12	107	37	23	69	84	-	4
21 Plastic profiles	24	41	5	31	36	53	21	-	65
22 Metal packaging and radiators	57	23	34	93	84	19	60	-	10
23 Paper and cardboard packaging	9	60	94	63	27	83	27	-	5
24 Underwear	19	20	44	108	5	107	25	-	89
25 Electronic measuring instruments	39	79	9	3	105	3	46	-	14
26 Basic chemicals	15	67	56	15	67	4	57	-	85
27 Dairy products	14	42	90	25	38	35	36	-	83
28 Cutting and woodworking	32	40	95	33	13	74	64	-	16
29 Milling and starch products	41	31	82	82	10	103	54	-	20
30 Medical instruments	30	44	8	27	94	6	22	-	74
31 Other rubber products	26	36	13	35	61	70	68	-	68
32 Furniture	54 40	29 37	89 77	39 41	41 34	44 49	10 6	-	63 75
33 Other food products	40 37	57 51	77 74	41 26	3 4 76	49 47	35	_	75 11
34 Processing of tea and coffee35 Paper products	38	56	7 4 71	71	37	38	51	_	18
36 Energy transmission	70	32	2	18	47	14	33	_	84
and management equipment	70	32	2	10	77		33		04
37 Paints and varnishes	53	64	32	44	62	17	34	_	22
38 Vehicle bodies	60	54	22	22	77	66	3	_	19
39 Agricultural service activities	20	70	27	90	19	79	65	_	54
40 Metal structures and frames	66	38	62	87	33	24	29	-	46
41 Clothing	49	33	79	114	2	84	24	-	43
42 Defense industry	65	8	109	99	72	11	90	-	103

Finalni Rank Sector	General performance	Export performance	Sustainable performance	Growth potrntial	PoSpillover effect potential	Sophistication potrntial	Job Creation contribution	Investment attraction	Encouraging enterpreneur- ship and SME development
43 Refrigeration end ventilation equipment	42	49	21	42	88	105	59	-	21
44 Footwear	59	28	63	96	42	87	48	-	61
45 Home Care and Personal Care	44	47	53	54	22	29	32	-	98
46 Metalworking machinery	23	100	43	13	66	9	13	-	37
47 Metal products for general purpose	68	46	42	24	18	42	56	-	52
48 Wood packaging and wood products	71	25	98	48	44	57	63	-	26
49 Printing and reproduction	56	76	39	91	29	8	53	_	39
50 Fruit	58	30	69	98	28	99	106	_	29
51 Cereals	43	73	59	102	6	88	42	-	34
52 Plastic products for construction industry	50	39	81	79	68	30	41	-	93
53 Production of parts and accessories for motor vehicles	88	27	76	4	24	48	66	-	69
54 Pharmaceutical products	82	55	38	6	100	2	11	-	100
55 Electronic consumer devices	13	58	48	75	111	113	75	-	9
56 Exploitation of other ores	34	68	29	97	104	45	85	-	31
57 Casting and metalworking	31	86	36	65	69	80	20	-	56
58 Casting of iron and steel	67	57	67	11	3	109	96	-	40
59 Textile products	64	50	50	110	39	62	28	-	60
60 Bakery products	55	71	100	46	1	95	5	-	86
61 Confectionery products	11	93	72	55	58	76	58	-	76
62 Other electrical equipment	61	87	47	28	79	34	47	-	25
63 Other chemical products	77	77	18	14	74	10	95	-	24
64 Soft drinks	86	16	103	62	14	58	44	-	101
65 Exploitation of metal ores	2	84	70	111	93	108	100	-	108
66 Fertilizers	97	21	85	49	64	39	31	-	67
67 Sugar	73	43	68	64	21	92	14	-	78
68 Copper production	75	13	55	78	71	52	76	-	111
69 Juices	93	15	96	76	70	82	69	-	72
70 Optical and photographic equipment	36	98	23	19	107	110	43	-	17
71 Machines for mines and quarries	78	69	12	45	78	32	105	-	41
72 Processing and preserving of meat	47	81	106	109	16	59	19	-	95
73 Agricultural machinery	79	63	37	88	50	28	113	-	30
74 Crude oil exploitation	33	78	3	7	102	100	4	-	114
75 Hunting and fishing	103	34	57	80	45	36	87	-	45
76 Lighting equipment	87	74	19	43	103	41	80	-	27
77 Poultry farming	35	95	88	85	35	86	89	-	77
78 Wine production	92	48	45	73	55	61	111	-	48
79 Tobacco products	111	5	92	103	12	106	45	-	110
80 Production of plastics	90	53	110	8	49	16	110	-	99
81 Exploitation of raw materials for construction industry	80	83	73	100	43	51	94	-	33
82 Meat products	76	59	111	51	60	55	83	_	90

Hind In Rank Sank Maziv sektora	General performance	Export performance	Sustainable performance	Growth potrntial	PoSpillover effect potential	Sophistication potrntial	Job Creation contribution	Investment attraction	Encouraging enterpreneur- ship and SME development
83 Other manufacturing	51	99	51	74	99	89	62	-	81
84 Textiles and fabrics	52	94	83	112	81	94	98	-	47
85 Other drinks	100	102	1	81	75	46	70	-	1
86 Transport equipment	72	101	52	29	82	60	88	-	49
87 Forestry and logging	74	72	17	56	101	85	112	-	80
88 Pig farming	83	88	24	83	89	22	109	-	88
89 Building materials	89	91	86	70	25	96	78	-	55
90 Machines for lifting and	81	106	7	34	56	54	73	-	62
transporting									
91 Steel profiles	85	92	105	86	32	78	108	-	28
92 Oils and fats	84	45	102	101	54	104	61	-	106
93 Builders' carpentry and joinery	102	80	93	50	17	56	91	-	51
94 Alcoholic drinks	91	65	78	66	65	75	103	-	94
95 Bricks and roof tiles	110	11	108	92	20	72	107	-	91
96 Computers	94	107	28	20	108	15	7	-	57
97 Communication equipment	101	104	26	10	109	7	72	-	36
98 Vegetables	69	108	87	95	26	111	92	-	32
99 Leather products	99	66	99	107	86	90	86	-	64
100 Jewelry	104	85	75	16	110	37	93	-	50
101 Beer	98	96	30	67	31	64	38	-	109
102 Iron and steel	48	110	104	38	48	40	77	-	107
103 Construction of buildings	108	90	84	84	51	91	9	-	70
104 Electronic components and boards	105	105	31	9	113	21	50	-	35
105 Production and distribution of gas	27	114	66	2	114	101	74	-	42
106 Other animals	95	97	101	94	57	114	101	-	79
107 Coal mining	16	111	114	106	106	97	52	-	105
108 Ceramic products	107	103	58	77	95	65	114	-	38
109 Glassware products	113	75	60	68	97	33	97	-	71
110 Aluminum	109	82	61	72	80	81	82	-	112
111 Other plants	106	89	113	113	53	112	99	-	97
112 Arts and Culture	96	113	49	36	112	77	79	-	58
113 Car batteries and batteries	112	109	40	57	98	43	81	-	59
114 Other precious and non-ferrous metals	114	112	25	89	92	98	104	-	53

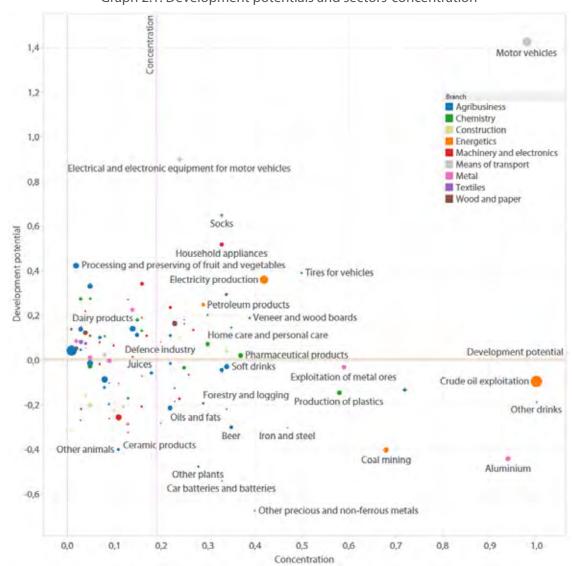
2.3. Active and Passive Development Potentials

The results of Development Potentials Index indicate the diversity of product palettes in which Serbia has a development potential. The common denominator of all sectors with high growth potential is the ability of the sector to become the engine of economic development - through its own growth, but also through setting in motion the related sectors. As the demonstrated development potential of one sector gets higher, the sector gets more competitive in international markets, and its activities are determined and supported by a larger number of profitably growing companies, while the sector has a greater ability to sophisticate products and connect with other sectors through the value chain. However, the basic question is - how to take advantage of the potential identified. Sources of growth among the sectors are different. The availability of resources and barriers for entry are also not the same across sectors. For the sectorial potential to be exploited as much as possible, it is necessary to observe the development potentials through the prism of their structure.

The structure of the sector indicates the possible sources of growth and strategy that is necessary to be applied in order to stimulate sectorial potential. The structure of the sector, painted through the concentration, ownership rights, and the size of the firms, roughly indicates the number, characteristics, and diversification of potential growth drivers within the sector. If the sector is highly concentrated, potential growth is determined by the future investment activities of a small number of companies, which have often already stepped into the stage of maturity and are already exploiting their existing capacities to the maximum. As the sector is less concentrated, the potential growth is determined by the activities of a larger number of existing companies but also by the new entries into the sector. If the sector is dominated by state-owned enterprises, it is to be expected that the key factor in the progress of this sector is the true corporatization of the activities of these companies. On the other hand, if the sector is made up of a large number of private SMEs, it is necessary to identify key barriers that hinder their faster progress - and they most often refer to the provision of financial structure, finding and retaining adequate staff, identifying buyers and surviving in competitive markets.

In order to simplify the matching of development potentials of the sectors with their structure, we focus on sector concentration. Based on the concentration indicator (Herfindahl-Hirschman Index - HHI), sectors can be divided into two groups - concentrated and non-concentrated. Concentrated sectors are those whose market share structure indicates a dominant position of one (monopoly) or several companies (oligopoly). Non-concentrated sectors are those in whose market there is no dominant player, but a large group of companies in more or less equal fight for the trust of buyers. High concentrations are often justifiably associated with the presence of very large companies in the sector. However, within the non-concentrated sectors there are major market players - but resource base and the market are big enough to "accommodate" more of these, as well as dozens of micro, small and medium-sized companies.

In the graph below, all sectors of the Serbian economy are positioned in accordance with the exhibited potential (vertical axis) and the concentration (horizontal axis). As the sector position goes upward, the growth potential gets higher; as the sector position goes more to the right, the more concentrated it gets. The color of each sector is determined by the wider industry branch to which the sector belongs, and the size of the circle relates to the level of operating income of the sector - the higher the revenues, the bigger the circle. For example, the Cereal sector is far left - meaning that it is characterized by the presence of a huge number of companies and that competition is close to perfect – none of the companies has a significant market share. However, development potentials are modest, given that the sector is just above the axis start. The size of a circle is the largest, which indicates that the income of the sector contribute the most revenues of the whole economy. The blue color indicates that it belongs to the branch of agribusiness, as can be seen in the legend on the graph.



Graph 2.1: Development potentials and sectors' concentration

U In line with this structure observation, high development potentials can be divided into two major groups - SECTORS WITH ACTIVE AND SECTORS WITH PASSIVE DEVELOPMENT POTENTIAL.

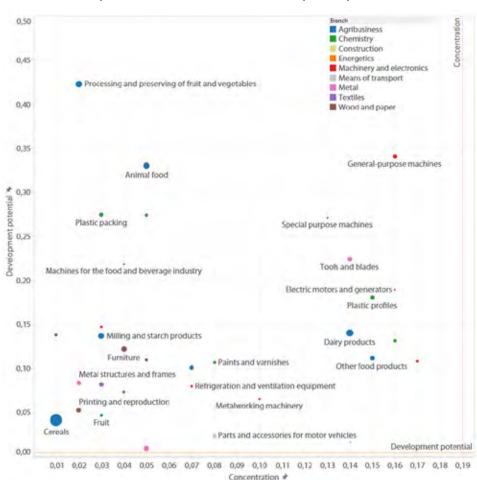
The first group consists of sectors that are low concerted and labeled as sectors with active development potential -- (upper left quadrant of the graph 2.1). Development potential is called active because it is in a certain way impressed in the Serbian economy - does not depend on one or a small number of companies, but on the resources, knowledge, traditions, geopolitical position... With adequate investments in improvement of the business environment and improvement of competitiveness, it is possible to populate and enlarge the sector, both through new investment and entrepreneurial ventures, as well as through the rapid growth of existing businesses. Improving the business environment will certainly activate the potential, regardless of the possible departure of some companies from the sector.

The sectors that have high development potential, but which are highly concerted at the same time are marked as sectors with passive development potential. In the graph - these sectors are positioned in the upper right quadrant. These sectors are characterized by high entry barriers, scarce room for entry, and existing companies have already reached the stage of maturity. Development potential is called passive precisely because it depends entirely on the actions of a small number of companies - with the departure of one of them, the competitiveness would be drastically undermined (as in the case of "Zelezara" steelworks). In order to activate the passive potential and spillover to other undertakings, it is necessary to encourage additional investments of existing dominant players, as well as fill the gaps in their branched-value chain with local companies.

Active Development Potential Sectors

Active development potential sectors are the dynamic potential of the economy. As a rule, non-concentrated sectors have greater room for growth, both on the basis of expansion of existing ones, and based on the inclusion of new companies. High growth potential, together with a low concentration indicates that resources are available and accessible, that the barriers to entry are low, and that buyers can be won by an adequate price or product differentiation. Fight for market position implies constant investment, which should be accompanied by the growth and progress of the sector, which is becoming more competitive in global terms too.

Sectors with active growth potential are, as a rule, made up of a relatively large number of companies. Active development potential of the Serbian economy lies in the food industry (based on cereals, milk and fruits - blue circles), as well as in higher value added sectors within the chemistry (rubber and plastic - green), metal (fabricated metal products such as tools, blades, containers, profiles and structures - pink), machines (general and special purpose machines, as well as machines intended for the food and metallurgical industry - red), wood and paper (primarily furniture, but also paper products and cardboard - brown) and textiles (production of underwear, clothing and footwear - purple). Within these sectors, with appropriate efforts of companies themselves, as well as of decision-makers, it is possible to expect growth of existing companies, the entry of new companies and the growing internationalization of activities. All sectors with active development potential are presented separately on the graph below.



Graph 2.2: Sectors with active development potential

As an example, one can take the general purpose machinery manufacturing sector consisting of over 350, mostly micro and small companies, which employ 3,600 people, creating 19 billion dinars of revenue and over 5 billion dinars of value added. Sector activities in the post-crisis period grew by 6% a year, and one in four companies was profitable, increasing its activities and employing new staff. Total exports from 2009 grew by 60% annually, and in 2014 reached 250 million euros. Of this growth, more than two-thirds was achieved thanks to the correction of the competitive position and increasing market share. Perhaps the most important fact is that every other company in this sector managed to place its product on the international market. Policies that would enable increase in produc-

tivity¹ and higher level of sustainability², would multiply the performance and importance of the general purpose machinery manufacturing sector. The need for such policies becomes even more important if one keeps in mind that the presented sector is quite closely connected with a wide Ranke of other sectors, so that the development effects would spill over to other branches of metalworking, mechanical, electronic, electrical, and chemical industry. preduzeće uspe da preživi pune tri godine) bi multiplikovale performansu i značaj sektora proizvodnje mašina opšte namene. Potreba za takvim politikama još više dobija na značaju ukoliko se ima na umu da je predstavljeni sektor dosta intenzivno povezan sa širokom lepezom drugih sektora, tako da bi se razvojni efekti prelili na druge grane metaloprerađivačke, mašinske, elektronske, električne i hemijske industrije.

Passive Development Potential Sectors

Passive development potential is present in highly concentrated sectors that are mainly driven by foreign direct investments or state-owned enterprises. Although they demonstrated their competitiveness on international markets, along with a combination of above average profitability, productivity and growth activities, the main question for the future concerns the sustainability and diversification - how to enable the growing contribution of these sectors in the long term.

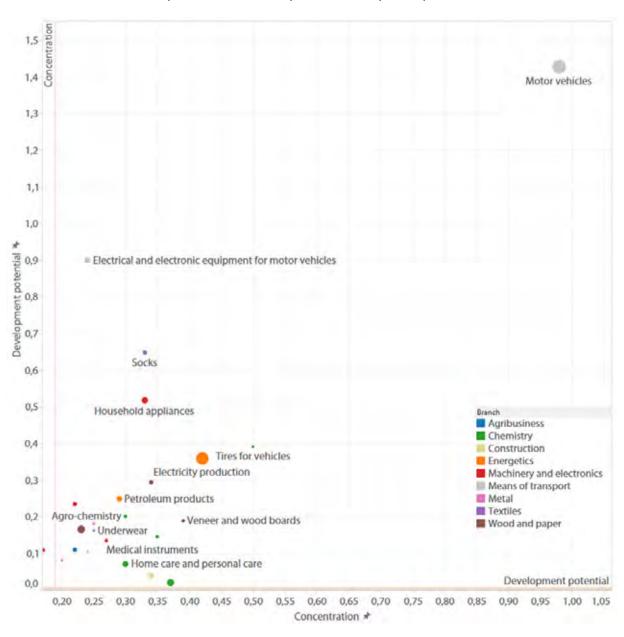
Passive development potentials are related to relatively high entry barriers, less flexibility of existing companies, and often used up existing capacities. Concentrated sectors, at a time when their dominant companies "sail" into the stage of maturity, have a significantly lower flexibility and dynamics, and they cannot be expected to continue to "pull" the economic growth and create jobs. These sectors can be expected to contribute to the stability and functionality of the system, and their development potential is reflected in the possible connection of these sectors with the rest of the economy - both through the value chain, and through the diffusion of technology, knowledge and contacts. Also, these sectors are not open to new entrants, so they cannot base their growth on "the fresh energy" brought by new investment and entrepreneurial ventures. Concentrated resource-intensive sectors, such as oil and gas exploitation, are not open to new entrants primarily due to scarcity of resources in the territory of Serbia. On the other hand, some other concentrated sectors are not attractive due to the saturation of the local (telecommunications) or the European market (motor vehicles). In some concentrated sectors it simply is not possible to invest due to regulatory barriers (defense industry).

Passive development potential is present in the following industries: chemical industry (agrochemicals and fertilizers, as well as the production of basic chemicals) and health care (hygiene products), machine industry (appliances intended for household, medical instruments and electronic wires and optical cables), automotive industry (manufacture of motor vehicles, manufacture of tires for motor vehicles, vehicle body production, as well as the manufacture of electrical and electronic equipment for motor vehicles), the final products of the textile industry (socks and underwear), defense industry, and metal packaging and radiators. Development potential is passive because, generally, it has no foothold in the very characteristics of the Serbian economy, but it is "in the hands" of one or a small number of dominant companies that enable the competitive business with their characteristics. Room for new entrants is low, and existing companies have probably already reached the stage of maturity. Therefore, the departure of one of them dramatically undermines competitiveness (as in the case of "Zelezara" steelworks). In order to activate the passive potential and have it spill over to other undertakings, it is necessary to use the cost–benefit analysis to create a network of incentives (not necessarily financial) and stimulate additional investment of dominant players, transfer of technology, knowledge, innovative activities, and advanced manufacturing processes, as well as fill the gaps in their branched value-chain with local companies.

¹ Productivity of said sector is two times higher in Croatia and Slovenia, three times higher in Hungary, the Czech Republic and Slovakia, and 6 times higher in the EU28.

² Less than half of the companies manage to survive the first year in the foreign market to which the product is exported, and every fifth company managed to survive for three years.

Graph 2.3: Sectors with passive development potential



The motor vehicle sector is an extreme example of a passive development potential. This sector has been the cornerstone of economic development in the past five years. The arrival of FIAT "revived" many related industries too; the whole sector grew as much as 77% a year. Total exports soon exceeded one billion euros, and the productivity and profitability of the whole industry were brought up to a significantly higher level. However, after a few years of rapid growth, FIAT experienced its peak –for it to remain the engine of growth, it is necessary to begin production of the new model, which would continue the initiated dynamic growth, but also encourage further growth of the sector of electronic and electrical equipment, vehicle body manufacturing, equipment and parts for motor vehicles. Also, it is necessary to continue working on the greater involvement of local companies in the value chain of motor vehicle production (primarily the sectors of metals, plastics and rubber). Transfer of technology and "know-how", as well as a higher degree of involvement of local labor in the processes of decision making and management would have a positive impact on remedying the greatest ailment of the Serbian economy - low productivity.

2.4. Development Potential of Branches

Based on Development Potentials Index, tradable sectors can be divided into five development groups. The first group -- sectors with the highest growth potential, is composed of 20% of the sectors with the highest value of the index, while the last, fifth group, is made up of 20% of the sectors with the lowest value of index. Between the two extremes, there are sectors with a solid, moderate and weak growth potential.

Looking at the broader industries, the relatively best results were achieved by chemical and wood industries, and the production of machinery and electronics. These three branches account for almost two thirds of the sectors with the highest development potentials. It is important to point out that these sectors are mostly low concentrated, and have ample room for growth that can be achieved in the future. On the other hand, the last third of the sectors with high growth potential, though small in number, makes up a large share of the Serbian economy - and refers to the industry of transport equipment, metal and textile industry, but also a small part of agribusiness.

By grouping the sectors according to related branches, it can be noted that the development potentials vary between groups, i.e. that they are not evenly distributed. This uneven distribution is shown in the graph below - sectors are arRanked by industry and each sector is colored in accordance with the development group to which it belongs (dark green is the highest development group, dark red the lowest).



Graph 2.4: Overview of branches by development potentials

- In absolute terms, most of the sectors with high growth potential (first and second group) are in the fields of Machinery and electronics and Chemistry. Out of a total of 46 sectors with high development potential as much as 45% is in these two groups (if observing only the highest, the first development group: over 60%!), although the total number of sectors and two branches accounted for 32%.
- In relative terms, the largest share of sectors with high growth potentials in the branch of chemistry as much as 70%. The other two branches, in which more than half of the sectors have a high growth potential, are Means of transport, Textiles, and Wood and paper. In the branch of Machines and electronics, the participation is nearly half, and amounts to 48%.

In order to better understand development potentials, in the next section we present the individual branches - their characteristics, the structure of the branches in Serbia, as well as the development potentials of sectors within the industry branches. Interpretation of the results of the Development Potentials Index is not unique, and largely depends on a combination of factors - the ownership structure of the sector, the global price trends, supply and demand; the availability of resources; the degree of acquired knowledge and capacity etc. Sustainability of the position of the sector by the index is not determined permanently, but is an indicator of current and currently expected conditions. For example, with the branch in which we own resource base, such as agribusiness and wood industry, de facto exists fertile ground for development and progress. However, different levels of development potentials exhibited represent an alarm of sorts which indicates the degree of (in)efficiency and (in)effectiveness of the use of these raw materials. Therefore, a better understanding of the presented development potential requires a fundamental knowledge of individual branches, the specific business environment in which they operate the characteristics of the companies that make them up. In this way, we can identify the key barriers, the likelihood and ease to overcome them, as well as critical success factors as key to prosperity.

Wood Industry

Serbia has significant resources of wood and therefore a large space for the development of timber industry. The forest coverage in Serbia comprises 29.1% of the territory, with the most significant share in central Serbia (37.6% of the territory). The forest, in addition to the fertile land suitable for agriculture, represents an important natural resource that can provide long-term stable growth and quality jobs. The contribution of the industry to the GDP was 1.1% in 2014. Taking into account the contribution of the same industry in similar countries, there is room for contribution to be higher. Therefore, the potential of the wood industry needs to be planned and used carefully, especially through giving a strategic priority to the branch within the context of economic development.

However, at the same time the entire wood industry represents a huge untapped potential — raw material is not utilized to the fullest capacity, it is used inefficiently, and without employment in its best use. The reasons for this go from the problems related to the ownership structure, inaccessibility of certain regions, to the inefficient governance of forests and illegal logging and trade of timber. On the other hand, the part of the raw material used does not employ workers in the production of the products that create the highest value added, but is as such either used for heating in households or sold on foreign markets. In this way, the contribution to the GDP is significantly lower, and most of the potential growth is being lost.

The chance of wood industry is in full utilization of raw material and its direction towards the most complex products such as furniture and builder's carpentry and joinery - thus opening the space to engage the existing and creating new companies starting from cutting trees, through cutting and processing wood, production of paper, pulp and paperboard.

The high development potential of wood industry is reflected in the results of almost all sectors according to the development potential index. The largest number of sectors showed high or moderate development potential, while lower-level processing sectors showed low development potential. The sectors that proved to be the most prosperous were the one that produces products based on paper and cardboard - paper, cellulose and paperboard; paper and cardboard packaging; and paper products. Other sectors of higher level of sophistication showed moderate growth potential. As highly prosperous sectors were also the following sectors — veneer sheets and wood-based panels and furniture production. However, within high potential group it has been found one lower-level processing sector - Sawmilling and planing of wood.

Graph 2.5: Wood industry development potential

10	Paper, pulp and cardboard	Wood packaging and products
20	Veneer and wood boards 49	Printing and reproduction
23	Paper and cardboard packaging	
28	Cutting and woodworking 87	Forestry and logging
32	Furniture 93	Builders' carpentry and joinery

Sectors that are located in the lower part of the value chain showed a moderate or low level of development potential. These sectors produce raw materials or intermediate products used for the production of final products - from forestry and logging, through cutting and wood processing, to the manufacture of paper, cellulose and paperboard. Also, wood products intended for the construction industry, together with the construction itself, during the crisis, recorded a decline in activity, followed by volatile and negative operations and the inability to expand the customer base beyond the borders of Serbia.

The opportunity of wood industry is reflected in the utilization of resources along the entire value chain-- from the raw material itself, through products of the primary and secondary processing, to final products that can be positioned on international markets. This process opens up the space for a large number of companies from warehouses and sawmills, through those that will produce panels and plywood, construction beams, to final products such as wooden barrels, wooden packaging, windows and doors, furniture, etc. As the whole industry is labor intensive, employing all links of the value chain can bring broad effects of the burning problems of the whole economy.

In order to achieve this, it is necessary to direct the raw material towards the most complex products, and in parallel to include the local production of all related sectors that serve as raw material support. On the one hand, the existing base of raw materials needs to be employed in the production of products that add the greatest value. In this way, business owners generate much higher profits and the economy as a whole achieves stronger growth. However, as an integral part of this process, a space and the need to involve companies in the manufacture of products that are used as inputs by the higher part of the value chain is emerged. The current situation is such that the leading companies in highly complex products base their production in large part on imported raw materials and semi-finished products. Thus, we have a situation where the sector of cardboard packaging finds cardboard in foreign markets, while the sector of furniture made of particleboard almost entirely imports plywood.

The value of the raw material is precious only when it is used in creating products of the greatest value which can be obtained from the raw material. Significant part of Serbian raw material is exported entirely untreated or processed to a very low degree. The trend in exports of low value added is a waste of resources in favor of foreign importers. On the other hand, Serbia imports finished products or semi-finished wood products. Therefore, key priority is the need for the entire chain of wood industry to be present and strengthened in the local market. This will allow both the establishment of a large number of companies along the entire value chain, as well as creating a large number of jobs (especially in the more rural regions of Serbia).

The results of the Development Potentials Index indicate the presence of micro-economic problems - facing the largest number of companies in this branch on average. Although there is ample room for the entry of new firms, the survival rate in the previous period was low. The most significant problems detected are related to the low level of productivity of companies, weak financial structure and liquidity problems. 26.2 % of companies reported a problem with debt repayment, while each one –had its accounts blocked in the last three years. It is necessary to do a thorough investigation to see what limiting factors affect the low performance of companies in this branch.

However, despite the relatively low development potential of the sector, a significant number of these sectors showed strong export potentials. Six out of ten sectors showed a strong and dynamic growth of exports, among which the ones that stood out the most were wood products, boards, packaging, as well as the furniture sector. The export of the branch accounted for 6.6% of total exports of tradable goods of the Serbian economy with below average annual growth of 11%.

On foreign markets there is a growing demand for final products based on wood, especially furniture made of wood and eco-cardboard products. Serbian products manage, to a solid measure, to find their way to these markets, and the most important export destinations were the markets of Russia, France, and Bosnia and Herzegovina. In addition, it is important to point out that the products of this branch improved its market share in almost all export destinations, the most important markets being the markets of France, Poland, Italy and Greece. Russian and Czech markets are the only destinations where we were unable to follow trends. Products that proved to be the most important ones were paper products; building carpentry and joinery products; furniture; and products of paper, cellulose and paperboard.

Metallurgical Industry

Metallurgical industry is comprised by two main groups of sectors - production of basic metals (metal mining and its primary processing), and metalworking industry. The products Ranke from low to medium complexity, which usually represent the input for other production industries. Consequently, the metallurgical industry is highly interdependent with the rest of the processing industry, and is in the initial or middle part of almost all value chains of manufacturing sectors. Manufacture of basic metals sectors are at the beginning of the value chain, while the sectors of metalworking industry are positioned more towards its center. In this way, the activity of these sectors to a large extent depends on the needs of other sectors and the general overall economic growth. As the products of this industry find its application in most of the processing industry, the main source of growth is the total economic growth, i.e. growth of the industry as a whole.

The most common classification of metals is to base and precious. Base metals are those to oxidize or corrode relatively easily. Within the base metals, the most important division is into ferrous and nonferrous metals. Ferrous metals, relating to the metals containing iron ore, are more massive and relatively more readily available. On the other hand, non-ferrous metals do not contain iron ore to a significant extent. They are generally more expensive, due to desirable characteristics, such as lower weight (aluminum), higher conductivity (copper), non-magnetic characteristics, or resistance to corrosion (zinc and nickel). Precious metals represent, to some extent, a contrast to the base ones, because they are resistant to corrosion and oxidation, and their value is significantly affected by their rarity. The best-known precious metals are gold, platinum and silver. Precious metals are less reactive than most elements, characterized by an extraordinary luster and high electrical conductivity.

Base metals find their application in a wide Ranke of products, from construction to a defense and machine industry. Steel has the greatest application in construction - more than 50% of steel produced around the world is used in the construction of buildings and other infrastructure facilities. The next largest "user" of steel is the automotive industry - on average, the production of one vehicle takes 900kg of steel, and given that the annual production of close to 90 million vehicles, the automotive industry annually uses about 80 million tons of steel. Steel is also used in many other industries - and even if the final products are not made of steel, the machines that make products very likely are. Copper is also used in a wide Ranke of industries, and due to its characteristics, it has the most important purpose in Construction and Wires and cables industry. Aluminum is of great importance for all industries that use light metals as integral parts of a product - from the aerospace industry to manufacture of cans and other metal containers.

The most important producers of iron and steel are located in Asia - of the total steel production, which in 2015 amounted to 1.6 billion tons, 70% is produced in Asia. Out of this amount, China produced 50% of total world production. Other manufacturers which are relatively significant are the EU (Germany, Italy, and Spain), the United States, Russia and Ukraine. The largest copper producer is Chile, which in total world production of 18.8 million tons, accounts for 31%. Chile is followed by 5 countries - China, Peru, the United States, Congo, and Australia, which together with Chile determine 2/3 of the total world production. Production of primary aluminum in the world reached 57.8 million metric tons in 2015. By far the most important producer is China, which in aluminum production accounts for 55%. Relatively "important players" in the production are Russia, Canada and the United Arab Emirates.

From the standpoint of the consumer, in the last 15 years, China, as a center of industrial production and the construction industry, has become the dominant consumer of metals. China has increased its share of world consumption of iron from 23% in 2000 to 60% in 2015. In the case of aluminum and copper, in the same period, China increased its share from 13% to 48% and from 12% to 50% respectively. Significant consumers of steel are Japan, India, USA and Korea too, while in addition to China, a high proportion of the consumption of copper and aluminum is present in the US, Japan, Korea and Germany.

Metallurgical industry has in the past been strongly impacted by the drop in prices of base metals. The strong fall in prices of base metals, which has been going on since 2011, was caused by the gap between supply and demand, due to the weaker global growth. On the supply side there are excessive capacities, due to the fact that the offered amount of metal is continuously strong, especially when it comes to the offer from China. On the other hand, China, which, until recently, had been the main engine of demand in the base metals sector (due to strong economic growth, major infrastructure investments and increasingly stronger demand growth due to the increased earning ability of the population), has lately been exhibiting a drop in demand and is turning from a global importer of metal

products into a global exporter. The decline of metal sector in China is also a result of certain structural changes - turning the country towards an environmentally sustainable economy, turning the economy away from metal and processing intensive towards service intensive, and finally a result of the falling value of the Yuan, which particularly affects those producers of metal products in China that were financed from foreign sources.

Serbian Metallurgical Industry Structure

In 2014, Metallurgical industry created 1.7% of the GDP, and employed over 56,000 people in Serbia. The global financial crisis, coupled with the continuous decline in world prices of all metal raw materials since 2011, strongly influenced the decline in performance of the entire industry. In the post-crisis period, the branch experienced a decrease in the total number of employees by more than 8,000 people, the decline in the value of industrial production, and total exports, after the initial growth, has been in continuous decline in the last four years. Such a drop is the result of a sharp plunge in production and exports of iron and steel, which in 2011 accounted for 45% of total export of the branch, and by 2014 it halved the exports.

Industrial production of base metals has been in continuous decline since 2010, and today it is half the production from the beginning of the period. However, in 2014 the production of basic metals slightly recovered, after a sharp decline in the period from 2011 to 2013. This trend is primarily the result of the withdrawal of US Steel from the management of "Zelezara Srbije" steelworks. In 2014, there was an increase in industrial production by 8.5%, partly as a result of the low base in the previous year.

Metalworking industry sectors have high development potentials, with strong export capacities and a large space for the entry of new companies.

On the other hand, the processing sectors of metal products manufacturing, except for the initial decline in production at the very beginning, managed to successfully cope with the consequences of the global financial crisis. However, in the final year, after continuous growth, they recorded a decline in production by 24.7%. In this way, the sector is now slightly below the level of production of 2010.

The production of base metals is mostly concerted and tied to the production of several companies in which the state has a dominant ownership share. Base metals sector is a classic representative of the "missing middle" phenomenon, which is present in many other sectors -- 10 largest companies make up close to 80% of total revenues, while the remaining 750 companies generate the remaining 20%. Two state-owned enterprises fully delimit the supply of raw materials and primary products. In the iron and steel sector, the main role belongs to "Zelezara Smederevo" steelworks, while in the case of copper production; this role belongs to "RTB Bor". Unfavorable movements in world prices of metals reflected on their business, and in 2014 both companies operated with a negative net result. Their negative performance was reflected in the decline in performance of entire sectors.

In the metalworking sectors - sectors of the middle and higher levels of processing and treatment of metals and fabricated metal products sector, the structure is more fragmented. 10 largest companies generate 30% of revenues and 50 largest companies - 55% of revenue. However, these sectors miss large companies, or those which could be considered large by the European standards. The structure of the metal sector, including metalworking industry in Serbia, is shown in the graph below. Size of the circle which shows each company depends on the size of the market share, while the color of the circle is associated with the ownership - state, foreign or local.

Global trends have a major impact on the performance of the metal sector. Of the 100 largest companies in the sector, 84% export their products, while out of the total number of companies, 37% participate in foreign markets. The price of metals, which for certain companies presents an input in production, and for others an output, is determined by the trends on the world market. Lower price of iron, steel, and copper, caused by "overcapacity" or excess of supply over demand adversely affect the two biggest players in the sector – "Zelezara Smederevo" steelworks and "RTB Bor", which export their products to a larger extent to foreign markets. Further decline in prices is expected in the near future, which will likely result in increasing the negative operations of the two strategically important companies. It is somewhat encouraging that more rapid recovery and growth of the European economy is expected, particularly the construction and automotive sectors, as 99% of placements "Zelezara" steelworks and "RTB Bor" relates to the EU market. On the other hand, some SMEs using base metals and semi-finished metal products as input in production, and whose final products have higher value added, and who are somewhat differentiated from the competition, should improve their competitive position - particularly if one takes into mind the comparative advan-

tage in terms of labor costs and the cost of transport to the European market. However, the space that opens for margin increase should be primarily used for the renewal of technology, investment in research, development and innovation, and improvement of productivity.

Metallurgical Industry Development Potential

Within the metals, the metalworking industry sectors proving more resilient and skilled to take advantage of the global trends became profiled as highly prosperous. Almost all sectors showed a high growth potential - the production of tools and blades, metal packaging and production of radiators, production of metal constructions and frames and defense industry, while the manufacturing sector of general purpose metal products showed moderate development potential. The only highly concentrated sector within the metalworking industry is the defense industry, which includes the production of weapons and ammunition, and explosives. All 8 companies, which employ nearly 8,000 people and generate more than RSD 20 billion revenue, are owned by the state. Other sectors are low or moderately concerted, and in addition to the high development potentials have a large space for the future development of existing and new entry of small and medium-sized enterprises.

Graph 2.6: Metallurgical industry development potential



Iron and steel

Jewellery

- Aluminium
- Other precious and non-ferrous metals

On the other hand, the sectors of base metals showed extremely low or moderate development potentials. Three sectors of the group found themselves in the top 10% of the sectors with the lowest growth potential - production of iron and steel, aluminum production and the production of other precious and non-ferrous metals. Low growth potential is shown by sectors of production of steel profiles and production of jewelry, while casting and metalworking, steel and iron casting, and copper production showed moderate growth potential. Companies in these sectors have failed to adapt to the adverse developments of global prices of metal raw materials. In addition, inadequate corporate governance of leading public companies, as well as their financial instability decisively influenced such a poor performance of the sector. Poor performance and poor competitiveness was recorded also in the sectors associated with ores of iron and steel, primarily as a result of the poor performance of "Zelezara Smederevo" steelworks, and US Steel departure due to worsening of the global economic crisis, falling demand and lack of a stable source of raw materials.

Anemic global demand as a result of economic growth slowdown of the leading countries and the consequent slowdown in global trade was accompanied by low export competitiveness of most of the metallurgical industry sectors. Only five of the fourteen sectors achieved a significant strengthening of its exports. The other nine sectors showed a rather weak or low export potential. Strong export potential is demonstrated primarily by defense industry, but also by such products as metal containers and radiators; constructions and the frames; general purpose metal products as well as the production of copper.

However, the metallurgical industry still accounts for a significant share of total exports of products (13%), while growth has been relatively stagnant at an average annual growth of 5.6% in the previous period. Regardless of the slowdown in global demand for products of this industry, the most important export destinations continue to achieve solid growth in demand - Italy, Germany, Bulgaria, Russia, and Turkey. However, we failed to follow growth trends in the largest number of foreign markets. The largest loss of market share took place in Italy, Germany, Slovenia, Bosnia and Herzegovina, and Austria. On the other hand, while the products of metal ores, metal packaging and radiators, copper and general-purpose metal products were the most dynamic export, the biggest drop in exports was recorded by products related to iron and steel.

Chemical Industry

The chemical industry is a globally one of the most important and most linked branches with the overall economy of a country. The products are highly integrated along the entire value chain, and their use can be found in nearly all processing industry branches - construction, automotive, household appliances, etc. The sector is intensive in innovation, and today's world would certainly have been unthinkable without the technological solutions that we know today. The development unlocked and accelerated the growth of related sectors, and consequently the people's lives got easier and elevated to a higher level. However, in Serbia there is significant room for improvement in the structure, and the sophistication of the branch. This is reflected in the complexity of the product, intersectoral connectivity, or the level of environmental awareness of the economy and recycling share in the chemical products.

The product Ranke of the industry is much diversified, and can be divided into three basic groups of sectors - chemicals and chemical products, basic pharmaceutical products and rubber and plastics products. Basically, according to the chemical composition, they are divided into the organic and inorganic products. The largest part of the chemical industry belongs to the group of organic chemistry, carbon-based, which uses crude oil or natural gas as basic raw material. Therefore, the operation of the companies is highly dependent on developments in oil prices, fluctuating significantly in the last two years. These products include pharmaceutical products, all products of rubber and plastics, as well as most chemicals and chemical products (agricultural chemistry, paints and varnishes, detergents and household cleaning products, etc.). A much smaller group of products falls into the products of inorganic chemistry, which are not based on carbon and typically used as secondary raw material.

The sectors of the chemical industry on a global level create different market structures - while the pharmaceutical industry is highly concentrated, other sectors have a higher level of competition and significantly lower concentration. The pharmaceutical industry is a highly concentrated sector with a smaller number of strong corporations, which is highly capital-intensive and moderately automated. The strongest companies in this industry are mainly US companies Johnsons & Johnsons, Pfizer, then the Swiss Novartis and the US Merck & Co. According to the Forbes list of 2000 most powerful companies, the US is the location of the headquarters of even half of the pharmaceutical companies in the top 20 in this sector. On the other hand, the rest of the chemical industry is not concentrated and includes a larger number of companies, where the participation of small and medium enterprises is gaining in importance.

Asia is the dominant producer in all groups within the chemical industry, except pharmaceutical products dominated by the United States. When it comes to the pharmaceutical industry, the United States in 2013 had a huge advantage over the rest of the world, with over 50% of the total production. After the United States, a high level of production was achieved and Japan, and China. Asia dominates the group of rubber and plastic too. When it comes to plastic, China is the leader with over 24% of the total production, followed by the regions of the EU and NAFTA. The situation in the production of rubber was a little different, dominated by Indonesia, Malaysia and Thailand, which together produce over 70% of rubber and rubber products in the world. And finally, when it comes to chemicals, China again stands out as a leader in the production with 33% of the total production, followed by the regions of NAFTA and the EU.

A Review of Past Trends

Besides the consequences of the financial crisis in 2009, the chemical industry was under the greatest influence of a strong decline in the world oil prices. Due to the gap between the supply and demand quantity in the oil market, prices have been falling since the summer of 2014, reaching a level of \$361 per barrel at the end of 2015. On the one hand, we have a constant supply, primarily due to the fact that OPEC does not want to reduce its output (in order to keep market share), while Libya produces greater quantities of oil than expected. Also, bearing in mind the agreement between Iran and the United States from 2015, in the future we can expect growth of oil exports from Iran, which further increases the amount of oil available on the market. On the other hand, the demand for oil is decreasing. The developed countries of the OECD and the United States recorded weaker economic growth than was expected, which particularly affects the industrial sector and consequently leads to a lesser need for energy. A similar industrial recession was recorded in China too, and import of energy by this is country is lower weaker than before.

The fall in oil prices has a particularly positive influence on the European chemical industry. Bearing in mind the weakening of the competitive position of the European chemical industry compared to the US, the decline in oil prices and the consequential increase in profit margins had a very positive impact on the entire sector. Since about 85% of the

¹ Source: IMF database of prices of primary raw materials. The initial level of oil prices in July 2014 was \$ 108 per barrel.

petrochemical industry in Europe depends on oil and oil products, as opposed to American manufacturing which is for the most part based on light oil and gas from oil shale, the effect to the chemical industry in Europe is very strong. However, the problem still remaining, unaffected substantially by the fall in energy prices so far, is the weakening of global demand and slowing of growth and this lack of demand is an essential ailment of the European chemical industry.

As Serbia does not have the raw material base for the chemical industry, it is import dependent. Therefore, it is expected that, if the oil price remains at a low level in the next period, the Serbian companies feel the effects through significant cost reduction. Bearing in mind that the chemical industry is in large part dependent on oil and petroleum products as the primary raw material, oil prices are an essential driver of costs in this sector. However, the companies will "exploit" the drop in the price of oil through the high profit margins only in the short term until there is a spill-over of falling oil prices on the decline in the price of chemical products. In the medium term, the establishing of a lower equilibrium price of chemical products exhausts the possibilities for achieving large profits.

While global sales of chemical products doubled in the period of ten years, there has been a change in the champions of growth of this sector. The largest source of growth was the developing countries, especially China. Accordingly, the OECD data shows that the share of the OECD countries in overall sales of chemical products dropped from 77 to 63 percent between 2000 and 2009, while the BRICS countries recorded an increase from 13 to 28 percent. Also, the research of the European Chemical Industry Council (CEFIC) shows that the share of the EU declined from 29.2% to 20.9% in the same period. Although traditionally the developing countries were the most active in the lower parts of the value chain, and developed OECD countries produced specialized finished products, new OECD analysis shows that countries like India and China are increasingly specializing in products of a higher level of value added.

Chemical Industry in Serbia

Chemical industry in Serbia is made up of 1,500 companies, which in 2014 contributed to the GDP by 2.2%, and employed over 32,000 people. Unlike the average of the Serbian economy, these companies, in addition to being more ready for the impact of the global financial crisis, proved to be more dynamic and healthier. Industrial production and exports continue their growth in the entire post-crisis period. However, growth was not accompanied by the creation of jobs, but, on the contrary, the sector suffered a drop in employment by 3,500 people. This situation was contributed foremost by the reduction of the number of employees in pharmaceutical companies "Galenika" Belgrade, "Zdravlje" Leskovac, "Hemofarm" Vrsac, "Jugoremedija" Zrenjanin which is in bankruptcy. On the other hand, the industry has large numbers of healthy small and medium-sized companies, which have quality product able to break through not only to local but also foreign markets.

The market structure of the sector is somewhat different from that at the global level –in addition to highly concerted pharmaceutical industry, the sectors of production of chemicals and chemical products are concentrated as well. The sectors of low-complexity products are mostly highly concerted and led by the operations of one or a small number of companies. Also, the sector of agro-chemistry is led by the two companies: "Galenika-Fitofarmacija" and "Chemical Agrosava" from Belgrade, with a combined market share of 86%. Among the sectors of medium complexity, some sectors are also highly concentrated. In the sector of production of vehicle tires, four companies have 96% market share ("Tigar"from Pirot, "Mitas"fromRuma, "Cooper Tire &Rubber"from Krusevac, and "Trayal" from Krusevac). Also, the leaders in the pharmaceutical industry –"Hemofarm" from Vrsac, "Galenika" from Belgrade, and "Zdravlje" from Leskovac, make up 84% of market share. On the other hand, the sectors of manufacturing products based on rubber and plastics are low-concerted, without the participation of a dominant market player. Thus the sectors of manufacturing plastic profiles, producing plastic packaging, other rubber products, and other plastic products, are mainly driven by the performance of a large number of SMEs.

Production of chemically industry is on the rise, and the most dynamic sector is the pharmaceutical industry. Its production is continuously growing, with growth rates higher than the average. In the entire post-crisis period, they have managed to sustain growth, while in 2015 the production increased by 17% compared to the previous year. On the other hand, production of rubber and plastics does not achieve enviable growth rates, and total production remains largely the same as in 2010. Slightly more dynamic growth was achieved in 2015, of 6.1% compared to the previous year. However, it is important that they are increasingly able to re-orient their production towards the foreign market, which creates additional space for growth in the future. Finally, the production of chemicals and chemical products in the post-crisis period in most years was in decline, managing to stop the decline only in 2015 and register growth of 2.7%. The decline is due to largely unstable operations of the public company "Petrohemija" from Pancevo which produces plastic mass in primary forms.

Sector of pharmaceutical products and preparation operates under significantly different regulations in relation to the rest of the chemical industry. Operation within this industry is highly controlled by national legislation both in Serbia and globally. European legislation sets the standards of quality that are not achievable by all local companies. The leaders of the Serbian market, "Hemofarm", "Galenika" and "Zdravlje" have the necessary certificates for export

to the European market. However, the strongest export is achieved by the company "Hemofarm" with a much wider coverage of product Ranke and a share of 83% of total exports of the pharmaceutical industry.

The chemical industry, in addition to a solid foothold in Serbia, spills over its effects of development into the rest of the economy - the products are often used as a raw material source in the production process of a large number of related sectors. In this regard, the chemical industry is centrally positioned in the value chain of processing industry. Today it is difficult to imagine a product that does not contain a part which is of chemical composition, or at least a part which production process does not use such products. This central position of the branch allows multiple effects and spillover of growth of chemistry to the entire economy. Therefore, the economic development significance lies in the development, innovation and dynamics of the sector of the chemical industry. Also, the benefits of these sectors generate high positive externalities for society as a whole.

Chemical Industry Development Potential

The largest number of sectors of the chemical industry is identified in the segment of high development potentials. As much as 9 out of 13 sectors demonstrated a high development potential. Rubber and plastics product proved the most important group of the sector. The sectors are: vehicle tires; plastic packaging; other plastics products, plastic profiles; and other rubber products. These sectors were in the top 30 tradable sectors of the entire economy. In addition, high growth potential was expressed by the following sectors: production of basic chemicals; agro-chemistry; paints and varnishes; as well as household chemicals and personal hygiene. Other chemical products and pharmaceutical products showed a solid development potential. The only two sectors within the chemical industry with demonstrated high growth potential are the production of fertilizers and the production of plastics mass.

The driving development potentials were expressed primarily in low concerted sectors made up of a large number of small and medium-sized enterprises. The first place is occupied by the sectors of plastics and rubber production, where all sectors exhibited the highest development potential in the chemical industry. What particularly distinguishes this potential is the ability of the sector to absorb employment and future growth through existing and the entry of new companies. Apart from the production of tires for vehicles, all the sectors are extremely low concerted with low entry barriers. Also, atypical for the rest of the Serbian economy, sectors are made up of a large number of healthy and successful small and medium-sized enterprises, which can be expected to growth in the future. Since these are companies that have a chance to grow, it is very important to devote special attention to the factors that are necessary to free the potential and use it to the full extent.

,	Graph 2.7: Chemical industry developme	ent potential
6	Tires for vehicles 54	Pharmaceutical products
11	Plastic packing 63	Other chemical products
12	Other plastic products 66	Fertilizers
18	Agro-chemistry 80	Production of plastics
21	Plastic profiles	
26	Basic chemicals	
31	Other rubber products	
37	Paints and varnishes	
15	Home care	

and personal care

Sectors that are in the lowest position in the value chain of the chemical industry - production of plastics and production of fertilizers, showed a low potential for development. These sectors are highly concerted, and this result is due to the poor performance of leading companies. "HIP Petrohemija", which owns 75% of market share in the production of plastics mass, generated a net loss in all the years after the crisis. On the other side, "HIP Azotara" from Pancevo, together with companies "Fertil" from BackaPalanka and "Zito-media" from Kula, with high losses and a reduction in the number of employees contributed to the poor performance of fertilizer manufacturing. With improvements in financial and production stability of these manufacturers, mainly primary raw materials that are further used in the production of finished products, the capacity of the entire chemical complex would be improved.

In addition to the high development potential, chemical industry demonstrated the most dynamic export performance. Almost all sectors have a high or at least moderate export potential. Of these, 6 of the 13 sectors of chemistry have shown strong export capacities. There are primarily all sectors of manufacture of plastics and rubber products. Regardless of the fact that the overall production is not dynamically increased in the post-crisis period, these firms have managed to increasingly sell their production to foreign customers. In this way, a part of the market "pie" in foreign markets becomes increased by strong penetration of Serbian plastic and rubber products. On the other hand, the only sector with low export performance is the production of other chemical products.

Export of chemistry sectors is dynamic and makes 13.1% of total exports of tradable sectors of the Serbian economy. Results of agility and the ability of the average company to go out and survive on the international market indicates that there is room for further improvement of the dynamics in the future. Dynamics of exports showed a relatively solid growth of 14.8% annually in the previous period. However, this growth was sufficient to also improve market position in almost all export destinations. The most important markets were Germany, Bosnia and Herzegovina, Russia, and Montenegro. It is interesting to note that we achieved the strongest penetration in the markets of Germany, France, Spain and Turkey.

Textile Industry

Textile industry includes a Ranke of activities that can be grouped into two main segments - the transformation of plant, animal and synthetic fibers in textiles and fabric, and production of various finished products such as clothes, shoes, lingerie, hosiery, leather products and others. Many textile companies are now vertically integrated and include the full Ranke of activities, from the transformation of raw materials to the production of clothing. The textile industry is very fragmented, diversified and varied. A large number of manufacturers participate in the market, competing at the local and at the national and global levels. The industry is mainly labor intensive and requires a high complexity, this production is concentrated in developing countries or developed countries, due to lower labor costs. However, the mere cost of labor is not the only success factor - in the age of consumerism and constantly growing income, when demand in the textile industry is highly dependent on the preferences of customers, product differentiation and effective branding play a very important role. The industry requires significant capital investment with growing importance because customer requirements are growing too, as well as production efficiency, and environmental awareness. Diversification and versatility of the industry enable significant presence in the market for small businesses too, and they can find an adequate niche market through innovation and meeting the specific needs of customers.

Five dominant countries in the global market are China, Italy, Germany, USA, and India. The main players reflect the nature of the industry - diversification and various performance factors. Companies from the EU, the US, Japan and other developed countries are still at the "favorable" end of the value chain, dealing with design, marketing and distribution, while production takes place in developing countries such as China, India, Bangladesh, and Vietnam. China is the largest producer and exporter, and the largest importer and consumer of textile products are the United States. In the era of globalization, as well as at a significant rate of outsourcing, the structure differs from the perspective of companies operating in the market - the four leading corporations in terms of actual revenues come from developed countries - Nike (USA), Inditex (Spain), Adidas (Germany), and Kering (France).

International trade in textile products is constantly growing, led by growth in developing countries. In 2014, total trade in textile products reached a peak of over 1,000 billion dollars, which is 37% higher than pre-crisis level, when it was 760 billion. The main engines of growth are China and India, which grew at a rate of 9% and 12% per annum. Strengthening of the middle class and the growth of population in the two countries positively affect the textile industry. The positive impact to the higher value added products in the textile industry came from a drastic fall in the price of raw materials - cotton prices from February 2011 until the end of 2014 fell by 70%, from \$ 5 a kilo to \$ 1.05, while the price of wool in the same period fell by 45%, from \$ 18.6 to \$ 10 a kilogram. On the other hand, two of the leading European countries, slowed down the trend of growth of world trade - Germany "grew" by 1% per year, while exports from Italy remained at exactly the same level. Although Italy is still "the second world power," and textile industry is traditionally important to the Italian economy (a total of 50,000 companies employing 410,000 employees), Italian textile branch is slowly losing its breath in the race with the developing countries - the total value added in the last 15 year fell by 22% and the number of companies that are closing is growing each year.

Due to strong competition, the pressure from customers and insisting on lowering the prices, the main challenge that companies face is how to increase revenues and profit margins with rising investment. It is expected for the growth of the sector to be stable at the global level, with an annual growth rate of 5% by 2025. In the coming period, it is expected that the position of growth leader would be kept by the developing countries, primarily China and India, in accordance with the expected demographic growth and increase the living standards of the growing middle class. On the other hand, it is expected that there would be a partial relocation of the production of value added products from China to other developing countries, the main destination being Bangladesh and Vietnam. However, despite positive tendencies and growing market share, the profit rate of leading Chinese companies are in decline - primarily because of high investment, rising labor costs, turning towards the production of more expensive products, but also the need to be cost-competitive, and to offer a sufficient quality product at a price as low as possible. Favorable impact on the profitability of the textile industry at the global level is expected from declining cotton prices, because it is expected that by the end of 2016 it will drop by a further 8%.

Textile Industry in Serbia

Textile industry in Serbia has close to 2,000 active companies and is a "mix" of large foreign companies and local SMEs. The size of the industry presented in operating income and number of employees' amount to 111 billion di-

nars and 43,000 employees. 10 largest companies in the sector are foreign-owned, while of the 50 largest companies 30 are foreign. These 10 companies generate 28% of operating revenue and 13% of the total number of employees, while the 50 largest companies generate 62% of revenues and 47% of jobs. Although the large foreign companies are "important players" in the sector, the data presented clearly show that a significant contribution to the sector comes from the SMEs from Serbia. The graph below shows the structure of the branch - each company is a separate circuit, the circuit size is determined by the operating income in 2014, while the color of the circle indicates the type of dominant ownership - foreign, state and local private.

The textile industry is traditionally important for Serbia for several reasons. First of all, the textile industry has a long history – before the breakup of Yugoslavia, the textile industry was one of the leading branches of export, with annual export revenues of about one billion US dollars. Over 70% of export revenue originated from sales in Western Europe. Most Yugoslav textile companies were located in the territory of Serbia. During the eighties, Serbian companies produced clothing for a large number of American and Western European companies. Although the majority of companies that were protagonists of that history are today written off, the know-how is still present in the Serbian economy - with some it is passed from generation to generation, there are still textile schools in places that were textile centers, while many former workers of large factories established spin-off companies. The textile industry has the potential to affect specific socio-economic priorities. The industry is a favorable environment for the development of entrepreneurial operations and small businesses, with the possibility of finding a market niche and low costs of starting the job. The industry is labor intensive, and "inclined" to employment of women, from the perspective of a high unemployment rate economy is not negligible. Also, an important aspect is the regional development - the industry is not tied to a particular region, and has the potential to grow in the most affected districts. For example, in the Raska district there are over 200 active companies, which at the end of 2014 created RSD 4.7 billion revenue, and as many as 39% have managed to export products to markets outside Serbia.

Textile industry in Serbia is recovering. Total revenues increased in the post-crisis period by 41%, and there has been a change in the structure of the leading enterprises, through the establishment of healthier and more sustainable companies and sales, through turning to foreign markets. The trends are based primarily on the entry of a large number of foreign direct investments (FDI). In the last nine years, arrivals to Serbia are companies such as "Valy", "Grammer System", "Modital", "Benetton", "Fiorano", "Real Knitting", "Magna Seating" and so on. Foreign companies have recognized the growing comparative advantages of production in Serbia - countries such as China and Turkey, with traditionally cheap labor, are increasing the average costs, and losing the position based on price competitiveness. Consequently, Serbia was given a chance to initially attract foreign capital to further start the once strong textile industry.

The main driver of the recovery is exports. The largest part of the revenue growth came on the basis of export growth, which in the period from 2009 to 2014 increased by about EUR 385 million, or 90%. Given that exports grew significantly faster than imports, the net position improved - net exports increased by EUR 135 million and at the end of 2014 reached EUR 187 million. It is encouraging that companies from the textile sector did not only "ride" the global wave of growth, but grew significantly faster than the global market. In this way they won a piece of the market cake away from the competitors. A positive signal is that the growth of competitiveness is expressed on a larger number of markets, which confirms its systematic nature. What is worrying is the low percentage of companies that sell their products to foreign markets (only 32% of companies), as well as the concentration of exports - 10 largest exporters created 40% of the value of exports, while the 50 largest companies generate 81% of exports. For export growth to continue, it will be necessary foremost to broaden the base of the exporters, but also to encourage greater investment of existing key players.

Textile Industry Development Potential

Sectors of middle and high value-added level expressed the greatest development potential.

Graph2.8: Textile industry development potential

3 Socks

44 Footwear

59 Textile products

Clothing

Graph2.8: Textile industry development potential

84 Textiles and fabrics

99 Leather products

Socks production sector proved to be the most competitive, with the greatest development potential. In the postcrisis period, the sector's operating income increased by 134%, while revenue growth was accompanied by increasing the number of jobs by 28%. The sector is highly concentrated - more than half of revenues and a third of jobs was created by one company - "Valy". Growth in the sector was based on increasing export competitiveness - export in the six-year post-crisis period increased by EUR 61 million, 78% was achieved thanks to the takeover of the market from rivals. The massive export is best illustrated by the fact that the RCA index is 25 - which means that the share of this sector in export is 25 times higher than what is common in other countries. The product is exported to 61 different markets, and the growth of competitiveness was recorded in most of the markets. However, given the structure of the sector, it is clear that there is a "key-company risk". Growth based on one company in most cases is not viable in the long-term and the case of the products of that the company proved that Serbia can produce extremely competitive textile product - therefore it is necessary to encourage other market players to increase productivity, enter the foreign markets and survive in them. It is also important that the sector proved to be a generator of jobs - but in order to be considered as the generator of quality jobs, it is essential to transfer more complex activities, such as design, marketing, and logistics, to the extent that it is possible to the local market. Productivity is relatively low, which is the most important reason for the low rate of survival in foreign markets. Obsolete technology is a key factor in low productivity and investment in the sector of machinery for the textile industry and the creation of value chain should be a priority.

Undergarments production is positioned as a sector with a relatively high growth potential, while clothes and shoes sectors are moderate growth potential sectors. The growth in these sectors is determined by the export performance. In the undergarments sector the growth was rapid but also sustainable –with participation of a significant number of companies. The clothing sector has a high volume of exports, and the footwear sector export growth was among the most dynamic within the tradable sector.

Innovation is one of the key factors for further progress. SMEs should turn to niche markets, which can be supplied with products of higher value added, in small quantities. To make a differentiated product and to attract the attention of buyers, in addition to quality, which goes without saying, it is necessary to have innovative design, easily adoptable and reliable and instantly recognizable brand, as well as regular communication with customers, nowadays possible through social networks. Given the relatively low cost of labor, good geographical location, favorable trade arRankements, a relatively high level of "know-how", Serbian SMEs really have the chance to put up an equal fight with the competition - in the short term in order to surprise attack a particular market segment. Loan jobs, lately more and more oriented towards Serbia, should only be used as bait, but not the final goal. After proving the quality and accountability in the tasks entrusted by foreign companies, it is necessary to attract more of delegated activities that add to the value of the services rendered –which tie the essence of the transaction to the Serbian market. An active cluster, which would be based on these principles, and enable companies to have better negotiating position should be the focal point of progress. With regard to large foreign corporations, the situation is similar to the loan business - low labor cost should be the initial trigger, in a short period of time an infrastructure should be created around the company, so that it may benefit from the services and products of local companies. Such services can be provided primarily in the area of design, marketing, transportation, logistics, trade, and through the production and maintenance of machines intended for the textile industry. For the sector to be able to take advantage of the potential, it is necessary to face the risks and weaknesses. The first line is the grey economy, which is particularly present in the textile sector, but the environmental responsibility too is an important issue, and the need to go from obsolete methods of processing to more sophisticated machines. In addition to increasing productivity, this would lead to the improvement of corporate image. While many companies cannot afford expensive machines, more associated companies in regional centers with a lot of companies in the textile industry can. Period of low and falling prices of raw materials and increased finished products margins should be used to improve competitiveness as much as possible, through getting closer to qualitative and environmental standards existing in the EU.

Transport Equipment

Transport equipment industry includes a whole Ranke of sectors, from production of parts, equipment and bodies for motor vehicles, production of motor vehicles themselves, to their maintenance, distribution and sales. In the context of a production network of the country, this industry is located in the center, which means that it produces products of high complexity and value added, that in technological and resource terms it is associated with a large number of other sectors, and that is of great importance in the formation of these sectors and the economy itself. Very significant "supply" sectors are located in the branches of metals, chemicals, and textiles, while lately the ICT sector is getting more and more profit related to the automobile industry. Transport equipment industry is capital, technology and innovation intensive, which indicates that this is a very dynamic industry in constant motion, requiring new ideas and solutions. Despite the high capital and technology intensity, the industry is also a significant generator of jobs - employing over 12 million people in Europe, both directly and indirectly, in the United States over 8 million, and in Japan more than 5 million people. The industry is strongly export-oriented, so most companies in the industry participate in a competition on the global market - which has its own distinct advantages, primarily expressed through the size of the market, the possibility of finding in the proper niche, achieving economies of scale, optimization of profits and maximizing of productivity, and certain disadvantages - the industry is more sensitive to external shocks and the weaknesses of the global economy and financial system.

The industry is concentrated at the global level, but although the big "players" who form an oligopoly (in the context -of countries but also concrete producers) dominate the market, not leaving much room for smaller competition that cannot be cost-effective and innovative as them, there still is a competitive market, i.e. none of the big players have a decisive influence on the whole trend in the industry. Three major players, from the perspective of countries are the EU, especially Germany, and the United States, and China. Germany is the biggest exporter, China the largest producer and the largest importer of US vehicles. Although the EU led by Germany is one of the key players, the trend of relocation of both production and increasing demand to developing countries is expected to continue in the future.

The market of transport equipment is still recovering and stabilizing after a turbulent period that was caused by the global financial crisis. The growth trend has been established, but it is still relatively slow, reaching 3% per year. Sales in the three major markets - China, the US, and Europe has increased in the last year by 8% (21 million vehicles) 6% (17 million units) and 5.5% (13 million units), respectively. On the other hand, due to the VAT increase, Japan saw a decline in sales of 7%, while the oscillations are present on two extremely important markets, which fell into recession - In Brazil, which is expected to see a decline in GDP of 1%, there was a decrease in sales by as much as 13% (2.5 million units), while in Russia, where a deep decline in GDP of 4% is expected, sales fell by 23% (2.1 million units). The recovery of the global automotive industry to a large extent was contributed to by the decline in commodity prices - especially oil and metals. The fall of metal prices, affected the lower production costs, while reducing the price of oil affects lower energy costs, and also cheaper manufacturing process, but also the increased demand due to the significant drop in fuel prices, particularly in the US market. Favorable pricing trends and greater availability of fossil fuels adversely affected the new tendencies in this sector, which include moving towards a green economy - production of electric cars and hybrids, which use energy more rationally.

Production growth and rapid recovery of transport equipment industry, and manufacturing of the fittings for the industry, it is expected in the coming period, with a few changes in the very industrial paradigm. Global economic growth, as well as the end of recession in most of the EU countries will have a positive impact on the industry of transport equipment. However, growth will be mild, it will not completely solve the problem of oversized production capacity, and 80% of the expected sectoral growth is expected to be realized outside the EU. Therefore, one of the main changes will be the acquisition of a majority of the market share in total car sales by developing countries, who are expected to increase their share by 10 percentage points by 2020. Also, bearing in mind the increasing differentiation required by the buyers, it is expected there would be pressure on cost of manufacturers of transport equipment. One of the key challenges for the industry of transport equipment and fittings is the increasingly severe environmental regulation in the market that will be implemented over the next few years. This is in parallel with the negative perception created after the Volkswagen scandal, during which it was established that the company in the United States installed the parts that disguised the actual output of harmful gases. In the future we expect increased specific activities in the field of research and development in order to develop new technologies for reducing carbon dioxide emissions.

The Structure of the Serbian Transport Industry

Transport equipment industry and related sectors in Serbia were fully revived with the arrival of FIAT. Although the industry had a tradition of more than 70 years, during which at its peak in the eighties of the 20th century it produced 250,000 vehicles a year, the breakup of the country, conflicts and sanctions brought the production process to a complete stop. Although production continued after 2000, to a much lesser extent, the products were completely uncompetitive as a result of extremely obsolete technology and dilapidated facilities. In order to activate the strategically important industry, the Government of the Republic of Serbia used a network of incentives to attract FIAT, original equipment manufacturer (OEM) and one of the world leaders in the auto industry. Besides the most visible effect of manufacturing and exporting more than 140,000 vehicles worth more than 160 billion dinars, a joint venture of the Republic of Serbia and FIAT included the repair of road and railway infrastructure and the establishment of supply park "Grošnica" in Kragujevac, which has the status of a free zone. Many of the original manufacturers of the parts from "Tier 1" group have settled in Serbia, among others, "Johnson Controls", "MagnettiMarelli", "Grupo Prom", "Yura Corporation", "Draexlmaier" and "HT & L". In 2014, the entire industry generated revenues of 229 billion dinars, which is as much as 4 times more than in 2009. The number of employees reached 27,000, while the productivity of the sector doubled compared to 2009 and amounted to € 12,700 per employee.

Motor vehicle sector was the engine of Serbian economy in the post-crisis period, and for it to remain so in the future, its gas tank needs to be filled up.

The industry is highly concentrated, led by foreign direct investment, and predominantly oriented towards foreign markets. Two-thirds of total industry activity is related to one company - FIAT, while the 10 largest companies created almost 90% of total revenue. The 10 companies are predominantly foreign-owned, while of the 50 largest companies, 64% in the ownership structure have a majority share of foreign capital. The internationalization of the industry is shown in the fact that of the 50 largest companies, as many as 47 companies export, and in the total number of companies, export activity is present in half of them. Export activities make up the majority of revenue of companies, of one dinar sold as much as 95 out of 100 para comes from exports. It is encouraging that a five-year dynamic growth in exports is led primarily by increase in competitiveness. In addition to Italy, as by far the most important export partner, strong growth was achieved on the markets of Germany, the USA, Slovenia, the Czech Republic, Turkey, and Poland.

In order for the industry to continue its dynamic growth, new investments are necessary. Although the six-year cycle recorded great progress, a significant part of it is due to the low "initial basis". Investment is necessary to ensure long-term progress, because the current model of growth has reached saturation level. This is evident if 2014 is compared with the previous year, in which both revenues and exports were higher. Reduced activities were recorded by the largest company, but also all the other companies together. Since the sector is dominated by large foreign companies, which are focused primarily to the European market, it is clear that the growth of the sector is determined by their investment activities, as well as developments in the European market, which is improving, but at a slower pace. Chance for development is in the substantial involvement of local companies in the value chain of the automotive industry, primarily by increasing cooperation with the "Tier 1" suppliers.

Transport Industry Development Potential

Three sectors have emerged as leaders in the development potential - production of motor vehicles; manufacture of electrical and electronic equipment for motor vehicles, and manufacture of vehicle body.

Graph 2.8: Transport Industry Development Potential

Motor
vehicles

Electrical and electronic
equipment for motor
vehicles

Vehicle
bodies

Parts and accessories
for motor vehicles

Transport
equipment
equipment

The motor vehicle sector was the engine of the Serbian economy in the post-crisis period, and for it to remain so in the future, it is necessary "fill up its gas tank." In the post-crisis period, the sector grew at an impressive rate of 53% per year, reaching at period end the productivity of EUR 32,000 per worker. The overall growth in activity was based on exports, which grew thanks to increasing competitiveness, and winning market share from rivals. Therefore, it is not surprising that the motor vehicle sector soon became the largest exporter in Serbia, and that in the total exports it accounted for 2.5 times the percentage which than what is common in other countries. The potential for the production of complex products, the diffusion of technology, as well as encouraging other related sectors, also places the motor vehicle sector at the top. However, the structure of the sector and the sources of growth suggest that the current model is not sustainable in the long run. One company makes up 99% of revenue, with "only" 62% of employees. The rest of the sector exists only on paper and produces significant losses. Three companies owned by the state – "Ikarbus", "FAP Priboj" and "Industrija Motora Rakovica", though employing nearly 2,000 workers, created only 885 million dinars of revenues (0.5% of revenues of FIAT), creating a negative profit in its "core" business. While the entire dynamic sector grew thanks to FIAT, the average company in the sector recorded a revenue decline of 25% per year, while the share of profitably growing companies accounted for only 11%. Therefore, the main threat to the sector is the enormous concentration and dependence of all the activities on one company. Given that the company has reached the maximum level of capacity utilization, for the sector to progress, it is necessary to see new investments within FIAT in Serbia (which will pull increased production of "automobile components"), primarily through investments in developing and production of new models.

In order to have as much as possible of the spillover effects on the economy of Serbia, and in order to encourage FIAT to expand and improve production, it is necessary to further improve the business environment and infrastructure, to adapt the educational structure and offer appropriate educational profiles, and strengthen the base of companies in the metal sector, machinery and electronics, rubber and plastics, and textiles, which have the potential to be involved in branched value chain of motor vehicle production. In addition to financial incentives, which have a short-term character, there should now be qualitative and long-term incentives - their design should start from the positive examples, such as Slovakia, which today, with three producers, is the largest producer of cars per capita in the world. In parallel, we should work to strengthen the capacity of the rest of the sector, through the professionalization and corporatization of state-owned enterprises, encouraging significant investments in research, development, education, infrastructure and modernization of technology, so that the conditions are created for attracting new strategic partners in the future.

Sector of production of electrical and electronic equipment for motor vehicles is the "component part" of motor vehicle industry. The sector is developed with the arrival of FIAT, given that all the companies that make it up today started working in 2009 or later. The biggest company and the industry leader, which consists of 14 companies is "Yura", which with related companies, represents more than 50% of the total value of production (17.5 billion) and the number of employees (5,200 employees). As in the case of motor vehicle sector, the sector of electrical and electronic equipment has achieved a dynamic revenue growth (56% per year at the sectoral level, 5% on the average company level), reaching a productivity level of about EUR 10,000 per employee. Although belonging to the same industry, "Yura"does not sell their products to FIAT as the entire production is directed towards export markets of the South Korean company "Kia" and "Hyundai". Unlike the motor vehicle sector, in this sector, most companies have managed to operate successfully - so even the average company increased the real income by 5% per annum. Even 60% of companies can be considered successful, and every other successful company in the sector can be characterized as fast-growing. However, the sector is not located at the top in terms of the potential for broader economic development and the ability of the sector to create more complex products with higher value added, encouraging in this process and the rest of the economy.

In the future, the emphasis must be on the greater involvement of local companies in the manufacturing value chain of companies that are "original component producers." At present, although there are dozens of companies that can be considered "Tier 2" suppliers, few of them meet the criteria of "Tier 1" suppliers. The reasons are outdated technology, lack the required quality standards and insufficient investment in research and development. Given that most companies face similar problems, the same can be solved through the establishment of a pro-active clusters to identify and systematize requirements of "OEM" and "Tier 1" suppliers, and then with the support of the state collaborate with research centers and institutes in the field of quality, harmonization and standardization. There is a chance for the producers of raw materials too, or "Tier 3" suppliers, primarily in the sector of metal - galvanized steel (Zelezara Smederevo) and copper (RTB Bor).

Energy

In the context of significant strategic energy, there are 4 sectors - classified according to the development potentials: electricity production, production of petroleum products, crude oil exploitation, and coal mining. All sectors are very resource-intensive and technology-intensive, with high productivity and profit margins (compared to other sectors). On the other hand, the industries are, as expected, largely monopolized or oligopolies with high barriers to entry (in both resource and cost), and the number of employees is already oversized - which is the result of up until recently a complete state ownership in the energy sector. Therefore, when we talk about development potentials, we primarily refer to the capacity for effective and timely energy supply, as well as the creation of value added - however, sectors do not have the capacity to contribute to key national priorities through the massification and the enlarging of the economy, creating new jobs, and internationalization of activities. The sector with the highest growth potential, power generation, consists of 492 (60 really active - "bona fide") registered companies, but almost total revenues (133 billion dinars), and the majority of employees (nearly 9,500) are concentrated in six entities ("TEN", "TE Kostolac", "HE Djerdap", "Drinasko-Limske HPP", "Panonske TPP", and "TE Kosovo"), which are owned by "EPS" s. Although the export competitiveness of this industry was statistically higher in the reporting period, with a net export in 2013, when interpreting the results one should be careful—the current capacities are greatly stretched, the price of electricity produced in Serbia will increase significantly in the future, and export of electricity is of volatile character - primarily because it cannot be stored. More than half of electricity in Serbia is obtained from coal, which is a nonrenewable source of energy, with annual exploitation close to the upper limit of the maximum, and it is estimated that, with unchanged manner and scope of exploitation, it will be available for 30 more years. Further development of the industry will depend primarily on corporatization of "EPS", infrastructure investments in the modernization and expansion of existing capacity of thermal power plants, and turning to renewable energy sources, in accordance with the EU 2020 agenda. Exploiting the potential development should provide a certain degree of energy independence. As regards the exploitation of crude oil and production of petroleum products, the development potentials of Serbia are limited on the base of resource - Serbian deficit in imports of these fuels is over 2 billion euros.

2.5 From Development Potentials and Concentration to Sector Policies

Creating a development group based on the Development Potentials Index narrows the focus and the focus and directs attention of decision makers to those sectors that have the necessary capacity to become one of the pillars of the future development of the Serbian economy. The ways in which these sectors should be approached in terms of policy and strategy, primarily depend on their current competitive position and structure.

Horizontal policies should allow for a stimulating business environment across all sectors and companies. Horizontal measures relate to reducing barriers to entering the market, more accessible and more affordable sources of financing, an educated workforce, a functional legal system, macroeconomic stability, satisfactory infrastructure network and other elements that make the business environment attractive. They should be designed and implemented in parallel with the process of identification "of potential champions."

Vertical measures represent an upgrade to the horizontal and should be directed towards priority sectors. Identified "potential champions" need strengthening of capacity and increase of the chances for getting on the foreign market through a "tailor-made" policy to be consistently supported by all decision-makers and policy-makers in the chain of decision-making.

Cost and benefits analysis of the sectors with a passive growth potential should determine their actual importance for the Serbian economy, and then accordingly offer a network of incentives. It should start from the contribution to the value added and the creation of quality jobs, then the possibility of involvement of local suppliers and the impact on competition, all the way to the analysis of the complexity of the products and potential for sophistication. In accordance with the importance of the sector, what needs to be developed is the adequate incentive network, which should aim to have the greatest possible "amalgamation" of the characteristics and potentials of the sectors with the local economy. In addition to financial ones, which should continue to serve as the initial bait, qualitative incentives are necessary too, to ensure the sustainability and stability of investments - primarily through the development of educational staff, ready network of suppliers, incentivizing and linked manufacturing zones, pro-activity of regions and local governments. The above applies to entities where the state is not present in the ownership structure- otherwise, cost-benefit analysis as well as the comparison with the competition, need to give the answer as to the depth of corporatization necessary in order to achieve optimization of sector performance.

Sectors with active development potential need to be approached with more detailed analysis and parsing, in order to obtain an accurate picture of the key factors of success. Sectors with development potential are distinguished by the existence and availability of resources, transport costs and economies of scale in the case of non-existing resource base, position in the value chain, the importance of marketing and innovation, the possibilities of association, the ease of finding a customer base... Depending on the success factors and key characteristics, the defined groups of sectors should be linked with appropriate policies that will address the most important problems promising sectors face. During the process of creation and implementation of vertical policies, it is crucial to reach an agreement and the synchronization of all decision-makers: Ranking from those that most directly affect the business environment (ministries and agencies, especially in the field of economics and finance), and local governments, through institutions that in the field of standardization, accreditation and harmonization affect the same sectors, research institutes, which should provide a contribution to increasing productivity and advances in technology, then financial institutions (especially Serbian Export Credit and Insurance Agency (AOFI) and Development Fund), all the way to the CCIS which has the direct contact with the industry.

The focus of further CEVES research will be on the sectors with active development potential. As shown through the text, these are the sectors that belong to branches of the food industry, rubber and plastics, mechanical engineering, and fabricated metal products. In-depth analyses of the most competitive sectors in the context of these economic sectors will result in recommendations, clearly addressed to the entities responsible for their implementation, which should represent the core of sectoral policies and fill the deepest cracks in the competitiveness of Serbian companies. While a specific set of recommendations will relate to horizontal issues (business environment) that are typical for the entire Serbian economy, the majority of the recommendations will be vertical in character - referring to the problems that are specific to companies from the sector analyzed (procurement of raw materials, technology, productivity, adequacy and availability of human resources, visibility and design, financial planning and analysis, regulations and procedures, the problems in entering the sector, the problems on the entry to foreign markets...).

2.6 Sector Ranking according to Performance by Individual Index Pillars

In this chapter, we present partial ranks of sectors by individual pillars that make up the development potential index. Pillars which make up the component of generated competitiveness will be shown separately, while the pillars in the last two components will be presented together.

General performance

Table 2.2 shows the ranking of sectors according to the performance achieved by companies in their business activities. The sectors are listed by final rank of general performance, while their major sub-pillars performance - revenue, profitability, productivity and performance - are shown side by side.

Table 2.2: Sector ranking – general performance

General performance Ranking	Sector	Activity growth	Profitability	Productivity	Success
	Manufacture of electrical and electronic equipment for motor vehicles	1	54	21	1
2	Exploitation of metal ores	3	67	16	3
	Manufacture of motor vehicles	2	85	3	27
4	Household appliances	7	40	38	2
	Production of tires for vehicles	10	26	14	4
6	Production of socks	6	49	94	5
7	Processing and preserving of fruit and vegetables	15	53	32	6
8	Manufacture of paper, pulp and cardboard	19	17	7	13
9	Paper and cardboard packaging	27	42	25	9
10	Production of tools and blades	18	22	29	11
11	Confectionery products	59	34	57	7
12	Manufacture of plastic packing	21	48	39	12
13	Electronic consumer devices	68	7	13	14
14	Dairy products	11	51	44	19
15	Manufacture of basic chemicals	52	8	9	18
16	Coal mining	42	3	17	20
17	Animal food	26	92	60	10
18	Other plastic products	23	16	59	17
19	Manufacture of underwear	20	14	61	22
20	Agricultural service activities	17	99	37	15
21	Special purpose machines	33	30	18	25
22	Agro-chemistry	66	39	4	33
23	Metalworking machinery	47	33	47	16
	Production of plastic profiles	22	23	45	30
25	Machines for the food and beverage industry	40	29	20	29
	Other rubber products	25	18	24	41
	Production and distribution of gas	28	77	41	24
	Electronic conductors and optical cables	9	107	50	36
	Production of petroleum products	12	89	70	42
	Manufacture of medical instruments	48	13	46	40
	Casting and metalworking	36	20	62	38
32	Cutting and woodworking	29	76	68	32

General performance	Ranking	Sector	Activity growth	Profitability	Productivity	Success
	33	Crude oil exploitation	8	2	1	112
		Exploitation of other ores	41	5	88	53
		Poultry farming	37	75	78	31
		Optical and photographic equipment	60	10	34	46
		Processing of tea and coffee	57	64	51	28
	38	Paper products	30	71	83	37
		Electronic measuring instruments	51	38	27	48
		Other food products	54	60	33	44
		Milling and starch products	45	84	48	34
		Refrigeration and ventilation equipment	35	27	56	50
		Cereals	24	104	12	52
		Home care and personal care Manufacture of veneer and wood boards	82	50	49	21
		General-purpose machines	4	41 31	28 31	78 54
			34 39	100	66	35
		Processing and preserving of meat Iron and steel	14	114	110	8
		Clothing	49	46	63	51
		Plastic products for construction industry	73	43	64	43
		Other manufacturing	43	19	42	63
		Textiles and fabrics	38	73	36	58
		Paints and varnishes	32	32	73	64
	54	Furniture	67	82	67	45
	55	Bakery products	44	57	82	57
	56	Printing and reproduction	64	12	58	62
	57	Metal packaging and radiators	63	28	53	59
	58	Fruit	96	88	75	23
	59	Footwear	46	55	77	61
		Manufacture of vehicle bodies	98	37	107	26
		Other electrical equipment	81	35	23	66
		Electricity production	56	6	5	89
		Manufacture of electric motors and generators	85	45	74	60
		Textile products	50	68	76	68
		Defense industry	5	103	10	93
		Metal structures and frames	77	69 83	89	65 47
		Casting of iron and steel Metal products for general purpose	104 62	56	85 65	47 74
		Vegetables	87	105	100	55
		Energy transmission and management equipment	75	52	54	77
		Wood packaging and products	74	72	90	71
		Manufacture of transport equipment	101	78	98	56
		Manufacture of sugar	53	65	105	76
		Forestry and logging	61	15	79	86
		Copper production	16	102	43	94
		Production of meat products	65	106	102	79
		Other chemical products	92	66	86	75
	78	Machines for mines and quarries	97	110	101	49
	79	Agricultural machinery	72	62	35	85
		Exploitation of raw materials for construction industry	83	9	99	84
		Machines for lifting and transporting	76	58	92	82
		Pharmaceutical products	69	4	11	100
		Pig farming	94	87	26	80
	84	Oils and fats	108	25	40	73

performance Ranking	Sector	Activity growth	Profitability	Productivity	Success
85	Steel profiles	109	70	19	72
	Manufacture of soft drinks	55	36	22	99
	Lighting equipment	79	21	84	88
	Production of parts and accessories for motor vehicles	58	95	72	90
	Building materials	80	61	69	87
	Production of plastics	13	108	104	95
91	Production of alcoholic drinks	105	24	71	83
92	Wine production	111	79	80	69
93	Production of juice	90	97	108	81
94	Manufacture of computers	93	93	55	91
95	Other animals	78	91	87	97
96	Arts and Culture	84	101	103	92
97	Fertilizers	95	109	112	39
98	Manufacture of beer	70	74	8	109
99	Leather products	86	47	96	101
100	Other drinks	103	1	2	112
101	Communication equipment	106	11	81	103
102	Manufacture of builders' carpentry and joinery	100	80	109	98
103	Hunting and fishing	71	90	95	107
	Jewelry	89	63	106	104
	Electronic components and boards	102	96	30	102
	Other plants	91	86	52	106
	Ceramic products	99	98	15	108
	Construction of buildings	113	59	97	96
	Production of aluminum	31	81	91	111
	Production of bricks and roof tiles	110	44	93	110
	Tobacco products	88	94	6	112
	Car batteries and batteries	112	112	113	67
	Glassware products	107	111	111	105
114	Other precious and non-ferrous metals	114	113	114	70

Export Performance

Table 2.3 shows the ranking of sectors according to the performance achieved by companies in their export activities. The sectors are listed by final rank of export performance, while their performance by major sub-pillars - export volume, export dynamics, diversification of exports, exports inclusiveness, and sustainability of exports – are shown side by side.

Table 2.3: Sector ranking – export performance

Export performance Ranking	Sector	Export	Export dynamics	Export diver- sification	Export inclusiveness	Export sus- tainability
1	Manufacture of motor vehicles	4	1	63	32	80
2	Manufacture of socks	1	4	3	29	82
3	Electricity production	2	2	12	103	24
4	Manufacture of electrical and electronic equipment for motor vehicles	12	3	8	4	19
5	Tobacco products	9	5	38	3	67
6	Household appliances	13	6	19	21	10

Export performance Ranking	Sector	Export	Export dynamics	Export diversification	Export inclusiveness	Export sus- tainability
	Production of tires for vehicles	7	9	23	45	1
	Defense industry	5	7	62	1	101
	Processing and preserving of fruit and vegetables	3	26	55	66	55
	Animal food	29	22	1	75	5
	Production of bricks and roof tiles	10	10	7	64	94
	Manufacture of veneer and wood boards	35	27	16	54	2 57
	Copper production Manufacture of paper, pulp and paperboard	15 27	18 16	89 42	2 63	14
	Production of juice	24	15	35	44	25
	Manufacture of soft drinks	11	31	13	73	45
	Electronic conductors and optical cables	75	28	9	7	11
	Manufacture of electric motors and generators	19	12	44	34	86
	Other plastic products	55	20	4	24	35
	Manufacture of underwear	39	23	33	42	13
21	Fertilizers	66	32	40	11	3
22	Manufacture of plastic packing	50	34	2	33	20
23	Metal packaging and radiators	22	29	36	22	44
	General-purpose machines	54	11	57	16	38
	Wood packaging and products	20	36	15	72	59
	Production of petroleum products	102	8	65	48	6
	Production of parts and accessories for motor vehicles	99	14	6	20	33
	Footwear	23	41	43	28	39 66
	Furniture Fruit	33	24	17	60	79
	Milling and starch products	26 14	13 44	49 102	86 47	21
	Energy transmission and management equipment	56	21	5	47	93
	Clothing	44	17	30	74	51
	Hunting and fishing	37	33	32	107	7
	Machines for the food and beverage industry	47	50	20	6	85
	Other rubber products	40	39	39	35	46
	Other food products	43	35	48	62	32
38	Metal structures and frames	31	64	14	57	64
39	Products from plastic	30	40	37	65	68
40	Wood cutting and woodworking	36	30	60	79	40
	Production of plastic profiles	49	66	51	10	41
	Dairy products	53	38	66	87	16
	Manufacture of sugar	6	90	112	50	27
	Manufacture of medical instruments	94	19	34	40	91 24
	Oils and fats	21	78 47	106	30	34 62
	Metal products for general purpose Home care and personal care	41 70	56	58 18	55 53	53
	Wine production	64	61	10	58	72
	Refrigeration and ventilation equipment	100	51	11	23	60
	Textile products	62	37	56	69	47
	Processing of tea and coffee	108	58	28	93	4
	Special purpose machines	57	46	69	12	89
	Production of plastics mass	52	82	64	25	22
54	Manufacture of vehicle bodies	45	72	75	31	37
55	Pharmaceutical products	72	75	77	9	23
	Paper products	67	77	24	91	18
	Casting of iron and steel	34	80	85	14	49
	Electronic consumer devices	73	42	54	17	100
	Production of meat products	25	49	59	102	99
60	Paper and cardboard packaging	80	73	25	77	42

Export performance Ranking	Sector	Export	Export dynamics	Export diver- sification	Export inclusiveness	Export sus- tainability
	Agro-chemistry	103	63	27	26	65
	Production of tools and blades	81	57	52	39	70
	Agricultural machinery	86	74	45	18	71
	Paints and varnishes	78	60	74	61	29
	Production of alcoholic drinks	92	54	26	71	73 56
	Leather products	59	53	76	70	56
	Manufacture of basic chemicals	91	45	78	46	50
	Exploitation of other ores	38	48	72	90	98 97
	Machines for mines and quarries	46 70	76 68	84 21	13	54
	Agricultural service activities	79 28	89	73	100 106	26
	Bakery products Forestry and logging	51	52	73 67	89	90
	Cereals	8	96	98	104	78
	Lighting equipment	90	71	31	56	92
	Glassware products	77	87	29	95	43
	Printing and reproduction	61	85	50	81	76
	Other chemical products	106	65	88	37	30
	Crude oil exploitation	114	43	103	5	15
	Electronic measuring instruments	101	69	70	27	74
	Manufacture of builders' carpentry and joinery	17	95	83	85	105
	Processing and preserving of meat	65	67	95	94	48
	Production of aluminum	48	83	68	36	112
83	Exploitation of raw materials for construction industry	87	70	46	97	95
84	Exploitation of metal ores	58	25	107	78	113
85	Jewelry	88	55	61	111	58
86	Casting and metalworking	71	93	92	51	36
87	Other electrical equipment	104	92	41	41	77
	Pig farming	110	81	53	109	9
	Other plants	89	88	80	99	28
	Construction of buildings	82	62	22	110	110
	Building materials	83	86	79	84	83
	Steel profiles	93	99	94	59	12
	Confectionery products	42	107	109	38	8
	Textiles and fabrics	97	79 50	93	88	102 96
	Poultry farming	98	59 106	101	101	61
	Manufacture of beer Other animals	16 32	106 97	111 108	67 105	63
	Optical and photographic equipment	111	84	71	98	75
	Other manufacturing	69	103	82	68	69
	Metalworking machinery	60	109	90	8	103
	Manufacture of transport equipment	85	101	87	49	104
	Other drinks	84	94	100	92	107
	Ceramic products	63	108	99	76	31
	Communication equipment	105	104	47	52	109
	Electronic components and boards	74	91	91	113	106
	Machines for lifting and transporting	76	110	96	19	84
	Manufacture of computers	112	102	81	83	88
108	Vegetables	95	105	104	96	81
109	Car batteries and batteries	68	112	110	82	87
110	Iron and steel	18	114	105	15	17
	Coal mining	113	100	113	80	114
	Other precious and non-ferrous metals	96	113	86	108	111
	Arts and culture	107	111	97	112	108
114	Production and distribution of gas 69	109	98	114	114	52

Sustainable Performance

Table 2.4 shows the ranking of sectors according to the level of sustainability of performance of companies achieved in their operations. The sectors are listed by final rank of sustainable performance, while their performance by major sub-pillars - the survival of businesses, indebtedness of companies and their liquidity – are given side by side.

c e	Table 2.4: Sector ranking – sustainable perf	ormance	ess	
Sustainable performance Ranking	Sector	Survival	Indebtedness	Liquidity
1	Other drinks	5	2	4
	Energy transmission and management equipment	11	10	28
	Crude oil exploitation	50	1	2
	Production of tools and blades	6	41	49
	Production of plastic profiles	18	18	15
	Special purpose machines	8	37	55
	Machines for lifting and transporting	21	12	19
	Manufacture of medical instruments	49	3	5
	Electronic measuring instruments	55 20	4	6
	Production of petroleum products	45	33 6	36
	Household appliances Machines for mines and quarries	13	56	10 45
	Other rubber products	23	14	35
	Manufacture of electric motors and generators	15	75	33 17
	Electronic conductors and optical cables	34	45	8
	Manufacture of electrical and electronic equipment for	35	7	24
10	motor vehicles	33	,	27
17	Forestry and logging	29	11	39
	Other chemical products	9	72	69
	Lighting equipment	38	23	12
	Agro-chemistry	12	83	33
	Refrigeration and ventilation equipment	33	9	53
	Manufacture of vehicle bodies	69	62	1
	Optical and photographic equipment	67	5	18
	Pig farming	19	55	60
	Other precious and non-ferrous metals	1	108	74
	Communication equipment	60	15	11
	agricultural service activities	31	28	58
	Manufacture of computers	42	25	21
29	Exploitation of other ores	17	16	101
30	Manufacture of beer	26	92	14
31	Electronic components and boards	25	66	41
32	Paints and varnishes	36	34	48
33	General-purpose machines	65	22	16
34	Metal packaging and radiators	24	53	62
	Machines for the food and beverage industry	47	13	44
	Casting and metalworking	48	17	38
	Agricultural machinery	22	82	46
	Pharmaceutical products	73	42	9
	Printing and reproduction	56	20	43
	Car batteries and batteries	1	105	110
	Production of tires for vehicles	40	31	71
	General purpose metal products	53	38	34
	Metalworking machinery	41	49	51
	Manufacture of underwear	75 27	8	37
45	Wine production	37	80	27

Sustainable performance Ranking Lotses	Survival	Indebtedness	Liquidity
46 Production of socks	82	21	25
47 Other electrical equipment	107	19	3
48 Electronic consumer devices	69	46	30
49 Arts and culture	62	43	42
50 Textile products	77	30	31
51 Other manufacturing	61	24	66
52 Manufacture of transport equipment	32	73	85
53 Home care and personal care	59	50	52
54 Other plastic products	76	32	40
55 Copper production 56 Manufacture of basic chemicals	1 80	114 51	99 22
57 Hunting and fishing	58	57	57
58 Ceramic products	63	61	50
59 Cereals	54	65	59
60 Glassware products	39	96	29
61 Production of aluminum	10	102	103
62 Metal structures and frames	57	47	73
63 Footwear	46	63	79
64 Manufacture of plastic packaging	74	44	64
65 Electricity production	44	71	83
66 Production and distribution of gas	13	104	102
67 Casting of iron and steel	15	97	106
68 Manufacture of sugar	26	111	26
69 Fruit	43	91	82
70 Exploitation of metal ores	7	110	108
71 Paper products	92	26	65
72 Confectionery products	102	29	32
73 Exploitation of raw materials for construction industry	52	90	81
74 Processing of tea and coffee	108	52 81	7
75 Jewelry 76 Production of parts and accessories for motor vehicles	97 78	95	13 23
77 Other food products	76 94	48	54
78 Production of alcoholic drinks	72	84	72
79 Clothing	100	27	67
80 Manufacture of paper, pulp and paperboard	91	64	56
81 Plastics products	90	36	87
82 Milling and starch products	64	85	86
83 Textiles and fabrics	71	100	47
84 Construction of buildings	66	79	90
85 Fertilizers	4	107	113
86 Building materials	89	59	75
87 Vegetables	85	70	70
88 Poultry farming	84	76	76
89 Furniture	88	68	84
90 Dairy products	98	58	80
91 Processing and preserving of fruit and vegetables	95	39	97
92 Tobacco products	50	103	94
93 Manufacture of builders' carpentry and joinery	86 109	74 35	89 68
94 Paper and cardboard packaging 95 Sawn wood and woodworking	109	55 54	68 77
96 Production of juice	68	99	92
97 Animal food	105	67	63
98 Wood packaging and wood products	103	60	93

Sustainable performance Ranking	Sector	Survival	Indebtedness	Liquidity
99 Leather products		113	78	20
100 Bakery products		111	40	78
101 Other animals		87	94	95
102 Oils and fats		81	98	98
103 Manufacture of soft	drinks	99	69	104
104 Iron and steel		26	112	107
105 Steel profiles		96	101	88
106 Processing and pres	erving of meat	104	86	91
107 Manufacture of ven	eer and wood boards	106	106	61
108 Production of bricks	and roof tiles	93	88	109
109 Defense industry		83	89	111
110 Production of plasti	cs	79	109	100
111 Production of meat	products	110	87	96
112 Manufacture of mot	or vehicles	30	113	112
113 Other plants		114	77	105
114 Coal mining		112	93	114



The final chapter gives the structure and development potential of all 114 sectors through specific sectoral profiles. They aim to better familiarize the reader with the very size, structure and performance of the sector in all observed categories - from profitability and productivity of companies, their ability to enter and survive in the international markets, to the potential to absorb employment growth and new market players. The profiles include the overview of basic performance of a sector, the comparison with the average of the Serbian economy, a graphical representation of the network development potentials by pillars, a graphical representation of the size and ownership structure of the sectors, the description of activity and description of the company products, and the list of the 10 largest companies in the sector with the corresponding number of employees and generated revenues. At the end of each info profile there is a graphical presentation the concentration and ownership structure of all companies within the sector. The complete report shows info profiles of all 114 analyzed sectors.

The next section shows a portion which serves as a guide through the info profiles and gives the answer to the question - How to read a sector profile. Each sector profile is shown on two pages. The first page shows the development potentials of the sector by each observed category (pillars and sub-pillars of development potential index). It gives the reader a sense of the details of the sector which give it a satisfactory performance compared to the rest of the economy, and those where there is a lag. The other page, depending on the companies which the sector is made up of, shows its structure according to concentration, ownership, product mix, etc.

The order of presentation of sector profiles corresponds to the final ranking f sectors according to the Development Potentials Index. The content of the last chapter is below.

Content of Sector Profiles

Sector
Motor vehicles
Electrical and electronic equipment for motor vehicles
Socks
Domestic appliances
Processing and preserving of fruits and vegetables
Tyres for vehicles
Electricity
General purpose machinery
Prepared feeds for animals
Paper, cellulose and paperboard
Plastic packinggoods
Other plastic products
Special purpose machinery
Refined petroleum products
Electronic cables and fibre optic cables
Tools and cutlery
Machinery for food and beverage
Agrochemical products
Electric motors and generators
Veneer sheets and wood-based panels
Plastic profiles
Metal packaging and heating bodies
Containers of paper and paperboard
Underwear
Instruments for measuring
Basic chemicals
Dairy products
Sawmilling and planing of wood
Grain mill and starch products
Medical instruments
Other products of rubber
Furniture
Other food products
Tea and coffee
Paper products
Electricity distribution and control apparatus
Paints and varnishes
Bodies
Support crop activities
Metal structures and frameworks
Clothes
Defense industry
Cooling and ventilation equipment
Shoes
Home and personnal care products
Metal forming machinery
Fabricated metal products
Wooden containers and products of wood
Printing and reproduction
Fruits

Cereals	•••••
Builders' ware of plastic	
Parts and accessories for motor vehicles	
Pharmaceutical products	•••••
Consumer electronics	•••••
Other mining	•••••
Casting of metals and Metalworking	
Casting of iron and steel	
Textile products	
Bakery products	
Confectionery products	
Other electrical equipment	
Other chemical products	
Soft drinks	
Iron ores	
Fertilisers	
Sugar	
Copper production	
Juice	
Optical instruments and photographic equipment	
Machinery for mining and quarrying	
Processing and preserving of meat	
Agricultural machinery	
Crude petroleum	
Hunting and fishing	
Electric lighting equipment	
Poultry	
Wine	
Tobacco products	
Plastics in primary forms	
Quarrying of building material	
Production of meat	
Other manufacturing	
Textiles and fibres	
Other drinks	
Transport equipment	•••••
Forestry and logging	•••••
Swine/pigs	•••••
Construction materials	•••••
Lifting and handling equipment	
Steel profiles	
Oils and fats	•••••
Builders' carpentry and joinery	
Alcoholic drinks	
Bricks	
Computers	
Communication equipment	
Vegetables	
Leather products	
Jewellery	
Beer	
Iron and steel	
Construction of buildings	
Electronic elements and boards	
Manufacture and distribution of gas	
j i i i i i i i i i i i i i i i i i i i	
Other animals	
Mining of coal	•••••
VELOUIC DIOCUCES	

Glass	296
Aluminium production	298
Other perennial and non-perennial crops	300
Art and culture	302
Batteries and accumulators	304
Other precious and non-ferrous metals	306

How to read Sector Profiles

This chapter presents the individual details of the structure and performance of all sectors. Each sector is displayed on two pages. The first page gives an overview of the general characteristics of the sectors, as well as their performance on the basis of the Development Potentials Index. The other page of the profile describes in detail the activities that sector coves, as well as the structure of the companies that make up the sector. The final ranking of sectors according to the index is shown in the header of the first page.

THE FIRST PAGE OF SECTOR PROFILES

1

Sector Characteristics

The first page of sectoral profiles at the beginning gives an overview of the general structure of each sector. Based on the general characteristics, a determination can be made of the size and dynamics of the sector. The size of the sector in 2014 is shown in the number of enterprises that make it up, how much value they create, how many people are employed, as well as how many exporters there are, and the size of exports. The dynamics of the sector is monitored through average annual growth rates of revenues and exports, and increase in the number of employees.

Features are chosen and shown so that sectors can easily be compared, and to create a comparative picture of the size and dynamics. Also, all characteristics shown can be compared with the average of the economy, i.e. the average of the tradable part of the Serbian economy.



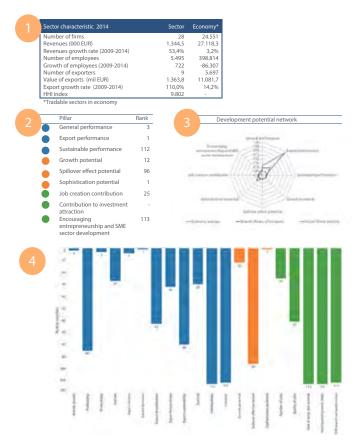
Sector Ranking by the Index Pillars

This part of the profile shows the performance of the sector by the Development Potentials Index pillars. The overview gives the sector position among 114 ranked sector in the Serbian economy. The lower the ranking value shown, the better the sector ranking by that pillar. The importance given to individual pillars in the overall index and the final ranking is shown in Appendix 2 of the report Development Potentials of Sectors in Serbian Economy.



Development Potentials Network

Reading of the overview of development potentials network is different from other overviews on the first page of the profile. It shows scores based on performance by pillars, and therefore the values are read as "the higher, the better." The network shows performance of the sector side by side, the industry it belongs to, and the economy average. In this way, it can be read which pillars the sector had better or worse the performance achieved was. Suppose, if a sector



on the network is positioned on the outside of the circle of economy average, it means that the sector achieved a better performance than the average of the economy.



Sector Ranking by Index Sub-pillars

Graphical presentation at the bottom of the first page shows the performance achieved by sectors by subpillars of Development Potentials Index. As in the case of the second overview, the sectors are ranked among the 114 sectors in the Serbian economy. The lower the ranking value, the better the sector ranking as per this sub-pillar. Thus, if the pillar on the graphics is smaller, for lower value rank, then the sector is better ranked.

THE SECOND PAGE OF SECTOR PROFILES

5 Sector Description

Description of the sector aims to provide details about the basic manufacturing activities the sector covers. It also provides details about sector products. The goal of these descriptions is to describe in detail the products and activities of the sector companies.

6 Top 10 Companies

This part of the sector profile gives an overview of the top 10 companies in 2014, according to the size of the operating revenues of the company. The table shows the operating revenues generated by the company, and the number of employees. The top of the list excludes companies that were in bankruptcy or restructuring the end of 2014.

We emphasize that this is a list of the top companies according to the situation in 2014. If the company in 2015 or 2016 went out of business, entered the process of restructuring or bankruptcy, this information could not be taken into account. The reason is that at the time of publication of this report, the financial statements and the status of all business entities were not available.

7 Sector Structure

Graphical presentation on the second page of the profile reflects the concentration of the sectors and their ownership structure. The size of the circle reflects the value of operating revenues of businesses in 2014. In this way, if there is one, or a small number of dominant big circles, this indicates a high concentration of the sector. The greater the number of circles, particularly small and medium-sized, means the lesser concentration of the sector. It is important to indicate that the relative size of the circles should be compared only within a single sector (as part of a sectoral profile), but not across sectors.

On the other hand, the colored circles indicate the ownership structure of the companies within the sector. Marked in blue are those companies that are partly or wholly state-owned, oRanke companies that are partly or wholly foreign-owned and green marked companies that are entirely local and private. The size of the circle is determined by the revenue the company generates.

5 Motor vehicles

Motor vehicles production sector includes passenger cars, vehicles for the transport of goods and passengers, tractors and other special purposes vehicles

The table below shows the 10 largest companies ranked by operating revenues in 2014. These enterprises produce different types of vehicles, from passenger cars, buses, trucks and tractors, to vehicles such as fire engines, medical vehicles and medical equipment vehicles, for construction, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Fiat Automobili Srbija	Kragujevac	1.331,1	3.437
2.	Ad Imr	Beograd	5,1	847
3.	Gasop	Beograd	1,7	26
4.	Ikarbus	Beograd	1,4	274
5.	Vatrosprem Proizvodnja	Beograd	1,4	56
6.	Bexing	Rušanj	1,2	17
7.	Fap Korporacija	Priboj	1,0	757
8.	Vatrosprem	Beograd	0,5	2
9.	Servis B I M	Novi Sad	0,3	17
10.	Mega Bus 2010	Beograd	0,2	5
	Total (Top 10)		1.343,9	5.438
	Total sector		1.344.5	5,495

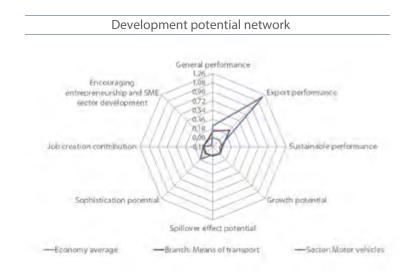


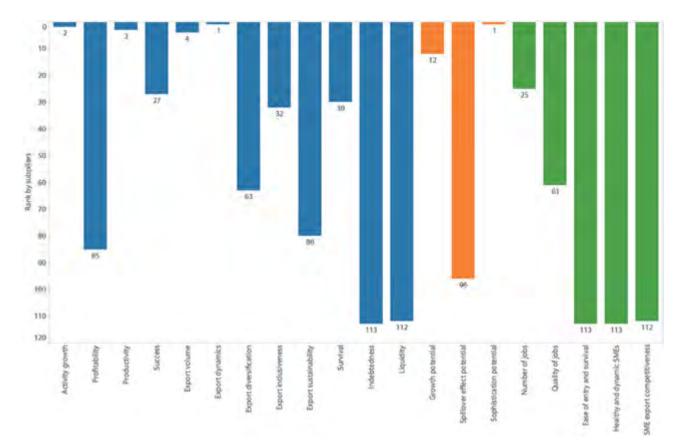
Rank 1 Motor Vehicles

Sector characteristic 2014	Sector	Economy*
Number of firms	28	24.551
Revenues (000 EUR)	1.344,5	27.118,3
Revenues growth rate (2009-2014)	53,4%	3,2%
Number of employees	5.495	398.814
Growth of employees (2009-2014)	722	-86.307
Number of exporters	9	5.697
Value of exports (mil EUR)	1.363,8	11.081,7
Export growth rate (2009-2014)	110,0%	14,2%
HHI index	9.802	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	3
Export performance	1
Sustainable performance	112
Growth potential	12
Spillover effect potential	96
Sophistication potential	1
Job creation contribution	25
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	113





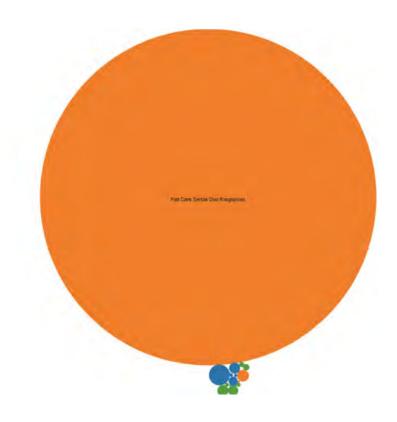
Motor vehicles

Motor vehicles production sector includes passenger cars, vehicles for the transport of goods and passengers, tractors and other special purposes vehicles.

The table below shows the 10 largest companies ranked by operating revenues in 2014. These enterprises produce different types of vehicles, from passenger cars, buses, trucks and tractors, to vehicles such as fire engines, medical vehicles and medical equipment vehicles, for construction, etc.

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#	Company name	City	Revenues (mil EUR)	Number of employies
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5.	Vatrosprem Proizvodnja	Beograd	1,4	56
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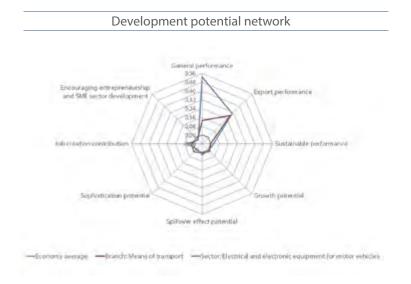
Rank 2

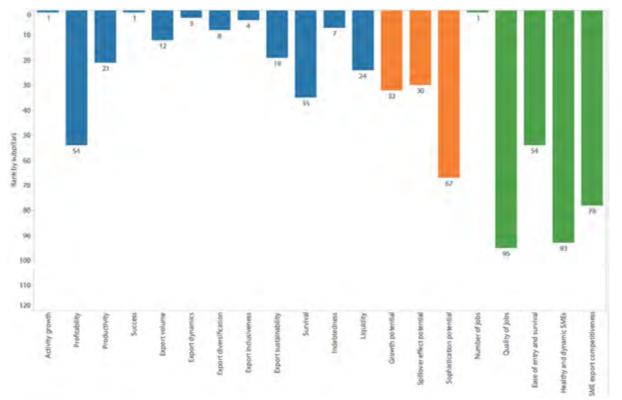
Electrical and electronic equipment for motor vehicles

Sector characteristic 2014	Sector	Economy*
Number of firms	20	24.551
Revenues (000 EUR)	282,6	27.118,3
Revenues growth rate(2009-2014)	54,5%	3,2%
Number of employees	10.439	398.814
Growth of employees (2009-2014)	8.115	-86.307
Number of exporters	15	5.697
Value of exports (mil EUR)	425,8	11.081,7
Export growth rate (2009-2014)	35,3%	14,2%
HHI index	2.410	-

^{*}Tradable sectors in economy

Pillar	Rank
General performanse	1
Export performance	4
Sustainable performance	16
Growth potential	32
Spillover effect potential	30
Sophistication potential	67
Job creation contribution	1
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	87





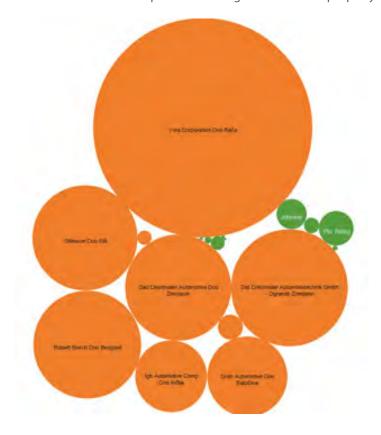
Electrical and electronic equipment for motor vehicles

Manufacture of electrical and electronic equipment for motor vehicles includes the production of a large number of electrical and electronic products for use in motor vehicles.

The table below shows the largest enterprises in Serbia engaged in manufacturing of electrical and electronic equipment for motor vehicles. These enterprises produce electrical equipment for ignition and starting the internal combustion engine (ignition magnets, dynamo-magnets, ignition coils, ignition and heating sparks...), wipers and devices for defrosting and demisting, electrical appliances to open windows and doors on the cars, kits (sets) of conductors, voltage regulators, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Yura Corporation	Rača	122,7	4.741
2.	Dat Dräxlmaier	Zrenjanin	34,9	0
3.	Robert Bosch	Beograd	29,6	162
4.	Dad Draxlmaier	Zrenjanin	28,7	3.021
5.	Shinwon	Niš	28,2	478
6.	Grah Automotive	Batočina	16,4	325
7.	Igb Automotive Comp	Inđija	13,2	1277
8.	Pkc Wiring Systems		3,0	191
9.	Johnson Electric		2,3	130
10.	Elrad Ws-S	Vlasotince	1,6	61
	Total (Top 10)		280,6	10.386
	Total sector		282,6	10.439

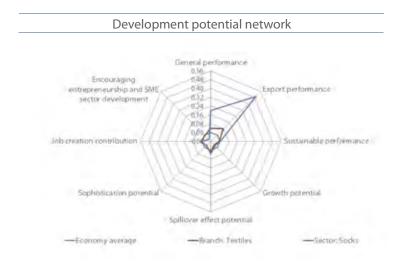


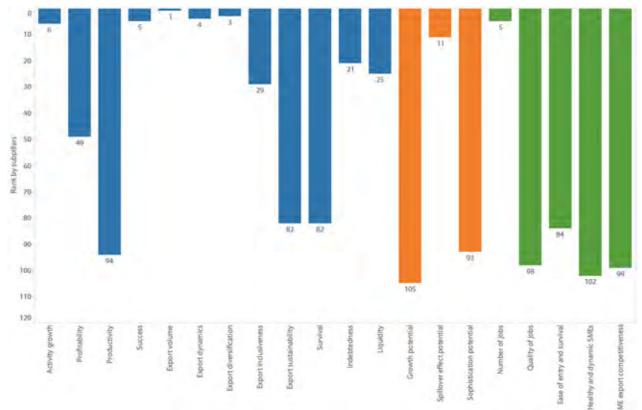


Sector characteristic 2014	Sector	Economy*
Number of firms	64	24.551
Revenues (000 EUR)	173,0	27.118,3
Revenues growth rate (2009-2014)	18,5%	3,2%
Number of employees	5.959	398.814
Growth of employees (2009-2014)	1.305	-86.307
Number of exporters	30	5.697
Value of exports (mil EUR)	197,1	11.081,7
Export growth rate (2009-2014)	8,0%	14,2%
HHI index	3.314	-

^{*}Tradable sectors in economy

 Pillar	Rank
General performanse	6
Export performance	2
Sustainable performance	46
Growth potential	105
Spillover effect potential	11
Sophistication potential	93
Job creation contribution	5
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	102





Socks

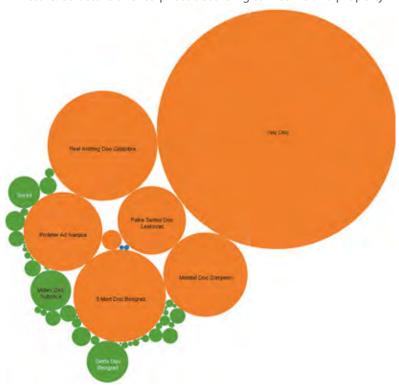
Production of socks includes the production of knitted and crocheted hosiery and socks.

The table below shows the largest enterprises in Serbia engaged in the production of knitted and crocheted hosiery and socks such as pantyhose, tights, knee-socks and other types of socks.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Valy	Beloševac	94,9	2.046
2.	Real Knitting	Gajdobra	20,0	358
3.	8.Mart	Beograd	14,2	610
4.	Modital	Zrenjanin	11,8	911
5.	Proleter Ad Ivanjica	Ivanjica	10,3	630
6.	Falke Serbia	Leskovac	7,8	599
7.	Gerbi	Beograd	2,9	76
8.	Matex	Subotica	2,7	182
9.	Socks Bmd	Beograd	1,7	62
10.	Emmepi	Kikinda	0,7	144
	Total (Top 10)		167,0	5.618
	Total sector		173,0	5.959

Picture: Structure of enterprises according to income and property

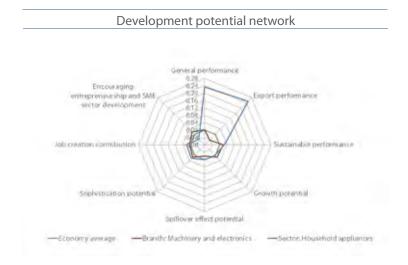


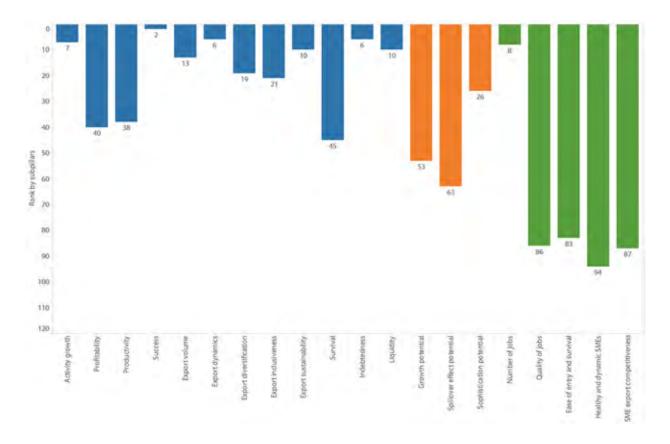
Rank 4 Household appliances

Sector characteristic 2014	Sector	Economy
Number of firms	74	24.551
Revenues (000 EUR)	303,5	27.118,3
Revenues growth rate (2009-2014)	17,5%	3,2%
Number of employees	4.052	398.814
Growth of employees (2009-2014)	1.002	-86.307
Number of exporters	35	5.697
Value of exports (mil EUR)	304,1	11.081,7
Export growth rate (2009-2014)	22,5%	14,2%
HHI index	3.295	-

*Tradable sectors in economy

Pillar	Rank
General performanse	4
Export performance	6
Sustainable performance	11
Growth potential	53
Spillover effect potential	63
Sophistication potential	26
Job creation contribution	8
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	92





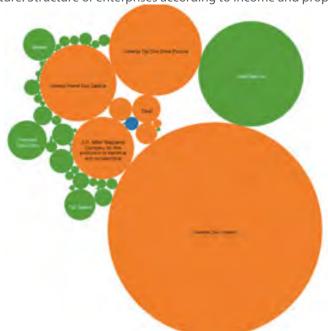
Household appliances

Production of household appliances includes the production of electric and non-electric household appliances. Products that fall into these two activities are appliances for cooking and heating, a dish washing machines and washing machines, refrigerators and freezers, vacuum cleaners, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises have a wide range of products, which include small (irons, scales, mixers ...) and large (washing machines and dryers, refrigerators, freezers...) appliances, fireplaces, various types of furnaces, boilers, heaters, air conditioners and other small electrical appliances.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of emloyies
1.	Gorenje	Valjevo	164,8	1.314
2.	Alfa-Plam Ad	Vranje	39,5	718
3.	Gorenje Tiki	Stara Pazova	30,7	451
4.	Gorenje Home	Zaječar	21,1	121
5.	AD Milan Blagojević	Smederevo	14,0	380
6.	Termorad Group	Čestobrodica	5,5	88
7.	Metalac Bojler	Gornji Milanovac	3,7	78
8.	Tim Sistem	Nova Pazova	3,5	112
9.	Elrad Serbia	Vlasotince	2,9	375
10.	Preduzeće Blist	Valjevo	2,1	71
	Total (Top 10)		287,8	3.708
	Total sector		303,5	4.052

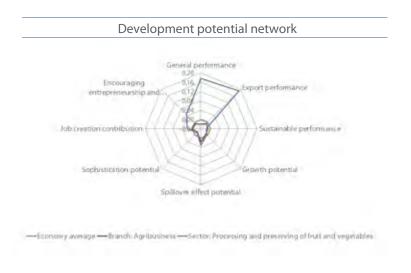


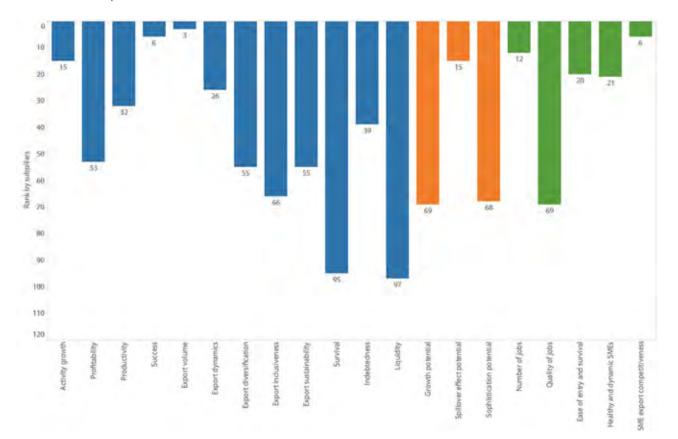
Rank 5 Processing and preserving of fruit and vagetables

Sector characteristic 2014	Sector	Economy*
Number of firms	565	24.551
Revenues (000 EUR)	554,8	27.118,3
Revenues growth rate (2009-2014)	7,6%	3,2%
Number of employees	5.352	398.814
Growth of employees (2009-2014)	-739	-86.307
Number of exporters	177	5.697
Value of exports (mil EUR)	368,7	11.081,7
Export growth rate (2009-2014)	8,8%	14,2%
HHI index	194	-

^{*}Tradable sectors in economy

Pillar	Rank
General performanse	7
Export performance	9
Sustainable performance	91
Growth potential	69
Spillover effect potential	15
Sophistication potential	68
Job creation contribution	12
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	12





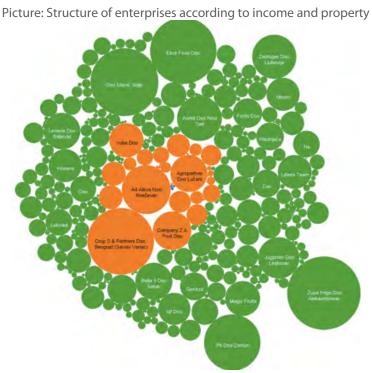
Processing and preserving of fruit and vegetables

The sector of processing and preserving fruits and vegetables includes dried vegetables, chopped, minced or powdered, cooking vegetables or steamed in water and freezing them, flour, granules and pellets of potatoes, jams, marmalade and

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce jams, yogurt, puree of different types of fruit, powdered and minced pepper, puddings, whipped cream, and sauces, they also do freezing, processing and packaging of raspberries, blackberries, cherries and plums, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Župa Frigo	Aleksandrovac	34,1	0
2.	Doo Stanić Arilje	Arilje	29,3	130
3.	Crop S & Partners	Beograd	28,3	262
4.	Elixir Food	Šabac	27,9	125
5.	Pfi	Beograd	20,1	11
6.	Ad Aleva	Novi Kneževac	15,2	323
7.	Aretol	Novi Sad	12,7	170
8.	Zadrugar	Ljubovija	12,4	227
9.	Jugprom	Leskovac	10,9	135
10.	Preduzeće Z.A. Fruit	Valjevo	9,5	49
	Total (Top 10)		200,4	1.432
	Total sector		554,8	5.352

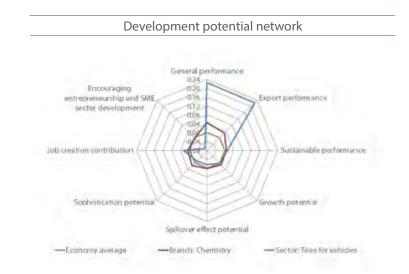


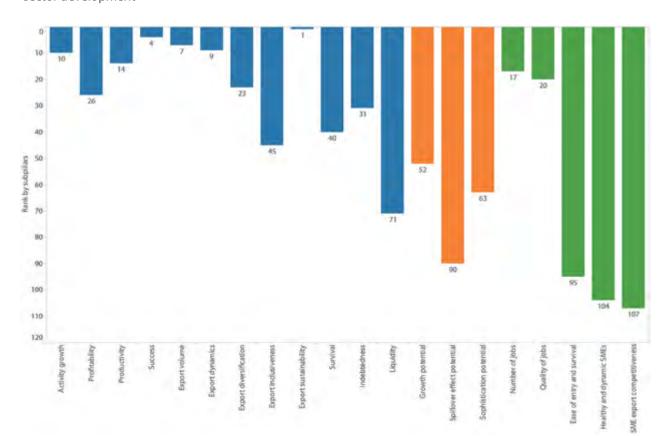
Rank 6 Tires for vechicles

Sector characteristic 2014	Sector	Economy*
Number of firms	29	24.551
Revenues (000 EUR)	373,8	27.118,3
Revenues growth rate (2009-2014)	12,4%	3,2%
Number of employees	5.312	398.814
Growth of employees (2009-2014)	135	-86.307
Number of exporters	11	5.697
Value of exports (mil EUR)	307,3	11.081,7
Export growth rate (2009-2014)	15,8%	14,2%
HHI index	4.975	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	5
Export performance	7
Sustainable performance	41
Growth potential	52
Spillover effect potential	90
Sophistication potential	63
Job creation contribution	17
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	104





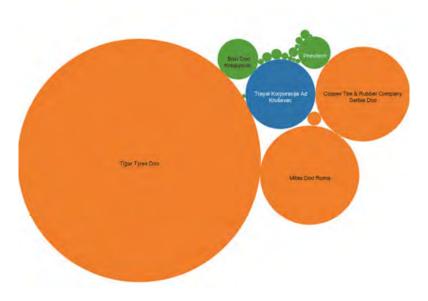
Tires for vehicles

Production of tires for vehicles includes production and retreading tires for vehicles. These include different types of tires for cars, trucks, airplanes, motorcycles and bicycles.

The table below shows the largest enterprises in Serbia engaged in the production of tires for vehicles. These enterprises mainly produce tires for cars, trucks, tractors, motorcycles and bicycles, but also rubber products for household use, the pharmaceutical industry, as well as some types of explosives and smoke pyrotechnics.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Tigar Tyres	Pirot	255,9	2.333
2.	Mitas	Ruma	42,4	566
3.	Cooper Tire & Rubber Company Serbia	Kruševac	38,7	615
4.	Trayal Corporation	Kruševac	21,1	1.585
5.	Baki	Kragujevac	7,1	41
6.	Pneutech	Vrbas	4,5	90
7.	Kraiburg.Srb	Sremska Mitrovica	0,8	8
8.	Gumotehna Savić Nadice	Ćićevac	0,5	13
9.	Protekt Point		0,4	9
10.	Lav Miroslav Nikolić Pr Vranje	Vranje	0,4	8
	Total (Top 10)		371,8	5.268
	Total sector		373,8	5.312

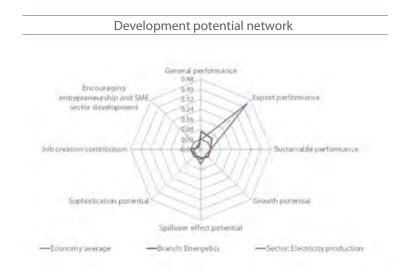


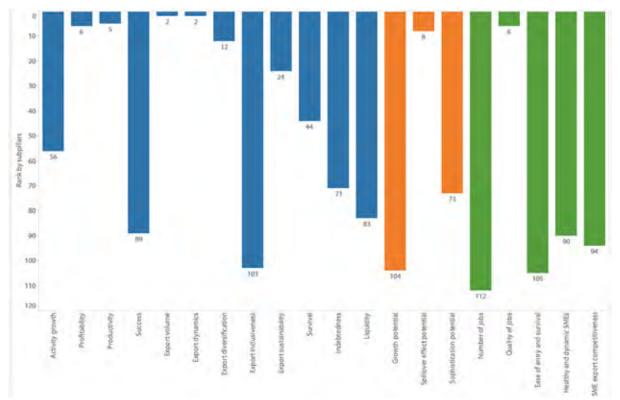
Rank 7 Electricity production

Sector characteristic 2014	Sector	Economy*
Number of firms	412	24.551
Revenues (000 EUR)	1.131,3	27.118,3
Revenues growth rate (2009-2014)	2,4%	3,2%
Number of employees	9.251	398.814
Growth of employees (2009-2014)	-541	-86.307
Number of exporters	7	5.697
Value of exports (mil EUR)	63,2	11.081,7
Export growth rate (2009-2014)	-15,1%	14,2%
HHI index	4.168	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	62
Export performance	3
Sustainable performance	65
Growth potential	104
Spillover effect potential	8
Sophistication potential	73
Job creation contribution	112
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	96





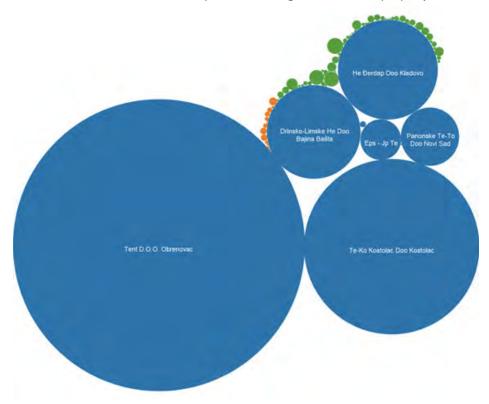
Electricity production

The table below shows the largest enterprises in Serbia engaged in the production of electricity.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Tent	Obrenovac	679,5	2.442
2.	Te-Ko Kostolac	Kostolac	245,2	3254
3.	He Đerdap	Kladovo	79,5	967
4.	Drinsko-Limske He	Bajina Bašta	70,0	504
5.	Panonske Te-To	Novi Sad	27,1	553
6.	Eps - Jp Te Kosovo Sa Po	Obilić	13,2	1166
7.	Gw	Beograd	2,0	3
8.	Eeg	Beograd	1,7	7
9.	Doo Mirotin-Energo Vrbas	Vrbas	1,7	6
10.	Cini Invest	Čačak	1,0	63
	Total (Top 10)		1.120,9	8.965
	Total sector		1.131,3	9.251

Picture: Structure of enterprises according to income and property

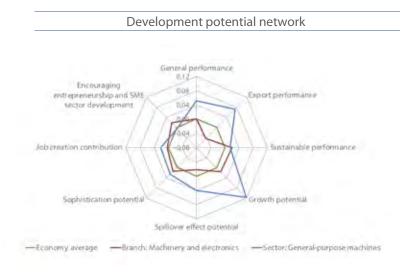


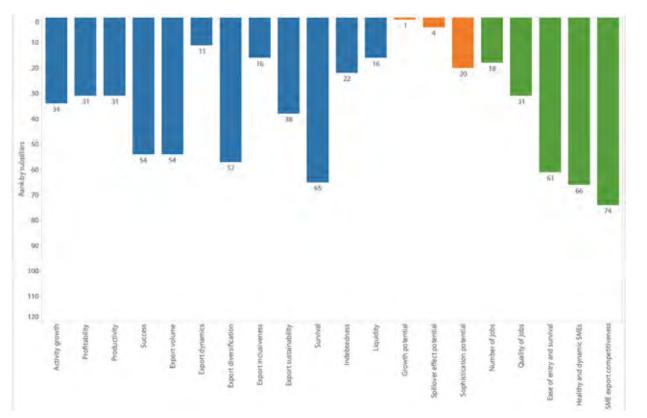
Rank 8 General-purpose machinery

Sector characteristic 2014	Sector	Economy*
Number of firms	284	24.551
Revenues (000 EUR)	216,8	27.118,3
Revenues growth rate (2009-2014)	8,6%	3,2%
Number of employees	3.695	398.814
Growth of employees (2009-2014)	-1.549	-86.307
Number of exporters	126	5.697
Value of exports (mil EUR)	303,2	11.081,7
Export growth rate (2009-2014)	14,5%	14,2%
HHI index	1.560	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	46
Export performance	24
Sustainable performance	33
Growth potential	1
Spillover effect potential	4
Sophistication potential	20
Job creation contribution	18
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	66





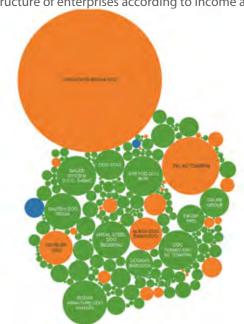
General-purpose machinery

General purpose machinery production sector includes the following activities: production of engines and turbines, industrial furnaces and furnace burners, pumps and compressors, manual driving apparatuses with mechanisms, production of bearings, gears, gearing and driving elements, the production of taps and valves, office machines and equipment. This includes a large number of products, such as: steam, gas and hydraulic turbines, internal combustion engines, machinery and devices for welding and brazing, industrial furnaces and burners, metering, centrifugal and air pumps, fuel pumps, dishwashers, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce pumps for water supply, waste water and water management, taps and valves, industrial armature, equipment for mining, bulk cargo and preparation of mineral raw materials, engines, oil pumps, gears, office equipment, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of emloyies
1.	Grundfos Srbija	Inđija	82,4	328
2.	Fkl Ad Temerin	Temerin	13,2	602
3.	Rosan Armature	Kanjiža	7,9	12
4.	Atb Fod	Bor	6,3	236
5.	Galeb System	Šabac	6,2	85
6.	Doo Termovent Sc Temerin	Temerin	6,2	140
7.	Ansal Steel	Beograd	5,6	32
8.	Gasteh	Inđija	5,4	104
9.	Kovis Bp	Bačka Palanka	4,5	82
10.	Albon	Šimanovci	4,2	25
	Total (Top 10)		141,9	1.646
	Total sector		216,8	3.695



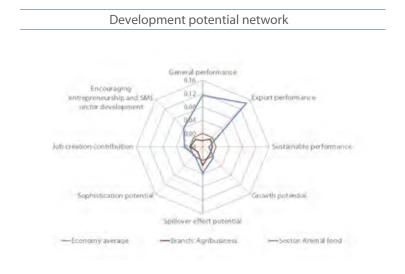
Picture: Structure of enterprises according to income and property

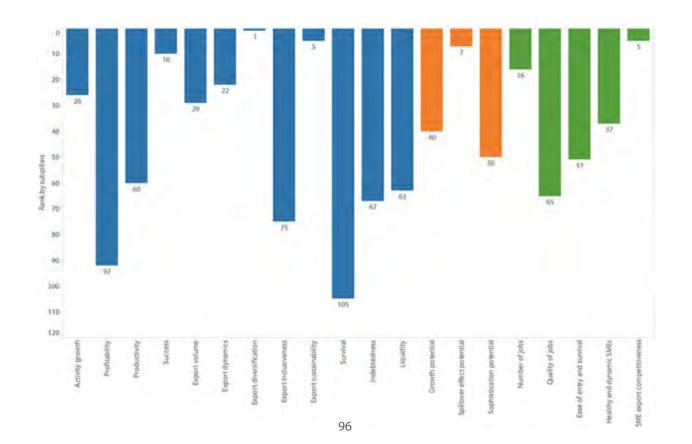


Sector characteristic 2014	Sector	Economy*
Number of firms	192	24.551
Revenues (000 EUR)	511,1	27.118,3
Revenues growth rate (2009-2014)	6,6%	3,2%
Number of employees	3.436	398.814
Growth of employees (2009-2014)	-104	-86.307
Number of exporters	50	5.697
Value of exports (mil EUR)	50,0	11.081,7
Export growth rate (2009-2014)	25,8%	14,2%
HHI index	507	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	17
Export performance	10
Sustainable performance	97
Growth potential	40
Spillover effect potential	7
Sophistication potential	50
Job creation contribution	16
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	23





Animal food

Animal food production sector is primarily related to the production of prepared feeds for farm animals.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises are engaged in the production and trade of grains, oilseeds, artificial fertilizers, animal feed components and the finished animal feed, they also produce pharmaceuticals, pesticides, mineral and vitamin and protein mixtures, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Gebi	Čantavir	62,0	214
2.	Doo Konzul	Novi Sad	47,1	61
3.	Agro - Mil	Pojate	37,0	264
4.	Sto Posto	Beograd	35,2	150
5.	Vetzavod	Subotica	34,9	336
6.	Doo Farm Commerc	Čantavir	30,2	156
7.	Patent Co.	Mišićevo	22,4	142
8.	Hrana Produkt	Salaš Noćajski	19,1	95
9.	Fsh Jabuka	Pančevo	16,1	138
10.	Farmina Pet Foods	Inđija	14,4	59
	Total (Top 10)		318,4	1.615
	Total sector		511,1	3.436

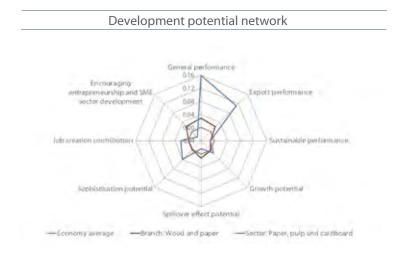
Picture: Structure of enterprises according to income and property

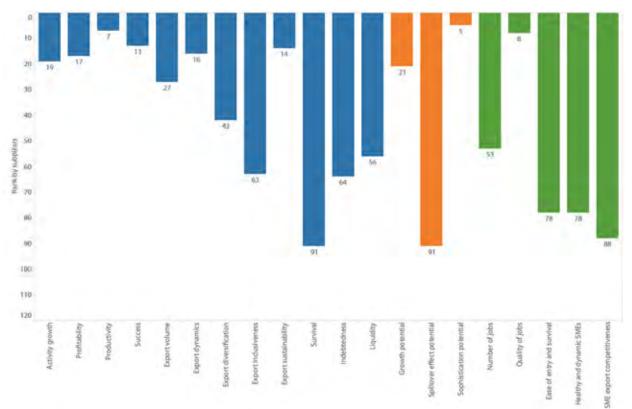
Rank 10 Paper, pulp and cardboard

Sector characteristic 2014	Sector	Economy*
Number of firms	35	24.551
Revenues (000 EUR)	141,8	27.118,3
Revenues growth rate (2009-2014)	6,8%	3,2%
Number of employees	1.188	398.814
Growth of employees (2009-2014)	-978	-86.307
Number of exporters	10	5.697
Value of exports (mil EUR)	230,5	11.081,7
Export growth rate (2009-2014)	15,1%	14,2%
HHI index	3.387	-

^{*} Tradable sectors in economy

Pillar	Rank
General performance	8
Export performance	14
Sustainable performance	80
Growth potential	21
Spillover effect potential	91
Sophistication potential	5
Job creation contribution	53
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	82





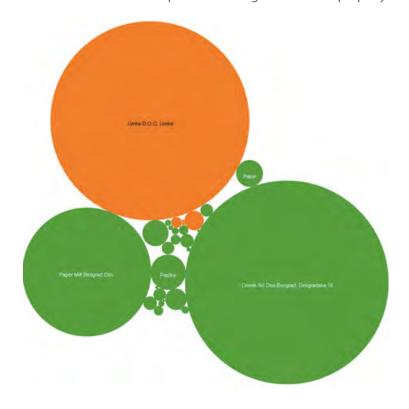
Paper, pulp and cardboard

The sector for the production of paper, pulp and cardboard includes the production of cellulose fiber, paper and paperboard, mechanical wood cellulose, chemical wood cellulose, kraft paper and other paper and paperboard.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Drenik Nd	Beograd	57,3	462
2.	Umka	Umka	54,8	324
3.	Fabrika Hartije	Beograd	22,9	177
4.	Padika System	Preljina	1,7	0
5.	Fabrika Papira Papirpak	Čačak	1,0	70
6.	Doo Press 015 Majur Šabac	Majur	0,9	9
7.	Press-Kosmajturist	Rajkovac	0,6	8
8.	Inter-Papir	Beograd	0,5	14
9.	Jugo-Natron Dragi Jovanović	Hum	0,3	17
10.	Grafoprint	Užice	0,2	17
	Total (Top 10)		141,7	1.155
	Total sector		141,8	1.188

Picture: Structure of enterprises according to incom and property

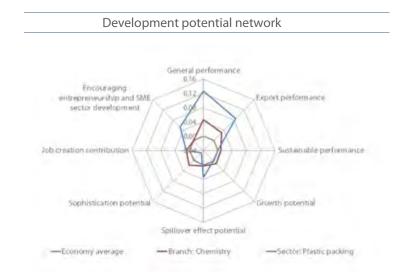


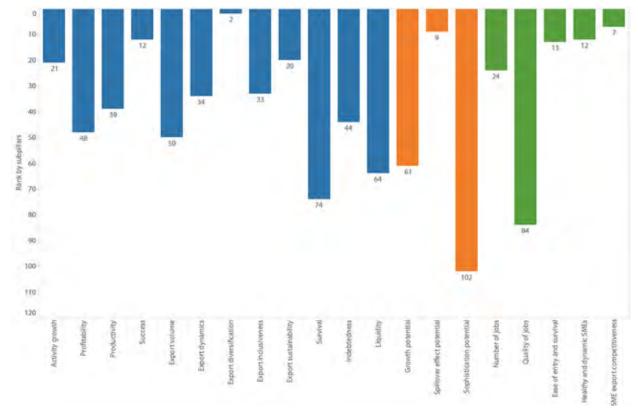
Rank 11 Plastic packing

Sector characteristic 2014	Sector	Economy*
Number of firms	314	24.551
Revenues (000 EUR)	213,0	27.118,3
Revenues growth rate (2009-2014)	6,3%	3,2%
Number of employees	3.083	398.814
Growth of employees (2009-2014)	-123	-86.307
Number of exporters	130	5.697
Value of exports (mil EUR)	115,9	11.081,7
Export growth rate (2009-2014)	27,7%	14,2%
HHI index	295	-

^{*} Tradable sectors in economy

Pillar	Rank
General performance	12
Export performance	22
Sustainable performance	64
Growth potential	61
Spillover effect potential	9
Sophistication potential	102
Job creation contribution	24
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	6





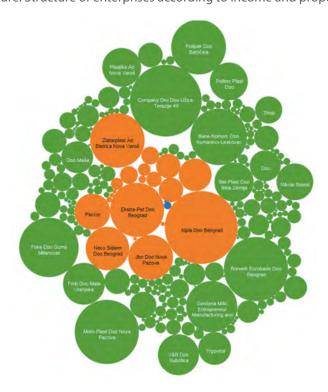
Plastic packaging

The sector of the production of plastic packaging supplies includes the production of a large number of plastic products used for packaging, such as containers, caps, closures, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce plastic foils, cups for the dairy industry, hoods for pallets, bags (biodegradable and advertising), packaging for food and non-food industry, boxes, covers, etc

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Alpla	Mladenovac	14,5	32
2.	Preduzeće Divi	Užice	14,1	54
3.	Moto-Plast	Nova Pazova	11,3	88
4.	Borverk Eurotrade	Beograd	11,2	37
5.	Preduzeće Foka	Gornji Milanovac	9,7	143
6.	Bane-Komerc	Kumarevo	8,7	200
7.	Polipak	Batočina	8,2	132
8.	Zlatarplast Ad Bistrica Nova Varoš	Nova Varoš	8,1	265
9.	Ekstra-Pet	Beograd	8,0	13
10.	Mitić-Plast	Kumarevo	7,1	113
	Total (Top 10)		100,9	1.077
	Total sector		213,0	3.083

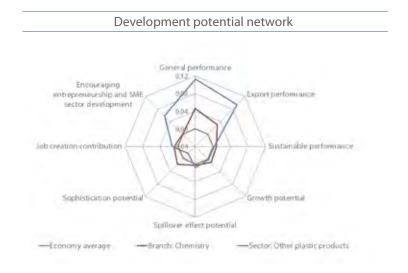


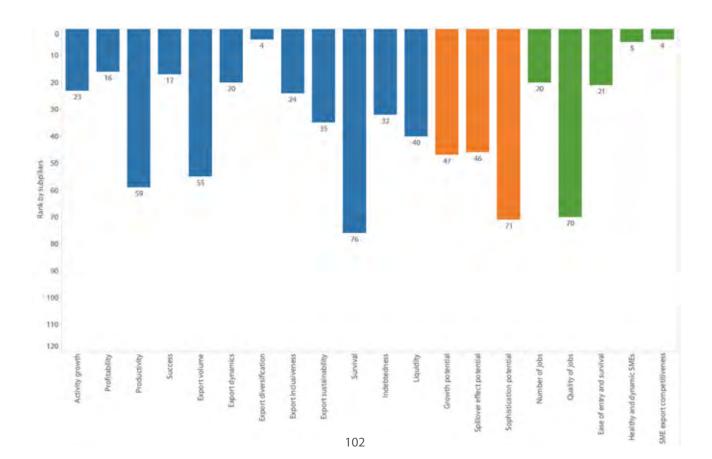
Rank 12 Other plastic products

Sector characteristic 2014	Sector	Economy*
Number of firms	295	24.551
Revenues (000 EUR)	199,0	27.118,3
Revenues growth rate (2009-2014)	12,8%	3,2%
Number of employees	3.282	398.814
Growth of employees (2009-2014)	506	-86.307
Number of exporters	132	5.697
Value of exports (mil EUR)	61,9	11.081,7
Export growth rate (2009-2014)	24,6%	14,2%
HHI index	505	-

^{*} Tradable sectors in economy

Pillar	Rank
General performance	18
Export performance	19
Sustainable performance	54
Growth potential	47
Spillover effect potential	46
Sophistication potential	71
Job creation contribution	20
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	2





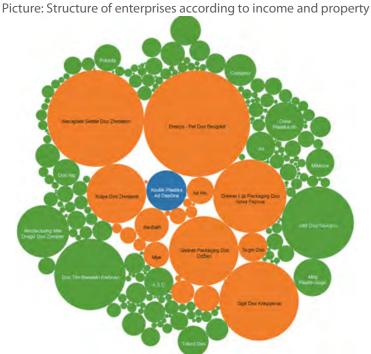
Other plastic products

The sector of the production of other plastic products includes the production of products such as artificial intestines (for sausage and hot dogs), and other plastic products.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce bottles for water, soft drinks, beer, milk and chemicals, containers for waste disposal, containers for household use, stadium chairs, garden furniture, ballistic protective equipment for the body, ballistic and riot helmets, ballistic panels, nursing supplies, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of empoyies
1.	Energo - Pet	Beograd (grad)	25,2	38
2.	Mecaplast Serbia	Zrenjanin	20,8	202
3.	Sigit	Grošnica	14,1	175
4.	Greiner I Jp Packaging	Nova Pazova	12,0	159
5.	Atm	Sevojno	11,7	157
6.	Doo Tim	Banatski Karlovac	11,4	46
7.	Greiner Packaging	Odžaci	10,8	138
8.	Kolpa	Zrenjanin	7,9	90
9.	Proizvodnja Mile Dragić	Zrenjanin	6,1	198
10.	Krušik-Plastika	Osečina (varošica)	3,6	147
	Total (Top 10)		123,6	1.350
	Total sector		199,0	3.282

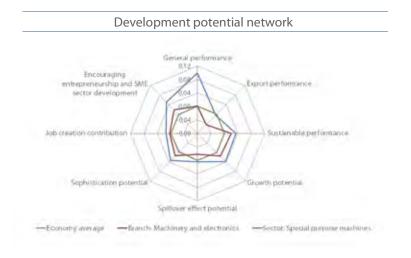


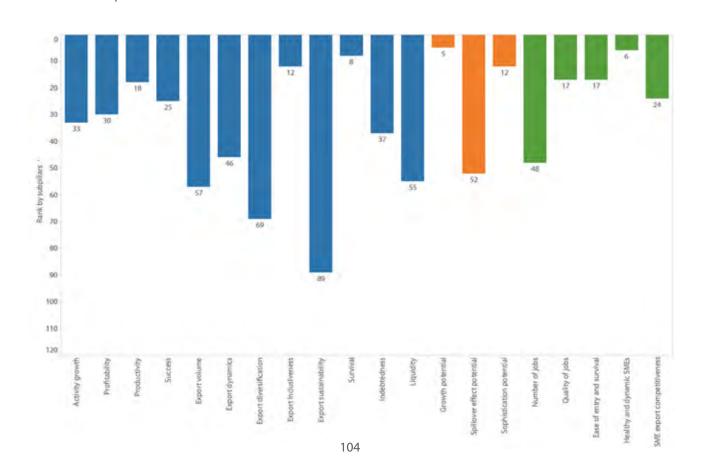
Rank 13 Special purpose machines

Sector characteristic 2014	Sector	Economy*
Number of firms	82	24.551
Revenues (000 EUR)	40,2	27.118,3
Revenues growth rate (2009-2014)	7,4%	3,2%
Number of employees	940	398.814
Growth of employees (2009-2014)	-324	-86.307
Number of exporters	42	5.697
Value of exports (mil EUR)	50,9	11.081,7
Export growth rate (2009-2014)	14,3%	14,2%
HHI index	1.319	-

^{*} Tradable sectors in economy

Pillar	Rank
General performance	21
Export performance	52
Sustainable performance	6
Growth potential	5
Spillover effect potential	52
Sophistication potential	12
Job creation contribution	48
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	7





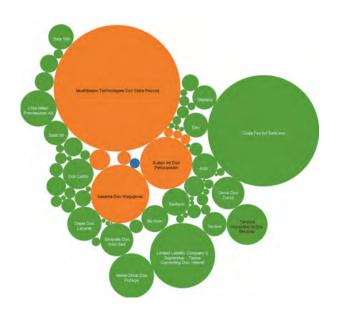
Special purpose machines

Special purpose machines production sector includes several activities - manufacturing of machinery for textile, apparel and leather, for paper and paperboard production, metallurgy and other special purposes. Products that fall under this sector include: sewing machines, washing machines, cleaning machines, drying machines, extrusion machines, weaving machines, offset printing machines, machines for straightening metals, etc.

These enterprises produce equipment for installation and transportation of concrete, industrial refrigeration compressors, machinery for making paper tissues, supplies for medical and food industry, machinery for cutting sheet metal, equipment for industrial ventilation and dust collection, power equipment, metal structures and equipment for environmental protection and waste processing, machines for manufacturing of steel and metal structures.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Muehlbauer Tech.	Stara Pazova	10,9	115
2.	Goša Fso Ad Simićevo	Simićevo	8,4	247
3.	Tissue Converting	Velereč	2,9	74
4.	Assema	Kragujevac	2,3	27
5.	3Latox Int	Petrovaradin	1,9	17
6.	Metal-Sklop	Požega	1,4	86
7.	Tehnika Hidraulike St	Beograd	1,1	11
8.	Utva-Milan	Kačarevo	0,9	56
9.	Dajas	Laćarak	0,8	31
10.	Biropolis	Novi Sad	0,7	9
	Total (Top 10)		31,3	673
	Total sector		40,2	940

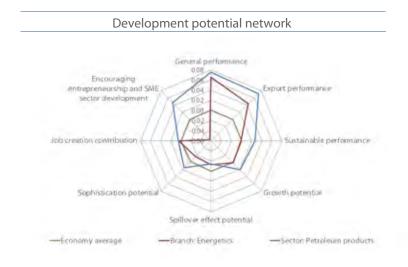


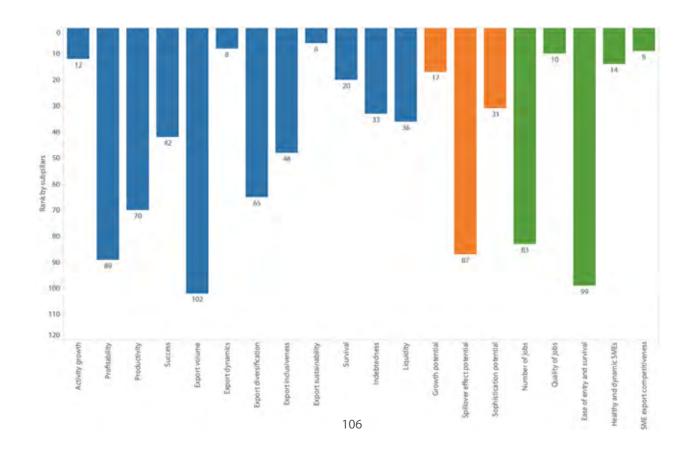
Rank 14 Petroleum products

Sector characteristic 2014	Sector	Economy*
Number of firms	38	24.551
Revenues (000 EUR)	209,5	27.118,3
Revenues growth rate (2009-2014)	14,0%	3,2%
Number of employees	752	398.814
Growth of employees (2009-2014)	-96	-86.307
Number of exporters	14	5.697
Value of exports (mil EUR)	345,2	11.081,7
Export growth rate (2009-2014)	21,1%	14,2%
HHI index	2.907	-

^{*} Tradable sectors in economy

-	Pillar	Rank
	General performance	29
	Export performance	26
	Sustainable performance	10
	Growth potential	17
	Spillover effect potential	87
	Sophistication potential	31
	Job creation contribution	83
	Contribution to investment attraction	-
	Encouraging entrepreneurship and SME sector development	13





Petroleum products

The sector of the production of petroleum products includes briquettes, coke from coal, lignite, waste oils, paraffin wax, tar, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different types of gas, oil, and other petroleum products.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Doo Euro Gas	Subotica	102,5	64
2.	Standard Gas	Novi Sad	42,2	56
3.	Fam	Kruševac	15,4	216
4.	Global Galax	Beograd	7,9	10
5.	Tim Izolirka	Šid	7,1	61
6.	Asfalt	Beograd	5,7	2
7.	Fim	Kanjiža	5,5	59
8.	Doo Brzmin	Brzeće	5,5	20
9.	Viskol Group	Veternik	5,0	17
10.	Doo Bell Chemicals	Banatsko Veliko s.	2,8	28
	Total (Top 10)		199,6	533
	Total sector		209,5	752

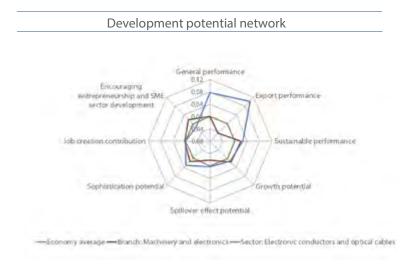
Picture: Structure of enterprises according to income and property

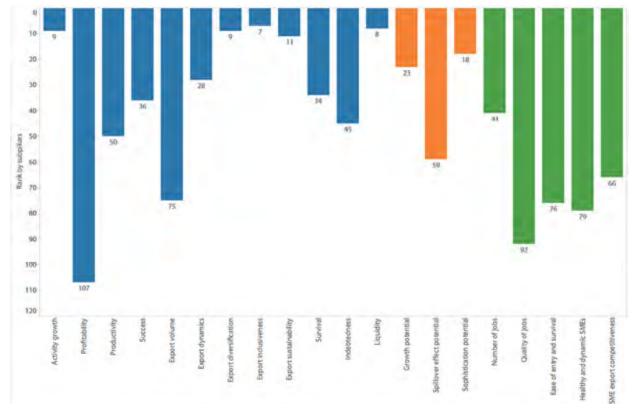
Rank 15 Electronic conductors and optical cables

Sector characteristic 2014	Sector	Economy*
Number of firms	25	24.551
Revenues (000 EUR)	143,9	27.118,3
Revenues growth rate (2009-2014)	10,5%	3,2%
Number of employees	3.732	398.814
Growth of employees (2009-2014)	-607	-86.307
Number of exporters	15	5.697
Value of exports (mil EUR)	3,5	11.081,7
Export growth rate (2009-2014)	36,3%	14,2%
HHI index	2.233	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	28
Export performance	17
Sustainable performance	15
Growth potential	23
Spillover effect potential	59
Sophistication potential	18
Job creation contribution	41
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	73





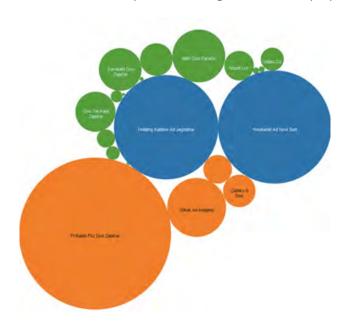
Electronic conductors and optical cables

The sector of the production of electronic conductors and optical cables includes the activities of production of fiber optic cables and the manufacture of other electronic and electric wires and cables. These include products such as insulated cables, wires, various insulated conductors, optical fibers, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different types of cables - telecommunication, energy, micro cables, connectors, and are engaged in the production and wholesale of electrical materials and equipment.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Tf Kable Fkz D	Zaječar	54,0	499
2.	Fra Ad Čačak	Novi Sad	29,9	558
3.	Holding Kablovi	Jagodina	25,5	1.980
4.	Elkok Ad Kosjerić	Kosjerić	8,1	105
5.	Milić	Paraćin	6,5	40
6.	Eurokabl	Zaječar	4,3	34
7.	Doo Tel-Kabl	Zaječar	3,7	17
8.	Cablex-S	Platičevo	2,5	100
9.	Metalka-Majur	Jagodina	2,5	144
10.	Nopal Lux	Bačka Palanka	2,0	131
	Total (Top 10)		139,0	3.608
	Total sector		143,9	3.732

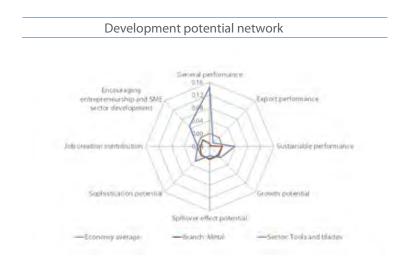


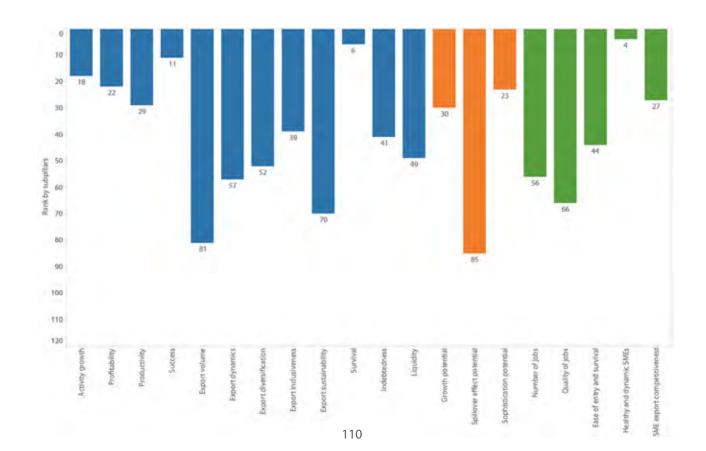
Rank 16 Tools and blades

Sector characteristic 2014	Sector	Economy*
Number of firms	141	24.551
Revenues (000 EUR)	71,7	27.118,3
Revenues growth rate (2009-2014)	11,3%	3,2%
Number of employees	1.995	398.814
Growth of employees (2009-2014)	-302	-86.307
Number of exporters	54	5.697
Value of exports (mil EUR)	32,0	11.081,7
Export growth rate (2009-2014)	16,2%	14,2%
HHI index	1.404	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	10
Export performance	62
Sustainable performance	4
Growth potential	30
Spillover effect potential	85
Sophistication potential	23
Job creation contribution	56
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	8





Tools and blades

The sector of the production of tools and blades includes the production of a large number of tools, such as: hand tools (spades, shovels, pickaxes, rakes ...), hand saws, files, tweezers, saw blade, knives for machines, scissors, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different types of products, such as galvanized and aluminum sheets, pipes, building materials, welded sub-assemblies for machines, welded steel structures, welded steel sheets, sheet cutting by gas or plasma, mining tools, brake systems, pneumatic tools, shafts, drilling tools and hole processing, milling, creating internal and external thread, gearing, control and measurement,

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Business revenuess (mil EUR)	Number of employies
1.	Atenic-Commerce	Čačak	22,6	103
2.	D-Company	Babušnica	11,7	248
3.	Unior Components	Kragujevac	5,5	155
4.	Inmold Plast		4,9	45
5.	Gorenje Mdm		1,6	87
6.	Mtk Metal-Komerc	Užice	1,4	50
7.	Corun Holding	Užice	1,3	84
8.	Doo Razvitak	Požega	1,2	19
9.	Putd Nedeljković	Provo	1,1	35
10.	Metalrad	Inđija	1,1	17
	Total (Top 10)		52,4	843
	Total sector		71,7	1.995

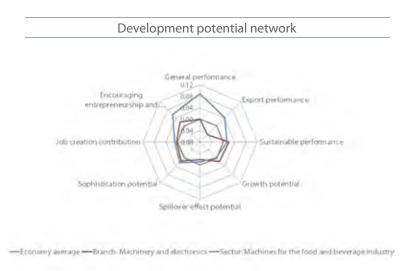
Picture: Structure of enterprises according to income and property

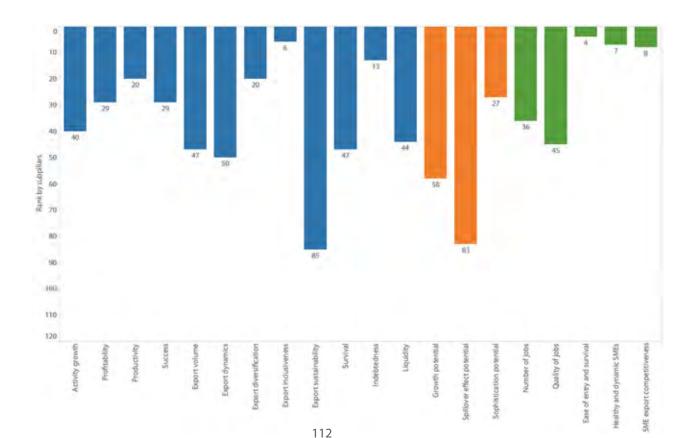
Rank 17 Machines for the food and beverage industry

Sector characteristic 2014	Sector	Economy*
Number of firms	86	24.551
Revenues (000 EUR)	34,6	27.118,3
Revenues growth rate (2009-2014)	6,7%	3,2%
Number of employees	811	398.814
Growth of employees (2009-2014)	-94	-86.307
Number of exporters	51	5.697
Value of exports (mil EUR)	7,9	11.081,7
Export growth rate (2009-2014)	8,4%	14,2%
HHI index	442	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	25
Export performance	35
Sustainable performance	35
Growth potential	58
Spillover effect potential	83
Sophistication potential	27
Job creation contribution	36
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	3





Machines for the food and beverage industry

The sector of the production of machines for food and beverage, in addition to the machines that are used in the food and beverage industry, also includes machines for tobacco processing.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce equipment for the food industry, fruit and vegetable processing, they produce flow tunnels for quick freezing, as well as machines for stoning, packaging and filling for baking industry, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Progres Inžinjering	Čačak	4,1	83
2.	Tehno-Božići	Šabac	2,8	14
3.	Protehel	Borča	2,4	46
4.	Oprema Pigo-R	Beograd	2,0	38
5.	Doo Elmont Čačak	Čačak	1,7	7
6.	Nicoll System	Donja Trnava	1,6	11
7.	Veselinovići	Šabac	1,4	19
8.	Dadex	Mačvanska Mitrovica	1,3	50
9.	Doo Mat-Ing	Malča	1,3	36
10.	Pigo	Beograd	1,1	20
	Total (Top 10)		19,7	324
	Total sector		34,6	811

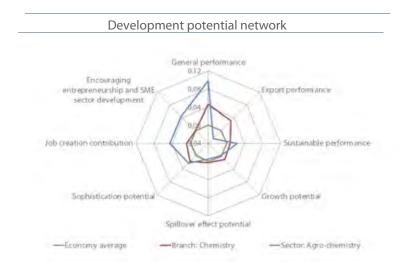
Picture: Structure of enterprises according to income and property

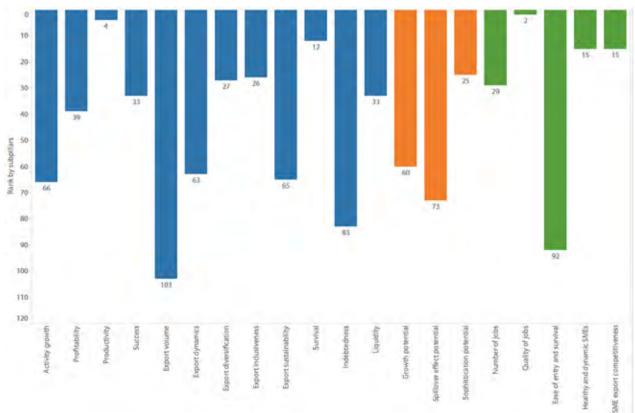
Rank 18 Agro-chemistry

Sector characteristic 2014	Sector	Economy*
Number of firms	17	24.551
Revenues (000 EUR)	81,9	27.118,3
Revenues growth rate (2009-2014)	6,0%	3,2%
Number of employees	394	398.814
Growth of employees (2009-2014)	-147	-86.307
Number of exporters	8	5.697
Value of exports (mil EUR)	12,4	11.081,7
Export growth rate (2009-2014)	30,4%	14,2%
HHI index	2.977	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	22
Export performance	61
Sustainable performance	20
Growth potential	60
Spillover effect potential	73
Sophistication potential	25
Job creation contribution	29
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	15





Agro-chemistry

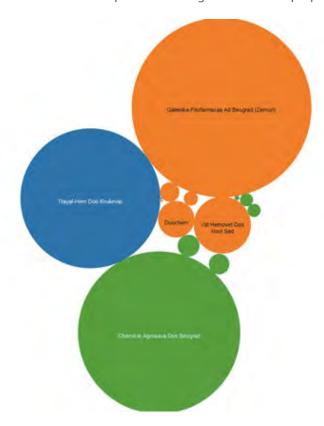
Agro-chemistry sector includes insecticides, fungicides, herbicides, anti-sprouting products, plant growth regulators, disinfectants, other products in forms or packings for retail sale or as preparations or products, and so on.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce pesticides, chemicals for agriculture, herbicides, fungicides, insecticides, agents for the treatment of seeds and planting materials, biocides, products for use in communal hygiene and agriculture, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Galenika-Fitofarmacija Ad	Beograd	31,3	145
2.	Chemical Agrosava	Beograd	25,5	137
3.	Trayal-Hem	Kruševac	18,9	6
4.	Vst Hemovet	Novi Sad	3,2	42
5.	Duochem	Beograd	1,3	16
6.	B.V. Komerc	Novi Sad	0,5	6
7.	Jugo Hem	Leskovac	0,4	20
8.	Biogenesis	Bačka Topola	0,4	6
9.	Herbos Fitofarmacija	Novi Sad	0,2	3
10.	Zorka-Koltild-Agrotehnohem	Subotica	0,2	7
	Total (Top 10)		81,9	388
	Total sector		81,9	394

Picture: Structure of enterprises according to income and property

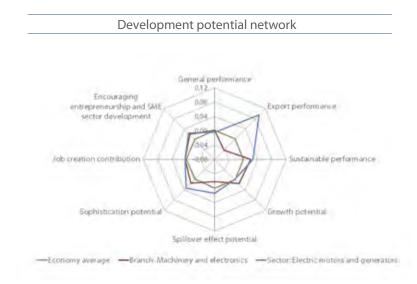


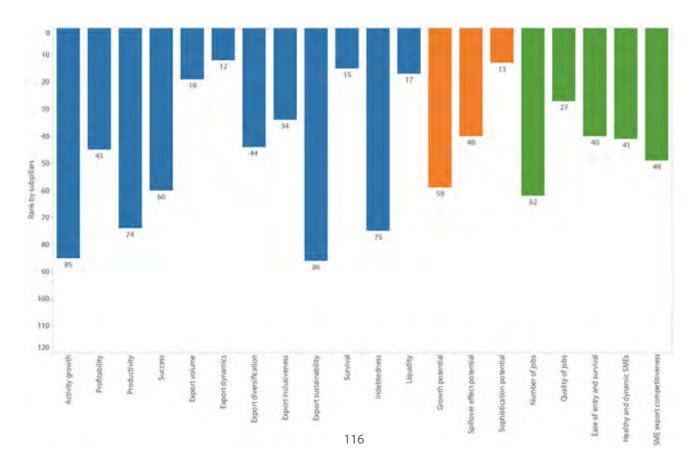
Rank 19 Electric motors and generators

Sector characteristic 2014	Sector	Economy*
Number of firms	45	24.551
Revenues (000 EUR)	42,6	27.118,3
Revenues growth rate (2009-2014)	-10%	3,2%
Number of employees	3.180	398.814
Growth of employees (2009-2014)	-113	-86.307
Number of exporters	133	5.697
Value of exports (mil EUR)	103,7	11.081,7
Export growth rate (2009-2014)	32,0%	14,2%
HHI index	263	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	63
Export performance	18
Sustainable performance	14
Growth potential	59
Spillover effect potential	40
Sophistication potential	13
Job creation contribution	62
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	44





Electric motors and generators

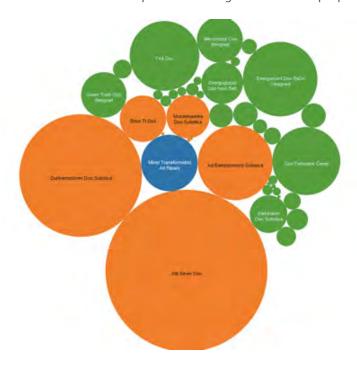
Sector production of electric motors and generators includes the production of electric motors, generators, transformers, electric rotary converters, generators, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce low-voltage and high-voltage motors, hydro and wind generators, voltage regulators, heat exchangers, filters, conveyors, diesel and petrol generators, generators for irrigation, gas cogeneration plants, pumps, elevators, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Atb Sever	Subotica	13,8	365
2.	Dunkermotoren	Subotica	7,9	88
3.	Ad Elektroremont	Subotica	2,9	132
4.	Energomont	Bački Vinogradi	2,9	85
5.	Fmt	Zaječar	2,5	160
6.	Doo Tehnolink	Čenej	2,4	23
7.	Minel Transformatori	Ripanj	1,7	198
8.	Elma Tt	Bačka Topola	1,1	25
9.	Mikromotor	Beograd	1,1	60
10.	Green Trafo	Beograd	1,1	7
	Total (Top 10)		37,4	1.143
	Total sector		42,6	1.345

Picture: Structure of enterprises according to income and property

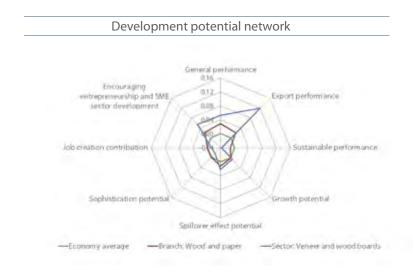


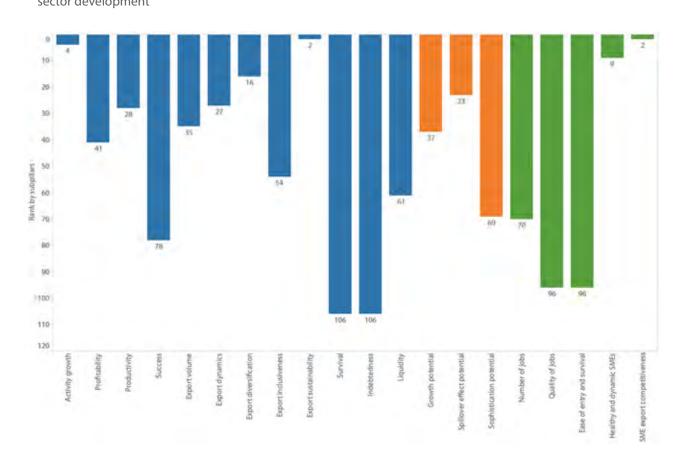
Rank 20 Veneer and wood boards

Sector characteristic 2014	Sector	Economy*
Number of firms	27	24.551
Revenues (000 EUR)	71,0	27.118,3
Revenues growth rate (2009-2014)	21,6%	3,2%
Number of employees	1.258	398.814
Growth of employees (2009-2014)	311	-86.307
Number of exporters	11	5.697
Value of exports (mil EUR)	45,1	11.081,7
Export growth rate (2009-2014)	30,0%	14,2%
HHI index	3.946	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	45
Export performance	12
Sustainable performance	107
Growth potential	37
Spillover effect potential	23
Sophistication potential	69
Job creation contribution	70
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	4





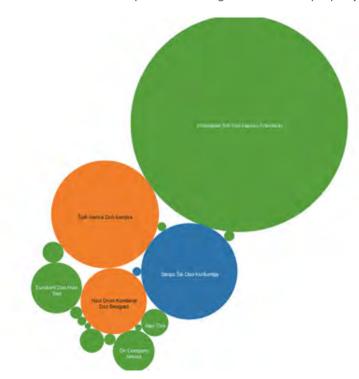
Veneer and wood boards

The sector of the production of veneer sheets and wood boards covers the activity of the production of sheets of veneer for plywood, processed wood lengthwise, sliced or peeled, including planed, sanded, multiplek, veneered panels, fiber-board of wood or other woody material.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Kronospan Srb	Lapovo	42,3	147
2.	Špik Iverica	Ivanjica	10,4	113
3.	Simpo Šik	Kuršumlija	8,3	636
4.	Novi Drvni Kombinat	Beograd	3,9	184
5.	Eurokant	Novi Sad	2,3	36
6.	Dn Company	Vladičin Han	1,6	87
7.	Alpo	Beograd	0,7	12
8.	Doo Tmb Diamond	Pančevo	0,5	4
9.	Furnir	Beograd	0,4	15
10.	Euro-Probalkan	Niš	0,1	3
	Total (Top 10)		70,5	1.237
	Total sector		71,0	1.258

Picture: Structure of enterprises according to income and property

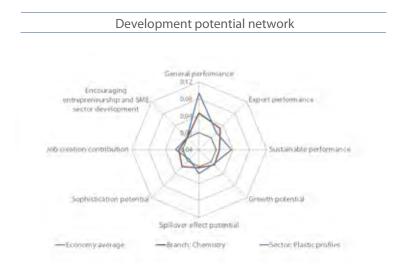


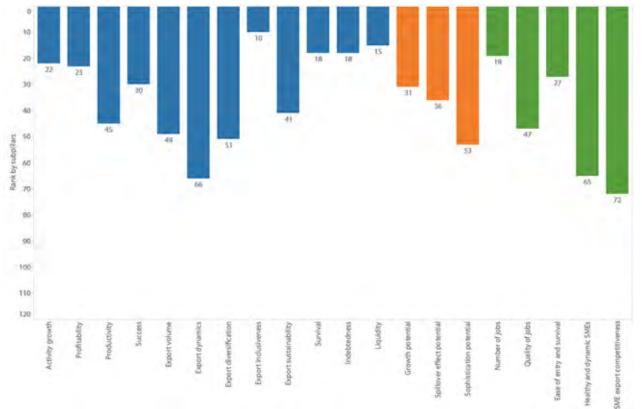
Rank 21 Plastic profiles

Sector characteristic 2014	Sector	Economy*
Number of firms	124	24.551
Revenues (000 EUR)	161,7	27.118,3
Revenues growth rate (2009-2014)	8,7%	3,2%
Number of employees	2.473	398.814
Growth of employees (2009-2014)	172	-86.307
Number of exporters	61	5.697
Value of exports (mil EUR)	119,1	11.081,7
Export growth rate (2009-2014)	13,5%	14,2%
HHI index	1.502	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	24
Export performance	41
Sustainable performance	5
Growth potential	31
Spillover effect potential	36
Sophistication potential	53
Job creation contribution	19
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	65





Plastic profiles

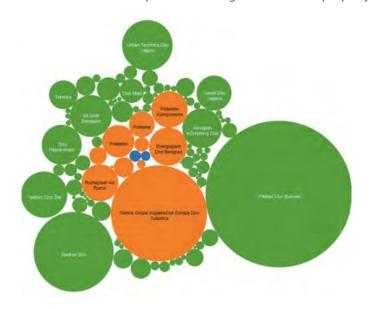
The sector of production of plastic profiles includes the production of plates, sheets, tubes and profiles. This sector covers a large number of products such as pipes, hoses, plates, foil, plastic parts and other products in polymer of ethylene, vinyl chloride, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce plastic pipes and PVC profiles, collagen casings for the meat processing industry, components for the automotive industry, packaging in plastic, insulation material, irrigation hoses, sewage pipes, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Peštan	Bukovik	54,1	644
2.	Norma Grupa	Subotica	23,3	340
3.	Spektar	Gornji Milanovac	16,1	165
4.	Urban Technics	Valjevo	6,4	98
5.	Valdom	Šid	5,4	51
6.	Ad Izolir	Zrenjanin	4,4	42
7.	Doo Hidrokomerc	Lučani	4,0	46
8.	Akvapan Inženjering	Čačak	3,9	65
9.	Energoplast	Beograd	3,7	25
10.	Rumaplast Ad	Ruma	3,5	76
	Total (Top 10)		124,8	1.552
	Total sector		161,7	2.473

Picture: Structure of enterprises according to income and property

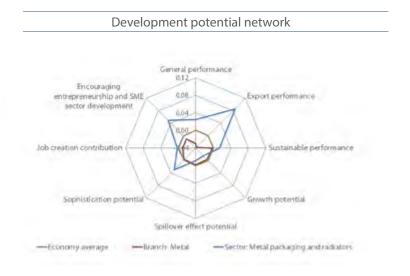


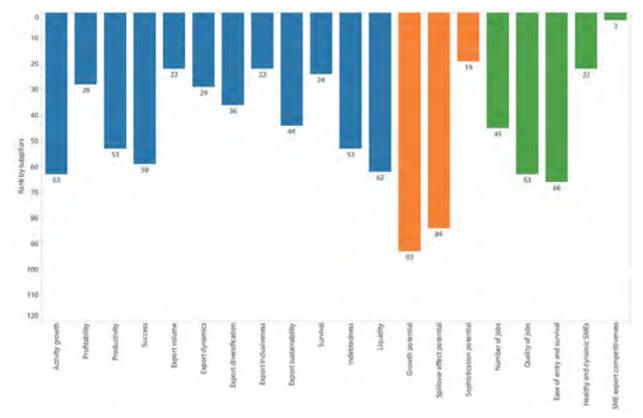
Rank 22 Metal packaging and radiators

Sector characteristic 2014	Sector	Economy*
Number of firms	156	24.551
Revenues (000 EUR)	268,9	27.118,3
Revenues growth rate (2009-2014)	6,7%	3,2%
Number of employees	3.275	398.814
Growth of employees (2009-2014)	-59	-86.307
Number of exporters	62	5.697
Value of exports (mil EUR)	110,7	11.081,7
Export growth rate (2009-2014)	13,5%	14,2%
HHI index	2.497	-

*Tradable sectors in economy

Pillar	Rank
General performance	57
Export performance	23
Sustainable performance	34
Growth potential	93
Spillover effect potential	84
Sophistication potential	19
Job creation contribution	45
Contribution to investment	-
Encouraging entrepreneurship and SME sector development	10





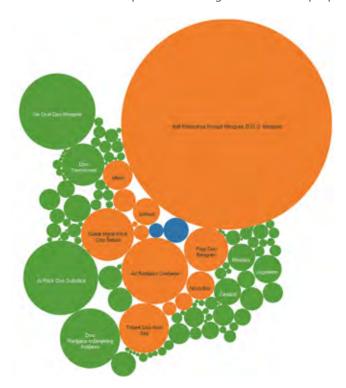
Metal packaging and radiators

Metal packaging and radiators sector includes the manufacture of steam boilers and radiators for central-heating, manufacture of other tanks, reservoirs and containers. The enterprises in this sector produce reservoirs, tanks, vats, of iron, steel or aluminum, cans, boxes and similar containers.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Ball Pakovanja Evropa	Beograd	130,3	173
2.	Via Ocel	Beograd	17,1	142
3.	Al Pack	Subotica	16,4	171
4.	Ad Radijator	Zrenjanin	13,0	475
5.	Doo Radijator-Inženjering	Kraljevo	10,5	292
6.	Galeb Metal Pack	Šabac	8,2	127
7.	Trijera	Novi Sad	7,3	11
8.	Fmp	Beograd	5,8	75
9.	Doo Termomont	Šimanovci	5,3	107
10.	Minel Kotlogradnja	Beograd	2,6	172
	Total (Top 10)		216,5	1.745
	Total sector		268,9	3.275

Picture: Structure of enterprises according to income and property

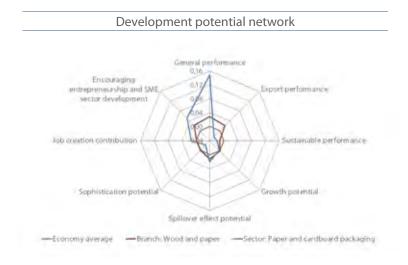


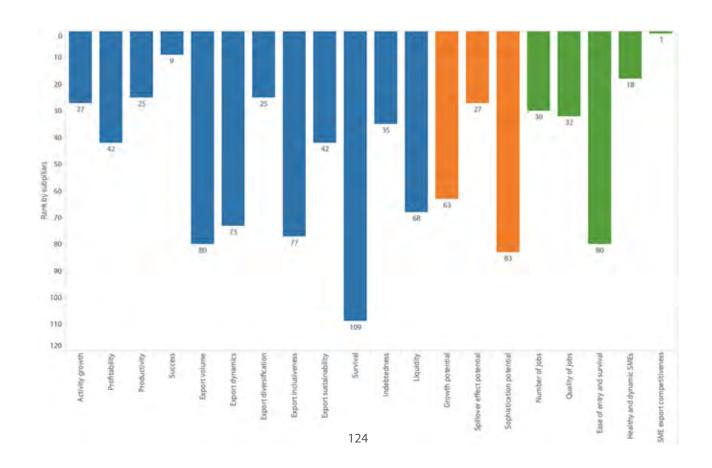
Rank 23 Paper and cardboard packaging

Sector characteristic 2014	Sector	Economy*
Number of firms	293	24.551
Revenues (000 EUR)	435,0	27.118,3
Revenues growth rate (2009-2014)	5,0%	3,2%
Number of employees	3.124	398.814
Growth of employees (2009-2014)	-653	-86.307
Number of exporters	75	5.697
Value of exports (mil EUR)	5,7	11.081,7
Export growth rate (2009-2014)	30,8%	14,2%
HHI index	2.307	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	9
Export performance	60
Sustainable performance	94
Growth potential	63
Spillover effect potential	27
Sophistication potential	83
Job creation contribution	30
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	5





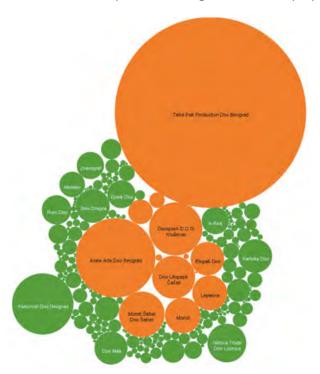
Paper and cardboard packaging

The sector of the production of paper and cardboard packaging includes the manufacture of corrugated paper and paperboard and containers of paper and paperboard.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce organic and inorganic cardboard packaging, transport and commercial packaging, corrugated cardboard, all kinds of paper packaging, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Tetra Pak Production	Beograd	202,6	163
2.	Avala Ada	Beograd	35,1	308
3.	Kartonval	Beograd	20,8	142
4.	Duropack	Kruševac	15,8	147
5.	Mondi Šabac	Šabac	11,6	65
6.	Doo Litopapir	Čačak	10,3	223
7.	Natura Trade	Loznica	8,3	57
8.	Mondi Paraćin	Paraćin	7,1	40
9.	Lepenka	Novi Kneževac	6,8	184
10.	Beo-Dragos	Beograd	6,3	12
	Total (Top 10)		324,7	1.341
	Total sector		435,0	3.124

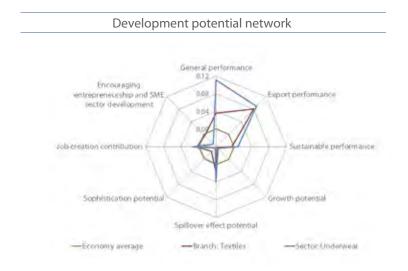


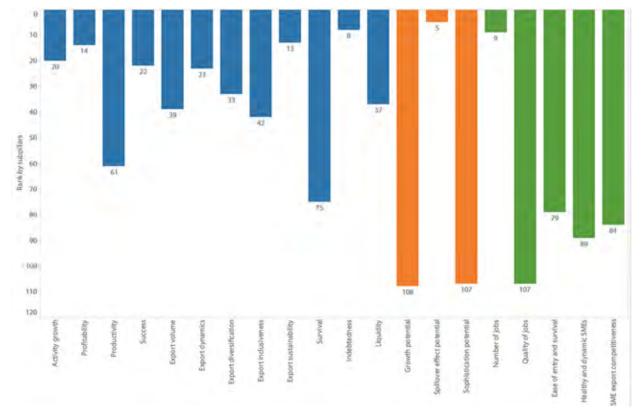
Rank 24 Underwear

Sector characteristic 2014	Sector	Economy*
Number of firms	99	24.551
Revenues (000 EUR)	53,1	27.118,3
Revenues growth rate (2009-2014)	11,2%	3,2%
Number of employees	4.058	398.814
Growth of employees (2009-2014)	508	-86.307
Number of exporters	41	5.697
Value of exports (mil EUR)	97,5	11.081,7
Export growth rate (2009-2014)	7,9%	14,2%
HHI index	2.452	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	19
Export performance	20
Sustainable performance	44
Growth potential	108
Spillover effect potential	5
Sophistication potential	107
Job creation contribution	9
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	89





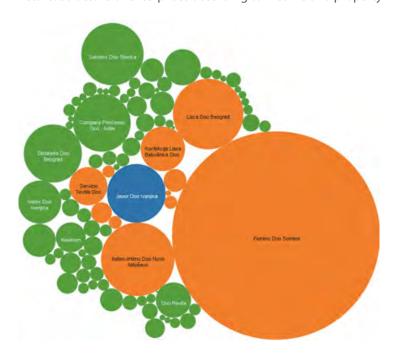
Underwear

The underwear manufacturing sector includes production of pajamas, bathrobes, underwear, blouses, gowns, corsets, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different kinds of underwear, shirts, blouses, dresses, children's clothing, pajamas, nightgowns, baby sets, T-shirts, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Business revenues (mil EUR)	Number of employies
1.	Fiorano	Sombor	25,5	1.239
2.	Italtex-Intimo	Novo Miloševo	3,2	425
3.	Lisca	Beograd	2,9	63
4.	Sanatex	Sjenica	2,3	396
5.	Javor	Ivanjica	2,0	554
6.	Deltateks	Beograd	2,0	86
7.	Piroćanac	Arilje	2,0	87
8.	Konfekcija Lisca	Babušnica	1,2	222
9.	Ivatex	Ivanjica	1,1	46
10.	Servizio Textile	Ivanjica	0,9	0
	Total (Top 10)		43,1	3.118
	Total sector		53,1	4.058

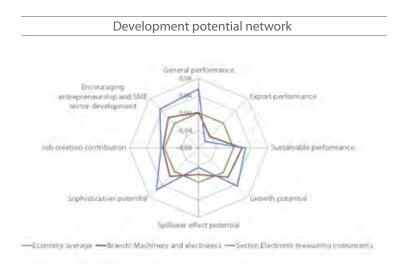


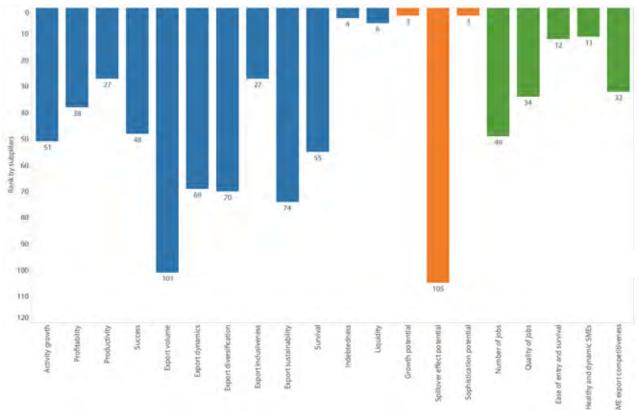
Rank 25 Electronic measuring instruments

Sector characteristic 2014	Sector	Economy*
Number of firms	232	24.551
Revenues (000 EUR)	70,7	27.118,3
Revenues growth rate (2009-2014)	1,9%	3,2%
Number of employees	1.725	398.814
Growth of employees (2009-2014)	-571	-86.307
Number of exporters	93	5.697
Value of exports (mil EUR)	34,9	11.081,7
Export growth rate (2009-2014)	6,2%	14,2%
HHI index	308	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	39
Export performance	79
Sustainable performance	9
Growth potential	3
Spillover effect potential	105
Sophistication potential	3
Job creation contribution	49
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	14





Electronic measuring instruments

The sector of the production of electronic measuring instruments includes the following activities: manufacturing of radiation equipment, electro-medical and electrotherapeutic equipment, measuring, testing and navigation instruments and apparatuses, watches and clocks. These activities include electro-diagnostic apparatuses, scanners, microscopes, timers, taxi meters, devices for measuring distance, speed gauges, pressure gauges, compasses, tools for calculating, drawing, physical and chemical analysis, oscilloscopes, watches, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce the following products: apparatuses for measuring blood pressure, inhalers, aspirators, halogenerators, thermometers, electric toothbrushes, stethoscopes, otoscopes, home, apartment and industrial water meters, strainers, calorimeters, gas flow meters, pressure control devices, regulators, alarm clocks, thermostats, temperature probes, humidity indicators, transmitters, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Prizma	Kragujevac	6,1	72
2.	Enel	Beograd	3,9	34
3.	Meter&Control	Beograd	3,8	45
4.	Insa Ad Beograd	Beograd	3,7	223
5.	Petroprocess	Novi Sad	3,4	32
6.	Eling Ad	Loznica	3,2	51
7.	Enel	Valjevo	3,2	25
8.	Cleantek	Zrenjanin	3,0	7
9.	Controlpoint	Užice	2,1	49
10	Nigos Elektronik	Niš	1,8	36
	Total (Top 10)		34,2	574
	Total sector		70,7	1.725

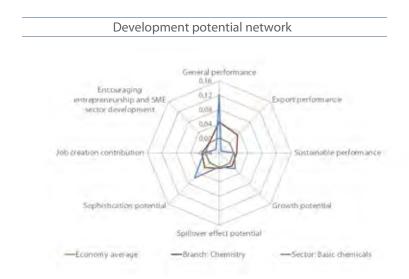


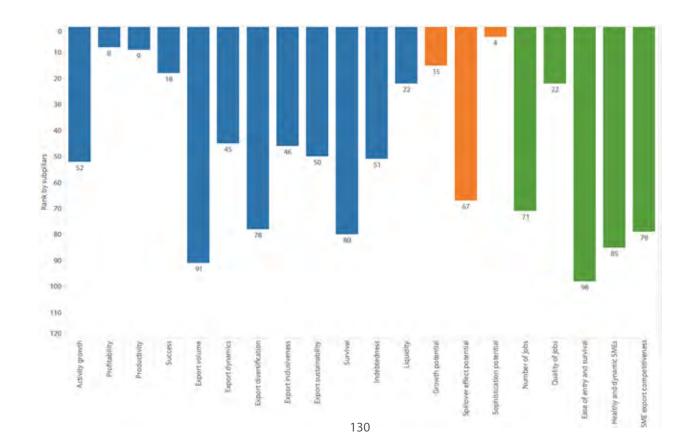
Rank 26 Basic chemicals

Sector characteristic 2014	Sector	Economy*
Number of firms	65	24.551
Revenues (000 EUR)	89,0	27.118,3
Revenues growth rate (2009-2014)	2,3%	3,2%
Number of employees	1.443	398.814
Growth of employees (2009-2014)	-681	-86.307
Number of exporters	22	5.697
Value of exports (mil EUR)	110,3	11.081,7
Export growth rate (2009-2014)	17,2%	14,2%
HHI index	3.455	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	15
Export performance	67
Sustainable performance	56
Growth potential	15
Spillover effect potential	67
Sophistication potential	4
Job creation contribution	71
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	85





Basic chemicals

The sector of the production of basic chemicals includes the production of roasted iron, acyclic hydrocarbons, cyclic hydrocarbons, halogenated derivatives of hydrocarbons, phenol and phenol-alcohols and their halogen monocarboxylic acids and their anhydrides, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Production name	City	Revenues (mil EUR)	Number of employies
1.	Messer Tehnogas	Beograd	50,7	344
2.	Kryogas Doo	Beograd	9,7	79
3.	Linde Gas Srbija	Bečej	5,5	77
4.	Adeco	Novi Sad	3,6	30
5.	Aurora	Lučani	2,4	19
6.	Marking	Užice	2,2	26
7.	Galenika-Magmasil	Beograd	2,1	24
8.	Zorka Pharma	Šabac	1,9	31
9.	Monidan-Komerc	Negotin	1,8	32
10.	Gile Gas	Ostrikovac	1,7	48
	Total (Top 10)		81,6	710
	Total sector		89,0	1.443

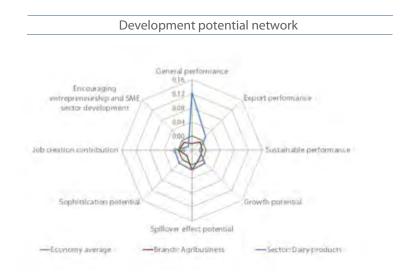


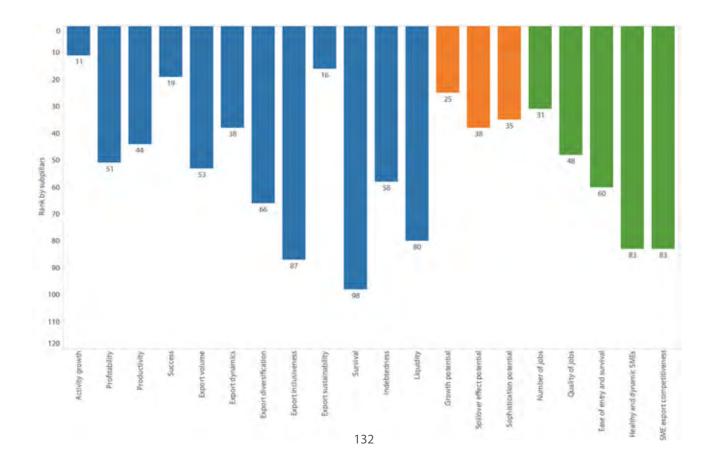
Rank 27 Dairy products

Sector characteristic 2014	Sector	Economy*
Number of firms	185	24.551
Revenues (000 EUR)	609,5	27.118,3
Revenues growth rate (2009-2014)	1,4%	3,2%
Number of employees	5.757	398.814
Growth of employees (2009-2014)	-1.305	-86.307
Number of exporters	34	5.697
Value of exports (mil EUR)	78,8	11.081,7
Export growth rate (2009-2014)	11,5%	14,2%
HHI index	1.393	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	14
Export performance	42
Sustainable performance	90
Growth potential	25
Spillover effect potential	38
Sophistication potential	35
Job creation contribution	31
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	83





Dairy products

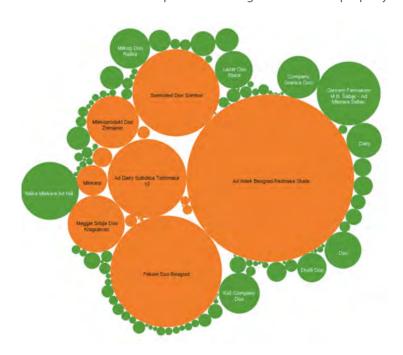
The sector of the production of dairy products includes the production of milk, cream, yogurt, whey, butter and other oils derived from milk, cheese, yellow cheese, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce melted and spreading cheese, yellow cheese, butter, milk, sour and chocolate milk, milk powder, cream, yogurt, ice cream, frozen fruits and vegetables, fish and meat products, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Ad Imlek Beograd	Padinska Skela	192,3	768
2.	Frikom Doo Beograd	Beograd	85,2	936
3.	Somboled	Sombor	52,1	329
4.	Ad Mlekara	Subotica	42,7	187
5.	Koncern Farmakom M.B.	Šabac	27,9	457
6.	Niška Mlekara	Niš	22,9	308
7.	Meggle Srbija	Kragujevac	22,4	74
8.	Mlekoprodukt	Zrenjanin	18,9	316
9.	Granice Doo	Granice	12,4	137
10.	Kuč-Company	Kragujevac	11,3	160
	Total (Top 10)		488,1	3.672
	Total sector		609,5	5.757

Picture: Structure of enterprises according to income and property

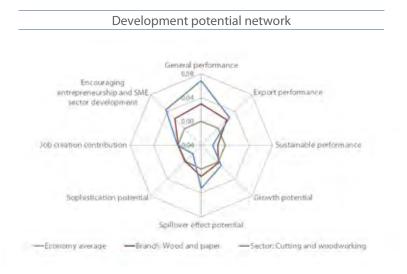


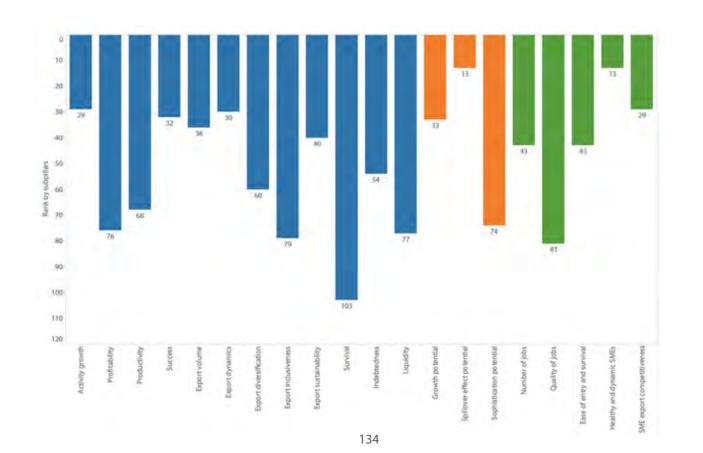
Rank 28 Cutting and woodworking

Sector characteristic 2014	Sector	Economy*
Number of firms	563	24.551
Revenues (000 EUR)	129,4	27.118,3
Revenues growth rate (2009-2014)	1,7%	3,2%
Number of employees	3.499	398.814
Growth of employees (2009-2014)	-2.345	-86.307
Number of exporters	153	5.697
Value of exports (mil EUR)	39,6	11.081,7
Export growth rate (2009-2014)	11,1%	14,2%
HHI index	120	-

^{*}Tradable sectors in economy

-	Pillar	Rank
	General performance	32
	Export performance	40
	Sustainable performance	95
	Growth potential	33
	Spillover effect potential	13
	Sophistication potential	74
	Job creation contribution	43
	Contribution to investment attraction	-
	Encouraging entrepreneurship and SME sector development	16





Cutting and woodworking

The sector of cutting and woodworking is made up of activities such as cutting and wood processing, and includes the production of various forms of wood or wood fiber, railway or tramway sleepers, of coniferous species on other nonconiferous wood.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Bio Energy Point	Beograd	5,6	62
2.	Ms Production		5,1	3
3.	Microtri	Beograd	4,4	142
4.	Star Jela	Prijepolje	3,1	47
5.	Ukras	Veliki Popović	2,8	42
6.	Preduzeće Bor	Majur	2,7	25
7.	Doo Tehnooprema	Konarevo	2,4	17
8.	Tri Jele	Konarevo	2,3	30
9.	Eko Furnir	Kovin	2,2	28
10.	Paksel	Apatin	2,1	23
	Total (Top 10)		32,7	419
	Total sector		129,4	3.499

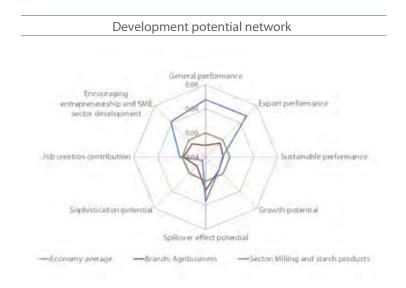
Picture: Structure of enterprises according to income and property

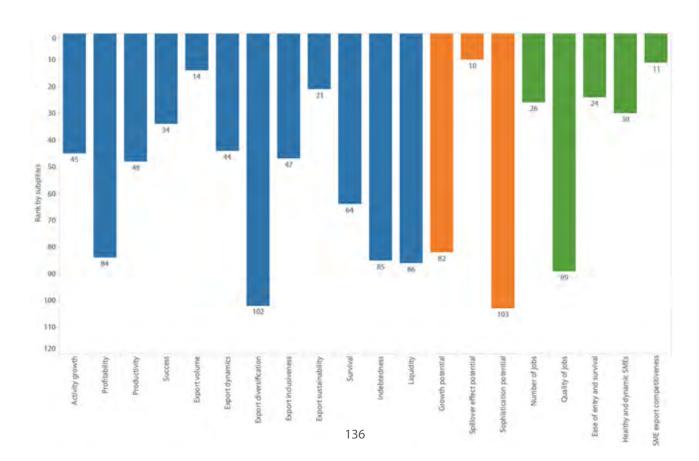
Rank 29 Milling and starch products

Sector characteristic 2014	Sector	Economy*
Number of firms	250	24.551
Revenues (000 EUR)	430,1	27.118,3
Revenues growth rate (2009-2014)	1,9%	3,2%
Number of employees	5.369	398.814
Growth of employees (2009-2014)	-2.418	-86.307
Number of exporters	84	5.697
Value of exports (mil EUR)	72,9	11.081,7
Export growth rate (2009-2014)	7,1%	14,2%
HHI index	297	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	41
Export performance	31
Sustainable performance	82
Growth potential	82
Spillover effect potential	10
Sophistication potential	103
Job creation contribution	26
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	20





Milling and starch products

The sector of the production of mill and starch products includes rice processing, production of flour from grain and meslin, groats and meal of cereals, bran, corn oil, starch, inulin and wheat gluten.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce bread, toast, donuts, pastries, white, whole and other types of flour, bread crumbs, pasta, semolina, animal feed (kibbling and milling wheat remains), etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Granexport	Pančevo	34,8	101
2.	Doo Žito-Bačka Kula	Kula	31,9	86
3.	Danubius	Novi Sad	20,9	120
4.	Kikindski Mlin	Kikinda	19,5	152
5.	Dps Klas Group	Klenje	17,9	146
6.	Žitopromet-Mlin	Senta	17,1	221
7.	Ad Ind. Skroba Jabuka	Pančevo	15,0	174
8.	Mitsides Point	Sremska Mitrovica	14,0	185
9.	Sole-Komerc	Beograd	10,8	41
10.	Žitopromet-Mlinpek	Stara Pazova	10,5	93
	Total (Top 10)		192,4	1.319
	Total sector		430,1	5.369

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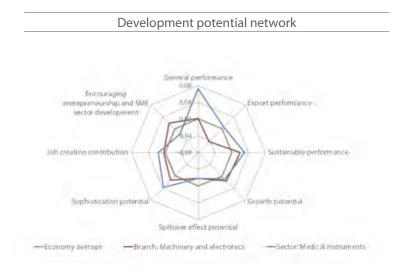
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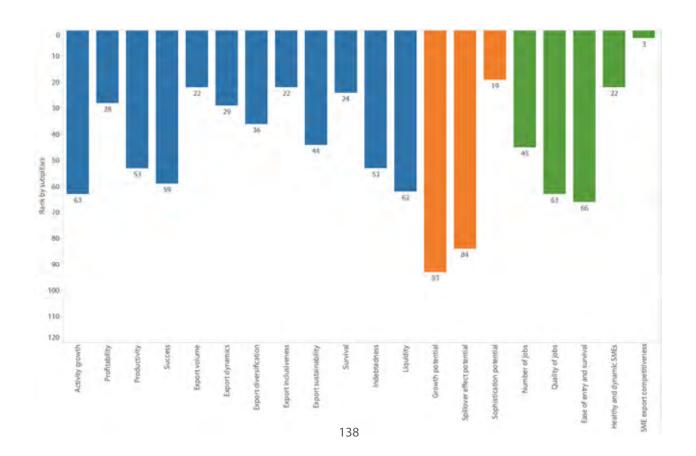
Rank 30 Medical instruments

Sector characteristic 2014	Sector	Economy*
Number of firms	116	24.551
Revenues (000 EUR)	100,5	27.118,3
Revenues growth rate (2009-2014)	4,2%	3,2%
Number of employees	2.013	398.814
Growth of employees (2009-2014)	384	-86.307
Number of exporters	40	5.697
Value of exports (mil EUR)	49,8	11.081,7
Export growth rate (2009-2014)	19,9%	14,2%
HHI index	2.724	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	30
Export performance	44
Sustainable performance	8
Growth potential	27
Spillover effect potential	94
Sophistication potential	6
Job creation contribution	22
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	74





Medical instruments

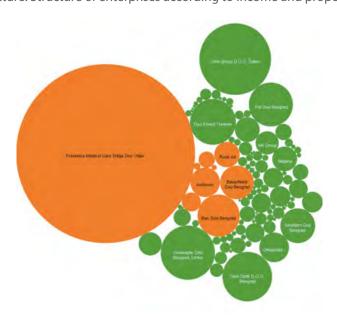
The sector of the production of medical instruments includes producing dental instruments and supplies.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce glasses, frames and glass lenses, prescription and contact lenses, hearing aids, medical needles, waste water purifiers, separators of oil and oil products, mineral and organic lenses, hearing aids, anatomic insoles, prosthetics, orthotics, diabetes measuring instruments, wheelchairs, crutches, walkers, devices for pulmonary patients, beds and cranes, gauze and bandages, needles and lancets, patches, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Fresenius Medical Care	Vršac	51,0	774
2.	Sani Group	Šabac	8,1	104
3.	Grossoptic	Umka	4,7	115
4.	Sani Optik	Beograd	3,9	169
5.	Doo Elmed Temerin	Temerin	3,3	42
6.	Pol	Beograd	3,1	59
7.	Bwc	Ugrinovci	2,8	67
8.	Sinofarm	Beograd	1,9	10
9.	Bauerfeind	Beograd	1,8	29
10.	Ortopedija - Novi Život	Beograd	1,4	22
	Total (Top 10)		82,0	1.391
	Total sector		100,5	2.013

Picture: Structure of enterprises according to income and property

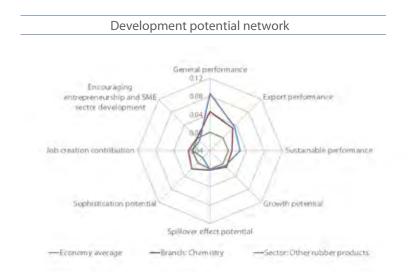


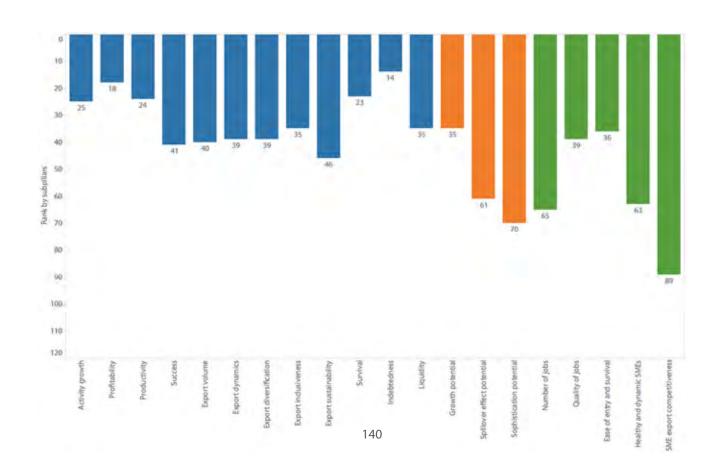
Rank 31 Other rubber products

Sector characteristic 2014	Sector	Economy*
Number of firms	137	24.551
Revenues (000 EUR)	98,4	27.118,3
Revenues growth rate (2009-2014)	15,8%	3,2%
Number of employees	2.542	398.814
Growth of employees (2009-2014)	-1	-86.307
Number of exporters	51	5.697
Value of exports (mil EUR)	48,4	11.081,7
Export growth rate (2009-2014)	20,4%	14,2%
HHI index	1.603	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	26
Export performance	36
Sustainable performance	13
Growth potential	35
Spillover effect potential	61
Sophistication potential	70
Job creation contribution	65
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	68





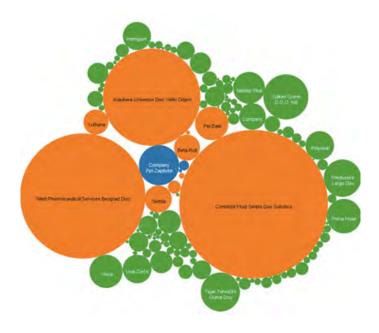
Other rubber products

The sector of production of other rubber products includes products such as recycled rubber, rods, tubes, discs, rings of rubber, rubber hoses and ropes, hygienic and pharmaceutical products, conveyors and belts, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises manufacture components and systems for injectable drug delivery, conveyor belts, technical rubber, gaskets, rubber hoses, synthetic fibers, polyurethane parts, rubber parts for washing machines, water and sewage supplies, wheel of various profiles, universal floor mats for cars, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Contitech Fluid Serbia	Subotica	29,9	514
2.	West Pharmaceutical Services	Kovin	21,3	319
3.	Kolubara-Univerzal	Veliki Crljeni	12,8	187
4.	Vulkan Gume	Niš	2,7	226
5.	Ppt-Zaptivke	Trstenik	2,2	278
6.	Tigar Tehnička Guma	Pirot	2,1	182
7.	Preduzeće Largo	Užice	1,9	34
8.	Prima Hose	Brvenik	1,6	41
9.	Pei East	Velika Plana	1,5	33
10.	Vetus Promet	Kruševac	1,5	8
	Total (Top 10)		77,5	1.822
	Total sector		98,4	2.542

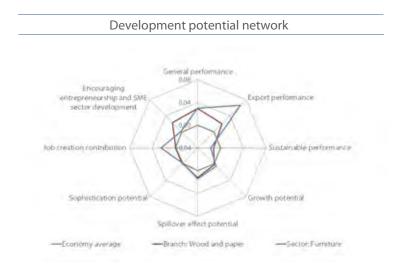


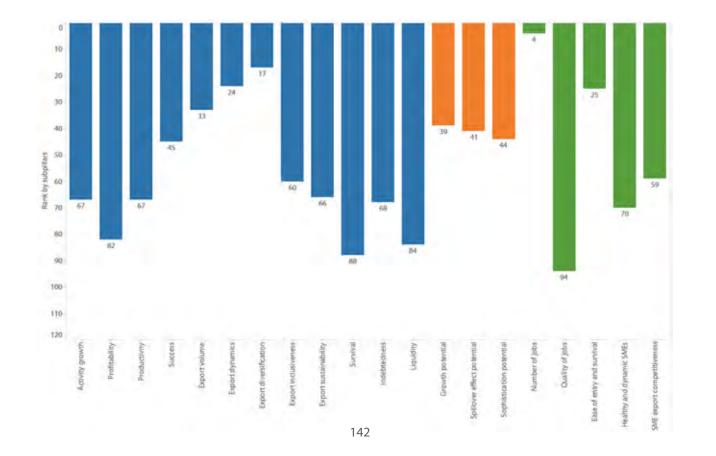


Sector characteristic 2014	Sector	Economy*
Number of firms	709	24.551
Revenues (000 EUR)	394,2	27.118,3
Revenues growth rate (2009-2014)	-0,1%	3,2%
Number of employees	12.271	398.814
Growth of employees (2009-2014)	-3.097	-86.307
Number of exporters	237	5.697
Value of exports (mil EUR)	99,9	11.081,7
Export growth rate (2009-2014)	12,0%	14,2%
HHI index	370	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	54
Export performance	29
Sustainable performance	89
Growth potential	39
Spillover effect potential	41
Sophistication potential	44
Job creation contribution	4
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	63





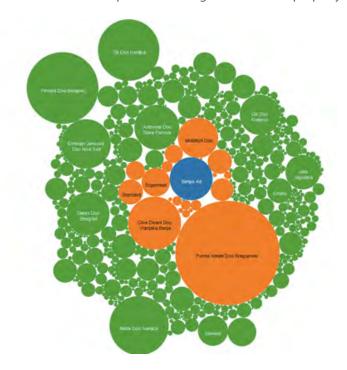
Furniture

Furniture production sector includes the production of mattresses with and without springs, filled with a variety of materials as well as furniture made of metal, wood and other materials.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce a variety of beds, sofas, tables and chairs, mirrors, living room furniture, kitchen furniture, bathroom furniture...

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Forma Ideale	Kragujevac	56,4	1.121
2.	Pinoles	Beograd	26,5	150
3.	Tis	Ivanjica	19,5	103
4.	Matis	Ivanjica	18,1	306
5.	Diva Divani	Vranjska Banja	14,6	389
6.	Enterijer Janković	Novi Sad	12,6	356
7.	Artinvest	Stara Pazova	10,5	216
8.	Darex	Beograd	9,6	77
9.	Jugoinspekt Beograd	Vranje	9,5	2.738
10.	Mobilturi	Beograd	8,4	71
	Total (Top 10)		185,7	5.527
	Total sector		394,2	12.271

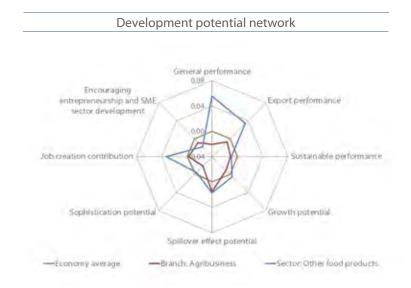


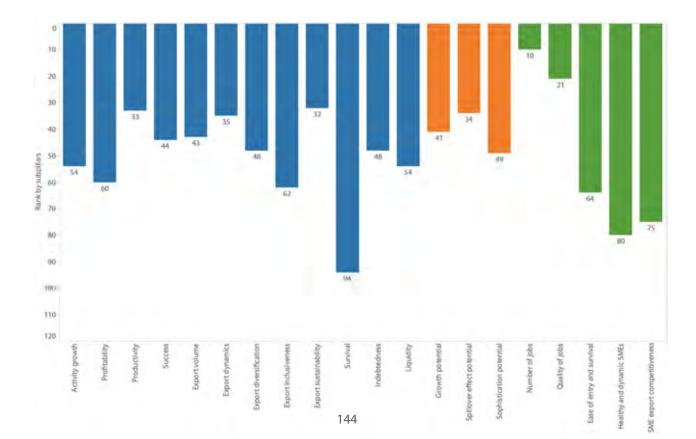
Rank 33 Other food products

Sector characteristic 2014	Sector	Economy*
Number of firms	273	24.551
Revenues (000 EUR)	328,2	27.118,3
Revenues growth rate (2009-2014)	6,7%	3,2%
Number of employees	3.924	398.814
Growth of employees (2009-2014)	-32	-86.307
Number of exporters	86	5.697
Value of exports (mil EUR)	102,6	11.081,7
Export growth rate (2009-2014)	13,7%	14,2%
HHI index	1.455	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	40
Export performance	37
Sustainable performance	77
Growth potential	41
Spillover effect potential	34
Sophistication potential	49
Job creation contribution	10
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	75





Other food products

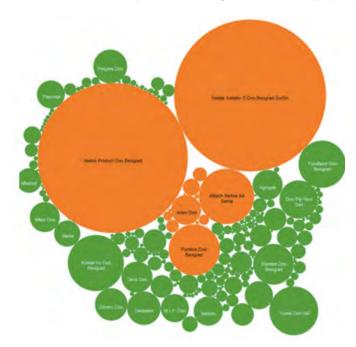
The sector of the production of other food products includes the production of extracts and juices of meat, fish or crustaceans, mollusks or other aquatic invertebrates, bird eggs without shell and egg yolks, egg albumin, homogenized food products, sauces, mixed spices and seasonings, flour and semolina; vinegar and substitutes for vinegar, soups and preparations for these products, yeast, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce products from potato, nut products - peanuts, almonds, pistachios, mashed potato, yeast and yeast products, pickled vegetables, jams and fruit butters, homogenized nutritional preparations and dietetic food, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Nestle Adriatic S	Surčin	87,4	715
2.	Marbo Product	Beograd	85,2	958
3.	Kristal So	Beograd	11,9	57
4.	Alltech Serbia	Senta	11,6	184
5.	Puratos	Beograd	9,9	58
6.	Yumis	Niš	9,0	218
7.	Foodland	Beograd	8,4	154
8.	Esensa	Beograd	6,2	118
9.	Doo Pip Novi Sad	Novi Sad	5,5	76
10.	Progres	Novi Sad	4,3	37
	Total (Top 10)		239,4	2.575
	Total sector		328,2	3.924

Picture: Structure of enterprises according to income and property

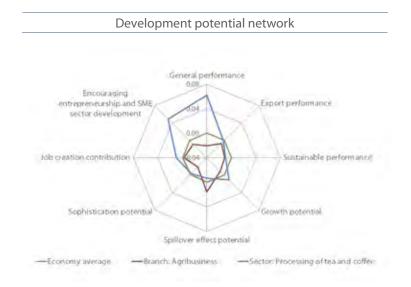


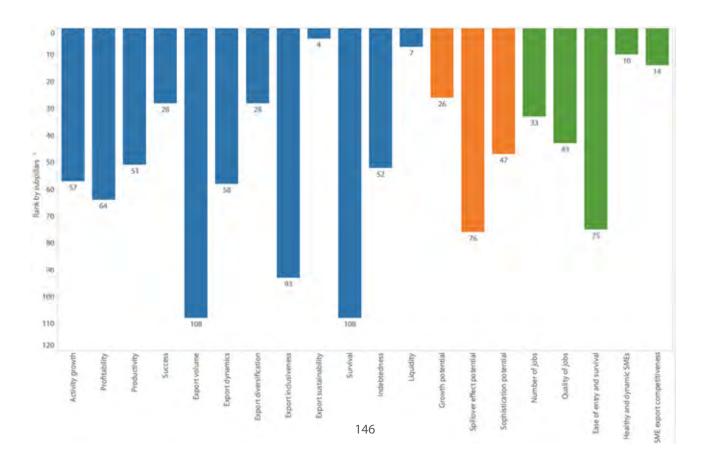
Rank 34 Processing of tea and coffee

Sector characteristic 2014	Sector	Economy*
Number of firms	151	24.551
Revenues (000 EUR)	168,7	27.118,3
Revenues growth rate (2009-2014)	-6,8%	3,2%
Number of employees	1.436	398.814
Growth of employees (2009-2014)	-318	-86.307
Number of exporters	21	5.697
Value of exports (mil EUR)	11,3	11.081,7
Export growth rate (2009-2014)	47,6%	14,2%
HHI index	2.175	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	37
Export performance	51
Sustainable performance	74
Growth potential	26
Spillover effect potential	76
Sophistication potential	47
Job creation contribution	33
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	11





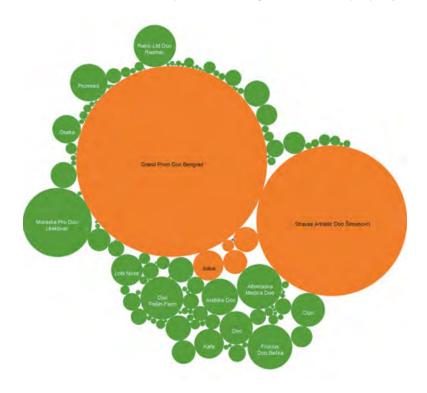
Processing of tea and coffee

Tea and coffee sector covers roasting coffee, extracts, essences and concentrates of coffee and tea.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. The enterprises produce traditional, instant coffee, espresso, tea, mint tea, chamomile tea, hibiscus tea, rose hips tea, chokeberry tea, cranberry tea, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of empoyies
1.	Grand Prom	Beograd	65,9	215
2.	Strauss Adriatic	Šimanovci	41,0	239
3.	Moravka Pro	Leskovac	8,6	85
4.	Alternativa Medica	Loznica	3,7	57
5.	Fructus	Bačka Palanka	3,6	63
6.	Doo Pašin-Farm Parage	Parage	3,3	58
7.	Rakić-Ltd	Radinac	3,2	29
8.	Promeks	Šabac	2,5	49
9.	Arabika	Kruševac	2,4	68
10.	Doo Sirela&Co	Preljina	2,1	18
	Total (Top 10)		136,3	881
	Total sector		168,7	1.436

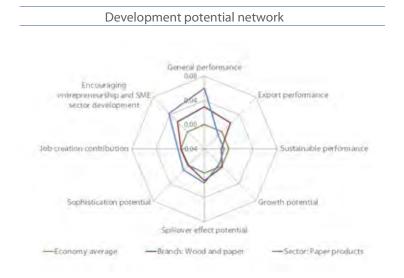


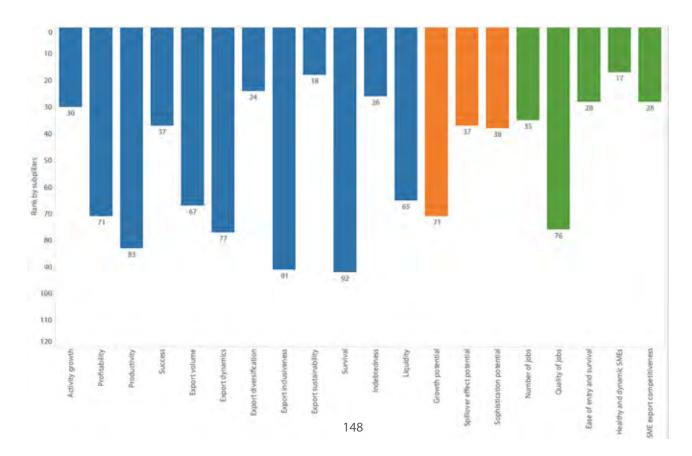
Rank 35 Paper products

Sector characteristic 2014	Sector	Economy*
Number of firms	323	24.551
Revenues (000 EUR)	121,9	27.118,3
Revenues growth rate (2009-2014)	5,2%	3,2%
Number of employees	1.786	398.814
Growth of employees (2009-2014)	269	-86.307
Number of exporters	72	5.697
Value of exports (mil EUR)	126,3	11.081,7
Export growth rate (2009-2014)	5,0%	14,2%
HHI index	523	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	38
Export performance	56
Sustainable performance	71
Growth potential	71
Spillover effect potential	37
Sophistication potential	38
Job creation contribution	35
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	18





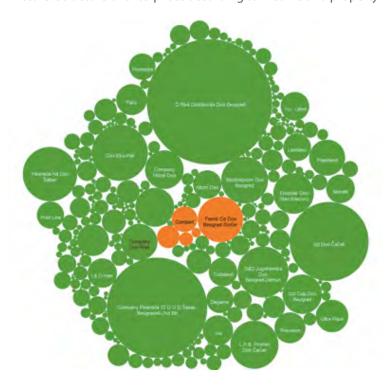
Paper products

The sector of the production of paper products includes the production of paper, paper for personal and household use, wallpaper and other products of paper and paperboard. These include: paper and paperboard used for writing, printing and graphic arts use, bags, envelopes, postcards, folders, notebooks, albums, exercise books, notepads, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce packaging and label films, flexible packing paper, tissues, wet wipes, pads, bags with and without handles, single- and double-layer bags, popcorn bags, industry bags, packaging bags, adhesive bags, aluminum, insulating and anti-slip tape, envelopes, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	D Plus Distribucija	Beograd	20,5	172
2.	Preduzeće Piramida	Šabac	13,1	158
3.	lgt	Čačak	8,1	33
4.	Doo Eko-Pak	Žitorađe	4,1	39
5.	Piramida-Nit	Šabac	3,9	47
6.	D&D Jugohemika	Beograd	3,4	19
7.	L.P.B. Promet	Čačak	3,0	47
8.	Beoteleprom	Beograd	2,9	42
9.	Femić Co	Surčin	2,7	13
10.	Europak	Stari Banovci	2,1	40
	Total (Top 10)		63,8	610
	Total sector		121,9	1.786

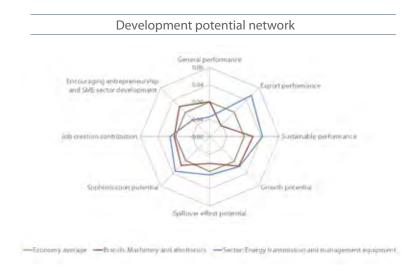


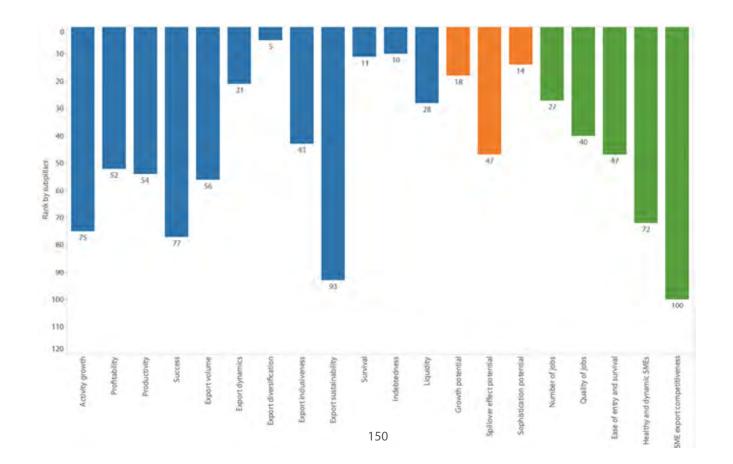
Rank 36 Energy transmission and management equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	115	24.551
Revenues (000 EUR)	94,8	27.118,3
Revenues growth rate (2009-2014)	-0,1%	3,2%
Number of employees	2.033	398.814
Growth of employees (2009-2014)	-587	-86.307
Number of exporters	41	5.697
Value of exports (mil EUR)	121,6	11.081,7
Export growth rate (2009-2014)	11,8%	14,2%
HHI index	1.734	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	70
Export performance	32
Sustainable performance	2
Growth potential	18
Spillover effect potential	47
Sophistication potential	14
Job creation contribution	27
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	84





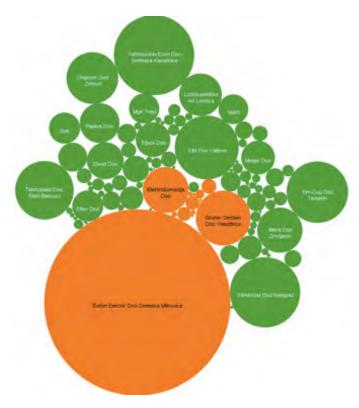
Energy transmission and management equipment

The sector of the production of energy transmission and management equipment includes the production of electrical apparatus for connecting and switching circuits, such as circuit breakers, fuses, voltage limiters, plugs, junction boxes, boards, panels, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce pole, mounting-concrete and masonry-constructed substations, air and cable lines, junction blocks, products for power distribution, metering centers, metering transducers, energy meters, analog, digital and portable meters, controllers and sensors, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Eaton Electric	Sremska Mitrovica	37,2	712
2.	Tehnounion-Exim	Sremska Kamenica	6,9	19
3.	Elektrovat	Beograd	5,3	59
4.	Elbi	Valjevo	4,4	58
5.	Tim-Cop	Temerin	4,1	98
6.	Tehnoplast	Stari Banovci	3,7	79
7.	Gruner Serbian	Vlasotince	3,2	336
8.	Uniprom	Beograd	2,9	22
9.	Elektrošumadija	Mladenovac	2,3	37
10.	Mera	Zrenjanin	2,2	75
	Total (Top 10)		72,2	1.495
	Total sector		94,8	2.033

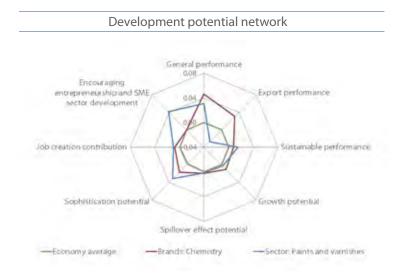


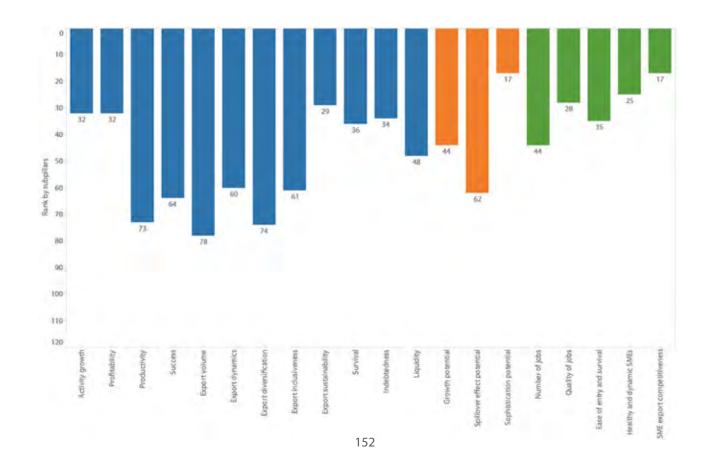
Rank 37 Paints and varnishes

Sector characteristic 2014	Sector	Economy*
Number of firms	129	24.551
Revenues (000 EUR)	131,5	27.118,3
Revenues growth rate (2009-2014)	3,1%	3,2%
Number of employees	1.444	398.814
Growth of employees (2009-2014)	-372	-86.307
Number of exporters	44	5.697
Value of exports (mil EUR)	79,8	11.081,7
Export growth rate (2009-2014)	11,6%	14,2%
HHI index	769	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	53
Export performance	64
Sustainable performance	32
Growth potential	44
Spillover effect potential	62
Sophistication potential	17
Job creation contribution	44
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	22



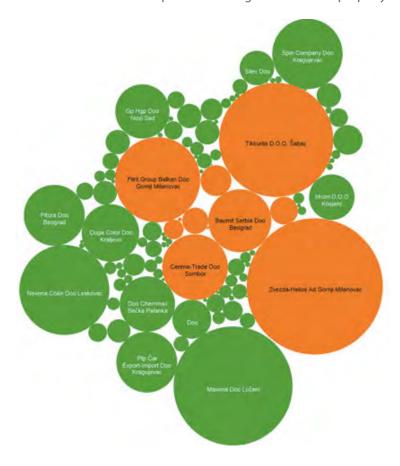


Paints and varnishes

The sector of paints and varnishes covers the activity of the production of agents for the preparation of dyes and pigments, manufacturing of paints, varnishes and similar coatings, printing ink and kits. They produce synthetic, organic products, tanning extracts of vegetable origin; tannin and derivatives thereof; coloring matters of vegetable or animal origin, other coloring matters, paints and varnishes, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Flint Group Balkan	Gornji Milanovac	8,5	34
2.	Spin Company	Kragujevac	5,8	31
3.	Cerena-Trade	Sombor	5,1	9
4.	Baumit Serbia	Beograd	4,7	43
5.	Pitura	Beograd	4,4	62
6.	Ptp Čar Export-Import	Kragujevac	4,3	82
7.	Duga Color	Kraljevo	3,9	44
8.	Doo Chemmax Bačka	Bačka Palanka	3,6	9
9.	Gp Hgp	Novi Sad	3,5	99
10.	Irkom	Kosjerić	2,4	25
	Total (Top 10)		46,2	438
	Total sector		131,5	1.444

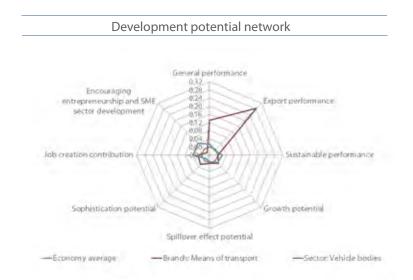


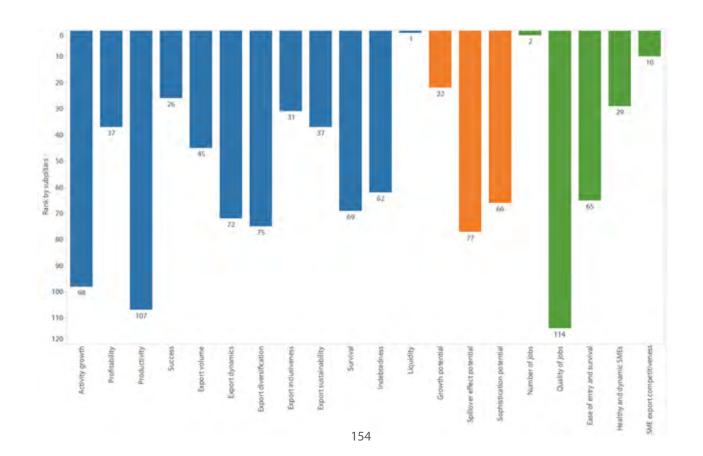
Rank 38 Vehicle bodies

Sector characteristic 2014	Sector	Economy*
Number of firms	34	24.551
Revenues (000 EUR)	48,4	27.118,3
Revenues growth rate (2009-2014)	1,0%	3,2%
Number of employees	1.547	398.814
Growth of employees (2009-2014)	867	-86.307
Number of exporters	14	5.697
Value of exports (mil EUR)	41,1	11.081,7
Export growth rate (2009-2014)	13,1%	14,2%
HHI index	2.355	-

*Tradable sectors in economy

Pillar	Rank
General performance	60
Export performance	54
Sustainable performance	22
Growth potential	22
Spillover effect potential	77
Sophistication potential	66
Job creation contribution	2
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	19





Vehicle bodies

Sector of the production of vehicle bodies includes the production of chassis, trailers and semitrailers for caravans, transporting goods, and various types of containers.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce equipment for towing, shafts, supporting wheels, fenders, refrigerator trucks, trailers, cargo trucks, loading and unloading ramps, tanks, thermos chambers, mixers with a concrete pump, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Knott-Autoflex Yug	Bečej	16,3	187
2.	Lohr Bačka Topola	Bačka Topola	14,6	218
3.	Uniplast Serbia	Jelenča	7,8	92
4.	Slodes	Beograd	3,0	872
5.	Ema-Export		1,2	2
6.	Multipartner S	Beograd	0,8	15
7.	Fild	Pančevo	0,8	7
8.	Ema	Knić	0,7	61
9.	Transservis	Pančevo	0,7	9
10.	Politek	Kragujevac	0,7	15
	Total (Top 10)		46,6	1.478
	Total sector		48,4	1.547

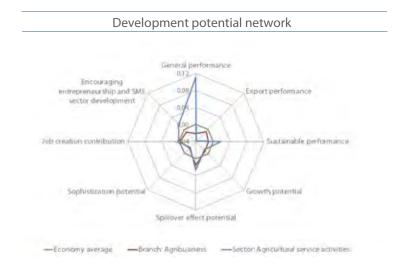


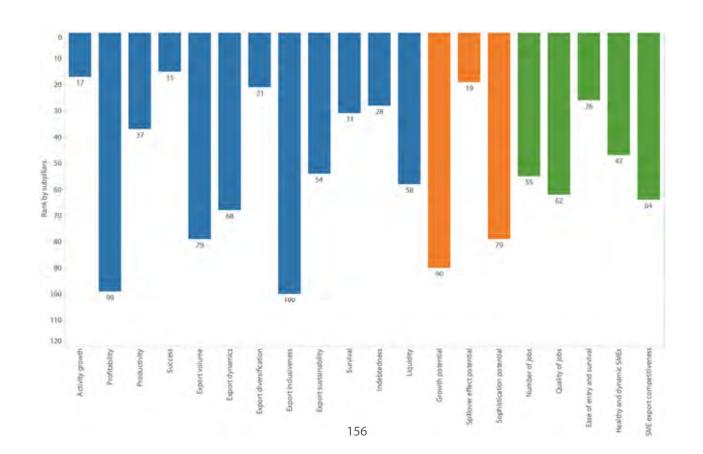
Rank 39 Agricultural service activities

Sector characteristic 2014	Sector	Economy*
Number of firms	562	24.551
Revenues (000 EUR)	248,8	27.118,3
Revenues growth rate (2009-2014)	6,6%	3,2%
Number of employees	2.921	398.814
Growth of employees (2009-2014)	-598	-86.307
Number of exporters	74	5.697
Value of exports (mil EUR)	15,2	11.081,7
Export growth rate (2009-2014)	4,6%	14,2%
HHI index	726	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	20
Export performance	70
Sustainable performance	27
Growth potential	90
Spillover effect potential	19
Sophistication potential	79
Job creation contribution	55
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	54





Agricultural service activities

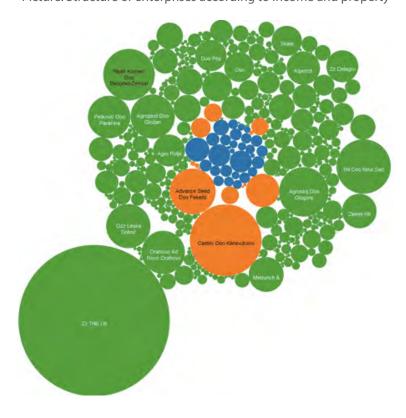
The sector of agricultural service activities includes cultivation of planting material (seeds and spores of fruit, bulbs and rhizomes).

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce raw materials for agriculture (seeds, artificial fertilizers, pesticides), planting material, plant nutrition, irrigation equipment, substrates, amino acids, seed grass, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Namber of employies
1.	Zz Trlić Ub	Ub	62,0	433
2.	Castrix	Karavukovo	14,0	35
3.	Rti	Titel	8,0	60
4.	Piljan Komerc Doo Beograd	Boljevci	7,2	104
5.	Agrostoj	Glogonj	6,6	15
6.	Advance Seed Doo	Feketić	5,7	16
7.	Agroplod	Gložan	5,3	81
8.	Ozz Leska Dobrić	Dobrić	5,3	19
9.	Orahovo Ad Novo	Novo Orahovo	5,1	75
10.	Petković Doo Paraćina	Paraćin	4,9	47
	Total (Top 10)		124,1	885
	Total sector		248,8	2.921

Picture: Structure of enterprises according to income and property

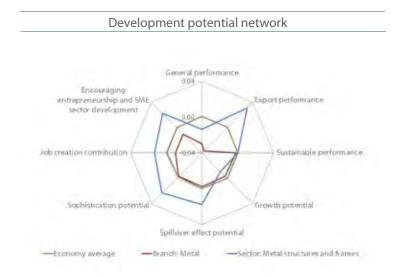


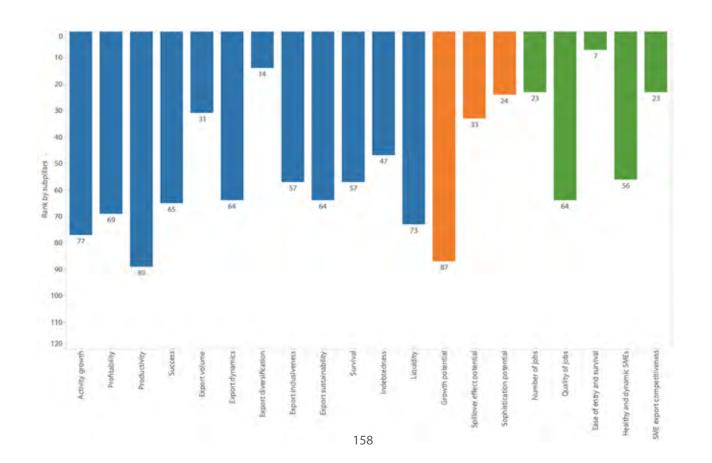
Rank 40 Metal structures and frames

Sector characteristic 2014	Sector	Economy*
Number of firms	680	24.551
Revenues (000 EUR)	410,7	27.118,3
Revenues growth rate (2009-2014)	1,3%	3,2%
Number of employees	8.540	398.814
Growth of employees (2009-2014)	-1.865	-86.307
Number of exporters	219	5.697
Value of exports (mil EUR)	91,8	11.081,7
Export growth rate (2009-2014)	9,2%	14,2%
HHI index	235	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	66
Export performance	38
Sustainable performance	62
Growth potential	87
Spillover effect potential	33
Sophistication potential	24
Job creation contribution	23
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	46





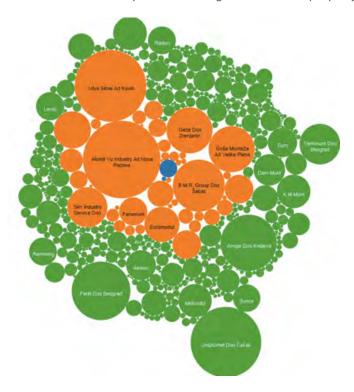
Metal structures and frames

The sector of production of metal structures and frames includes metal and alloy structures, such as parts for bridges, towers, roofs, doors, windows, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce various kinds of pipes - square, rectangular, round, profile, steel and galvanized steel strips, containers, silos, various types of frames...

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Alumil Yu Industry	Nova Pazova	30,6	230
2.	Utva Silosi	Kovin	26,1	198
3.	Unipromet	Čačak	25,2	279
4.	Feriti	Beograd	17,4	63
5.	Amiga	Kraljevo	16,1	413
6.	B.M.R. Group	Šabac	13,8	286
7.	Geze	Zrenjanin	10,9	113
8.	Goša Montaža	Velika Plana	10,8	586
9.	Tankmont	Beograd	8,3	324
10.	Sim Industry Service	Šabac	8,2	11
	Total (Top 10)		167,4	2.503
	Total sector		410,7	8.540

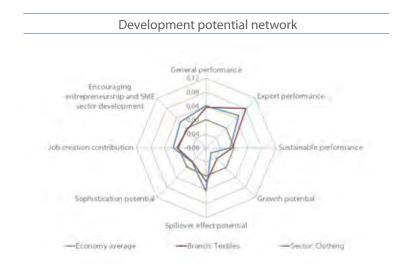


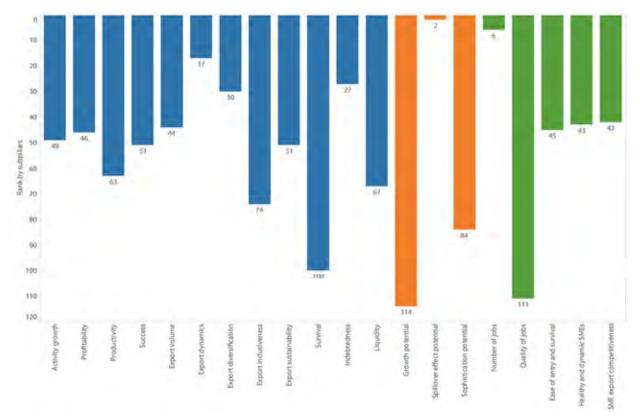
Rank 41 Clothing

Sector characteristic 2014	Sector	Economy*
Number of firms	890	24.551
Revenues (000 EUR)	280,4	27.118,3
Revenues growth rate (2009-2014)	3,7%	3,2%
Number of employees	13.456	398.814
Growth of employees (2009-2014)	-3.074	-86.307
Number of exporters	257	5.697
Value of exports (mil EUR)	178,7	11.081,7
Export growth rate (2009-2014)	-0,2%	14,2%
HHI index	277	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	49
Export performance	33
Sustainable performance	79
Growth potential	114
Spillover effect potential	2
Sophistication potential	84
Job creation contribution	6
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	43



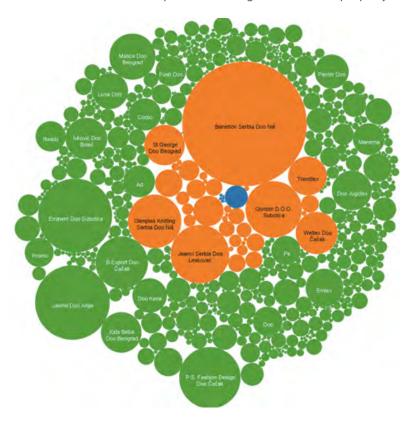


Clothing

The sector of the production of clothing includes the activity of production of other clothes, other clothing and accessories and the production of fur products. This sector includes the production of clothing, jackets, robes, coats, car covers, trousers, blazers, dresses, skirts, dresses for babies, gloves, clothing accessories, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Benetton Serbia	Niš	36,1	99
2.	Jasmil	Arilje	12,9	492
3.	Eminent	Subotica	12,7	398
4.	P.S. Fashion Design	Čačak	8,8	221
5.	Jeanci Serbia	Leskovac	8,0	506
6.	Gordon	Sombor	7,4	413
7.	Olimpias Knitting	Niš	6,7	441
8.	B-Export	Čačak	6,4	99
9.	Matica	Beograd	4,9	37
10.	Weltex	Čačak	4,1	170
	Total (Top 10)		108,0	2.876
	Total sector		280,4	13.456

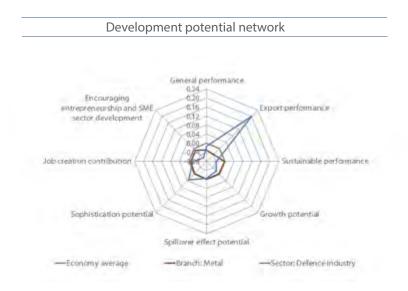


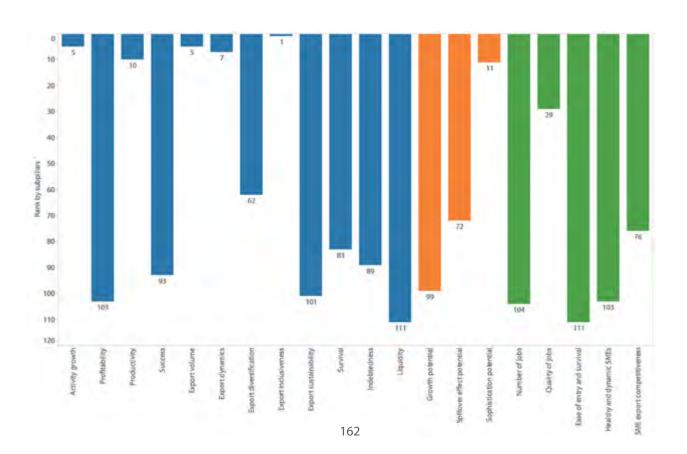
Rank 42 Defence industry

Sector characteristic 2014	Sector	Economy*
Number of firms	12	24.551
Revenues (000 EUR)	163,3	27.118,3
Revenues growth rate (2009-2014)	6,8%	3,2%
Number of employees	7.588	398.814
Growth of employees (2009-2014)	-564	-86.307
Number of exporters	10	5.697
Value of exports (mil EUR)	63,4	11.081,7
Export growth rate (2009-2014)	17,4%	14,2%
HHI index	1.956	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	65
Export performance	8
Sustainable performance	109
Growth potential	99
Spillover effect potential	72
Sophistication potential	11
Job creation contribution	104
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	103





Defence industry

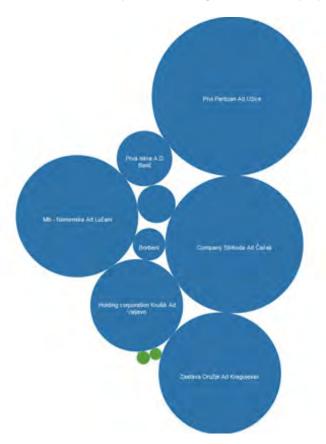
Defense industry includes the production of weapons and ammunition, as well as the production of explosives. This sector includes the products such as powder, safety fuses and detonating fuses for detonators, fireworks, signaling and anti-hail rockets, bombs, grenades, mines, ammunition, weapons, and parts thereof.

The table below shows the largest enterprises in Serbia engaged in the defense industry. These enterprises produce guns, hunting rifles, air rifles, small-caliber and semi-automatic rifles, machine guns, sniper rifles, grenade launchers, guns and ammunition for them, as well as military and civilian explosives.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Prvi Partizan	Užice	46,9	948
2.	Kompanija Sloboda	Čačak	35,0	1504
3.	Zastava Oružje	Kragujevac	27,5	1958
4.	Mb - Namenska	Lučani	27,3	1.067
5.	Holding Korporacija Krušik	Valjevo	15,7	1258
6.	Prva Iskra-Namenska Proizvodnja	Barič	5,7	144
7.	Ppt-Namenska Ad	Trstenik	2,7	573
8.	Borbeni Složeni Sistemi	Beograd	1,9	122
9.	Krušik-Fabrika Lovačke Municije	Valjevo	0,3	9
10.	G2 Mitchell Arms	Beograd	0,3	3
	Total (Top 10)		163,3	7.586
	Total sector		163,3	7.588

Picture: Structure of enterprises according to income and property

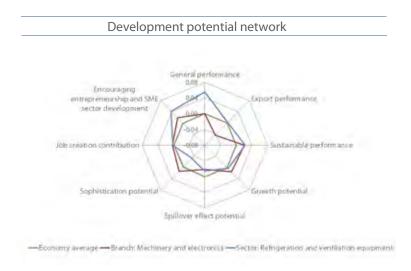


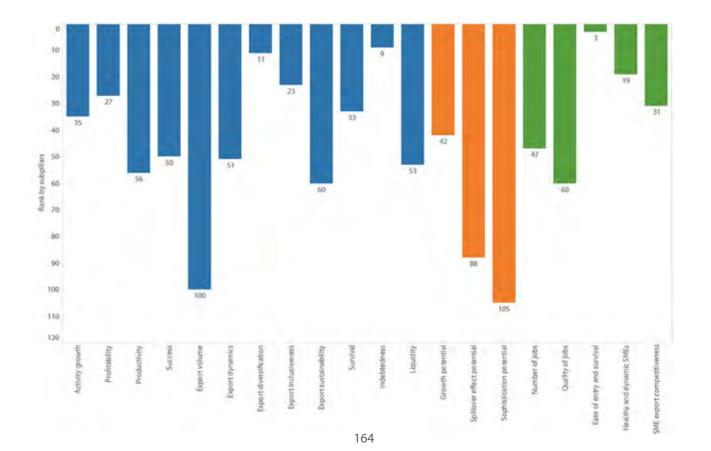
Rank 43 Refrigeration and ventilation equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	131	24.551
Revenues (000 EUR)	79,7	27.118,3
Revenues growth rate (2009-2014)	4,6%	3,2%
Number of employees	1.314	398.814
Growth of employees (2009-2014)	-4	-86.307
Number of exporters	52	5.697
Value of exports (mil EUR)	18,2	11.081,7
Export growth rate (2009-2014)	8,6%	14,2%
HHI index	666	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	42
Export performance	49
Sustainable performance	21
Growth potential	42
Spillover effect potential	88
Sophistication potential	105
Job creation contribution	47
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	21





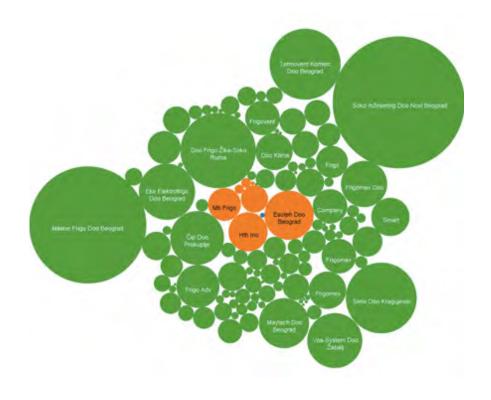
Refrigeration and ventilation equipment

The sector of the production of refrigeration and ventilation equipment includes refrigerators, freezers and other refrigerating or freezing equipment (electric or other), parts of refrigerators and freezers, air conditioners, fans and hoods, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce equipment for air conditioning and refrigeration: air conditioning, air handling units, air-conditioning cabinets, cold rooms, generators, fans, all kinds of refrigeration, thermal and neutral equipment and generators, refrigerators, freezers, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Soko Inžinjering	Beograd	14,1	137
2.	Master Frigo	Borča	11,1	60
3.	Doo Frigo Žika-Soko Ruma	Ruma	4,6	108
4.	Termovent Komerc	Beograd	4,1	76
5.	Sena	Kragujevac	4,0	30
6.	Eko Elektrofrigo	Beograd	2,6	20
7.	Vos-System	Žabalj	2,4	28
8.	Čip	Prokuplje	2,3	48
9.	Maytech	Sremčica	2,0	36
10.	Esoteh	Beograd	2,0	9
	Total (Top 10)		49,2	552
	Total sector		79,7	1.314

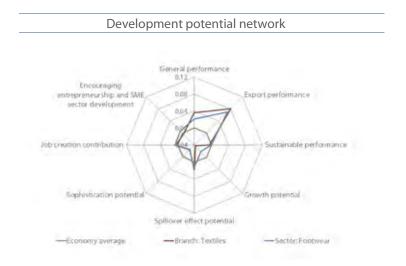


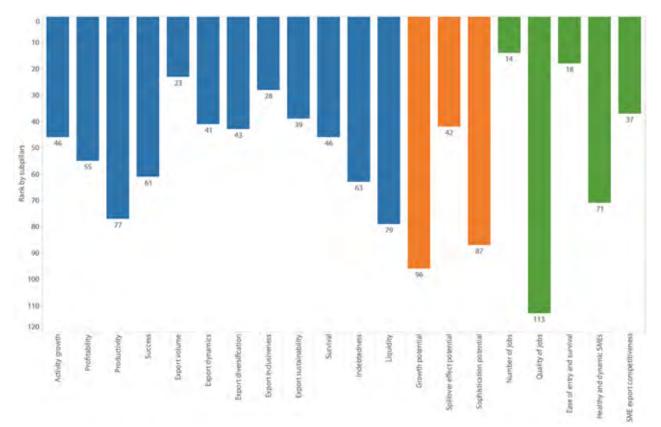
Rank 44 Footwear

Sector characteristic 2014	Sector	Economy*
Number of firms	256	24.551
Revenues (000 EUR)	151,9	27.118,3
Revenues growth rate (2009-2014)	6,9%	3,2%
Number of employees	9.480	398.814
Growth of employees (2009-2014)	-185	-86.307
Number of exporters	114	5.697
Value of exports (mil EUR)	215,4	11.081,7
Export growth rate (2009-2014)	9,3%	14,2%
HHI index	354	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	59
Export performance	28
Sustainable performance	63
Growth potential	96
Spillover effect potential	42
Sophistication potential	87
Job creation contribution	14
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	61





Footwear

The sector of the production of footwear includes the production of shoes of different kinds made of leather, plastic, textile and rubber.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce shallow, deep shoes, boots, sneakers, high heels, platforms, slippers, clogs, flip flops, sandals, anatomic insoles, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Falc East	Knjaževac	17,0	524
2.	Tigar Obuća	Pirot	11,5	730
3.	Progetti	Vladimirci	9,4	942
4.	Technic Development	Beograd	7,8	205
5.	Fas Shoes Serbia	Senta	6,2	98
6.	Insert	Beograd	5,7	335
7.	Mubb-Product	Beograd	5,5	85
8.	Leon	Slepčević	4,0	111
9.	Grubin	Stara Pazova	4,0	98
10.	Dp Boreli Sombor	Sombor	3,4	505
	Total (Top 10)		74,5	3.633
	Total sector		151,9	9.480

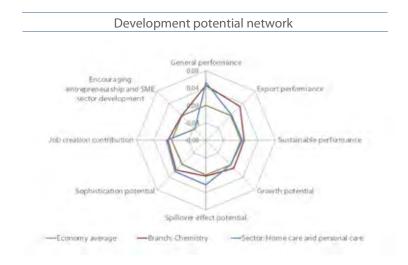


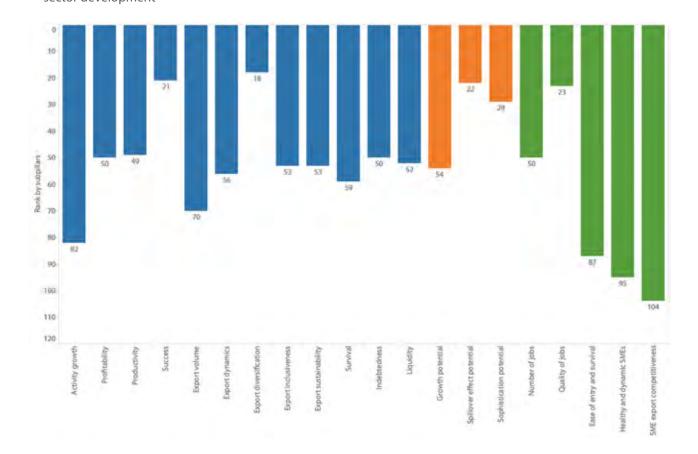
Rank 45 Home care and personal care

Sector characteristic 2014	Sector	Economy*
Number of firms	171	24.551
Revenues (000 EUR)	265,7	27.118,3
Revenues growth rate (2009-2014)	-4,5%	3,2%
Number of employees	2.581	398.814
Growth of employees (2009-2014)	-556	-86.307
Number of exporters	60	5.697
Value of exports (mil EUR)	92,6	11.081,7
Export growth rate (2009-2014)	8,0%	14,2%
HHI index	3.037	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	44
Export performance	47
Sustainable performance	53
Growth potential	54
Spillover effect potential	22
Sophistication potential	29
Job creation contribution	50
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	98





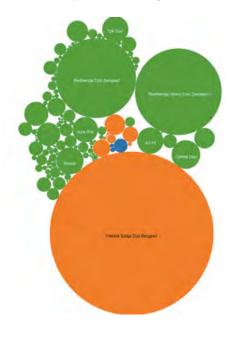
Home care and personal care

The sector of home and personal care products includes the production of perfumes and toilet preparations and production of detergents, soap, cleaning and polishing. These activities include the following products: perfumes and toilet waters, products for beauty and skin care, sunscreens, hair-care products, dental hygiene, shaving soaps, creams and polishes for shoes, floors, glass or metal, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce washing detergents and detergents for washing dishes, softeners, liquid starch, degreasing agents for cleaning glass and floor surfaces, descaling, carpet cleaners, abrasives, creams face, body, arms, anti-aging, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Henkel Srbija	Beograd	137,2	425
2.	Beohemija-Inhem	Zrenjanin	38,3	216
3.	Beohemija	Beograd	32,6	414
4.	Dahlia	Beograd	4,2	140
5.	Bones Group	Beograd	3,7	85
6.	Tpk	Paraćin	3,5	11
7.	Ad Hi Panonija	Pančevo	3,4	130
8.	Aura	Niš	3,3	73
9.	Impuls-Hemija	Novi Sad	3,0	47
10.	Dcp-Hemigal	Leskovac	2,8	98
	Total (Top 10)		232,0	1.639
	Total sector		265,7	2.581

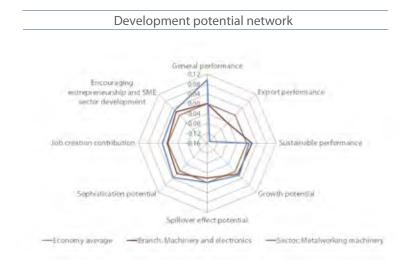


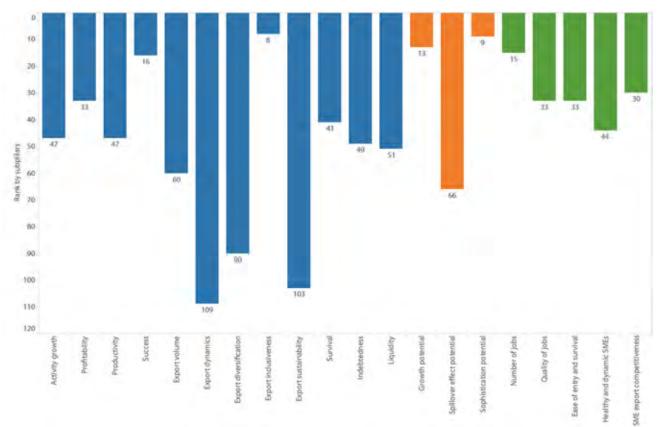
Rank 46 Metalworking machinery

Sector characteristic 2014	Sector	Economy*
Number of firms	74	24.551
Revenues (000 EUR)	50,9	27.118,3
Revenues growth rate (2009-2014)	7,1%	3,2%
Number of employees	1.360	398.814
Growth of employees (2009-2014)	-362	-86.307
Number of exporters	39	5.697
Value of exports (mil EUR)	26,1	11.081,7
Export growth rate (2009-2014)	0,8%	14,2%
HHI index	1.036	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	23
Export performance	100
Sustainable performance	43
Growth potential	13
Spillover effect potential	66
Sophistication potential	9
Job creation contribution	15
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	37





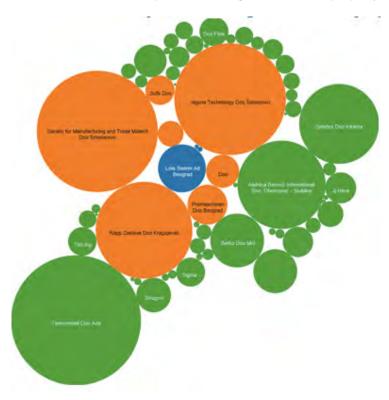
Metalworking machinery

The sector of the production of metalworking machinery includes the production of metal forming machines and other machine tools. It includes machines for stripping and removal of various materials and metals (laser or light rays, electricity ...), polishing machines, ironing, sharpening, grinding, gouging and other metal shaping, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce machine tools, agricultural implements and spare parts for agricultural machinery, die, molding machines, construction hardware, and provide mechanical services, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Termometal	Ada	9,3	300
2.	Metech	Smederevo	8,1	207
3.	Agena Technology	Šimanovci	6,9	138
4.	Rapp Zastava	Kragujevac	5,2	126
5.	Alatnica Barović Inte.	Obrenovac	4,3	44
6.	Grindex	Kikinda	3,5	72
7.	Berko	Mol	1,6	17
8.	Lola Sistem	Beograd	1,3	15
9.	Pobeda-Metalac	Petrovaradin	1,1	48
10.	Promaschinen	Beograd	0,9	12
	Total (Top 10)		42,2	979
	Total sector		50,9	1.360

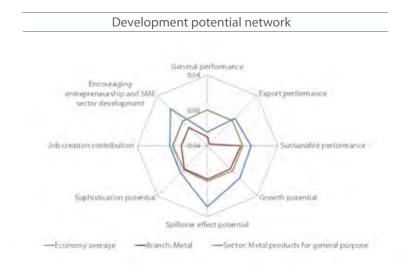


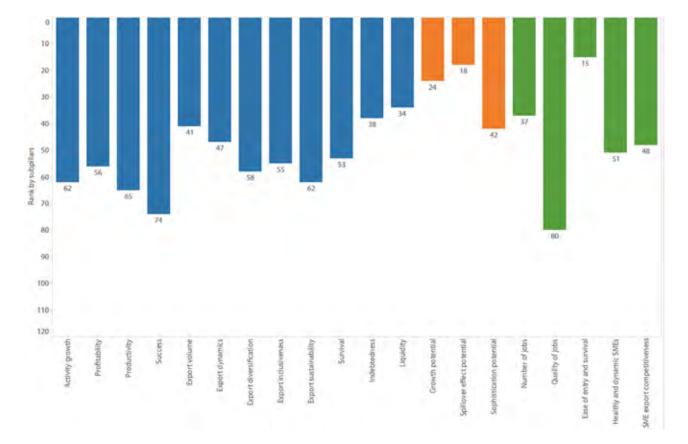
Rank 47 Metal products for general purpose

Sector characteristic 2014	Sector	Economy*
Number of firms	573	24.551
Revenues (000 EUR)	314,8	27.118,3
Revenues growth rate (2009-2014)	0,9%	3,2%
Number of employees	6.018	398.814
Growth of employees (2009-2014)	-2.285	-86.307
Number of exporters	202	5.697
Value of exports (mil EUR)	211,2	11.081,7
Export growth rate (2009-2014)	19,0%	14,2%
HHI index	405	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	68
Export performance	46
Sustainable performance	42
Growth potential	24
Spillover effect potential	18
Sophistication potential	42
Job creation contribution	37
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	52





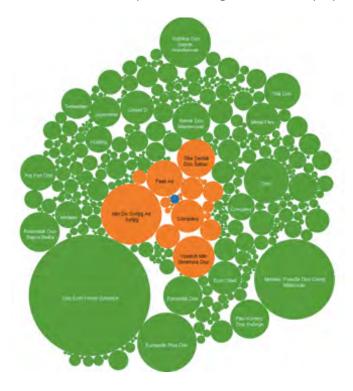
Metal products for general purpose

The sector of the production of metal products for general purpose includes the production of wire products, chains, springs, fasteners, screw machine products and other metal products. These include products such as barbed wire, cables, meshes of iron and steel, nails, seals, bolts, screws, hooks; table, kitchen metal products used in household, sanitary ware, safes, locks, vaults, chains, springs, office supplies made of metal, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce screws, wood and sheet metal screws, nuts, washers, pins, t-screws, set screws, nails, rails, shafts, spindles, power transmissions, tools, punching profiles, door handles, drive levers, cylinders, handles, aluminum wall panels, and so on.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Doo Euro Petrol	Subotica	51,1	67
2.	Metalac Posuđe	Gornji Milanovac	22,4	771
3.	Min Div Svrljig	Svrljig	12,9	259
4.	Europolis Plus	Mesarci	12,3	2
5.	Stublina	Stojnik	9,0	162
6.	Doo Tehnograd-Inženjering	Kraljevo	7,1	48
7.	Vossloh Min Skretnice	Niš	6,1	104
8.	Rolomatik	Bajina Bašta	5,5	87
9.	Europolis	Mesarci	5,3	102
10.	Pan-Komerc	Požega	5,3	24
	Total (Top 10)		137,0	1.626
	Total sector		314,8	6.018

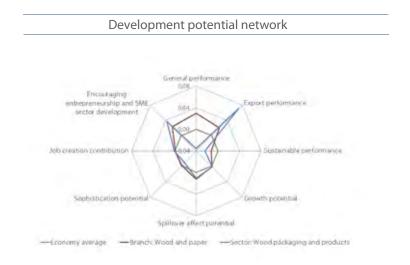


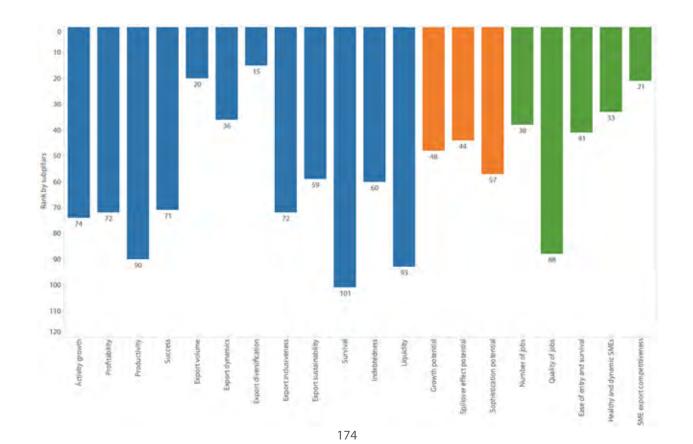
Rank 48 Wood packaging and products

Sector characteristic 2014	Sector	Economy*
Number of firms	483	24.551
Revenues (000 EUR)	102,8	27.118,3
Revenues growth rate (2009-2014)	2,8%	3,2%
Number of employees	2.938	398.814
Growth of employees (2009-2014)	-153	-86.307
Number of exporters	150	5.697
Value of exports (mil EUR)	56,2	11.081,7
Export growth rate (2009-2014)	13,8%	14,2%
HHI index	213	-

^{*}Tradable sectors in economy

Pilar	Rank
General performance	71
Export performance	25
Sustainable performance	98
Growth potential	48
Spillover effect potential	44
Sophistication potential	57
Job creation contribution	38
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	26



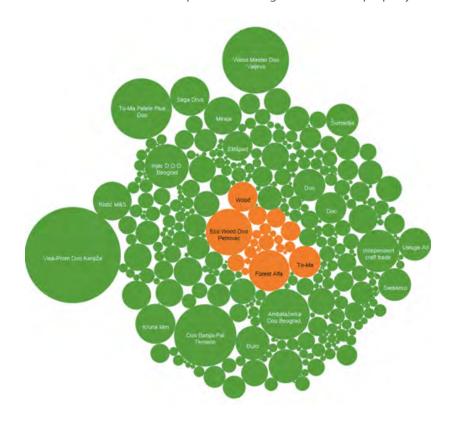


Wood packaging and products

The sector of production of wood packaging and products of wood includes the production of other products of wood, cork, straw and plaiting materials and manufacture of wood packaging. This sector produces products of sawdust, wood waste and scrap, natural cork products, casks, barrels, tubs, bathtubs, wood products for household use and industrial wood products.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Visa-Prom	Kanjiža	10,0	86
2.	Wood Master	Valjevo	4,8	133
3.	Doo Banija-Pal Temerin	Temerin	4,2	85
4.	To-Ma Palete Plus		4,0	91
5.	Ambalažerka	Begaljica	2,8	103
6.	Eco Wood	Petrovac	2,3	32
7.	Injac D.O.O. Beograd	Beograd	2,1	38
8.	Mita Dejan Stanojević	Bobište	1,9	156
9.	Forest Alfa Plam	Beograd	1,8	30
10.	Kruna Mm	Rumenka	1,7	2
	Total (Top 10)		35,6	756
	Total sector		102,8	2.938

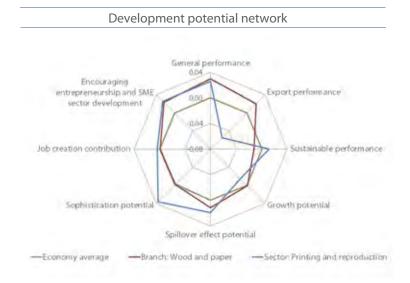


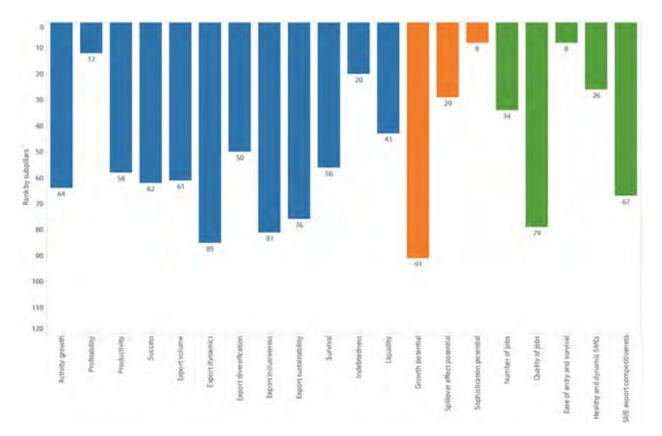
Rank 49 Printing and reproduction

Sector characteristic 2014	Sector	Economy*
Number of firms	1.001	24.551
Revenues (000 EUR)	301,2	27.118,3
Revenues growth rate (2009-2014)	-1,4%	3,2%
Number of employees	6.336	398.814
Growth of employees (2009-2014)	-1.801	-86.307
Number of exporters	218	5.697
Value of exports (mil EUR)	61,0	11.081,7
Export growth rate (2009-2014)	4,3%	14,2%
HHI index	168	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	56
Export performance	76
Sustainable performance	39
Growth potential	91
Spillover effect potential	29
Sophistication potential	8
Job creation contribution	34
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	39





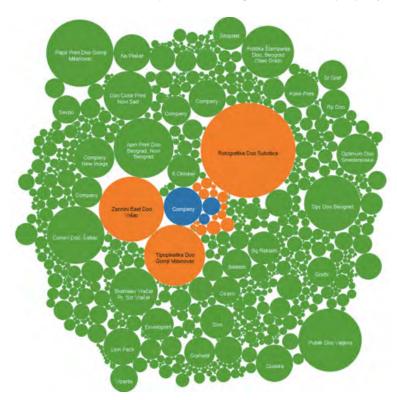
Printing and reproduction

The sector of printing and reproduction includes printing of newspapers and other print. Products are books, brochures, maps and globes, newspapers, magazines and other periodicals, postage and revenue stamps etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Rotografika	Subotica	22,6	265
2.	Papir Print	Gornji Milanovac	11,2	93
3.	Zannini East	Vršac	10,6	115
4.	Publik	Valjevo	10,0	79
5.	Tipoplastika	Gornji Milanovac	9,3	172
6.	Apm Print	Beograd	9,0	68
7.	Comex	Šabac	8,3	76
8.	Dpc Doo Beograd	Beograd	7,9	99
9.	Politika Štamparija	Beograd	6,9	97
10.	Doo Color Print	Novi Sad	6,0	87
	Total (Top 10)		101,8	1.151
	Total sector		301,2	6.336

Picture: Structure of enterprises according to income and property

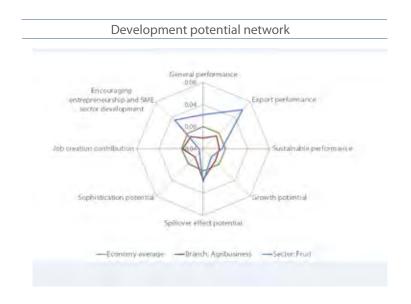


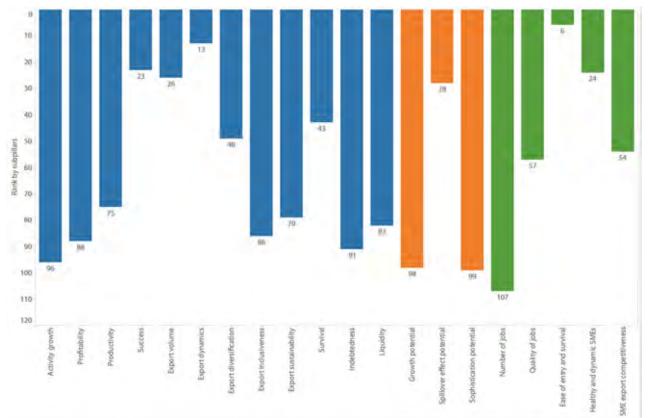


Sector characteristic 2014	Sector	Economy*
Broj poslovnih subjekata	262	24.551
Poslovni prihodi (mil EUR)	101,0	27.118,3
Stopa rasta poslovnih prihoda (2009-2014)	3,0%	3,2%
Broj zaposlenih	1.322	398.814
Rast zaposlenih (2009-2014)	-888	-86.307
Broj izvoznika	55	5.697
Vrednost izvoza (mil EUR)	142,7	11.081,7
Stopa rasta izvoza (2009-2014)	23,6%	14,2%
HHI indeks	312	-

^{*}Tradable sectors in economy

 B.III	
Pillar	Rank
General performance	58
Export performance	30
Sustainable performance	69
Growth potential	98
Spillover effect potential	28
Sophistication potential	99
Job creation contribution	107
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	29





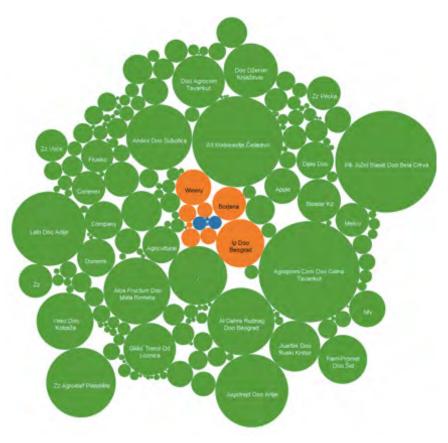
Fruit

The sector of fruits production comprises the cultivation of citrus fruits (oranges, mandarins, clementines), the cultivation of tropical and subtropical fruits (bananas, figs), pome and stone fruits, grapes and growing of other tree and bush fruits and nuts.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises grow apple (Granny Smith, Golden and Red Delicious, Braeburn, etc.), cherries, peaches, nectarines, apricots, pears, plums, raspberries, strawberries, grapes (white and red wine), dealing with the freezing and trade of fruit.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues(mil EUR)	Number of employies
1.	Pik Južni Banat	Bela Crkva	8,1	136
2.	Agroprom Com	Gornji Tavankut	8,0	57
3.	Ad Podunavlje Čelarevo	Čelarevo	6,4	94
4.	Laki	Stupčevići	4,3	10
5.	Jugotrejd	Arilje	4,2	18
6.	Zz Agrostef Plandište	Plandište	3,8	6
7.	Al Dahra Rudnap	Beograd	3,5	27
8.	Atos Fructum	Mala Remeta	3,5	16
9.	Andex	Subotica	3,4	17
10.	Fruti	Topola	2,6	5
	Total (Top 10)		47,8	386
	Total sector		101,0	1.322

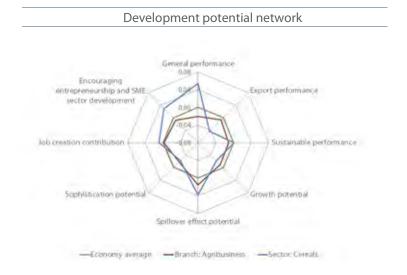


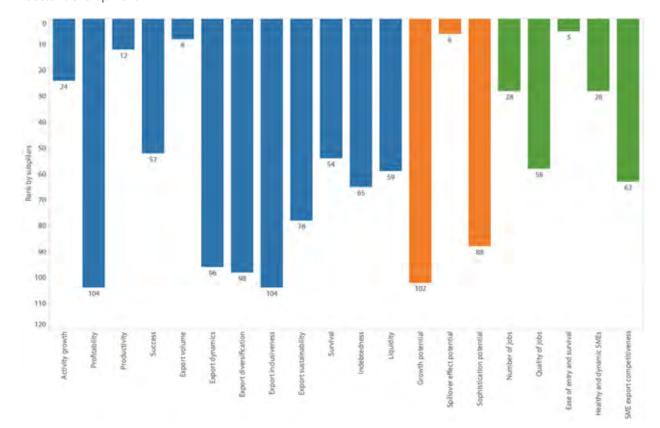


Sector characteristic 2014	Sector	Economy*
Number of firms	1.230	24.551
Revenues (000 EUR)	1.721,5	27.118,3
Revenues growth rate (2009-2014)	4,2%	3,2%
Number of employees	12.603	398.814
Growth of employees (2009-2014)	-5.020	-86.307
Number of exporters	128	5.697
Value of exports (mil EUR)	491,1	11.081,7
Export growth rate (2009-2014)	14,8%	14,2%
HHI index	74	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	43
Export performance	73
Sustainable performance	59
Growth potential	102
Spillover effect potential	6
Sophistication potential	88
Job creation contribution	28
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	34



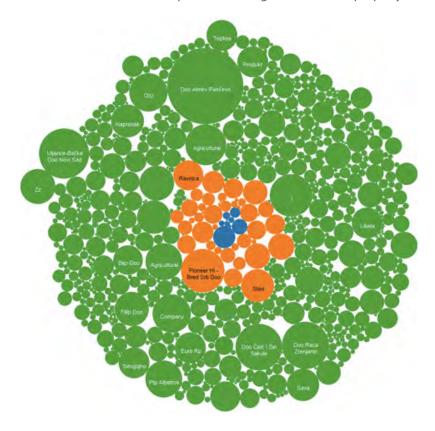


Cereals

Cereals sector includes activities of growing cereals, legumes and oilseeds. Enterprises within the sector of cereals produce wheat, buckwheat, millet, rye, oats, soy, peanut, sunflower, sesame, rapeseed, leguminous vegetables and other crops.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Doo Almex	Pančevo	84,8	272
2.	Uljarice-Bačka	Novi Sad	36,6	104
3.	Doo Raca Zrenjanin	Zrenjanin	32,4	38
4.	Doo Ćirić I Sin Sakule	Sakule	31,7	19
5.	Pioneer Hi - Bred Srb	Novi Sad	27,7	15
6.	Zemljoradnička Zadruga Uljarica	Negotin	24,4	130
7.	Ozz Agronom Despotovo-Pivnice	Pivnice	21,4	37
8.	Meteor-Commerce	Sombor	21,2	83
9.	Mrkšićevi Salaši	Srpski Itebej	19,8	223
10.	Ptp Albatros Mm	Šid	19,8	28
	Total (Top 10)		319,8	949
	Total sector		1.721,5	12.603

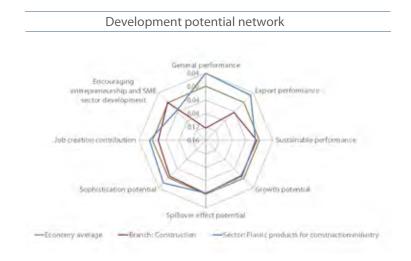


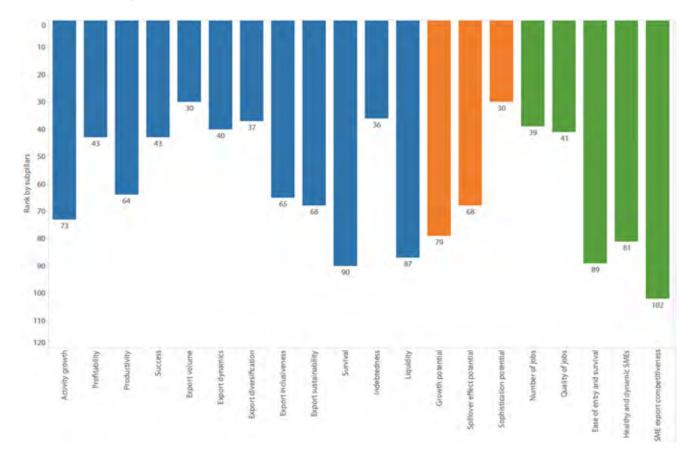
Rank 52 Plastic products for construction industry

Sector characteristic 2014	Sector	Economy*
Number of firms	262	24.551
Revenues (000 EUR)	196,2	27.118,3
Revenues growth rate (2009-2014)	1,8%	3,2%
Number of employees	2.425	398.814
Growth of employees (2009-2014)	-581	-86.307
Number of exporters	78	5.697
Value of exports (mil EUR)	28,0	11.081,7
Export growth rate (2009-2014)	14,9%	14,2%
HHI index	3.363	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	50
Export performance	39
Sustainable performance	81
Growth potential	79
Spillover effect potential	68
Sophistication potential	30
Job creation contribution	39
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	93





Plastic products for construction industry

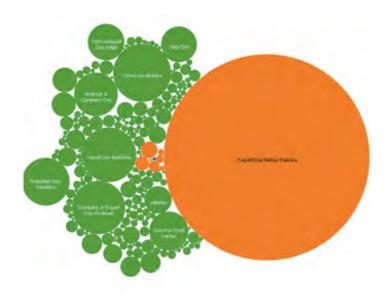
The sector of production of plastic products for construction industry, such as linoleum, floor coverings of plastics, construction equipment from plastic.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce floors for household, sport, wood, laminate, vinyl, polystyrene, PVC profiles and windows, shutters, mosquito nets, blinds, curtains, awnings, blinds, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Tarkett	Bačka Palanka	112,4	748
2.	Fima	Mionica	8,9	129
3.	Aluroll	Batočina	7,9	97
4.	Preduzeće In Export	Kruševac	7,5	64
5.	Roloplast	Kovačica	6,0	94
6.	Krokodil & Company	Beograd	5,1	23
7.	Doo Pvc Profil Centar	Preljina	4,0	47
8.	Tehnoeksport	Inđija	3,5	93
9.	Vipol	Novi Sad	3,4	67
10.	Atlantik Dva	Bare	2,0	42
	Total (Top 10)		160,7	1.404
	Total sector		196,2	2.425

Picture: Structure of enterprises according to income and property

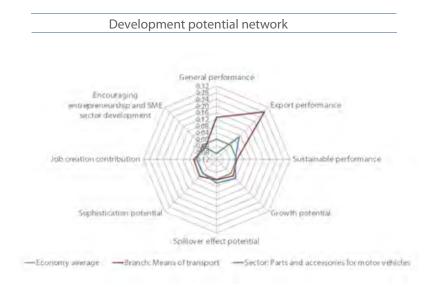


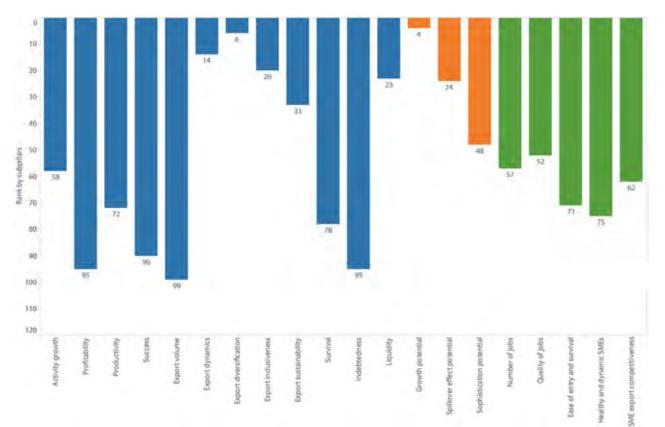
Rank 53 Parts and accessories for motor vhicles

Sector characteristic 2014	Sector	Economy*
Number of firms	151	24.551
Revenues (000 EUR)	221,7	27.118,3
Revenues growth rate (2009-2014)	7,0%	3,2%
Number of employees	6.793	398.814
Growth of employees (2009-2014)	-2.484	-86.307
Number of exporters	64	5.697
Value of exports (mil EUR)	262,2	11.081,7
Export growth rate (2009-2014)	16,8%	14,2%
HHI index	755	-

*Tradable sectors in economy

Pillar	Rank
General performance	88
Export performance	27
Sustainable performance	76
Growth potential	4
Spillover effect potential	24
Sophistication potential	48
Job creation contribution	57
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	69



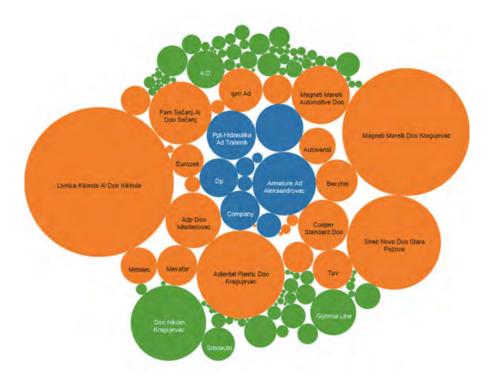


Production of parts and accessories for motor vehicles

The sector of the production of parts and accessories for motor vehicles includes the activity of production other parts and accessories for motor vehicles. This sector includes the production of parts and accessories for motor vehicles and seats.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Livnica Kikinda Ai	Kikinda	42,2	1.142
2.	Magneti Marelli	Kragujevac	30,7	167
3.	Streit Nova	Nova Pazova	16,8	134
4.	Adlerital Plastic	Kragujevac	14,6	9
5.	Doo Nikom	Kragujevac	10,7	44
6.	Armature	Aleksandrovac	7,6	450
7.	Fam Sečanj Ai	Sečanj	7,4	231
8.	Magneti Marelli Automotive	Kragujevac	6,4	36
9.	Adp	Mladenovac	5,8	138
10.	Cooper Standard	Beograd	4,8	278
	Total (Top 10)		147,0	2.629
	Total sector		221,7	6.793

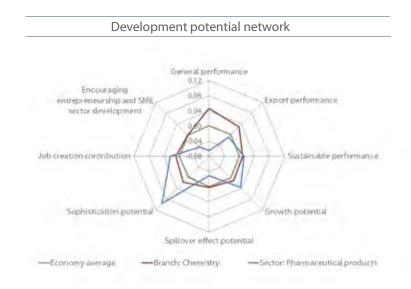


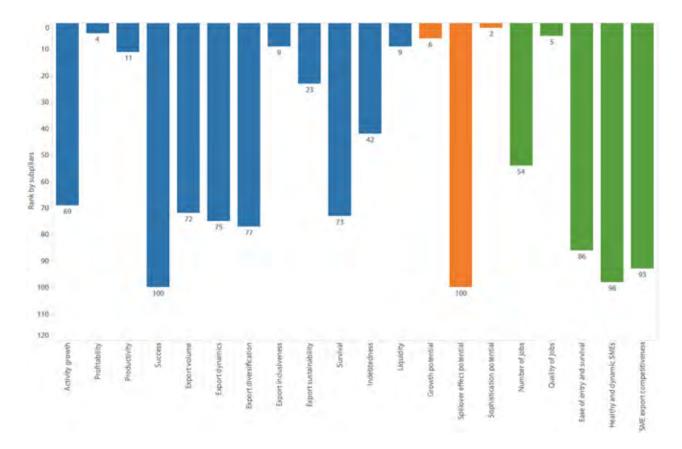
Rank 54 Pharmaceutical products

Sector characteristic 2014	Sector	Economy*
Number of firms	54	24.551
Revenues (000 EUR)	375,6	27.118,3
Revenues growth rate (2009-2014)	-2,4%	3,2%
Number of employees	4.868	398.814
Growth of employees (2009-2014)	-2.039	-86.307
Number of exporters	28	5.697
Value of exports (mil EUR)	187,1	11.081,7
Export growth rate (2009-2014)	7,6%	14,2%
HHI index	3.736	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	82
Export performance	55
Sustainable performance	38
Growth potential	6
Spillover effect potential	100
Sophistication potential	2
Job creation contribution	54
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	100





Pharmaceutical products

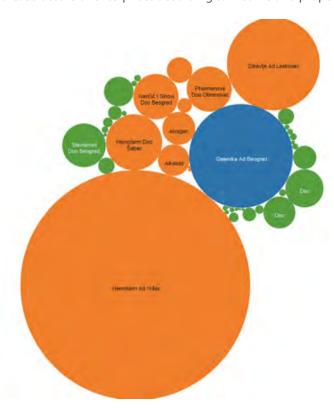
The sector of pharmaceutical products includes pharmaceutical products and preparations, such as lactams, heterocyclic compounds, sulphonamides, provitamins and vitamins, antibiotics, plant alkaloids, hormones, glycosides, medicines, and so on.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different types prescription and non-prescription drugs, saline, nutritional supplements (folic acid, vitamins, various extracts...) products for general use (boric acid, fish oil...) and others.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Hemofarm	Vršac	221,2	1.793
2.	Galenica	Beograd	45,1	1447
3.	Zdravlje	Leskovac	36,1	395
4.	Hemofarm	Šabac	13,2	343
5.	Ivančić I Sinovi	Beograd	8,6	115
6.	Pharmanova	Obrenovac	8,5	161
7.	Slaviamed	Beograd	8,0	74
8.	Doo Medicon	Deč	6,0	51
9.	Alvogen	Barice	4,5	37
10.	Doo Vetmedic Beograd	Vršac	4,3	11
	Total (Top 10)		355,5	4.427
	Total sector		375,6	4.868

Picture: Structure of enterprises according to income and property

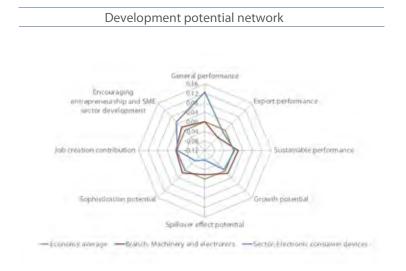


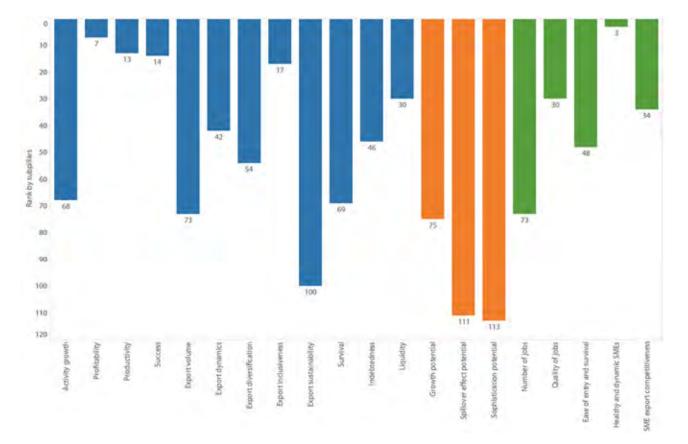
Rank 55 Electronic consumer devices

Sector characteristic 2014	Sector	Economy*
Number of firms	39	24.551
Revenues (000 EUR)	7,7	27.118,3
Revenues growth rate (2009-2014)	-21%	3,2%
Number of employees	126	398.814
Growth of employees (2009-2014)	-274	-86.307
Number of exporters	19	5.697
Value of exports (mil EUR)	1,8	11.081,7
Export growth rate (2009-2014)	-13%	14,2%
HHI index	1.437	-

^{*}Tradable sectors in economy

 Pillar	Rank
General performance	13
Export performance	58
Sustainable performance	48
Growth potential	75
Spillover effect potential	111
Sophistication potential	113
Job creation contribution	73
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	9



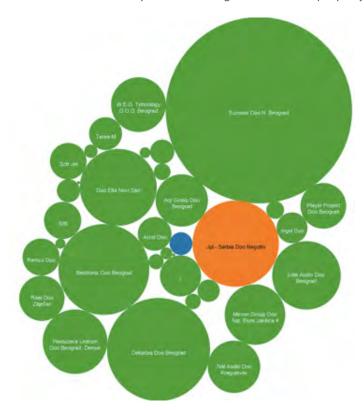


Electronic consumer devices

The sector of electronic consumer devices includes the production of radio receivers that are not capable of operating without an external source of energy, other radio receivers, microphones and their tripods, speakers, headphones, audio-frequency electric amplifiers; electric sound amplifier sets etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Eurosax	Beograd	2,5	9
2.	Dekadas	Beograd	0,8	8
3.	Beotronic	Beograd	0,6	17
4.	Jpl - Serbia	Negotin	0,5	6
5.	Doo Elta Novi Sad	Novi Sad	0,4	14
6.	Lola Audio	Beograd	0,3	4
7.	Preduzeće Unikom	Beograd	0,3	2
8.	Micron Group Doo Nip, Đure Jakšića 4	Niš	0,3	9
9.	W.E.G. Tehnology	Beograd	0,2	1
10.	Arp Group	Beograd	0,2	3
	Total (Top 10)		6,1	73
	Total sector		7,7	126

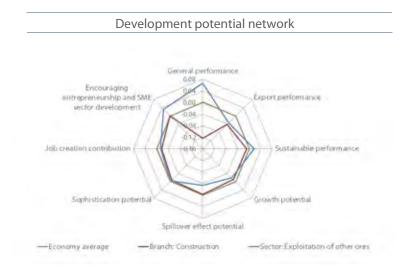


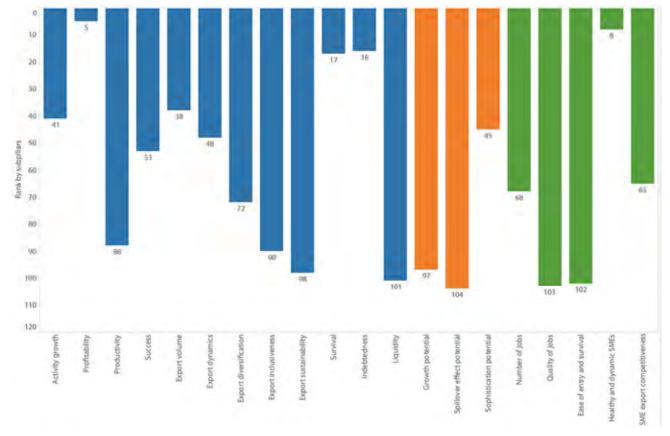
Rank 56 Exploitation of other ores

Sector characteristic 2014	Sector	Economy*
Number of firms	24	24.551
Revenues (000 EUR)	7,4	27.118,3
Revenues growth rate (2009-2014)	2,7%	3,2%
Number of employees	238	398.814
Growth of employees (2009-2014)	-37	-86.307
Number of exporters	5	5.697
Value of exports (mil EUR)	2,9	11.081,7
Export growth rate (2009-2014)	4,9%	14,2%
HHI index	3.124	-

*Tradable sectors in economy

Pillar	Rank
General performance	34
Export performance	68
Sustainable performance	29
Growth potential	97
Spillover effect potential	104
Sophistication potential	45
Job creation contribution	68
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	31



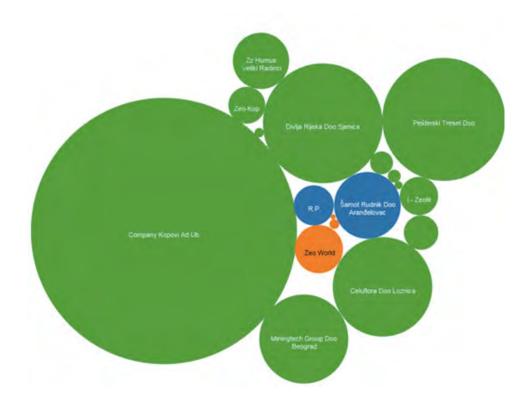


Exploitation of other ores

The sector of exploitation of other ores includes the exploitation of minerals, production of mineral fertilizers and chemicals, exploitation of other non-metallic ores and minerals, sodium chloride, peat and other non-metallic ores and minerals etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Preduzeće Kopovi	Ub	3,9	93
2.	Pešterski Treset	Tutin	0,8	11
3.	Divlja Rijeka	Sjenica	0,8	18
4.	Celuflora	Loznica	0,5	0
5.	Miningtech Group	Beograd	0,4	2
6.	Šamot Rudnik	Aranđelovac	0,2	46
7.	Zz Humus Veliki Radinci	Veliki Radinci	0,2	3
8.	Zeo World	Pančevo	0,1	11
9.	R.P. Feldspat	Bujanovac	0,1	16
10.	I - Zeolit	Barajevo	0,1	4
	Total (Top 10)		7,1	204
	Total sector		7,4	238

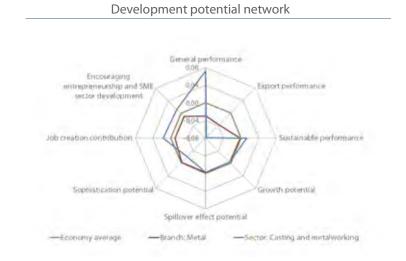


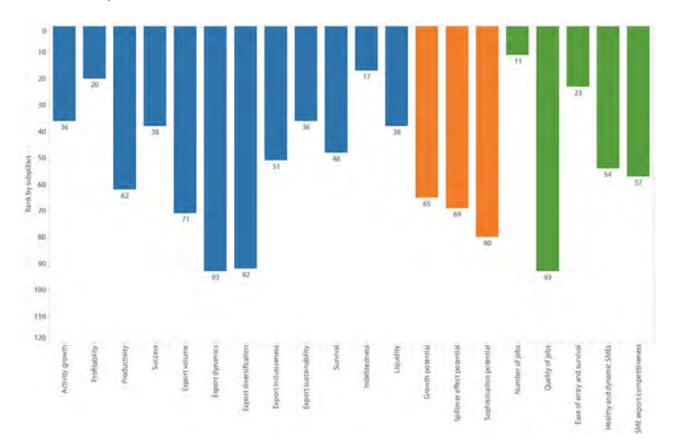
Rank 57 Casting and metalworking

Sector characteristic 2014	Sector	Economy*
Number of firms	693	24.551
Revenues (000 EUR)	353,2	27.118,3
Revenues growth rate (2009-2014)	4,9%	3,2%
Number of employees	9.583	398.814
Growth of employees (2009-2014)	-922	-86.307
Number of exporters	238	5.697
Value of exports (mil EUR)	11,7	11.081,7
Export growth rate (2009-2014)	9,4%	14,2%
HHI index	513	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	31
Export performance	86
Sustainable performance	36
Growth potential	65
Spillover effect potential	69
Sophistication potential	80
Job creation contribution	11
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	56



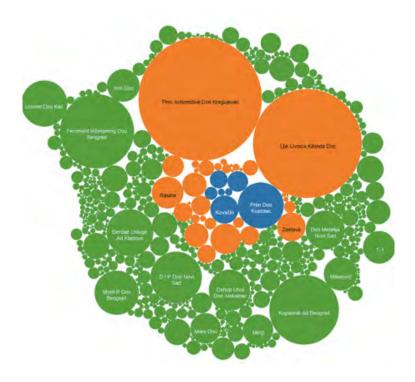


Casting and metalworking

The sector of casting of metalworking and metalworking includes casting of non-ferrous metals. These enterprises manufacture products and semi-finished products of copper, nickel, lead, zinc, tin, wolfram, tantalum, magnesium, molybdenum...

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Pmc Automotive	Grošnica	56,1	239
2.	Lbk Livnica Kikinda	Kikinda	43,6	554
3.	Feromont Inženjering	Beograd	20,2	696
4.	Kopaonik	Beograd	17,8	219
5.	DIP	Novi Sad	9,7	46
6.	Đerdap Usluge	Kladovo	8,1	1.064
7.	Unimet Doo Kać	Kać	7,8	254
8.	Prim Doo Kostolac	Kostolac	7,8	686
9.	Mont-R	Rušanj	7,2	255
10.	Dahop Utva	Kovin	6,3	44
	Total (Top 10)		184,6	4.057
	Total sector		353,2	9.583

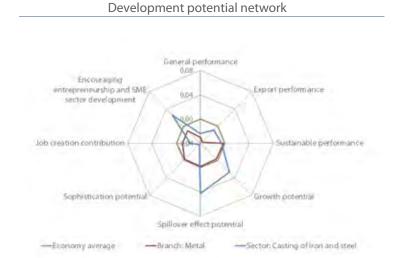


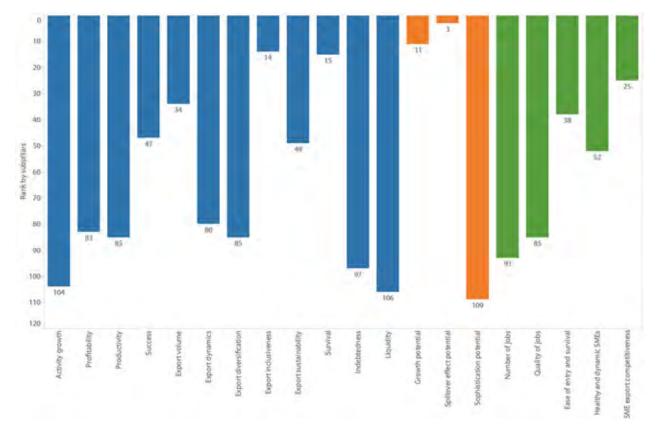
Rank 58 Casting of iron and steel

Sector characteristic 2014	Sector	Economy*
Number of firms	51	24.551
Revenues (000 EUR)	33,0	27.118,3
Revenues growth rate (2009-2014)	-10,3%	3,2%
Number of employees	1.660	398.814
Growth of employees (2009-2014)	-1.246	-86.307
Number of exporters	22	5.697
Value of exports (mil EUR)	14,9	11.081,7
Export growth rate (2009-2014)	28,9%	14,2%
HHI index	942	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	67
Export performance	57
Sustainable performance	67
Growth potential	11
Spillover effect potential	3
Sophistication potential	109
Job creation contribution	93
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	40





Casting of iron and steel

The sector of casting iron and steel covers waste and scrap of iron and waste and scrap of steel alloy.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Termovent Sc Livnica Čelika	Bačka Topola	6,0	210
2.	Koncern Farmakom M.B. Šabac - I.K. Guča	Guča	4,7	329
3.	Autoflex-Livnica	Čoka	3,6	122
4.	Lpo	Ada	2,8	60
5.	Ad Krušik-Precizni Liv	Mionica	2,7	138
6.	Kopex Min-Liv Ad Niš	Niš	2,6	114
7.	Ekonomski Institut	Topola	1,8	155
8.	Preduzeće Morsad	Topola	1,6	45
9.	Potisje-Precizni Liv	Ada	1,5	99
10.	Koncern Fabrika Vagona Kraljevo	Kraljevo	0,9	70
	Total (Top 10)		28,2	1.342
	Total sector		33,0	1.660

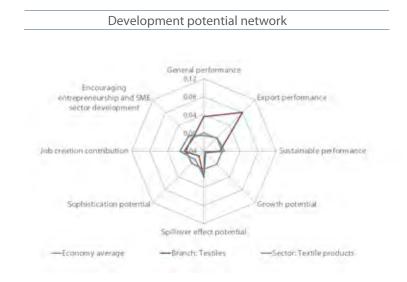


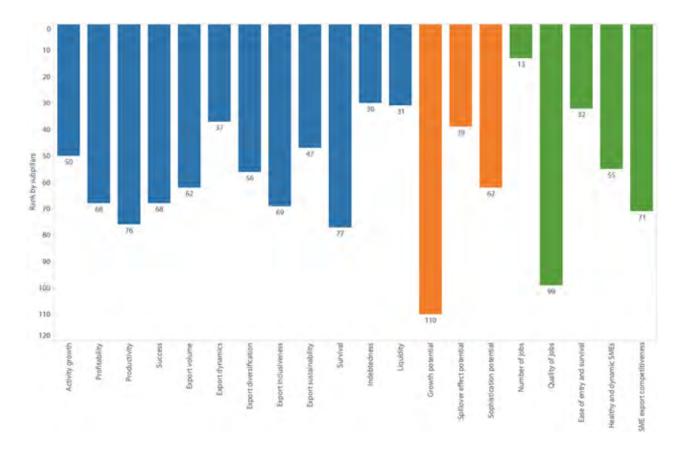
Rank 59 Textile products

Sector characteristic 2014	Sector	Economy*
Number of firms	367	24.551
Revenues (000 EUR)	186,0	27.118,3
Revenues growth rate (2009-2014)	6,3%	3,2%
Number of employees	6.476	398.814
Growth of employees (2009-2014)	1.017	-86.307
Number of exporters	102	5.697
Value of exports (mil EUR)	124,2	11.081,7
Export growth rate (2009-2014)	23,1%	14,2%
HHI index	503	-

*Tradable sectors in economy

Pillar	Rank
General performance	64
Export performance	50
Sustainable performance	50
Growth potential	110
Spillover effect potential	39
Sophistication potential	62
Job creation contribution	13
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	60



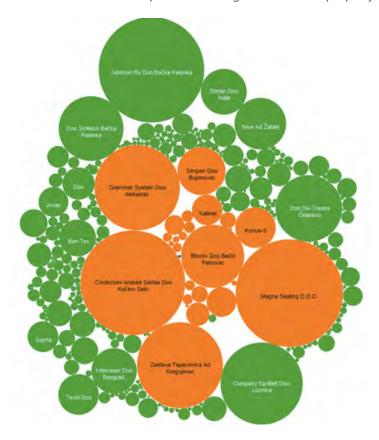


Textile products

The textile products include the activities of production of knitted and crocheted fabrics, other technical and industrial textiles, nonwovens and products made from it, except apparel, manufacture of cordage, rope, twine and netting, manufacturing carpets and rugs, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Magna Seating	Beograd	19,3	566
2.	Sintelon.Rs	Bačka Palanka	18,6	241
3.	Confezioni Andrea Serbia	Beograd	18,3	542
4.	Zastava Tapacirnica	Kragujevac	12,3	398
5.	Grammer System	Aleksinac	12,2	1212
6.	Ep-Belt	Loznica	11,3	128
7.	Doo Div-Trades Čelarevo	Čelarevo	7,4	321
8.	Doo Sintelon Bačka Palanka	Bačka Palanka	7,0	133
9.	Blockx Doo Bački Petrovac	Bački Petrovac	6,7	131
10.	Niva Ad Žabalj	Novi Sad	4,4	121
	Total (Top 10)		117,5	3.793
	Total sector		186,0	6.476

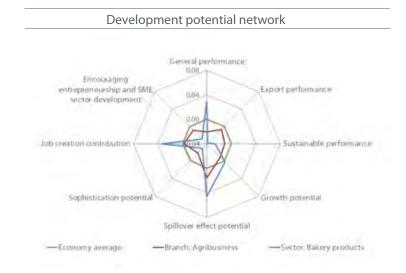


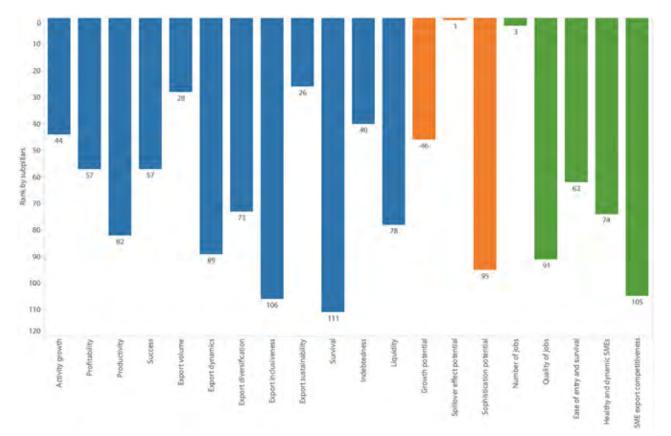
Rank 60 Bakery products

Sector characteristic 2014	Sector	Economy*
Number of firms	1.196	24.551
Revenues (000 EUR)	587,2	27.118,3
Revenues growth rate (2009-2014)	0,8%	3,2%
Number of employees	17.021	398.814
Growth of employees (2009-2014)	-1.858	-86.307
Number of exporters	72	5.697
Value of exports (mil EUR)	79,4	11.081,7
Export growth rate (2009-2014)	4,4%	14,2%
HHI index	467	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	55
Export performance	71
Sustainable performance	100
Growth potential	46
Spillover effect potential	1
Sophistication potential	95
Job creation contribution	3
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	86





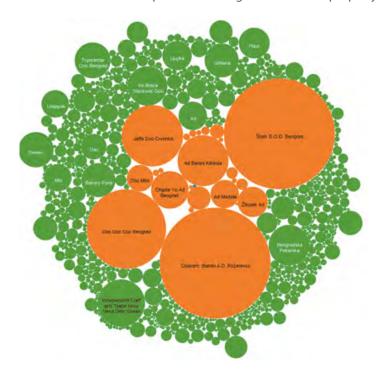
Bakery products

Bakery products sector includes the activity of production of macaroni, noodles and similar products made from flour, bread, fresh pastries and cakes. The products are pasta, bread, pastry, cakes, biscuits and other baked goods, mixes and doughs for the preparation of bakery products, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different kinds of baked goods such as bread, croissants, biscuits, pastry, chocolate and other types of biscuits, breadsticks, wafers, chocolate bars, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Koncern Bambi A.D. Požarevac	Beograd	78,8	952
2.	Štark	Beograd	78,7	993
3.	Don Don	Beograd	40,3	707
4.	Jaffa	Crvenka	24,1	396
5.	Ad Banini	Kikinda	16,7	552
6.	Neca Dinić Goran	Prokuplje	14,4	265
7.	Beogradska Pekarska Industrija	Beograd	10,6	460
8.	As-Braća Stanković	Begaljica	10,0	340
9.	Chipita Yu	Beograd	9,1	4
10.	Trgocentar	Beograd	8,2	277
	Total (Top 10)		290,9	4.946
	Total sector		587,2	17.021

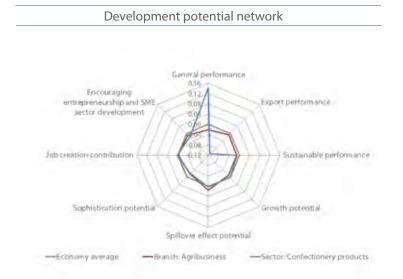


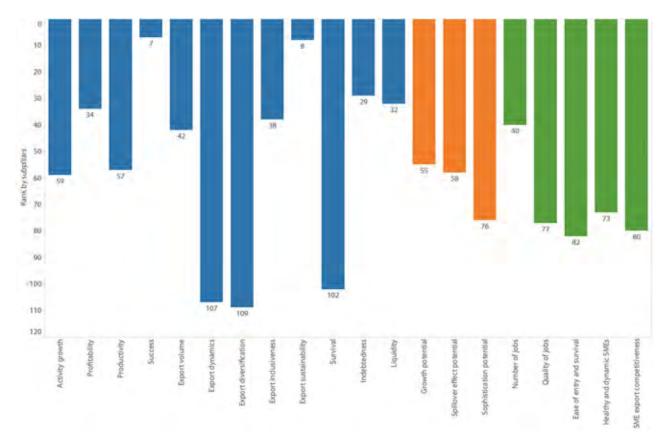
Rank 61 Confectionery products

Sector characteristic 2014	Sector	Economy*
Number of firms	96	24.551
Revenues (000 EUR)	176,6	27.118,3
Revenues growth rate (2009-2014)	-3,7%	3,2%
Number of employees	3.259	398.814
Growth of employees (2009-2014)	-672	-86.307
Number of exporters	41	5.697
Value of exports (mil EUR)	52,2	11.081,7
Export growth rate (2009-2014)	-1,3%	14,2%
HHI index	2.246	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	11
Export performance	93
Sustainable performance	72
Growth potential	55
Spillover effect potential	58
Sophistication potential	76
Job creation contribution	40
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	76



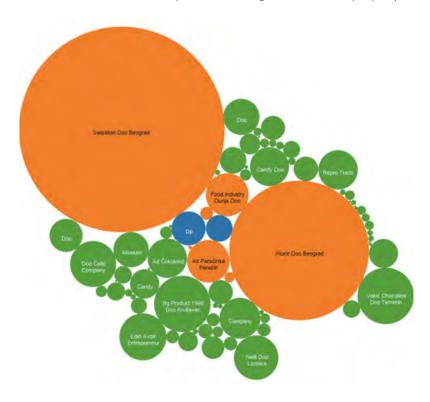


Confectionery products

Confectionary products sector includes the activities of production of cocoa, chocolate and confectionery products. Enterprises in this sector produce cocoa powder, not containing added sugar or other sweetening matter, cocoa paste, cocoa butter, fat and oil, other food preparations containing cocoa, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Swisslion	Beograd	75,0	873
2.	Pionir	Beograd	34,6	398
3.	Bg Produkt 1996	Kruševac	5,7	163
4.	Vekić Chocolate	Temerin	5,6	106
5.	Avdić	Nova Varoš	3,9	47
6.	Doo Ćatić Company	Prijepolje	3,7	52
7.	Nelli Doo Loznica	Loznica	3,5	89
8.	Industrija Hrane Dunja	Beograd	3,3	99
9.	Elektroizgradnja Bajina Bašta	Paraćin	3,2	146
10.	Kompanija Hissar	Beograd	2,9	187
	Total (Top 10)		141,4	2.160
	Total sector		176,6	3.259

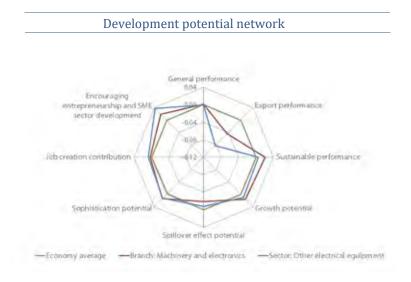


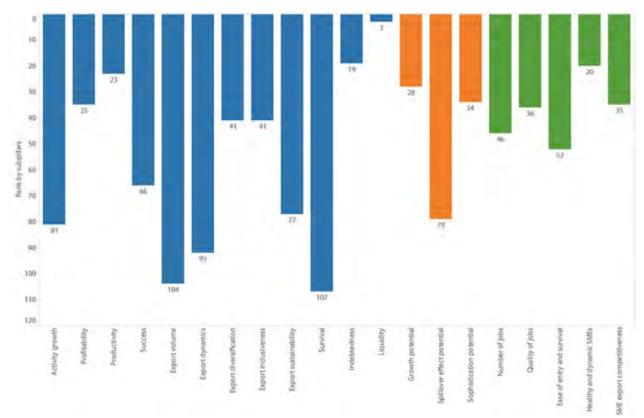
Rank 62 Other electrical equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	120	24.551
Revenues (000 EUR)	56,5	27.118,3
Revenues growth rate (2009-2014)	1,5%	3,2%
Number of employees	1.035	398.814
Growth of employees (2009-2014)	-479	-86.307
Number of exporters	44	5.697
Value of exports (mil EUR)	29,8	11.081,7
Export growth rate (2009-2014)	25,8%	14,2%
HHI index	676	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	61
Export performance	87
Sustainable performance	47
Growth potential	28
Spillover effect potential	79
Sophistication potential	34
Job creation contribution	46
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	25





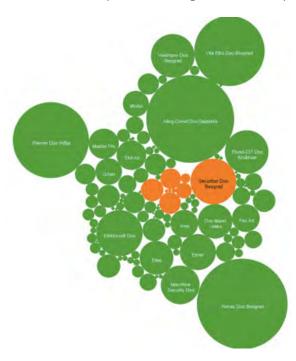
Other electrical equipment

Other electrical equipment sector includes activities of production of other electrical equipment such as electric resistors, electrical insulating equipment, electrical capacitors, fixed, variable or adjustable, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Nimax	Beograd	8,2	29
2.	Aling-Conel	Gajdobra	7,7	198
3.	Plamen	Inđija	5,8	115
4.	Vita Elko	Beograd	4,9	9
5.	Elektrovolt	Valjevo	2,2	30
6.	Securiton	Beograd	2,1	45
7.	Elvod-037	Kruševac	1,9	13
8.	Preduzeće Vesimpex	Beograd	1,9	27
9.	Macchina Security	Beograd	1,5	14
10.	Elmat Elektromaterijal	Beograd	1,3	18
	Total (Top 10)		37,5	498
	Total sector		56,5	1.035

Picture: Structure of enterprises according to income and property

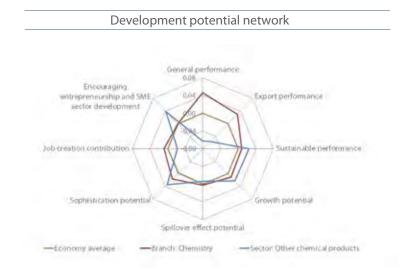


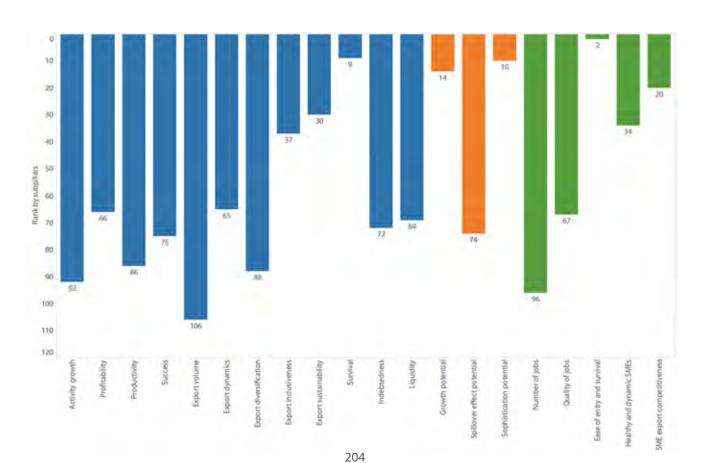
Rank 63 Other chemichal products

Sector characteristic 2014	Sector	Economy*
Number of firms	133	24.551
Revenues (000 EUR)	45,0	27.118,3
Revenues growth rate (2009-2014)	0,5%	3,2%
Number of employees	707	398.814
Growth of employees (2009-2014)	-266	-86.307
Number of exporters	51	5.697
Value of exports (mil EUR)	35,6	11.081,7
Export growth rate (2009-2014)	8,0%	14,2%
HHI index	522	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	77
Export performance	77
Sustainable performance	18
Growth potential	14
Spillover effect potential	74
Sophistication potential	10
Job creation contribution	96
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	24





Other chemical products

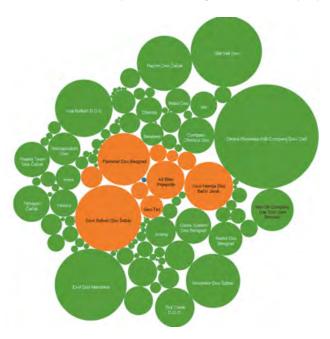
The sector of the production of other chemical products includes the production of artificial fibers, ethereal oils and other chemical products. This includes the following products: synthetic fibers and filaments, artificial fibers for spinning, oils and fats treated by some chemical process, essential oils, scent and albuminoidal substances, glues, inhibitors, substances that enhance viscosity, liquids for hydraulic transmission fluid, antifreeze, lubricants, catalysts, and so on.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce different oils and fluids for engines, transmissions, differentials, industrial oils, greases, base oils, antifreeze, batteries, granulated and silicone antifoams etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Dinara-Romanija Pdb Company	Deč	7,0	35
2.	Exol	Merošina	3,3	27
3.	Still Sell	Beograd	3,2	10
4.	Govi Balkan	Šabac	2,8	0
5.	Ivas Balkan		2,1	51
6.	Pacom	Čačak	1,9	15
7.	Novohem	Šabac	1,9	35
8.	Flammat	Beograd	1,8	20
9.	Yuco Hemija	Bački Jarak	1,5	59
10.	Win-Oil Company Pak	Novi Banovci	1,2	8
	Total (Top 10)		26,7	260
	Total sector		45,0	707

Picture: Structure of enterprises according to income and property

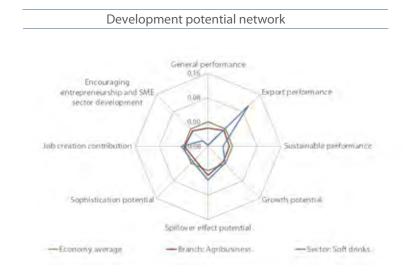


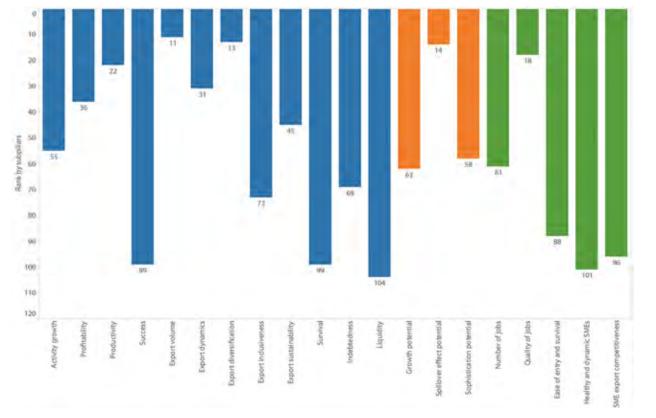
Rank 64 Soft drinks

Sector characteristic 2014	Sector	Economy*
Number of firms	133	24.551
Revenues (000 EUR)	467,3	27.118,3
Revenues growth rate (2009-2014)	2,4%	3,2%
Number of employees	3.887	398.814
Growth of employees (2009-2014)	-1.256	-86.307
Number of exporters	34	5.697
Value of exports (mil EUR)	84,4	11.081,7
Export growth rate (2009-2014)	4,2%	14,2%
HHI index	3.383	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	86
Export performance	16
Sustainable performance	103
Growth potential	62
Spillover effect potential	14
Sophistication potential	58
Job creation contribution	61
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	101





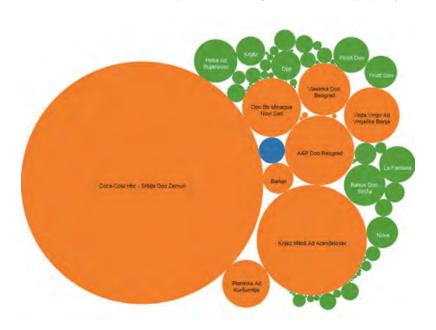
Soft drinks

The sector of the production of soft drinks includes the activities of production of soft drinks, mineral water and other bottled water.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Coca-Cola Hbc - Srbija	Beograd	263,6	823
2.	Knjaz Miloš	Aranđelovac	54,5	771
3.	A&P Doo Beograd	Dobanovci	21,7	253
4.	Doo Bb Minaqua	Novi Sad	15,5	237
5.	Voda Vrnjci	Vrnjačka Banja	13,9	259
6.	Vlasinka Doo, Beograd	Beograd	12,2	69
7.	Planinka Ad Kuršumlija	Kuršumlija	10,2	129
8.	Heba Ad Bujanovac	Bujanovac	8,4	174
9.	Bahus Doo, Striža	Striža	7,7	141
10.	La Fantana	Beograd	5,9	140
	Total (Top 10)		413,6	2.996
	Total sector		467,3	3.887

Picture: Structure of enterprises according to income and property

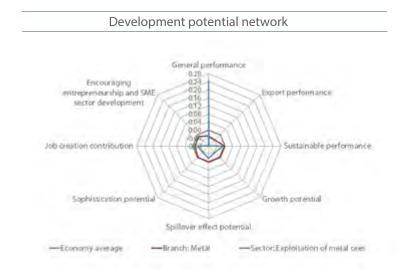


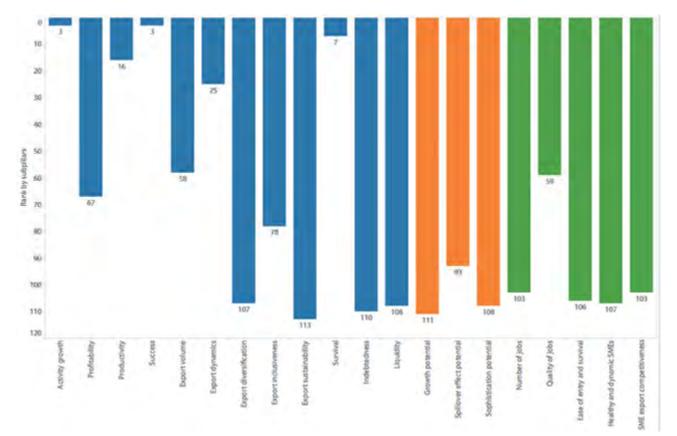
Rank 65 Exploitation of metal ores

Sector characteristic 2014	Sector	Economy*
Number of firms	18	24.551
Revenues (000 EUR)	144,1	27.118,3
Revenues growth rate (2009-2014)	18,5%	3,2%
Number of employees	6.525	398.814
Growth of employees (2009-2014)	783	-86.307
Number of exporters	4	5.697
Value of exports (mil EUR)	102,8	11.081,7
Export growth rate (2009-2014)	20,0%	14,2%
HHI index	5.910	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	2
Export performance	84
Sustainable performance	70
Growth potential	111
Spillover effect potential	93
Sophistication potential	108
Job creation contribution	103
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	108





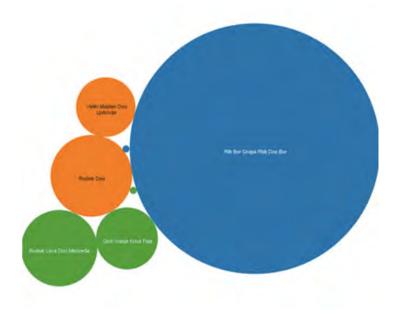
Exploitation of metal ores

Exploitation of metal ores includes the exploitation of iron ore, ferrous, non-ferrous (copper, aluminum, zinc, manganese...), precious metals, ores of uranium and thorium and other metals.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises are engaged in exploitation of minerals and metals, such as copper, lead, zinc and other nonferrous metals.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues(mil EUR)	Number of employies
1.	Rtb Bor Grupa Rbb	Bor	109,3	2.192
2.	Rudnik Doo	Rudnik	11,6	412
3.	Rudnik Lece Doo Medveđa	Medveđa	10,1	377
4.	Rudnik Olova I Cinka Grot	Kriva Feja	6,7	197
5.	Veliki Majdan Doo Ljubovija	Ljubovija	6,2	290
6.	Holding Rmhk Trepča Ad Zvečan	Zvečan	0,1	3041
7.	Ad Bobija Ljubovija	Ljubovija	0,1	5
8.	Storia	Beograd	0,0	0
9.	Farmakom M.B. Rudnik Suva Ruda	Raška	0,0	0
10.	Murex-Rudarstvo I Geologija	Beograd	0,0	0
	Total (Top 10)		144,1	6.514
	Total sector		144,1	6.525

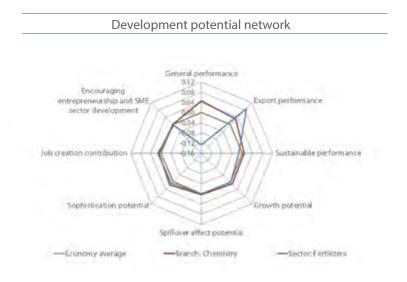


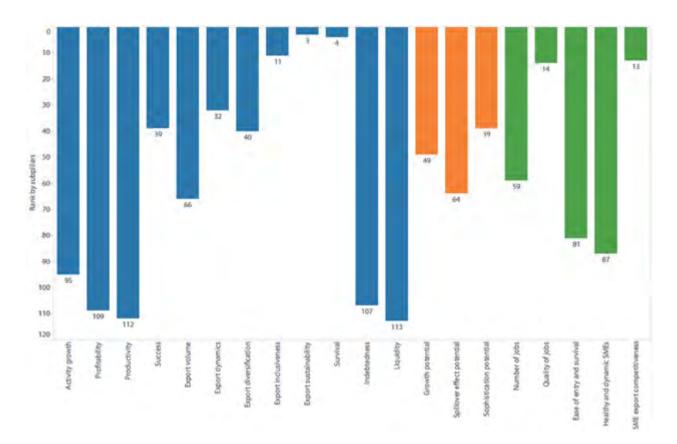
Rank 66 Fertilizers

Sector characteristic 2014	Sector	Economy*
Number of firms	18	24.551
Revenues (000 EUR)	231,9	27.118,3
Revenues growth rate (2009-2014)	0,2%	3,2%
Number of employees	1.722	398.814
Growth of employees (2009-2014)	-12	-86.307
Number of exporters	8	5.697
Value of exports (mil EUR)	65,1	11.081,7
Export growth rate (2009-2014)	28,4%	14,2%
HHI index	2.525	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	97
Export performance	21
Sustainable performance	85
Growth potential	49
Spillover effect potential	64
Sophistication potential	39
Job creation contribution	59
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	67





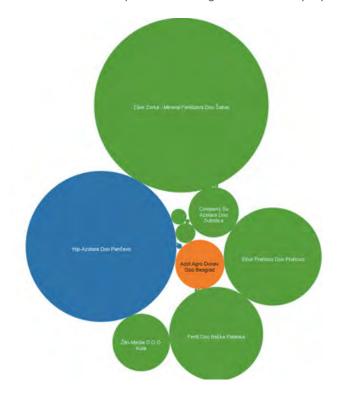
Fertilizers

The sector of fertilizers production covers producing animal, plant, mineral and chemical fertilizers, as well as various nitrogen compounds.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises also produce lime and stabilized ammonium nitrate, carbamide, urea, ammonia, ammonia solutions, distilled water, mineral complex fertilizers, fertilizers with a high nitrogen and phosphorus content, phosphoric acid, superphosphates, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Elixir Zorka - Mineralna Đubriva	Šabac	87,7	221
2.	Hip - Azotara	Pančevo	65,5	1.009
3.	Elixir Prahovo	Prahovo	27,6	230
4.	Fertil	Bačka Palanka	25,4	94
5.	Žito-Media	Kula	9,5	80
6.	Company Su Azotara	Subotica	7,2	30
7.	Azot Agro Dunav	Beograd	7,0	2
8.	Azohem	Subotica	1,1	38
9.	Azotara	Subotica	0,7	0
10.	Zorka Mineralna Đubriva	Šabac	0,1	11
	Total (Top 10)		231,8	1.715
	Total sector		231,9	1.722

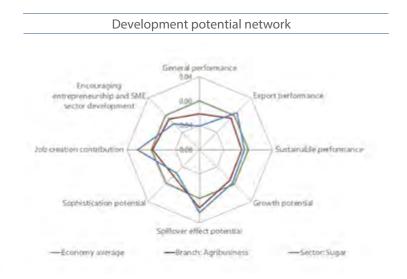


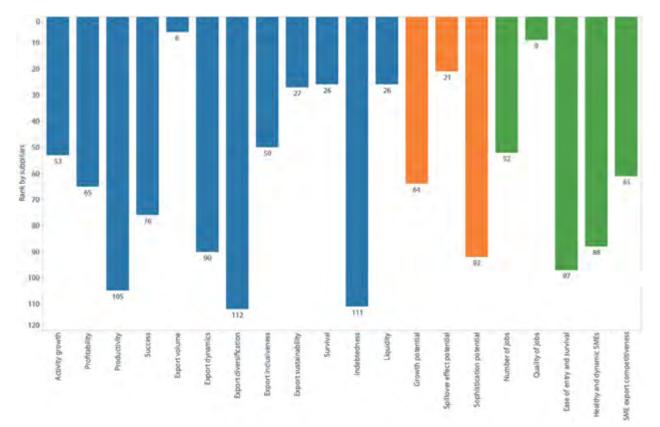
Rank 67 Sugar

Sector characteristic 2014	Sector	Economy*
Number of firms	13	24.551
Revenues (000 EUR)	310,2	27.118,3
Revenues growth rate (2009-2014)	0,7%	3,2%
Number of employees	1.061	398.814
Growth of employees (2009-2014)	-295	-86.307
Number of exporters	4	5.697
Value of exports (mil EUR)	134,7	11.081,7
Export growth rate (2009-2014)	3,0%	14,2%
HHI index	3.313	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	73
Export performance	43
Sustainable performance	68
Growth potential	64
Spillover effect potential	21
Sophistication potential	92
Job creation contribution	52
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	78



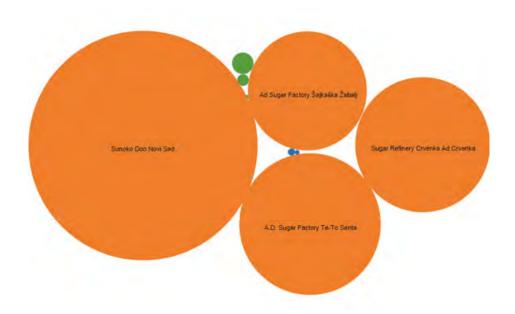


Sugar

Sugar production sector includes the production of sugar beet and sugar cane, cane sugar and chemically pure sucrose, molasses, other sugars, artificial honey, caramel, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Sunoko	Novi Sad	154,3	469
2.	Sugar Factory Te -To Senta	Senta	58,8	174
3.	Sugar factory Crvenka	Crvenka	53,4	207
4.	Ad Sugar Factory Šajkaška	Žabalj	41,6	189
5.	Mega Plus	Novo Selo	1,4	14
6.	Livade	Bogojevići	0,4	5
7.	First Serbian Sugar Factory	Beograd	0,2	0
8.	Sugar Factory Požarevac	Požarevac	0,1	0
9.	Samex	Užice	0,0	0
10.	Bero	Novi Pazar	0,0	3
	Total (Top 10)		310,2	1.061
	Total sector		310,2	1.061

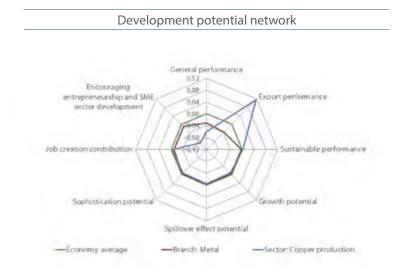


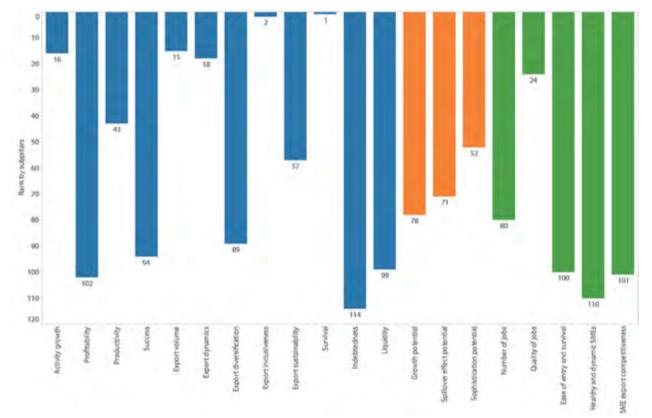
Rank 68 Copper production

Sector characteristic 2014	Sector	Economy*
Number of firms	15	24.551
Revenues (000 EUR)	444,6	27.118,3
Revenues growth rate (2009-2014)	12,7%	3,2%
Number of employees	3.199	398.814
Growth of employees (2009-2014)	-285	-86.307
Number of exporters	10	5.697
Value of exports (mil EUR)	262,6	11.081,7
Export growth rate (2009-2014)	5,3%	14,2%
HHI index	3.304	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	75
Export performance	13
Sustainable performance	55
Growth potential	78
Spillover effect potential	71
Sophistication potential	52
Job creation contribution	80
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	111





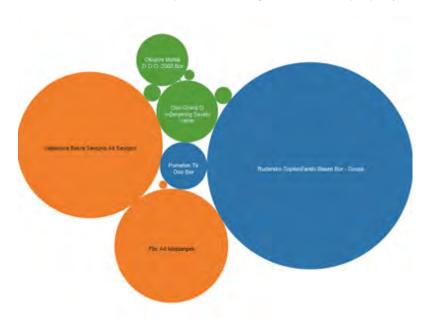
Copper production

The sector of copper production includes refined and unrefined copper, copper alloy, copper bars, rods and profiles, wires, plates, sheets, tubes, etc.

The table below shows the 10 largest enterprises ranked by operating revenues in 2014. These enterprises produce copper, brass, bronze castings, alloys of copper, copper wire, measuring fittings, valves, faucets, flat-rolled products (sheets for facades, roof covers, films in electronics), copper foils, sheets, plates, tapes, disks, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Basen Bor	Bor	219,3	1.631
2.	Valjaonica Bakra Sevojno	Sevojno	109,6	1.037
3.	Fbc Ad Majdanpek	Majdanpek	66,7	317
4.	Grand D Inženjering	Bor	19,6	39
5.	Obojeni Metali		13,9	1
6.	Mk Panonia Novi Sad	Bor	11,5	34
7.	Fom Doo Prokuplje	Prokuplje	1,5	65
8.	Doo Strato Plus Bor	Bor	1,5	24
9.	Valjaonica Bakra Sevojno - Metalurgija	Novi Sad	0,6	43
10.	Jan Eugster	Beograd	0,4	6
	Total (Top 10)		444,6	3.197
	Total sector		444,6	3.199

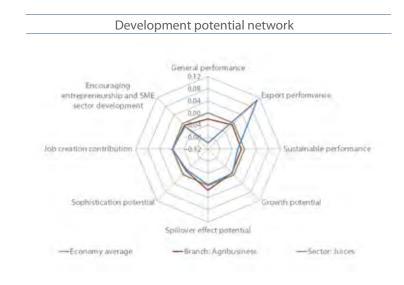


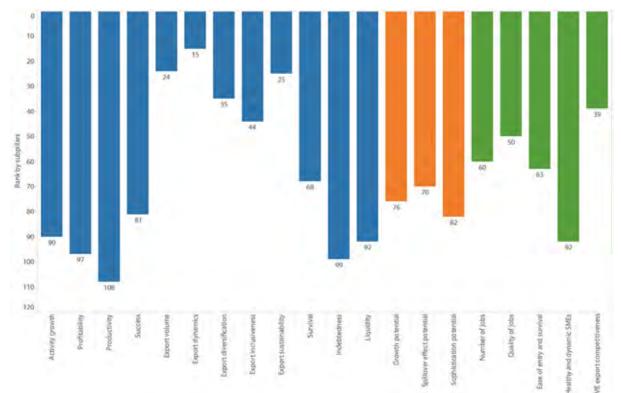
Rank 69 Juices

Sector characteristic 2014	Sector	Economy*
Number of firms	37	24.551
Revenues (000 EUR)	205,1	27.118,3
Revenues growth rate (2009-2014)	0,1%	3,2%
Number of employees	1.802	398.814
Growth of employees (2009-2014)	-488	-86.307
Number of exporters	15	5.697
Value of exports (mil EUR)	28,3	11.081,7
Export growth rate (2009-2014)	15,6%	14,2%
HHI index	1.796	-

^{*}Tradable sectors in economy





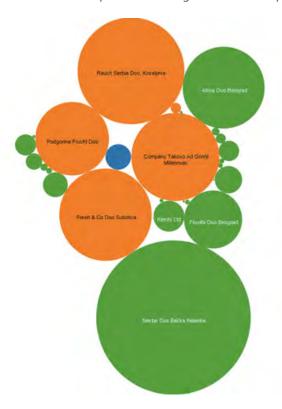


Juices

The sector of juices production includes the production of fruit and vegetables juices. This sector produces orange juice, grapefruit juice, juice of any other single citrus fruit, juice of any single fruit (other than citrus) or vegetable; mixtures of fruit or vegetables, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Nectar	Bačka Palanka	68,3	638
2.	Rauch Serbia	Koceljeva	32,7	147
3.	Fresh & Co	Subotica	24,5	126
4.	Kompanija Takovo	Gornji Milanovac	22,3	356
5.	Altiva Doo Beograd	Beograd	19,2	7
6.	Podgorina Frucht	Osečina	15,5	123
7.	Fruvita Doo Beograd	Beograd	9,7	144
8.	Kendy Ltd Doo Beograd, Zemun	Beograd	2,7	25
9.	Duga Fruit Doo Kruševac	Kruševac	2,1	30
10.	Progresgas-Trejding	Požega	1,9	92
	Total (Top 10)		198,9	1.688
	Total sector		205,1	1.802

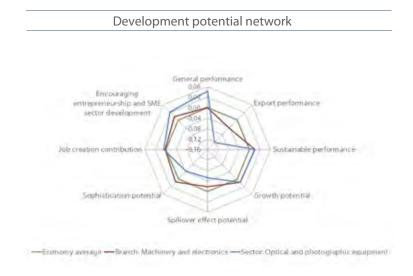


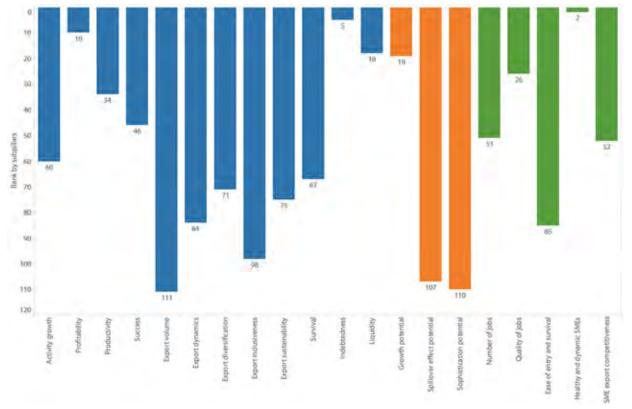
Rank 70 Optical and photographic equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	69	24.551
Revenues (000 EUR)	12,0	27.118,3
Revenues growth rate (2009-2014)	1,7%	3,2%
Number of employees	389	398.814
Growth of employees (2009-2014)	-203	-86.307
Number of exporters	5	5.697
Value of exports (mil EUR)	4,6	11.081,7
Export growth rate (2009-2014)	23,3%	14,2%
HHI index	2.598	-

^{*}Tradable sectors in economy

36
30
98
23
19
107
110
51
-
17



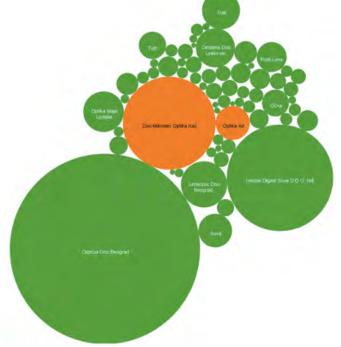


Optical and photographic equipment

The sector of optical and photographic equipment includes projectors and other optical telescopes, complex optical microscopes, photographic and film apparatuses and equipment, lenses, prisms, mirrors and other optical elements, of any material, mounted, as parts or accessories for instruments or apparatuses.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Opticus	Beograd	5,6	141
2.	Optika	Beograd	0,2	0
3.	Harder Digital Sova	Niš	1,8	73
4.	Eurounion Db	Šabac	0,1	5
5.	Oto-Lux Doo Aleksa Šantić	Aleksa Šantić	0,0	3
6.	D.O.O. Elektrooptik Export - Import	Sremska Kamenica	0,0	1
7.	K & B Optic	Novi Sad	0,0	4
8.	Laptiko	Novi Bečej	0,0	2
9.	Doo Ms - Company	Novi Sad	0,0	0
10.	S.M. Trivunović	Novi Sad	0,0	1
	Total (Top 10)		7,7	230
	Total sector		12,0	389

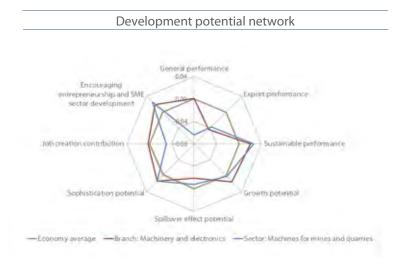


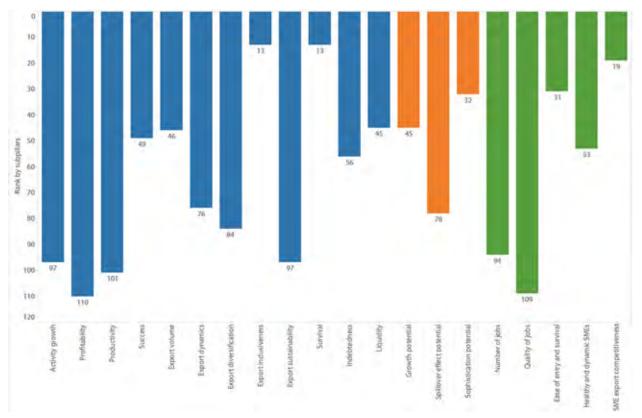
Rank 71 Machines for mines and quarries

Sector characteristic 2014	Sector	Company*
Number of firms	30	24.551
Revenues (000 EUR)	15,0	27.118,3
Revenues growth rate (2009-2014)	-26,0%	3,2%
Number of employees	1.570	398.814
Growth of employees (2009-2014)	-3.850	-86.307
Number of exporters	16	5.697
Value of exports (mil EUR)	40,0	11.081,7
Export growth rate (2009-2014)	4,6%	14,2%
HHI index	1.617	-

*Tradable sectors in economy

Pillar	Rank
General performance	78
Export performance	69
Sustainable performance	12
Growth potential	45
Spillover effect potential	78
Sophistication potential	32
Job creation contribution	94
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	41





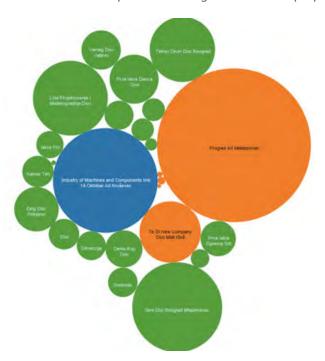
Machines for mines and quarries

The sector of machines for mines and quarries includes production of machinery for mining, quarrying and construction. The enterprises that belong to this sector produce bulldozers, mechanical shovels, excavators and shovel loaders and machinery for leveling, scraping, excavating, tamping, compacting, extracting or boring machinery for soil, minerals or ores, construction and mining equipment, machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Progres Ad Mladenovac	Mladenovac	5,0	1
2.	lmk 14.Oktobar	Kruševac	2,3	1412
3.	Simi Doo	Mladenovac	1,7	33
4.	Lola-Projektovanje i Mašinogradnja	Beograd	1,2	0
5.	Tehno Drum Doo Beograd	Beograd	0,9	7
6.	Te St New Company	Mali Iđoš	0,8	11
7.	Prva Iskra Danca Doo		0,5	4
8.	Eing	Petrijevo	0,4	12
9.	Vamag	Valjevo	0,3	5
10.	Denis-Kop	Kovačevac	0,3	10
	Total (Top 10)		13,4	1.495
	Total sector		15,0	1.570

Picture: Structure of enterprises according to income and property

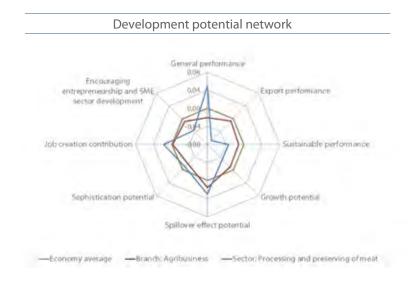


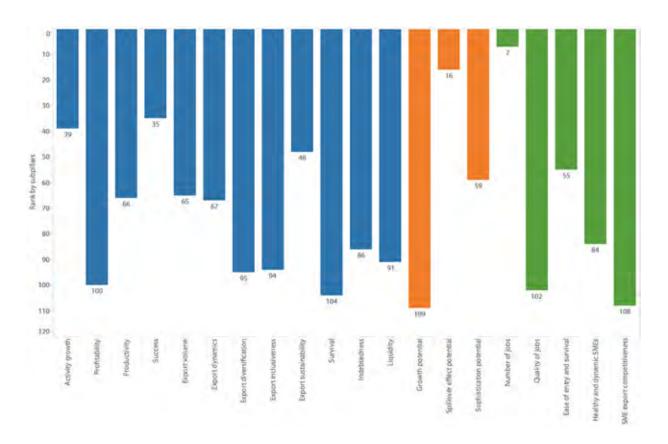
Rank 72 Processing and preserving of meat

Sector characteristic 2014	Sector	Economy*
Number of firms	291	24.551
Revenues (000 EUR)	666,6	27.118,3
Revenues growth rate (2009-2014)	2,6%	3,2%
Number of employees	8.931	398.814
Growth of employees (2009-2014)	-1.549	-86.307
Number of exporters	35	5.697
Value of exports (mil EUR)	124,1	11.081,7
Export growth rate (2009-2014)	23,6%	14,2%
HHI index	760	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	47
Export performance	81
Sustainable performance	106
Growth potential	109
Spillover effect potential	16
Sophistication potential	59
Job creation contribution	7
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	95





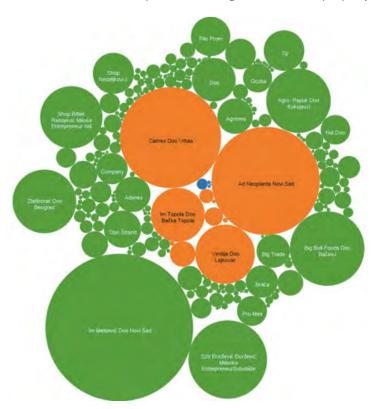
Processing and preserving of meat

The sector of processing and preserving of meat includes meat of bovine animals, sheep or goat meat, pig meat, the meat of horses, asses, mules or hinnies, fresh, chilled or frozen meat and edible slaughterhouse produce, fresh, chilled or frozen, offal, fish meat (minced or not), and so on.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Im Matijević	Novi Sad	134,9	1.596
2.	Ad Neoplanta	Novi Sad	72,5	742
3.	Carnex	Vrbas	63,2	950
4.	Sztr Đurđević	Subotište	38,1	232
5.	Big Bull Foods	Bačinci	34,3	239
6.	Agro- Papuk	Kukujevci	25,7	186
7.	Zlatiborac	Beograd	25,1	341
8.	Biftek Radojević Miloša	Niš	24,0	571
9.	Vindija	Lajkovac	21,9	359
10.	Im Topola	Bačka Topola	18,0	329
	Total (Top 10)		457,7	5.545
	Total sector		666,6	8.931

Picture: Structure of enterprises according to income and property

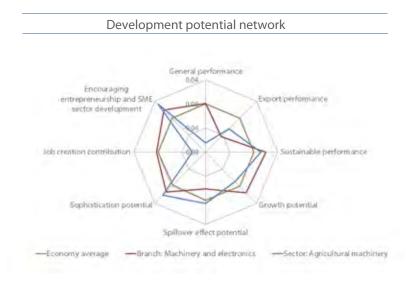


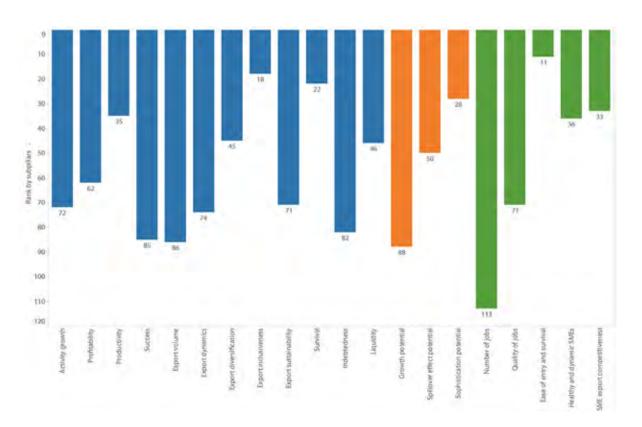
Rank 73 Agricultural machinery

Sector characteristic 2014	Sector	Economy*
Number of firms	95	24.551
Revenues (000 EUR)	49,0	27.118,3
Revenues growth rate (2009-2014)	-11,0%	3,2%
Number of employees	1.109	398.814
Growth of employees (2009-2014)	-1.556	-86.307
Number of exporters	41	5.697
Value of exports (mil EUR)	28,5	11.081,7
Export growth rate (2009-2014)	11,6%	14,2%
HHI index	840	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	79
Export performance	63
Sustainable performance	37
Growth potential	88
Spillover effect potential	50
Sophistication potential	28
Job creation contribution	113
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	30



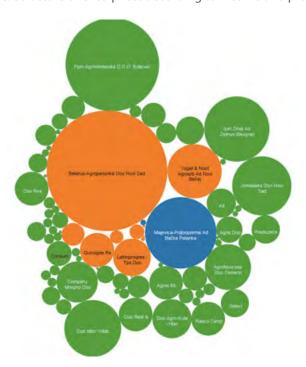


Agricultural machinery

The sector of agricultural machinery includes activities of production of machinery for agriculture and forestry. The products are tractors, machines for horticulture and forestry, machinery for soil preparation or cultivation, lawn or sports facilities; parts of the aforementioned machines, cleaning, sorting or grading seed or grain or for grading eggs, fruit or other agricultural products, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues(mil EUR)	Number of employies
1.	Belarus-Agropanonka	Novi Sad	10,5	23
2.	Fpm Agromehanika	Boljevac	6,3	242
3.	Majevica-Poljooprema	Bačka Palanka	3,7	108
4.	Ipm Zmaj	Beograd	3,1	44
5.	Jomapeks Doo Novi Sad	Novi Sad	2,5	32
6.	Doo Mbv Vršac	Vršac	2,3	4
7.	Vogel & Noot Agrosrb Ad Novi Bečej	Novi Bečej	2,1	110
8.	Agroferocoop Doo Temerin	Temerin	1,5	15
9.	Preduzeće Morpho	Beograd	1,2	17
10.	Doo Agro-Kula Vršac	Vršac	1,1	8
	Total (Top 10)		34,3	603
	Total sector		49,0	1.109

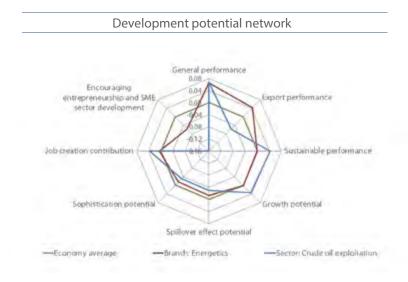


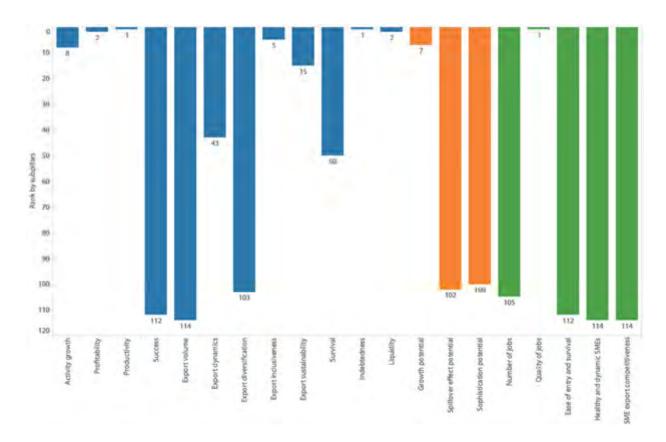
Rank 74 Crude oil exploitation

Sector characteristic 2014	Sector	Economy*
Number of firms	1	24.551
Revenues (000 EUR)	2.111,9	27.118,3
Revenues growth rate (2009-2014)	10,7%	3,2%
Number of employees	4.297	398.814
Growth of employees (2009-2014)	-7.628	-86.307
Number of exporters	1	5.697
Value of exports (mil EUR)	2,7	11.081,7
Export growth rate (2009-2014)	64,9%	14,2%
HHI index	10.000	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	33
Export performance	78
Sustainable performance	3
Growth potential	7
Spillover effect potential	102
Sophistication potential	100
Job creation contribution	105
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	114





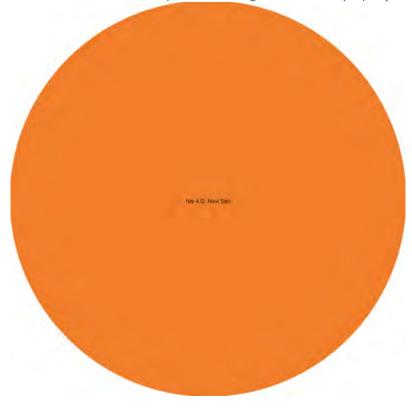
Crude oil exploitation

Crude oil exploitation sector includes activities of production of crude oil and production of petroleum oils and oils obtained from bituminous minerals, natural gas, liquefied natural gas, etc.

Table: Top 1 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues(mil EUR)	Number of employies
1.	Nis A.D. Novi Sad	Novi Sad	2.111,9	4.297
	Total (Top 1)		2.111,9	4.297
	Total sector		2.111,9	4.297

Picture: Structure of enterprises according to income and property

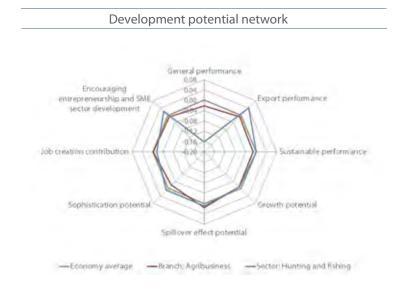


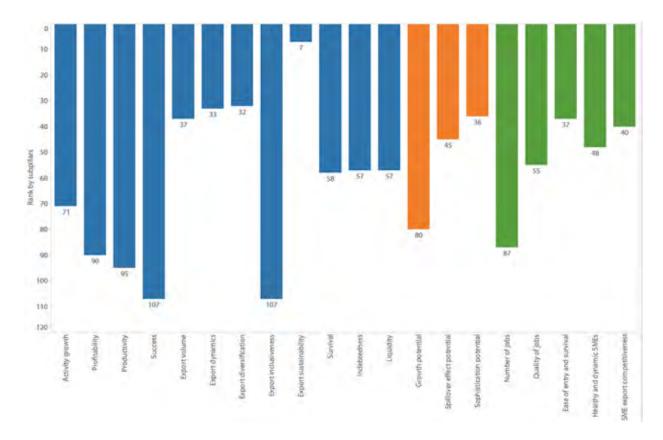
Rank 75 Hunting and fishing

Sector characteristic 2014	Sector	Economy*
Number of firms	40	24.551
Revenues (000 EUR)	2,4	27.118,3
Revenues growth rate (2009-2014)	6,1%	3,2%
Number of employees	118	398.814
Growth of employees (2009-2014)	19	-86.307
Number of exporters	4	5.697
Value of exports (mil EUR)	1,9	11.081,7
Export growth rate (2009-2014)	51,5%	14,2%
HHI index	858	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	103
Export performance	34
Sustainable performance	57
Growth potential	80
Spillover effect potential	45
Sophistication potential	36
Job creation contribution	87
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	45





Hunting and fishing

Hunting and fishing includes activities of freshwater fishing and fish products, fresh (live or dead), and chilled fish products.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues(mil EUR)	Number of employies
1.	Ribarnica Lavač Dušan Medić	Apatin	0,4	8
2.	Doo River S Guard	Jagodina	0,3	17
3.	Doo Ribolovački Savez Vojvodine	Novi Sad	0,3	19
4.	Ribarstvo Dunavac	Kostolac	0,2	16
5.	Doo Južna Morava Dva	Niš	0,2	0
6.	Eko Ribarstvo	Valjevo	0,2	23
7.	Vojvođanski Lovac	Novi Sad	0,1	5
8.	Rasina Plus	Kruševac	0,1	15
9.	Privredno Društvo Fazanerija	Ub	0,1	0
10.	Tehno-Grand	Sr Mitrovica	0,1	1
	Total (Top 10)		2,0	104
	Total sector		2,4	118

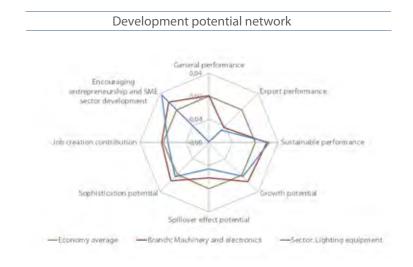


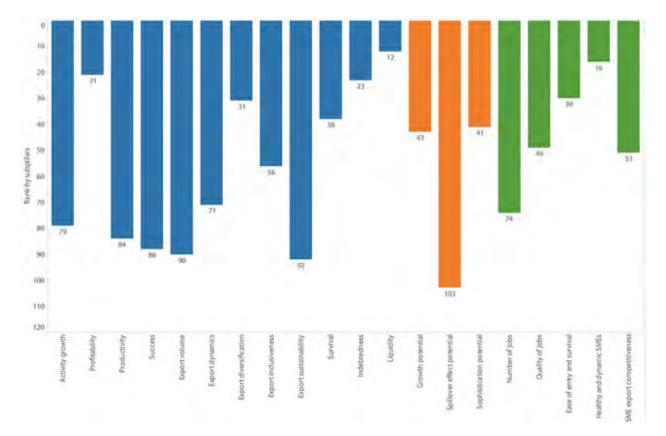
Rank 76 Lighting equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	78	24.551
Revenues (000 EUR)	22,3	27.118,3
Revenues growth rate (2009-2014)	-1,4%	3,2%
Number of employees	512	398.814
Growth of employees (2009-2014)	-372	-86.307
Number of exporters	23	5.697
Value of exports (mil EUR)	16,1	11.081,7
Export growth rate (2009-2014)	12,1%	14,2%
HHI index	1.146	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	87
Export performance	74
Sustainable performance	19
Growth potential	43
Spillover effect potential	103
Sophistication potential	41
Job creation contribution	74
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	27





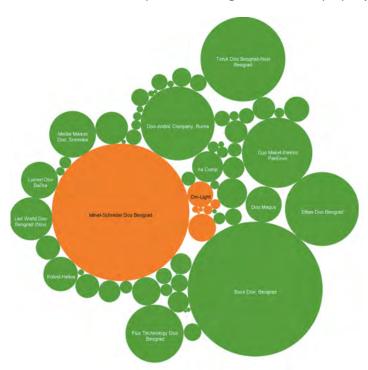
Lighting equipment

The sector of lighting equipment includes the production of light bulbs, arc lamp and their parts, lamps and lighting fittings, illuminated signs, illuminated nameplates and the like, parts of portable electric lamps etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues(mil EUR)	Number of employies
1.	Minel-Schreder	Beograd	4,9	70
2.	Buck	Beograd	4,7	73
3.	Toruk Doo Beograd	Jagodina	1,9	7
4.	Andrić Company	Ruma	1,4	33
5.	Elitas Doo Beograd	Beograd	1,4	35
6.	Doo Makel-Elektro Pančevo	Pančevo	1,3	20
7.	Flux Technology	Beograd	0,9	21
8.	Media Market	Sr Mitrovica	0,6	7
9.	Led World	Beograd	0,5	7
10.	Lumen Doo	Bačka Palanka	0,3	11
	Total (Top 10)		17,9	284
	Total sector		22,3	512

Picture: Structure of enterprises according to income and property

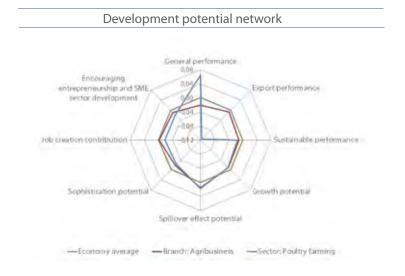


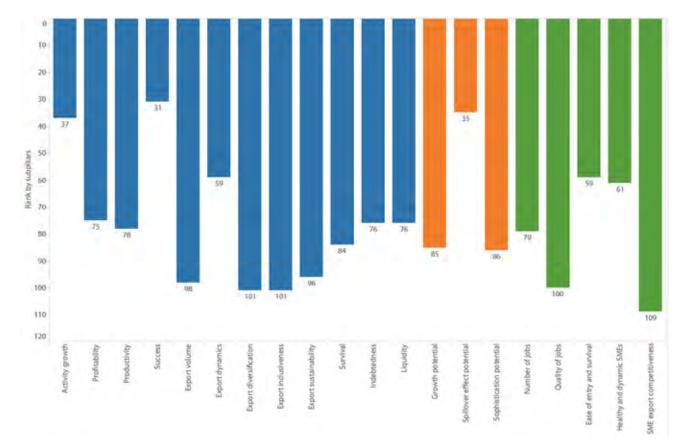
Rank 77 Poultry farming

Sector characteristic 2014	Sector	Economy*
Number of firms	162	24.551
Revenues (000 EUR)	169,1	27.118,3
Revenues growth rate (2009-2014)	-3,3%	3,2%
Number of employees	3.131	398.814
Growth of employees (2009-2014)	-539	-86.307
Number of exporters	16	5.697
Value of exports (mil EUR)	2,3	11.081,7
Export growth rate (2009-2014)	12,8%	14,2%
HHI index	836	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	35
Export performance	95
Sustainable performance	88
Growth potential	85
Spillover effect potential	35
Sophistication potential	86
Job creation contribution	79
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	77



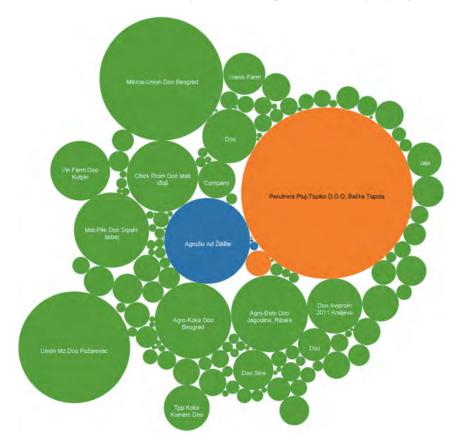


Poultry farming

Poultry farming sector includes activities poultry farming: chickens, ducks, geese, turkeys, etc. Enterprises in this sector produce bird eggs, in shell, fresh, preserved or cooked.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Perutnina Ptuj-Topiko	Bačka Topola	37,2	676
2.	Mikros-Union	Beograd	19,3	96
3.	Union Mz	Požarevac	15,8	485
4.	Agroživ Ad Žitište	Žitište	9,3	831
5.	Agro-Đole	Jagodina	7,5	48
6.	Agro-Koka	Ovča	7,4	13
7.	Mat-Pile	Srpski Itebej	7,1	33
8.	Chick Prom	Mali Iđoš	6,4	162
9.	Vin Farm Doo Kulpin	Kulpin	4,5	42
10.	Doo Aviprom 2011 Kraljevo	Metikoš	3,8	7
	Total (Top 10)		118,3	2.393
	Total sector		169,1	3.131

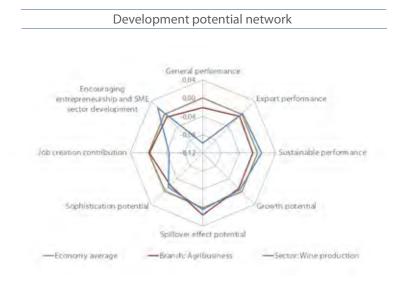


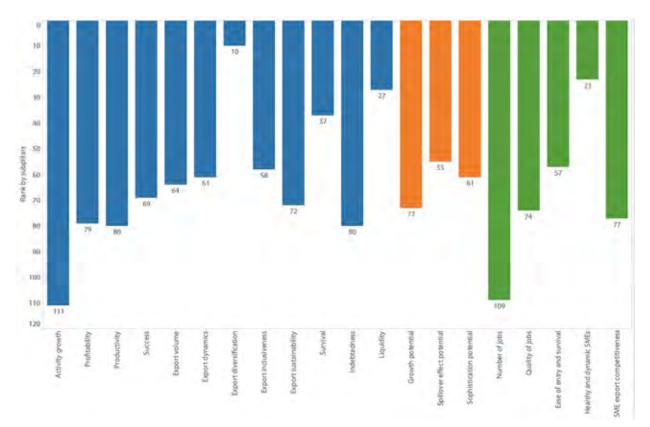
Rank 78 Wine production

Sector characteristic 2014	Sector	Economy*
Number of firms	93	24.551
Revenues (000 EUR)	27,4	27.118,3
Revenues growth rate (2009-2014)	-20,2%	3,2%
Number of employees	422	398.814
Growth of employees (2009-2014)	-1.147	-86.307
Number of exporters	31	5.697
Value of exports (mil EUR)	12,8	11.081,7
Export growth rate (2009-2014)	4,8%	14,2%
HHI index	2.279	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	92
Export performance	48
Sustainable performance	45
Growth potential	73
Spillover effect potential	55
Sophistication potential	61
Job creation contribution	109
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	48





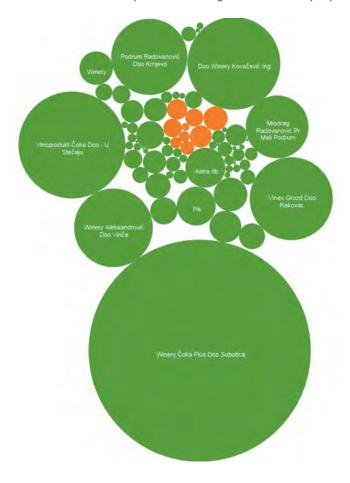
Wine production

The sector of wine production includes products of wine and wine grapes and grape must obtained by the fermentation or in fermenting.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Vinarija Čoka Plus	Subotica	12,2	119
2.	Vinoprodukt-Čoka	Subotica	2,8	14
3.	Doo Vinarija Kovačević Irig	Irig	2,1	23
4.	Vinex Grozd Doo Rekovac	Belušić	1,7	37
5.	Vinarija Aleksandrović	Vinča	1,5	18
6.	Podrum Radovanović	Krnjevo	1,4	11
7.	Miodrag Radovanović Pr Mali Podrum	Krnjevo	1,0	18
8.	Astra Itb	Beograd	0,4	9
9.	Pik Oplenac	Beograd	0,4	8
10.	Patrijaršijska Dobra	Beograd	0,3	6
	Total (Top 10)		23,8	263
	Total sector		27,4	422

Picture: Structure of enterprises according to income and property

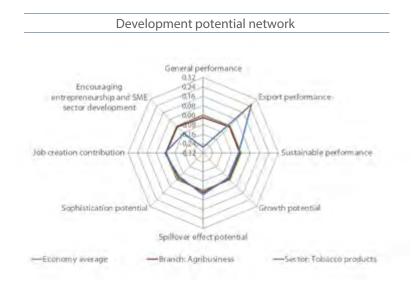


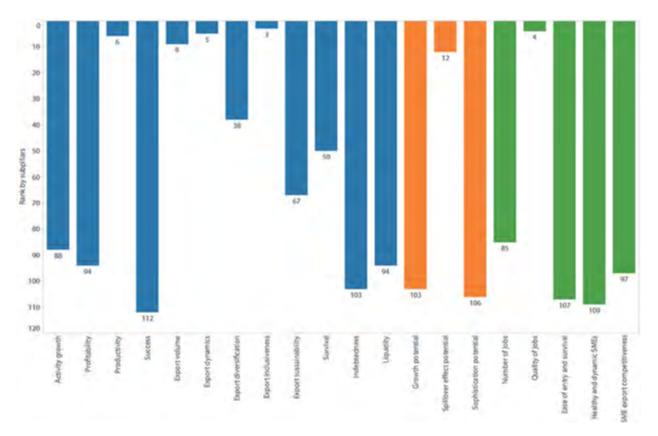
Rank 79 Tobacco products

Sector characteristic 2014	Sector	Economy*
Number of firms	8	24.551
Revenues (000 EUR)	246,0	27.118,3
Revenues growth rate (2009-2014)	-1,7%	3,2%
Number of employees	868	398.814
Growth of employees (2009-2014)	-692	-86.307
Number of exporters	5	5.697
Value of exports (mil EUR)	131,5	11.081,7
Export growth rate (2009-2014)	27,0%	14,2%
HHI index	7.244	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	111
Export performance	5
Sustainable performance	92
Growth potential	103
Spillover effect potential	12
Sophistication potential	106
Job creation contribution	85
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	110



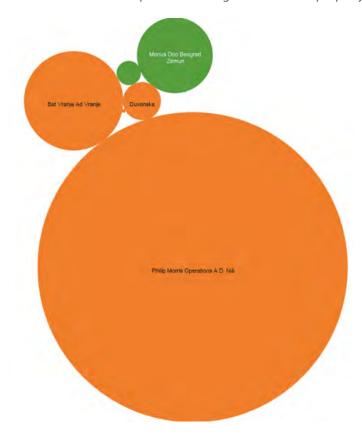


Tobacco products

The sector of tobacco products includes tobacco, cigars and cigarillos, products containing tobacco, cigarettes containing tobacco, other processed tobacco (including smoking and chewing tobacco, snuff); extracts and essences of tobacco.

Table: Top 6 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Philip Morris Operations A.D. Niš	Niš	207,9	408
2.	Bat Vranje Ad Vranje	Vranje	21,3	123
3.	Monus Doo Beograd Zemun	Beograd	12,4	145
4.	Duvanska Ad Čoka	Čoka	3,1	45
5.	Ad Dib Bujanovac	Bujanovac	1,3	144
6.	Duvanska Han Doo Vladičin Han	Vladičin Han	0,0	3
	Total (Top 10)		246,0	868
	Total sector		246,0	868

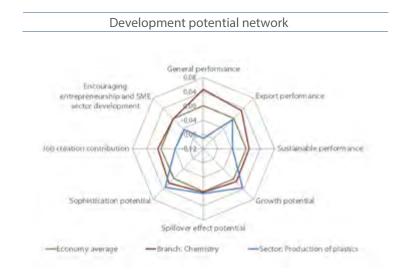


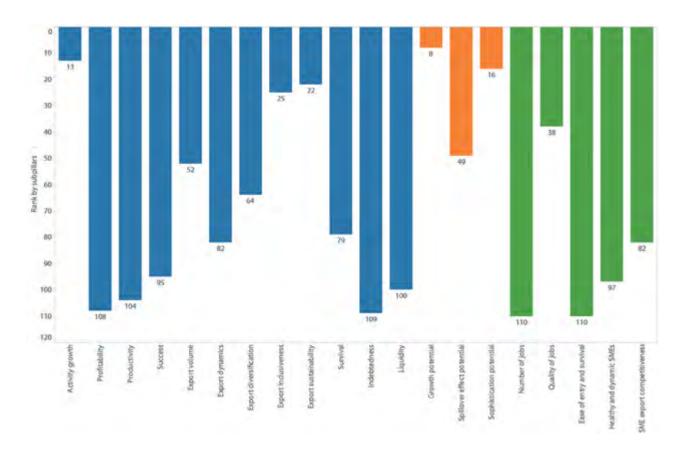
Rank 80 Production of plastics

Sector characteristic 2014	Sector	Economy*
Number of firms	37	24.551
Revenues (000 EUR)	342,3	27.118,3
Revenues growth rate (2009-2014)	10,4%	3,2%
Number of employees	2.324	398.814
Growth of employees (2009-2014)	-360	-86.307
Number of exporters	16	5.697
Value of exports (mil EUR)	166,3	11.081,7
Export growth rate (2009-2014)	14,1%	14,2%
HHI index	5.824	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	90
Export performance	53
Sustainable performance	110
Growth potential	8
Spillover effect potential	49
Sophistication potential	16
Job creation contribution	110
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	99



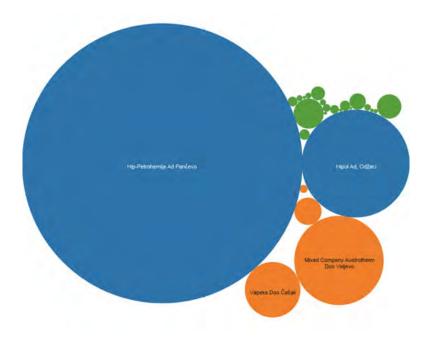


Production of plastic

The sector of the production of plastics in primary forms includes the activity of production of plastics in primary forms and production of synthetic caoutchouc in primary forms. The enterprises that belong to this sector cover the production of synthetic caoutchouc, other polymers of ethylene, in primary forms, polystyrene cellulose, amino resins, phenolic resins and polyurethanes, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Hip-Petrohemija	Pančevo	256,9	1.738
2.	Hipol	Odžaci	38,1	226
3.	Mešovito Preduzeće Austrotherm	Valjevo	26,1	134
4.	Vapeks	Konjevići	10,1	79
5.	Bata-Plast	Stajkovce	2,9	23
6.	Eurofoam Sunđeri	Stara Pazova	2,4	16
7.	Termo Plus Doo Beograd	Beograd	1,9	12
8.	Privredno Društvo Plast-Dent	Niš	0,9	14
9.	Doo Sam - Plast	Loznica	0,6	13
10.	Atma	Beograd	0,4	5
	Total (Top 10)		340,3	2.260
	Total sector		342,3	2.324



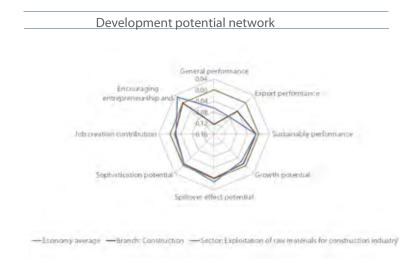
Rank 81 Exploitation of raw materials for construction industry

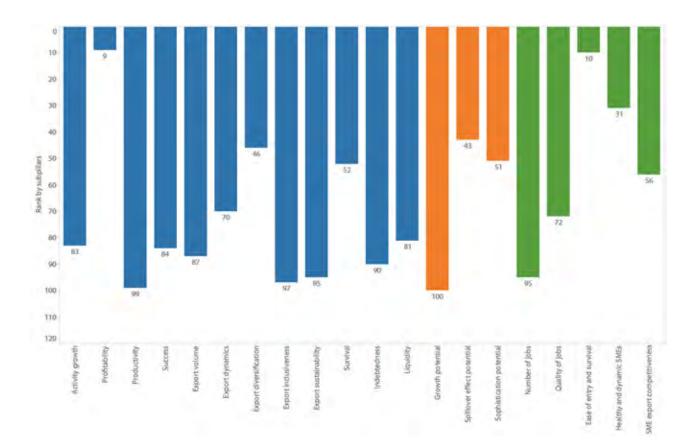
Sector characteristic 2014	Sector	Economy*
Number of firms	199	24.551
Revenues (000 EUR)	81,8	27.118,3
Revenues growth rate (2009-2014)	-2,7%	3,2%
Number of employees	1.781	398.814
Growth of employees (2009-2014)	-998	-86.307
Number of exporters	31	5.697
Value of exports (mil EUR)	8,2	11.081,7
Export growth rate (2009-2014)	10,0%	14,2%
HHI index	435	-

^{*}Tradable sectors in economy

Pillar	Rang
General performance	80
Export performance	83
Sustainable performance	73
Growth potential	100
Spillover effect potential	43
Sophistication potential	51
Job creation contribution	95
Contribution to investment attraction	-
Encouraging entrepreneurship and SME	33

sector development



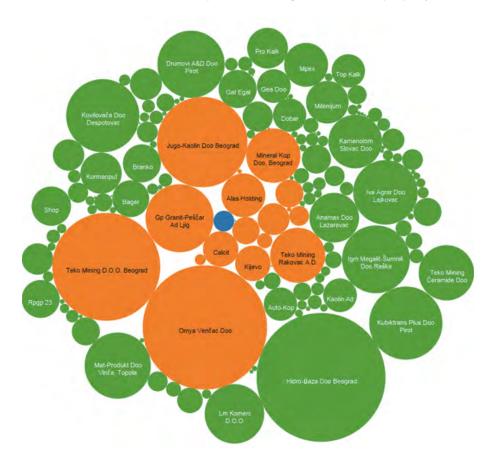


Exploitation of raw materials for construction industry

The sector of exploitation of raw materials for construction industry includes the exploitation of ornamental and building stone, limestone, gypsum, chalk, exploitation of gravel, sand, clay, kaolin, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Preduzeće Hidro-Baza	Beograd	9,1	48
2.	Omya Venčac	Aranđelovac	8,4	95
3.	Teko Mining	Batočina	6,4	77
4.	Jugo-Kaolin	Beograd	4,5	166
5.	Kovilovača	Despotovac	2,9	29
6.	Kubiktrans Plus Doo	Pirot	2,9	43
7.	Gp Granit-Peščar Ad Ljig	Ljig	2,5	192
8.	Igm Megalit-Šumnik	Raška	2,5	175
9.	Drumovi A&D	Pirot	2,5	37
10.	Mat-Produkt	Vinča	2,4	47
	Total (Top 10)		44,1	909
	Total sector		81,8	1.781

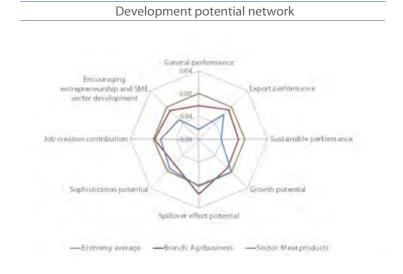


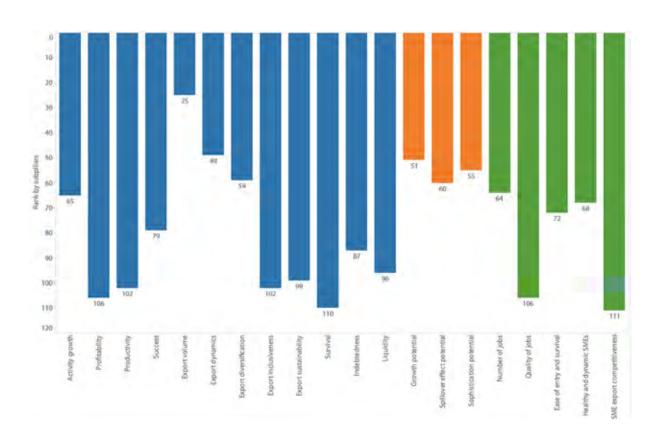
Rank 82 Meat products

Sector characteristic 2014	Sector	Economy*
Number of firms	137	24.551
Revenues (000 EUR)	115,0	27.118,3
Revenues growth rate (2009-2014)	-7,1%	3,2%
Number of employees	1.946	398.814
Growth of employees (2009-2014)	-961	-86.307
Number of exporters	14	5.697
Value of exports (mil EUR)	33,5	11.081,7
Export growth rate (2009-2014)	12,6%	14,2%
HHI index	1.331	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	76
Export performance	59
Sustainable performance	111
Growth potential	51
Spillover effect potential	60
Sophistication potential	55
Job creation contribution	64
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	90



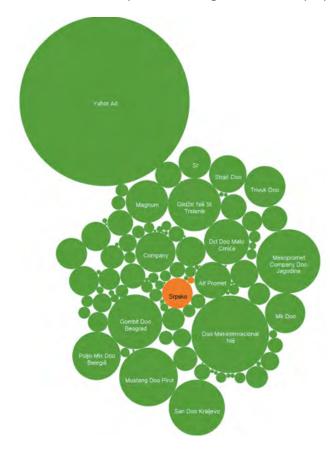


Meat products

The sector of meat products covers the activity of production of bacon, ham and other salted, dried or smoked meat products, all edible meat and slaughterhouse products (except pig meat); edible flours and powder of meat or meat offal, sausages and similar products of meat, meat offal or blood, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Yuhor Ad	Jagodina	39,1	390
2.	Doo Makinternacional Niš	Niš	8,2	190
3.	Mesopromet Company	Jagodina	5,5	158
4.	Mustang Doo Pirot	Pirot	4,6	98
5.	San Doo Kraljevo	Kraljevo	4,2	91
6.	Gombit	Beograd	4,0	66
7.	Glidžić Niš St Trstenik	Stari Trstenik	3,8	95
8.	Poljo-Mix Doo Belegiš	Belegiš	3,2	4
9.	Dcl Doo Malo Crniće	Šapine	2,8	20
10.	Magnum	Paraćin	2,4	44
	Total (Top 10)		77,8	1.156
	Total sector		115,0	1.946

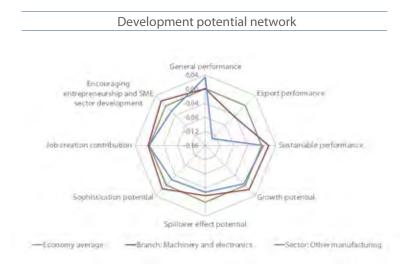


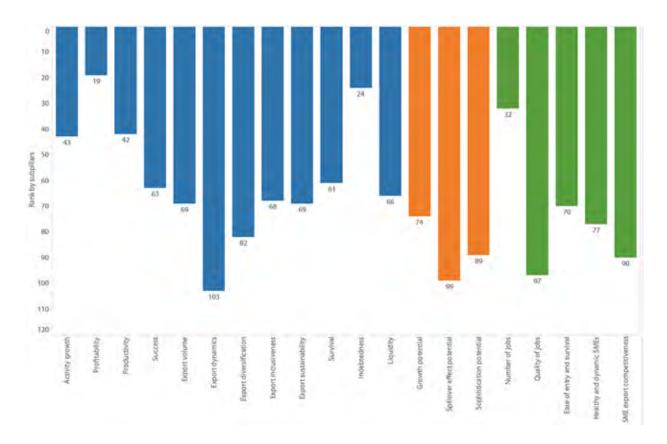
Rank 83 Other manufacturing

Sector characteristic 2014	Sector	Economy*
Number of firms	313	24.551
Revenues (000 EUR)	90,5	27.118,3
Revenues growth rate (2009-2014)	6,6%	3,2%
Number of employees	2.032	398.814
Growth of employees (2009-2014)	-107	-86.307
Number of exporters	93	5.697
Value of exports (mil EUR)	18,9	11.081,7
Export growth rate (2009-2014)	2,3%	14,2%
HHI index	2.411	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	51
Export performance	99
Sustainable performance	51
Growth potential	74
Spillover effect potential	99
Sophistication potential	89
Job creation contribution	32
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	81



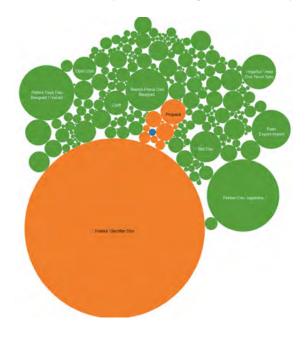


Other manufacturing

The sector of other manufacturing includes the activity of production of games and toys, other objects, production of sports equipment and musical instruments production. Products are tricycles, scooters, pedal cars; dolls' carriages; dolls; other toys; products for fairground games, special tables for casino games, pencils and pens, other office supplies, musical instruments, parts and accessories for musical instruments, artificial flowers, umbrellas, sun umbrellas.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Koteks Viscofan Doo	Novi Sad	43,4	506
2.	Feman Doo Jagodina	Jagodina	7,0	248
3.	Pertini Toys Doo Beograd	Beograd	4,1	96
4.	Beorol-Prima Doo Beograd	Beograd	2,5	41
5.	Ram Export-Import	Bački Petrovac	2,0	85
6.	Vrnjačko Vrelo Doo Novo Selo	Novo Selo	1,6	21
7.	Btd Doo		1,3	8
8.	Yukk-Zipplast	Požega	0,9	43
9.	Propack Doo Novi Slankamen	Novi Slankamen	0,9	18
10.	Zanatska Zadruga Itc	Aleksandrovac	0,8	21
	Total (Top 10)		64,5	1.087
	Total sector		90,5	2.032

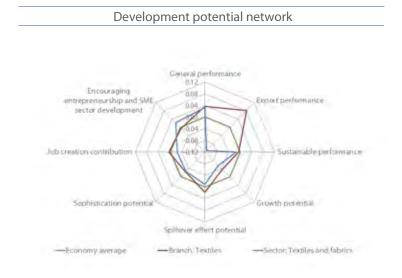


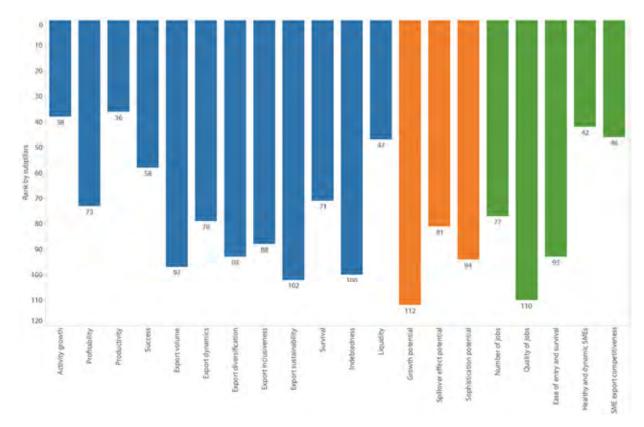
Rank 84 Textiles and fabrics

Sector characteristic 2014	Sector	Economy*
Number of firms	98	24.551
Revenues (000 EUR)	47,0	27.118,3
Revenues growth rate (2009-2014)	3,0%	3,2%
Number of employees	2.763	398.814
Growth of employees (2009-2014)	-1.607	-86.307
Number of exporters	21	5.697
Value of exports (mil EUR)	13,4	11.081,7
Export growth rate (2009-2014)	1,8%	14,2%
HHI index	2.273	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	52
Export performance	94
Sustainable performance	83
Growth potential	112
Spillover effect potential	81
Sophistication potential	94
Job creation contribution	77
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	47





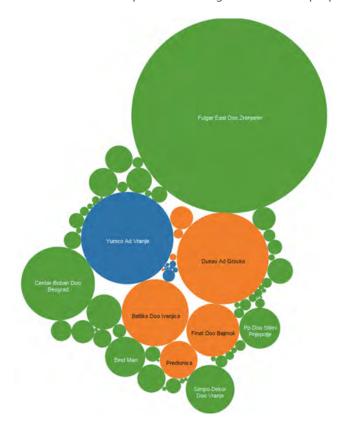
Textiles and fabrics

The sector of textiles and fabrics includes the activities of preparing and spinning of textile fibers, production of textile, raw silk, cotton, synthetic fibers, waste of wool or fine or coarse animal hair, yarn of wool or animal hair, cotton sewing thread, other fabrics and so on.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Fulgar East	Zrenjanin	20,9	169
2.	Ad Paraćinka	Vranje	4,7	1854
3.	Dunav	Grocka	4,6	109
4.	Centar-Boban	Beograd	3,0	56
5.	Baltiks	Ivanjica	2,4	45
6.	Finat	Bajmok	1,5	30
7.	Simpo-Dekor	Vranje	1,3	193
8.	Pp Doo Stilex	Zalug	0,9	78
9.	Best Man Group	Vlasotince	0,9	15
10.	Predionica Vučje	Beograd	0,8	17
	Total (Top 10)		41,0	2.566
	Total sector		47,0	2.763

Picture: Structure of enterprises according to income and property

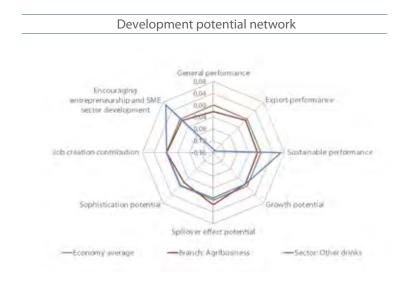


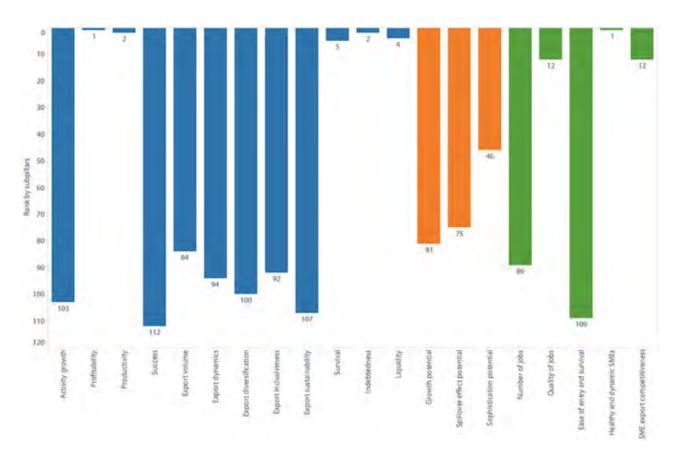
Rank 85 Other drinks

Sector characteristic 2014	Sector	Economy*
Number of firms	8	24.551
Revenues (000 EUR)	24,1	27.118,3
Revenues growth rate (2009-2014)	0,7%	3,2%
Number of employees	50	398.814
Growth of employees (2009-2014)	-6	-86.307
Number of exporters	1	5.697
Value of exports (mil EUR)	6,8	11.081,7
Export growth rate (2009-2014)	31,8%	14,2%
HHI index	9.983	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	100
Export performance	102
Sustainable performance	1
Growth potential	81
Spillover effect potential	75
Sophistication potential	46
Job creation contribution	89
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	1





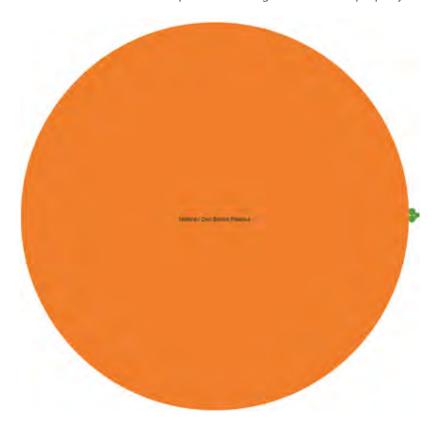
Other drinks

The sector of other drinks includes the production of malt, beverages and other fruit wines, fermented beverages and non-alcoholic beverages.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Maltinex Doo Bačka Palanka	Bačka Palanka	24,1	49
2.	Tatalović Vršac	Vršac	0,0	0
3.	Exponat	K. Mitrovica	0,0	0
4.	Make Art	Beograd	0,0	0
5.	Sptr Vinarija Jotić Jotić Bogdan	Šljivovo	0,0	0
6.	Nektar International	Beograd	0,0	1
7.	Alexander Trade Doo Senta	Senta	0,0	0
8.	Simončević Doo Ivanjica	Šume	0,0	0
9.	I Vini Di Tena Doo Selenča	Selenča	0,0	0
10.	Ptr Gera-Vino Dragan Ilić Pr Ljubinci	Ljubinci	0,0	0
	Total (Top 10)		24,1	50
	Total sector		24,1	50

Picture: Structure of enterprises according to income and property

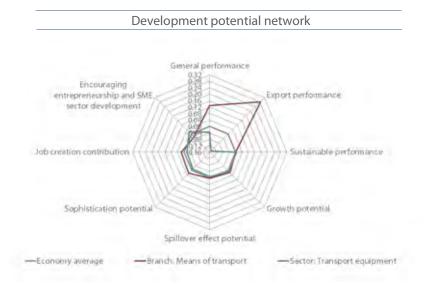


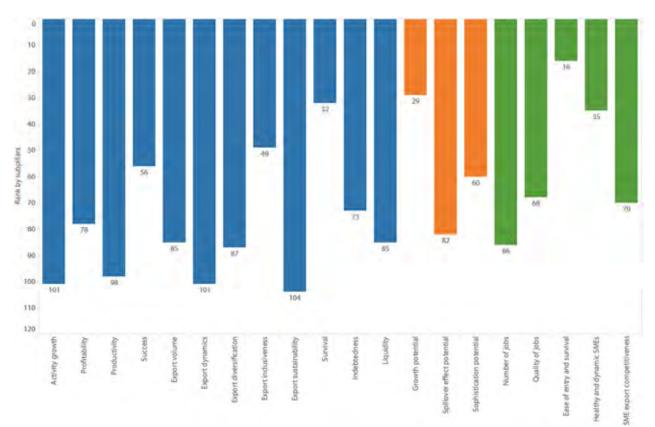
Rank 86 Transport equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	102	24.551
Revenues (000 EUR)	56,5	27.118,3
Revenues growth rate (2009-2014)	-13,3%	3,2%
Number of employees	2.667	398.814
Growth of employees (2009-2014)	-2.376	-86.307
Number of exporters	34	5.697
Value of exports (mil EUR)	69,9	11.081,7
Export growth rate (2009-2014)	-10,0%	14,2%
HHI index	928	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	72
Export performance	101
Sustainable performance	52
Growth potential	29
Spillover effect potential	82
Sophistication potential	60
Job creation contribution	86
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	49





Transport equipment

The sector of the transport equipment production includes the activity of air and spacecraft and related equipment, motorcycles, bicycles and wheelchairs, the production of locomotives and rolling stock, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Capriolo	Bačka Topola	10,3	148
2.	Vahali Production Services		9,0	285
3.	Tatravagonka Bratstvo	Subotica	5,7	240
4.	Planet Bike Co.	Beograd	4,8	129
5.	Rhine-Danube	Kladovo	4,0	104
6.	Venera Bike	Subotica	3,6	48
7.	Goša Fšv	Sd Palanka	3,3	393
8.	Doo Utva Ai P	Pančevo	2,1	252
9.	Evrobrod Doo Zrenjanin	Zrenjanin	2,0	21
10.	Kripton Company	Bačka Topola	1,0	18
	Total (Top 10)		45,8	1.638
	Total sector		56,5	2.667

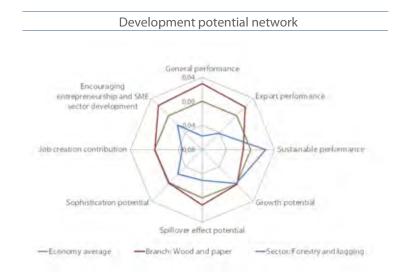


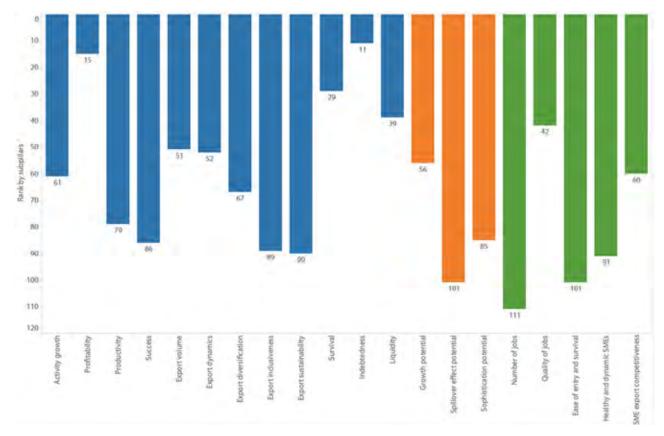
Rank 87 Forestry and logging

Sector characteristic 2014	Sector	Economy*
Number of firms	136	24.551
Revenues (000 EUR)	103,2	27.118,3
Revenues growth rate (2009-2014)	0,6%	3,2%
Number of employees	5.356	398.814
Growth of employees (2009-2014)	-188	-86.307
Number of exporters	23	5.697
Value of exports (mil EUR)	10,8	11.081,7
Export growth rate (2009-2014)	13,6%	14,2%
HHI index	2.878	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	74
Export performance	72
Sustainable performance	17
Growth potential	56
Spillover effect potential	101
Sophistication potential	85
Job creation contribution	111
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	80





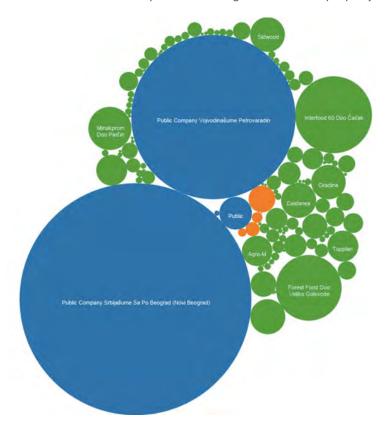
Forestry and logging

Forestry and logging sector activity involves collecting forest fruits and logging. The products are cork, natural, raw and waste fuel, wood, charcoal, wood in the rough, coniferous tree species, non-coniferous tree species, natural gums, resins, resins rubber, balsams, etc..

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Srbijašume	Beograd	49,0	3.173
2.	Jp Vojvodinašume Petrovaradin	Petrovaradin	24,6	1554
3.	Interfood 60 Doo Čačak	Čačak	5,4	69
4.	Forest Food Doo Veliko Golovode	Veliko Golovode	3,9	26
5.	Minakprom		1,7	4
6.	Castanea Doo Beograd	Beograd	1,1	5
7.	Inter-Funghi Doo Požarevac	Požarevac	1,1	10
8.	Sidwood Doo Sombor	Bački Monoštor	1,1	16
9.	Gradina Sistem Doo, Temerin	Temerin	1,1	9
10.	Jp Borjak Vrnjačka Banja	Vrnjačka Banja	1,0	140
	Total (Top 10)		90,0	5.006
	Total sector		103,2	5.356

Picture: Structure of enterprises according to income and property

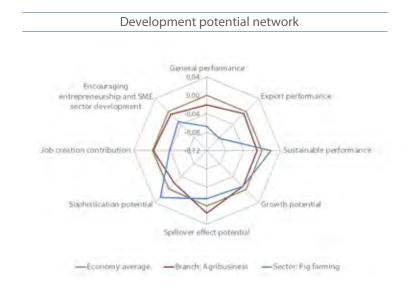


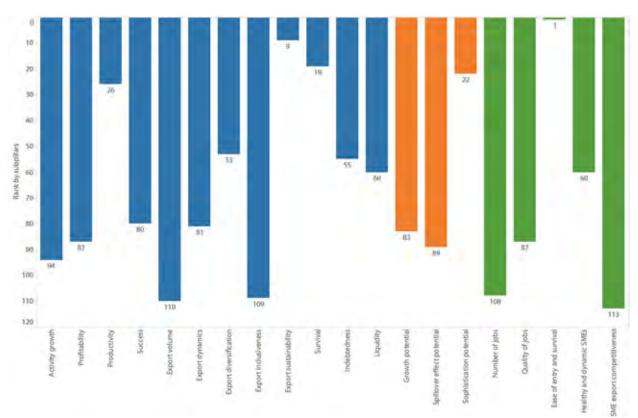
Rank 88 Pig farming

Sector characteristic 2014	Sector	Economy*
Number of firms	62	24.551
Revenues (000 EUR)	61,7	27.118,3
Revenues growth rate (2009-2014)	-4,9%	3,2%
Number of employees	1.216	398.814
Growth of employees (2009-2014)	-561	-86.307
Number of exporters	2	5.697
Value of exports (mil EUR)	1,5	11.081,7
Export growth rate (2009-2014)	9,9%	14,2%
HHI index	868	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	83
Export performance	88
Sustainable performance	24
Growth potential	83
Spillover effect potential	89
Sophistication potential	22
Job creation contribution	108
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	88





Pig farming

Pig farming sector comprises the cultivation of live pigs.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Pkb Imes	Padinska Skela	11,8	343
2.	Grupa Univerexport	Bačka Palanka	9,4	143
3.	Im Matić	Novi Sad	4,1	151
4.	1. Decembar	Žitorađa	3,8	72
5.	Doo Massagrar	Novi Sad	3,5	28
6.	Farmahalas	Ada	3,4	39
7.	Asprom	Vrčin	3,3	62
8.	Essentico	Kula	2,8	35
9.	Vlaškalić	Sivac	2,6	50
10.	Farmpro	Mali Radinci	2,3	3
	Total (Top 10)		47,0	926
	Total sector		61,7	1.216

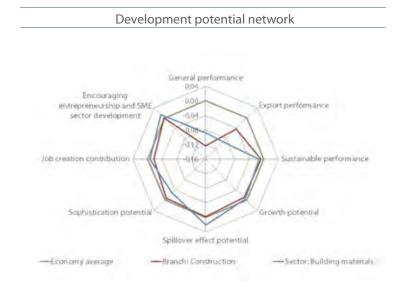


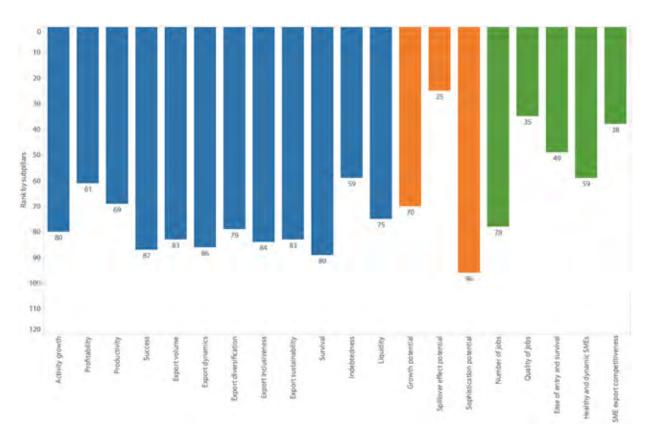
Rank 89 Building materials

Sector characteristic 2014	Sector	Economy*
Number of firms	502	24.551
Revenues (000 EUR)	429,2	27.118,3
Revenues growth rate (2009-2014)	-2,8%	3,2%
Number of employees	5.817	398.814
Growth of employees (2009-2014)	-2.625	-86.307
Number of exporters	111	5.697
Value of exports (mil EUR)	44,0	11.081,7
Export growth rate (2009-2014)	3,7%	14,2%
HHI index	542	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	89
Export performance	91
Sustainable performance	86
Growth potential	70
Spillover effect potential	25
Sophistication potential	96
Job creation contribution	78
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	55



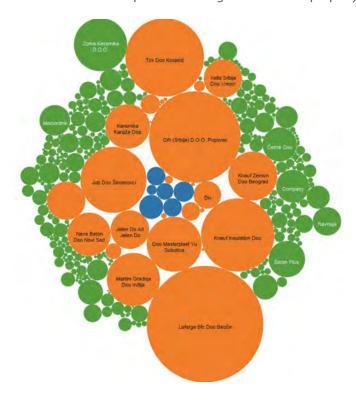


Building materials

The sector the production of building materials includes the activity of production of lime and plaster, cement production, cutting, shaping and processing of stone, manufacture of fiber cement products, production of refractory products, manufacture of abrasive products, production of other non-metallic minerals.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Lafarge Bfc	Beočin	68,2	282
2.	Crh (Srbija)	Popovac	42,0	269
3.	Tck Doo Kosjerić	Kosjerić	31,0	247
4.	Knauf Insulation	Beograd	26,9	132
5.	Jub Doo	Šimanovci	21,9	133
6.	Doo Masterplast	Subotica	15,2	121
7.	Zorka-Keramika	Šabac	14,1	196
8.	Martini Gradnja	Inđija	14,0	61
9.	Knauf Zemun	Beograd	12,0	45
10.	Keramika	Kanjiža	9,9	200
	Total (Top 10)		255,2	1.686
	Total sector		429,2	5.817

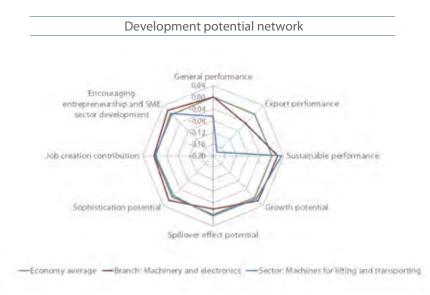


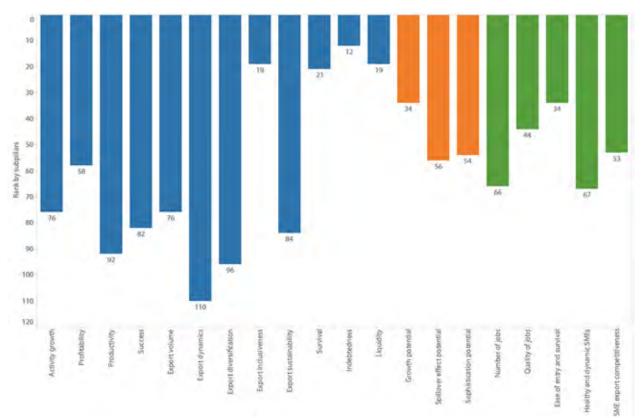
Rank 90 Machines for lifting and transporting

Sector characteristic 2014	Sector	Economy*
Number of firms	60	24.551
Revenues (000 EUR)	63,1	27.118,3
Revenues growth rate (2009-2014)	5,2%	3,2%
Number of employees	1.675	398.814
Growth of employees (2009-2014)	-67	-86.307
Number of exporters	26	5.697
Value of exports (mil EUR)	33,2	11.081,7
Export growth rate (2009-2014)	7,1%	14,2%
HHI index	1.627	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	81
Export performance	106
Sustainable performance	7
Growth potential	34
Spillover effect potential	56
Sophistication potential	54
Job creation contribution	66
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	62





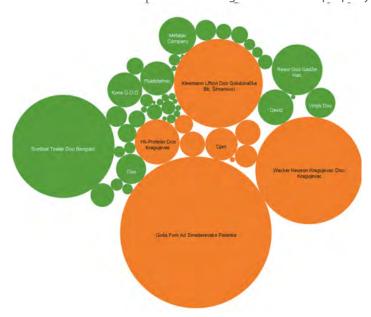
Machines for lifting and transporting

The sector of machines for lifting and transporting production included activities on the production of trucks, which are used in factories, warehouses, ports or airports for short distance transport of goods; tractors used on railway platforms, pulleys and hoists, lifts and conveyors, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Goša Fom Ad Smederevska Palanka	Sd Palanka	20,0	860
2.	Wacker Neuson Kragujevac	Kragujevac	10,0	229
3.	Svetlost Teatar Doo Beograd	Beograd	9,2	52
4.	Kleemann Liftovi	Šimanovci	6,9	59
5.	Resor	Gadžin Han	2,2	30
6.	Hk-Proleter	Kragujevac	1,8	60
7.	Metalac Company	Kuršumlija	1,2	36
8.	David Pajić-Daka Ad Beograd	Beograd	1,1	48
9.	Kone		1,1	34
10.	Fluidotehnic Doo Vrnjačka Banja	Vrnjačka Banja	1,0	15
	Total (Top 10)		54,5	1.423
	Total sector		63,1	1.675

Picture: Structure of enterprises according to income and property

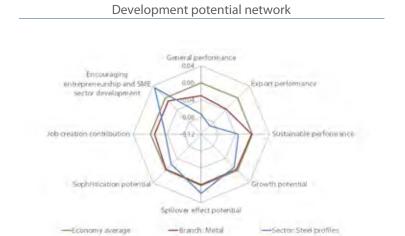


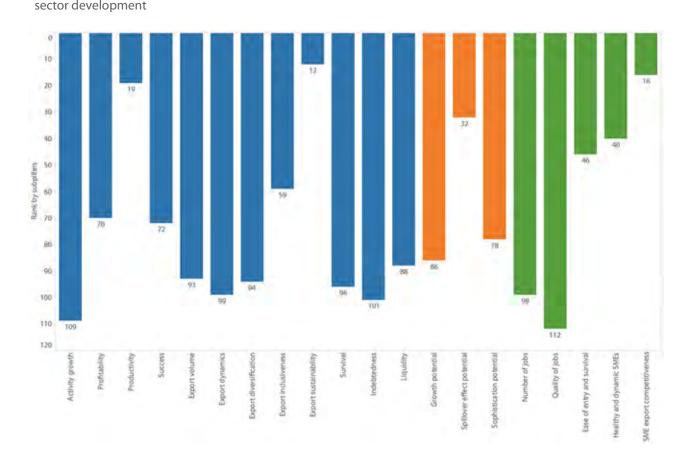
Rank 91 Steel profiles

Sector characteristic 2014	Sector	Economy*
Number of firms	38	24.551
Revenues (000 EUR)	31,4	27.118,3
Revenues growth rate (2009-2014)	-21,8%	3,2%
Number of employees	317	398.814
Growth of employees (2009-2014)	-736	-86.307
Number of exporters	11	5.697
Value of exports (mil EUR)	42,7	11.081,7
Export growth rate (2009-2014)	1,9%	14,2%
HHI index	1.190	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	85
Export performance	92
Sustainable performance	105
Growth potential	86
Spillover effect potential	32
Sophistication potential	78
Job creation contribution	99
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	28



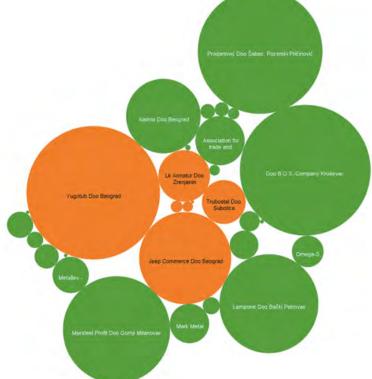


Steel profiles

The sector of steel profiles includes activities the production of steel pipes, of hollow profiles, rods of iron or steel, other bars of iron or steel, wire of iron or non-alloy steel, stainless steel wires or other alloy steel, pipe fittings.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Yugotub	Beograd	5,6	31
2.	Doo B.O.S	Kruševac	5,3	43
3.	Prodanović	P. Pričinović	4,8	22
4.	Mersteel Profil	Beograd	3,6	69
5.	Lampone	Bački Petrovac	3,1	7
6.	Jeep Commerce	Beograd	2,6	45
7.	Alsima	Leštane	1,7	13
8.	Lk Armatur	Zrenjanin	0,8	12
9.	Društvo Za Trgovinu i Usluge Inogaj	Knić	0,8	5
10.	Trubostal	Subotica	0,6	11
	Total (Top 10)		28,9	258
	Total sector		31,4	317

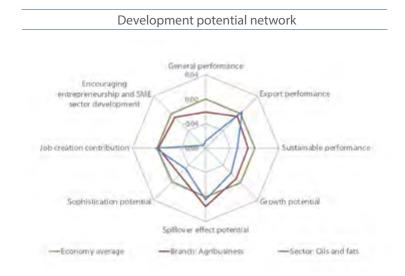


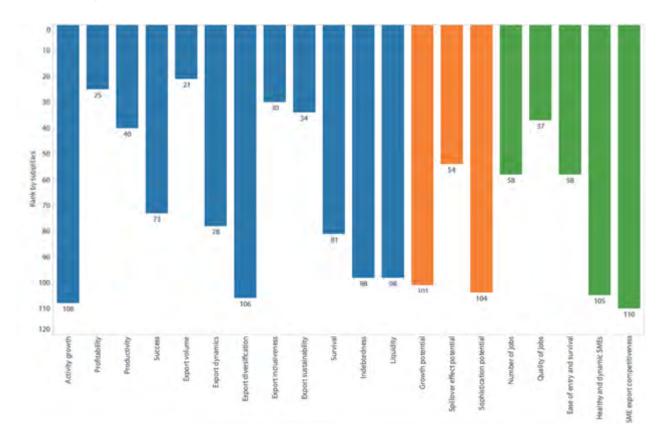
Rank 92 Oils and fats

Sector characteristic 2014	Sector	Economy*
Number of firms	32	24.551
Revenues (000 EUR)	396,0	27.118,3
Revenues growth rate (2009-2014)	-4,9%	3,2%
Number of employees	2.118	398.814
Growth of employees (2009-2014)	-398	-86.307
Number of exporters	13	5.697
Value of exports (mil EUR)	149,9	11.081,7
Export growth rate (2009-2014)	6,2%	14,2%
HHI index	2.214	-

^{*}Tradable sectors in economy

 Pillar	Rank
General performance	84
Export performance	45
Sustainable performance	102
Growth potential	101
Spillover effect potential	54
Sophistication potential	104
Job creation contribution	58
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	106





Oils and fats

The sector of oils and fats includes the activities of production of oils and fats, margarine, mixtures or preparations of animal or vegetable fats or oils, animal oils, fats, cotton seed oil and its fractions, peanut oil and its fractions, olive oil and other oil obtained from olives, sunflower seed or sunflower oil and fractions thereof, rapeseed or mustard oil and their fractions, sesame oil and its fractions, linseed oil and its fractions, palm oil and its fractions, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Victoriaoil	Šid	107,9	282
2.	Dijamant	Zrenjanin	106,3	721
3.	Sojaprotein	Bečej	98,9	387
4.	Fabrika Ulja Banat	Nova Crnja	31,1	206
5.	Ad Vital	Vrbas	22,4	265
6.	Sunce Ad	Sombor	22,2	177
7.	Silagro	Budisava	3,5	16
8.	Agrolek	Novi Sad	2,1	8
9.	Soja Produkt	Mali Radinci	0,7	7
10.	Uvita	Debeljača	0,3	11
	Total (Top 10)		395,4	2.080
	Total sector		396,0	2.118

Picture: Structure of enterprises according to income and property

Network As Sur

Super Ad Sembor

Ad Vital Vitas

Oliament Ad Denjame

Soprolem Ad Belley

Of Factory Banis Ad Nova

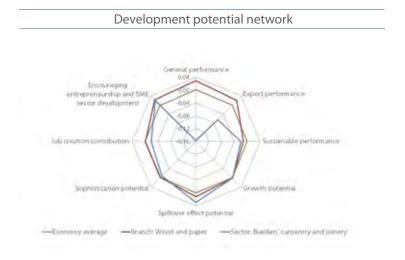
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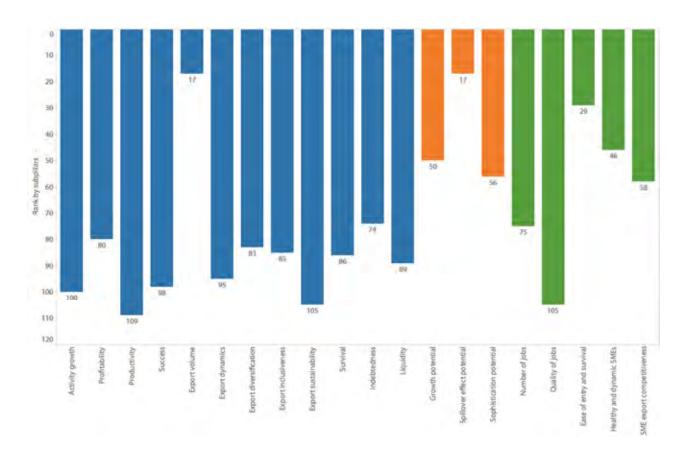
Rank 93 Builders' carpentry and joinery

Sector characteristic 2014	Sector	Economy*
Number of firms	387	24.551
Revenues (000 EUR)	60,9	27.118,3
Revenues growth rate (2009-2014)	-7,6%	3,2%
Number of employees	1.699	398.814
Growth of employees (2009-2014)	-1.126	-86.307
Number of exporters	90	5.697
Value of exports (mil EUR)	62,2	11.081,7
Export growth rate (2009-2014)	5,8%	14,2%
HHI index	263	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	102
Export performance	80
Sustainable performance	93
Growth potential	50
Spillover effect potential	17
Sophistication potential	56
Job creation contribution	75
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	51





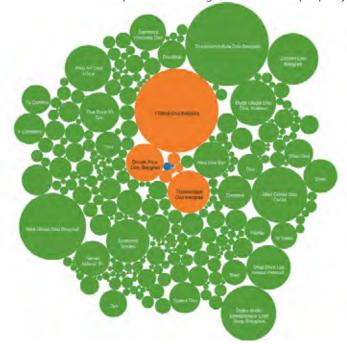
Builders' carpentry and joinery

The sector of the production of builder's carpentry and joinery includes the activities of production of parquet, manufacturing of other builders' carpentry and joinery. Products are coniferous wood, joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Profine	Beograd	5,0	19
2.	Drvopromet-Kula	Beograd	5,0	50
3.	Nika Group	Beograd	3,2	48
4.	Gtpd Domis	Miokovci	2,2	85
5.	Željko Mošić Preduzetnik	Laćarak	2,2	40
6.	Zomont	Beograd	1,9	46
7.	Pino Art	Užice	1,5	41
8.	Đuđa Giugia Doo Žiča	Žiča	1,5	33
9.	Drvo Lux	Pećinci	1,4	34
10.	Privredno Društvo Bor-Promet	Ivanjica	1,4	22
	Total (Top 10)		25,3	418
	Total sector		60,9	1.699



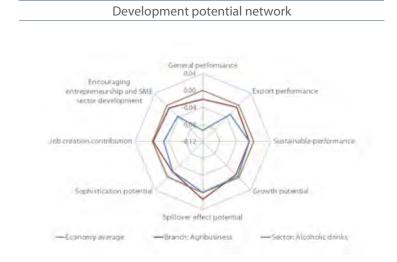


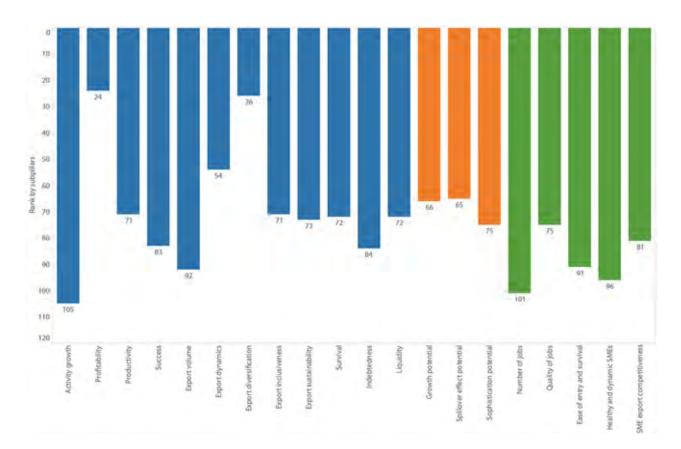
Rank 94 Alcoholic drinks

Sector characteristic 2014	Sector	Economy*
Number of firms	97	24.551
Revenues (000 EUR)	40,9	27.118,3
Revenues growth rate (2009-2014)	-11,7%	3,2%
Number of employees	784	398.814
Growth of employees (2009-2014)	-684	-86.307
Number of exporters	29	5.697
Value of exports (mil EUR)	10,1	11.081,7
Export growth rate (2009-2014)	18,9%	14,2%
HHI index	3.406	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	91
Export performance	65
Sustainable performance	78
Growth potential	66
Spillover effect potential	65
Sophistication potential	75
Job creation contribution	101
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	94



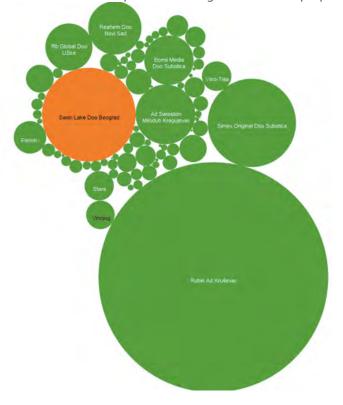


Alcoholic drinks

The sector of the production of alcoholic drinks produces ethyl alcohol, spirits, liqueurs and other spirituous beverages.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Rubin Ad	Kruševac	23,2	303
2.	Swan Lake	Beograd	3,9	60
3.	Simex Original	Subotica	3,4	47
4.	Ad Swisslion Miloduh	Kragujevac	1,6	41
5.	Reahem Doo Novi Sad	Novi Sad	1,2	39
6.	Bomil Media Doo Subotica	Subotica	1,1	5
7.	Rb Global Doo Užice	Užice	1,0	22
8.	Panon - Crvenka Disa	Beograd	0,5	2
9.	Vino-Tisa	Subotica	0,4	46
10.	Stara Rakija	Beograd	0,4	11
	Total (Top 10)		36,7	576
	Total sector		40,9	784

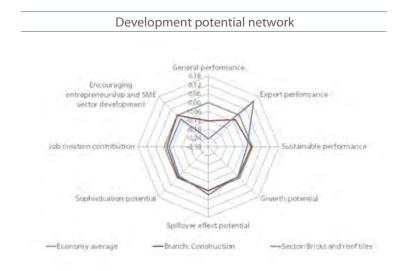


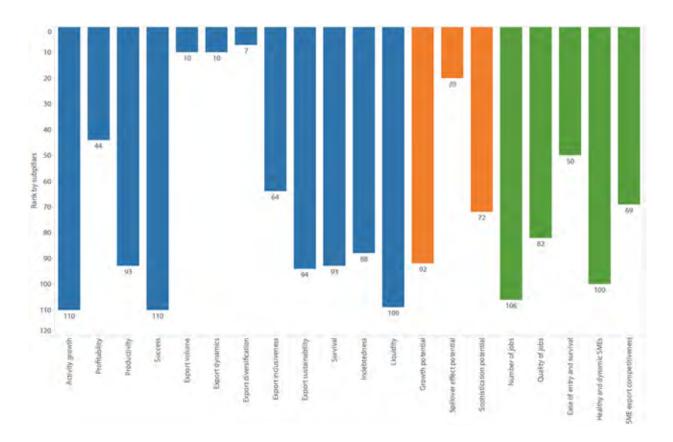
Rank 95 Bricks and roof tiles

Sector characteristic 2014	Sector	Economy*
Number of firms	93	24.551
Revenues (000 EUR)	101,8	27.118,3
Revenues growth rate (2009-2014)	-6,0%	3,2%
Number of employees	2.872	398.814
Growth of employees (2009-2014)	-2.280	-86.307
Number of exporters	28	5.697
Value of exports (mil EUR)	47,5	11.081,7
Export growth rate (2009-2014)	2,0%	14,2%
HHI index	1.004	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	110
Export performance	11
Sustainable performance	108
Growth potential	92
Spillover effect potential	20
Sophistication potential	72
Job creation contribution	106
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	91





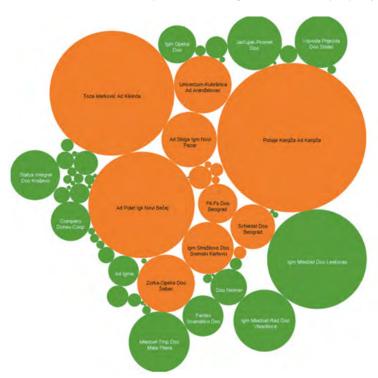
Bricks and roof tiles

The sector of the production of bricks and roof tiles involves the production of bricks, tiles and construction products, in baked clay, non-refractory ceramic bricks, tiles, pipes and similar products.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Potisje Kanjiža	Kanjiža	21,9	434
2.	Toza Marković	Kikinda	15,3	627
3.	Ad Polet Igk	Novi Bečej	11,1	223
4.	Igm Mladost	Leskovac	9,8	191
5.	Igm Mladost-Rad	Vlasotince	3,8	110
6.	Mladost-Tmp	Mala Plana	3,7	99
7.	Zorka-Opeka	Šabac	3,3	51
8.	Univerzum-Kubršnica	Aranđelovac	3,3	90
9.	Ad Sloga Igm	Pobrđe	3,0	158
10.	Jarčujak-Promet	Kraljevo	2,9	89
	Total (Top 10)		78,1	2.072
	Total sector		101,8	2.872

Picture: Structure of enterprises according to income and property

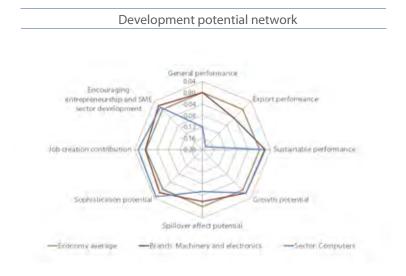


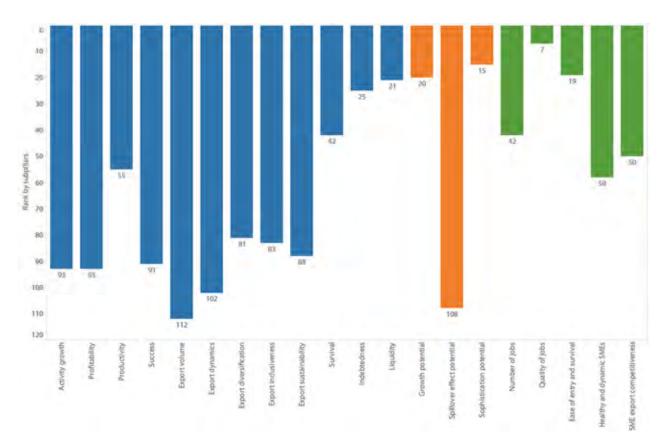
Rank 96 Computers

Sector characteristic 2014	Sector	Economy*
Number of firms	450	24.551
Revenues (000 EUR)	588,7	27.118,3
Revenues growth rate (2009-2014)	1,0%	3,2%
Number of employees	3.479	398.814
Growth of employees (2009-2014)	-686	-86.307
Number of exporters	81	5.697
Value of exports (mil EUR)	50,9	11.081,7
Export growth rate (2009-2014)	-0,9%	14,2%
HHI index	1.054	-

*Tradable sectors in economy

Pillar	Rank
General performance	94
Export performance	107
Sustainable performance	28
Growth potential	20
Spillover effect potential	108
Sophistication potential	15
Job creation contribution	42
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	57





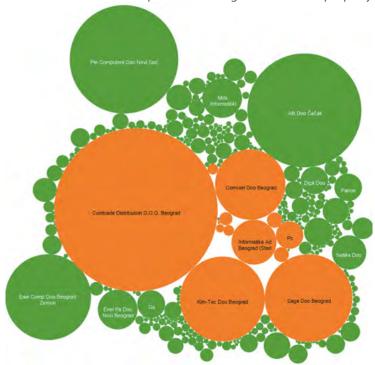
Computers

The sector of computers production includes the activity of production of computers and peripheral equipment, portable automatic data processing machines, weighing up to 10 kg, consisting of at least a central processing unit, keyboard and screen, input or output units, cathode ray tube monitors, other monitors, disk drives, tapes etc..

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Comtrade Distribution	Beograd	145,7	127
2.	Alti	Čačak	70,8	622
3.	Pin Computers	Novi Sad	64,2	95
4.	Saga	Beograd	42,0	288
5.	Ewe Comp	Beograd	40,2	65
6.	Kim-Tec	Beograd	39,3	67
7.	Comutel	Beograd	27,1	16
8.	Informatika	Beograd	11,1	144
9.	Enel Ps	Beograd	8,6	91
10.	Mds Informatički Inženjering	Beograd	8,6	50
	Total (Top 10)		457,6	1.565
	Total sector		588,7	3.479

Picture: Structure of enterprises according to income and property

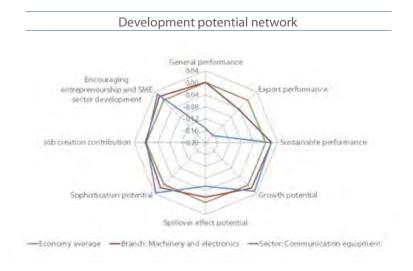


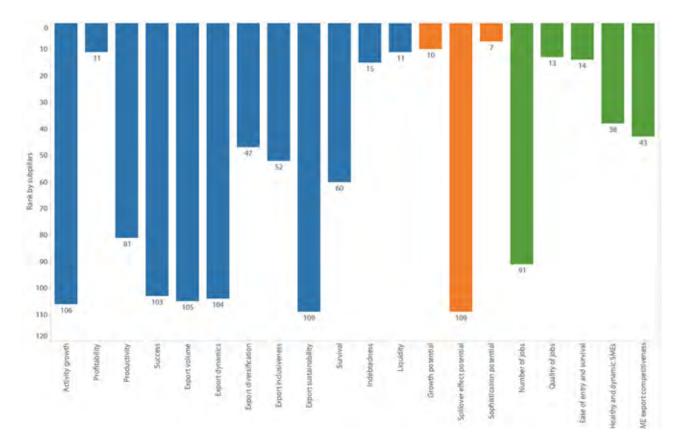
Rank 97 Communication equipment

Sector characteristic 2014	Sector	Economy*
Number of firms	80	24.551
Revenues (000 EUR)	33,8	27.118,3
Revenues growth rate (2009-2014)	-7,5%	3,2%
Number of employees	508	398.814
Growth of employees (2009-2014)	-476	-86.307
Number of exporters	27	5.697
Value of exports (mil EUR)	100,7	11.081,7
Export growth rate (2009-2014)	3,3%	14,2%
HHI index	910	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	101
Export performance	104
Sustainable performance	26
Growth potential	10
Spillover effect potential	109
Sophistication potential	7
Job creation contribution	91
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	36



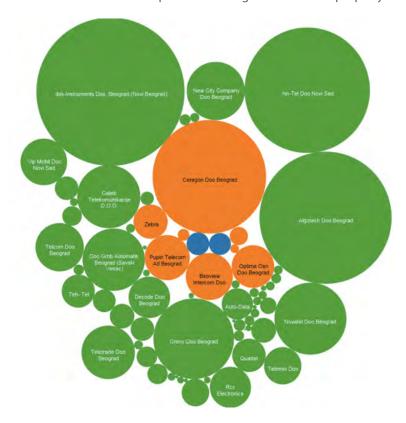


Communication equipment

The sector of the production of communication equipment produces communication equipment, reception apparatuses for television, telephone sets, other apparatuses for the transmission or reception of voice, images or other data, transmission apparatuses for radio-telephony, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Ibis-Instruments	Beograd	6,1	34
2.	Algotech	Beograd	4,8	51
3.	Nn-Tel	Novi Sad	4,3	36
4.	Ceragon	Beograd	3,6	10
5.	Crony	Beograd	1,8	17
6.	Novatel	Beograd	1,4	18
7.	Galeb Telekomunikacije	Beograd	1,1	31
8.	Gmb Automatik	Beograd	1,1	16
9.	New City Company	Beograd	0,9	20
10.	Teletrade	Beograd	0,8	4
	Total (Top 10)		25,9	237
	Total sector		33,8	508

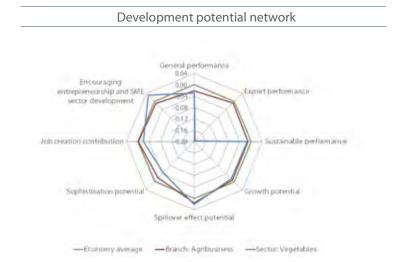


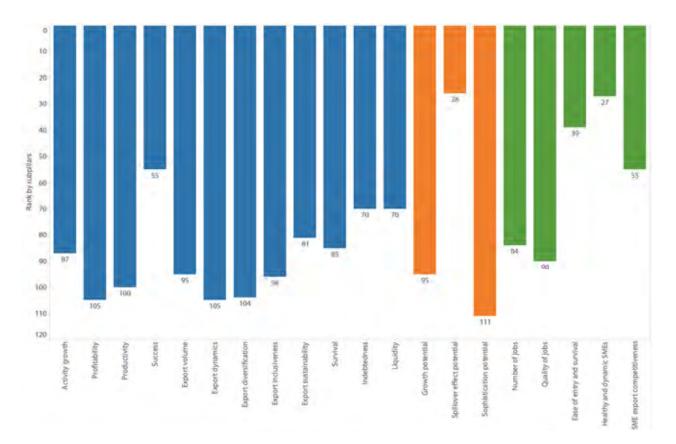
Rank 98 Vegetables

Sector characteristic 2014	Sector	Economy*
Number of firms	193	24.551
Revenues (000 EUR)	27,7	27.118,3
Revenues growth rate (2009-2014)	0,3%	3,2%
Number of employees	496	398.814
Growth of employees (2009-2014)	-236	-86.307
Number of exporters	28	5.697
Value of exports (mil EUR)	4,6	11.081,7
Export growth rate (2009-2014)	-4,0%	14,2%
HHI index	344	-

*Tradable sectors in economy

Pillar	Rank
General performance	69
Export performance	108
Sustainable performance	87
Growth potential	95
Spillover effect potential	26
Sophistication potential	111
Job creation contribution	84
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	32



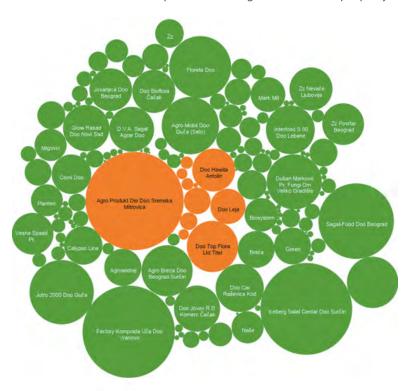


Vegetables

The sector of vegetables includes activities of growing vegetables and melons, roots and tubers. The products are potatoes, fresh or chilled, tomato, fresh or chilled, herbal products, roots and tubers, etc. The products are intended mainly for human consumption.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Agro Produkt Dsr	Sr Mitrovica	2,5	6
2.	Fabrika Komposta Uča	Vranovo	2,2	33
3.	Iceberg Salat Centar	Surčin	2,1	38
4.	Sagal-Food	Beograd	1,4	5
5.	Jutro 2000		1,0	4
6.	Florela	Kraljevo	1,0	18
7.	Agro-Mobil	Guča	0,8	13
8.	Dušan Marković	Veliko Gradište	0,8	5
9.	Doo Top Flora Ltd	Titel	0,7	8
10.	Povrće-Spasojević	Kukići	0,7	1
	Total (Top 10)		13,2	131
	Total sector		27,7	496

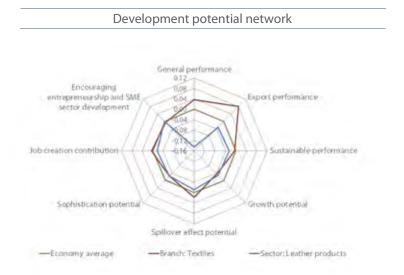


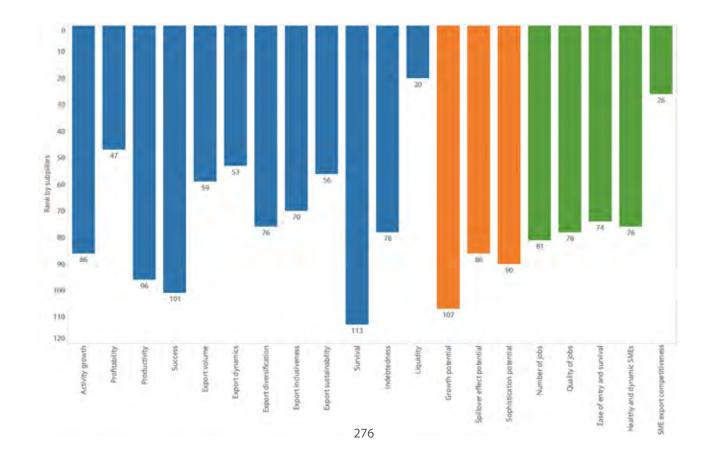
Rank 99 Leather products

Sector characteristic 2014	Sector	Economy*
Number of firms	91	24.551
Revenues (000 EUR)	52,2	27.118,3
Revenues growth rate (2009-2014)	6,1%	3,2%
Number of employees	1.189	398.814
Growth of employees (2009-2014)	-673	-86.307
Number of exporters	28	5.697
Value of exports (mil EUR)	38,2	11.081,7
Export growth rate (2009-2014)	20,7%	14,2%
HHI index	2.031	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	99
Export performance	66
Sustainable performance	99
Growth potential	107
Spillover effect potential	86
Sophistication potential	90
Job creation contribution	81
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	64





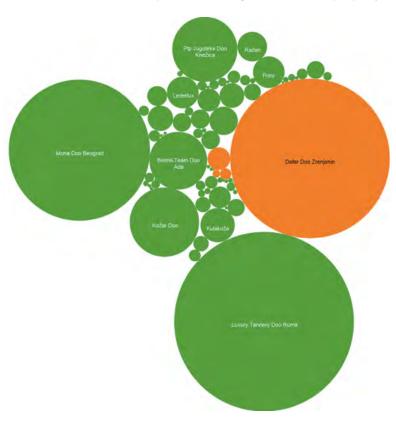
Leather products

Leather products sector includes activities of tanning and finishing leather; processing and dyeing of fur, manufacture of luggage, handbags, etc., saddlery and harness etc. The enterprises that belong to this sector produce also artificial leather based on leather or leather fiber, saddlery and harnesses for any animal, other products made of leather or artificial leather, the whole fur, bags, trunks, suitcases, vanity cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument and so on.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Luxury Tannery		16,4	136
2.	Dafar	Zrenjanin	13,0	102
3.	Mona	Beograd	10,1	547
4.	Kožar	Loznica	2,4	13
5.	Ptp Jugoteks	Knežica	2,2	47
6.	Belmil-Team	Ada	1,7	46
7.	Kulakoža	Kula	0,6	6
8.	Lederlux	Mladenovac	0,5	10
9.	Princ Leather	Požega	0,5	23
10.	Radan Stil	Beograd	0,4	2
	Total (Top 10)		47,8	932
	Total sector		52,2	1.189

Picture: Structure of enterprises according to income and property

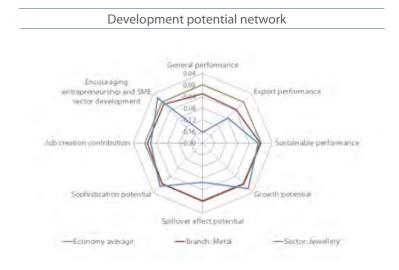


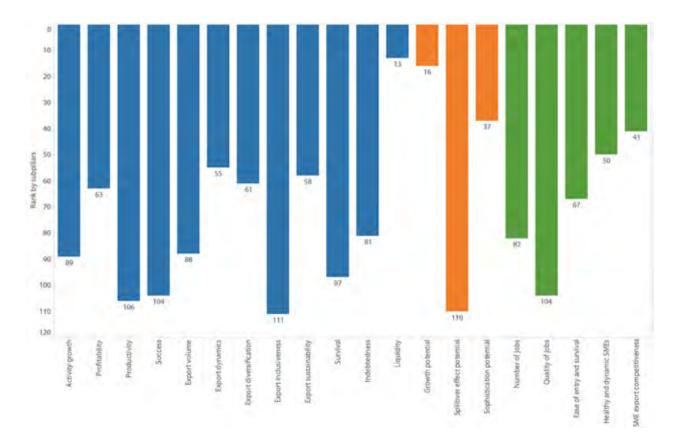
Rank 100 Jewellery

Sector characteristic 2014	Sector	Economy*
Number of firms	172	24.551
Revenues (000 EUR)	18,7	27.118,3
Revenues growth rate (2009-2014)	5,5%	3,2%
Number of employees	1.023	398.814
Growth of employees (2009-2014)	9	-86.307
Number of exporters	16	5.697
Value of exports (mil EUR)	7,2	11.081,7
Export growth rate (2009-2014)	38,0%	14,2%
HHI index	1.331	-

*Tradable sectors in economy

Pillar	Rank
General performance	104
Export performance	85
Sustainable performance	75
Growth potential	16
Spillover effect potential	110
Sophistication potential	37
Job creation contribution	82
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	50





Jewellery

The sector of the production of jewelery includes activities on production of jewelery, imitation jewelery and related items. Products are industrial diamonds, pearls, precious stones (other than diamonds) and semiprecious stones, jewelery made of gold, silver or platinum, other precious metal or of metal clad with precious metal.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Strada	Beograd	5,6	46
2.	S&L	Beograd	3,3	56
3.	Andrejević	Beograd	1,4	30
4.	Ipm Doo Majdanpek Šaška Bb	Majdanpek	0,9	325
5.	Mališa Gsw	Zrenjanin	0,8	22
6.	Privredno Društvo Stefanović 1886	Beograd	0,8	23
7.	Perić & Perić & Co	Požarevac	0,4	35
8.	Gold Trade	Beograd	0,3	1
9.	Sezam Plus	Novi Sad	0,3	16
10.	Bežan	Vrnjačka Banja	0,3	12
	Total (Top 10)		14,1	566
	Total sector		18,7	1.023

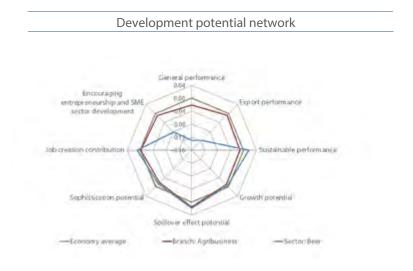
Picture: Structure of enterprises according to income and property

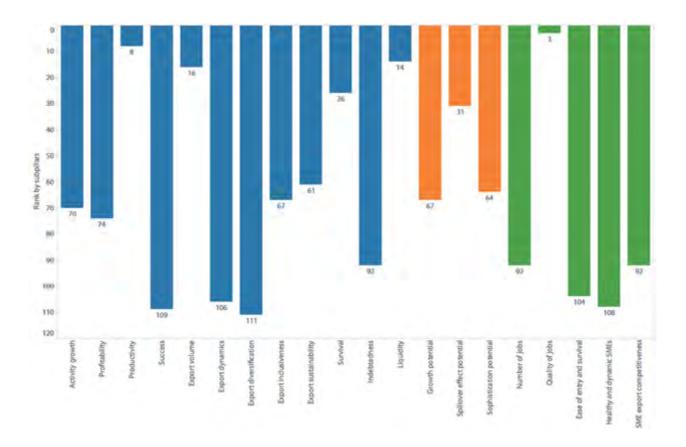
Rank 101 Beer

Sector characteristic 2014	Sector	Economy*
Number of firms	15	24.551
Revenues (000 EUR)	241,8	27.118,3
Revenues growth rate (2009-2014)	-4,2%	3,2%
Number of employees	1.806	398.814
Growth of employees (2009-2014)	-1.335	-86.307
Number of exporters	4	5.697
Value of exports (mil EUR)	54,9	11.081,7
Export growth rate (2009-2014)	0,4%	14,2%
HHI index	3.501	-

*Tradable sectors in economy

Pillar	Rank
General performance	98
Export performance	96
Sustainable performance	30
Growth potential	67
Spillover effect potential	31
Sophistication potential	64
Job creation contribution	92
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	109



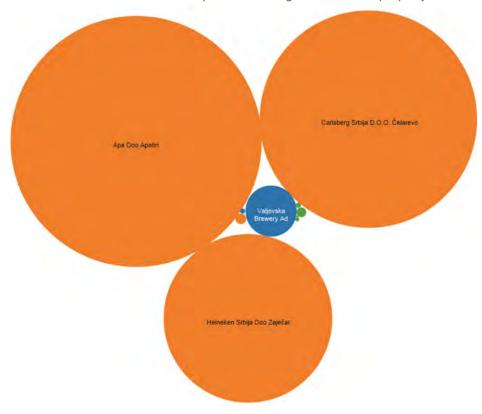


Beer

The sector of the production of beer includes activities of beer production obtained from malt.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Apa Doo Apatin	Apatin	107,6	803
2.	Carlsberg Srbija	Čelarevo	80,7	543
3.	Heineken Srbija	Novi Sad	48,5	232
4.	Valjevska Pivara	Valjevo	4,5	202
5.	Ad Pivara	Niš	0,2	1
6.	Kabinet		0,2	13
7.	Doo Krugher i Brent	Ritiševo	0,0	5
8.	Pivara Ad Zrenjanin	Zrenjanin	0,0	5
9.	Pivarica		0,0	0
10.	Kisser	Čantavir	0,0	2
	Total (Top 10)		241,7	1.806
	Total sector		241,8	1.806

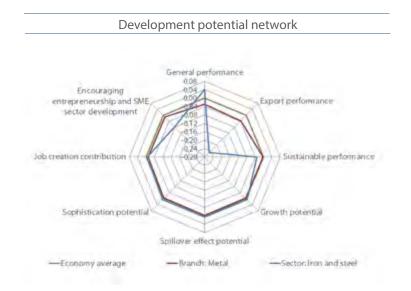


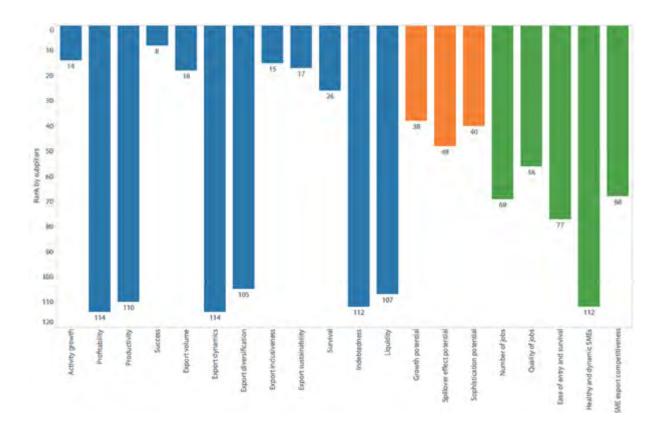
Rank 102 Iron and steel

Sector characteristic 2014	Sector	Economy*
Number of firms	4	24.551
Revenues (000 EUR)	412,5	27.118,3
Revenues growth rate (2009-2014)	-5,0%	3,2%
Number of employees	5.458	398.814
Growth of employees (2009-2014)	-378	-86.307
Number of exporters	3	5.697
Value of exports (mil EUR)	382,7	11.081,7
Export growth rate (2009-2014)	-4,2%	14,2%
HHI index	4.674	-

*Tradable sectors in economy

Pillar	Rank
General performance	48
Export performance	110
Sustainable performance	104
Growth potential	38
Spillover effect potential	48
Sophistication potential	40
Job creation contribution	69
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	107



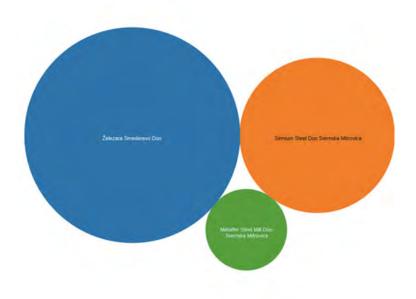


Iron and steel

The sector of iron and steel includes raw iron, steel and ferro-alloys, other non-ferrous waste and scrap, granules and powder of iron, bars and other primary forms of iron, semi-finished products of iron or non-alloy steel, etc.

Table: Top 3 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Železara Smederevo Doo	Smederevo	248,4	5.025
2.	Sirmium Steel Doo Sremska Mitrovica	Sr Mitrovica	128,6	270
3.	Metalfer Steel Mill	Sr Mitrovica	35,4	163
	Total (Top 10)		412,5	5.458
	Total sector		412,5	5.458

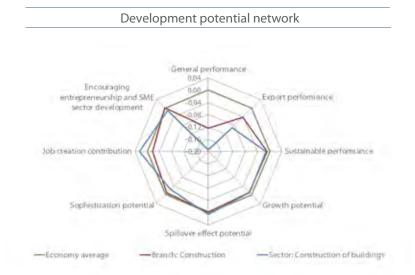


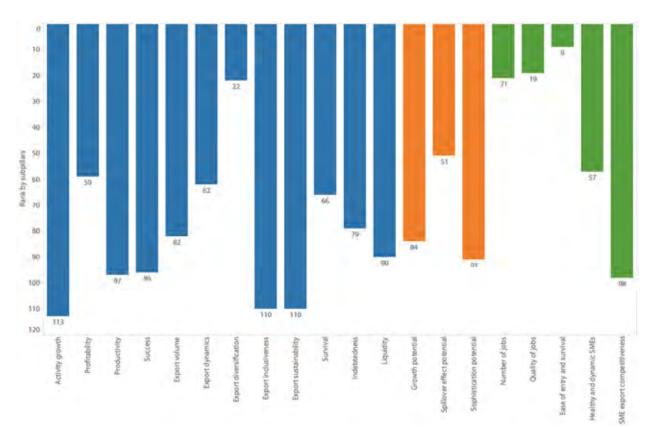
Rank 103 Construction of buildings

Sector characteristic 2014	Sector	Economy*
Number of firms	3.065	24.551
Revenues (000 EUR)	1.211,6	27.118,3
Revenues growth rate (2009-2014)	-6,7%	3,2%
Number of employees	15.939	398.814
Growth of employees (2009-2014)	-12.066	-86.307
Number of exporters	90	5.697
Value of exports (mil EUR)	12,3	11.081,7
Export growth rate (2009-2014)	28,8%	14,2%
HHI index	108	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	108
Export performance	90
Sustainable performance	84
Growth potential	84
Spillover effect potential	51
Sophistication potential	91
Job creation contribution	21
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	70





Construction of buildings

The sector of the construction of buildings includes the activity of the construction of residential and non-residential buildings and prefabricated buildings.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Energoprojekt Visokogradnja	Beograd	65,1	830
2.	Montinvest	Beograd	50,5	73
3.	Građevinska Direkcija Srbije	Beograd	45,8	82
4.	Snc-Lavalin International Inc	Beograd	30,8	12
5.	Deneza M Inženjering	Beograd	29,2	257
6.	Doo Tehnogradnja	Kruševac	24,2	236
7.	Arxikon Gradnja		24,2	12
8.	Energogroup	Beograd	20,6	35
9.	Strabag Ag Ogranak	Beograd	16,5	0
10.	Visokogradnja Inženjering	Beograd	15,6	101
	Total (Top 10)		322,5	1.638
	Total sector		1.211,6	15.939

Picture: Structure of enterprises according to income and property

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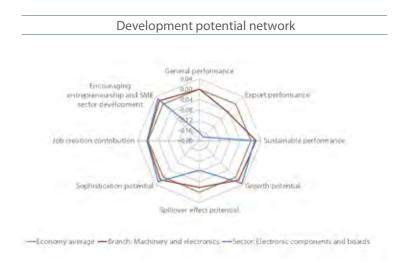
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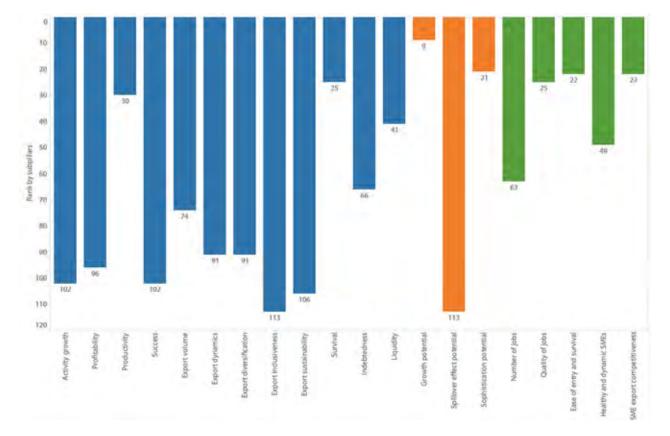
Rank 104 Electronic components and boards

Sector characteristic 2014	Sector	Economy*
Number of firms	70	24.551
Revenues (000 EUR)	14,8	27.118,3
Revenues growth rate (2009-2014)	-1,3%	3,2%
Number of employees	689	398.814
Growth of employees (2009-2014)	-5	-86.307
Number of exporters	20	5.697
Value of exports (mil EUR)	4,9	11.081,7
Export growth rate (2009-2014)	23,5%	14,2%
HHI index	1.284	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	105
Export performance	105
Sustainable performance	31
Growth potential	9
Spillover effect potential	113
Sophistication potential	21
Job creation contribution	63
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	35





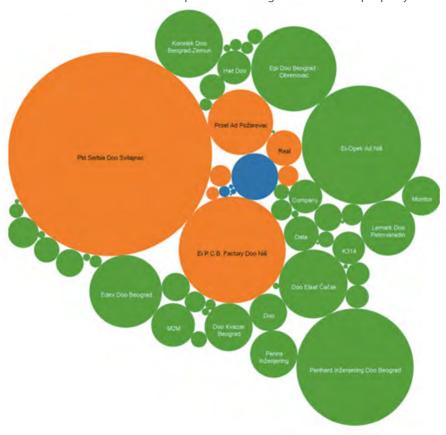
Electronic components and boards

The sector of electronic components and boards includes the activity of the production of television cathode ray tubes and other electronic valves and tubes, transistors, and similar semiconductor devices, photosensitive semiconductor devices, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Pld Serbia	Kušiljevo	4,5	242
2.	Ei-Opek	Niš	1,5	45
3.	Perihard Inženjering	Beograd	1,5	44
4.	Ei P.C.B. Factory	Niš	1,2	85
5.	Epi	Obrenovac	0,8	12
6.	Edex	Beograd	0,6	5
7.	Doo Elsat	Čačak	0,5	15
8.	Konelek	Beograd	0,5	7
9.	Proel	Požarevac	0,5	66
10.	Lemark	Novi Sad	0,3	10
	Total (Top 10)		11,9	531
	Total sector		14,8	689

Picture: Structure of enterprises according to income and property

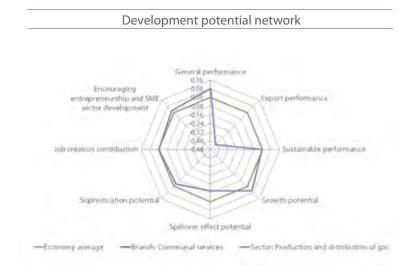


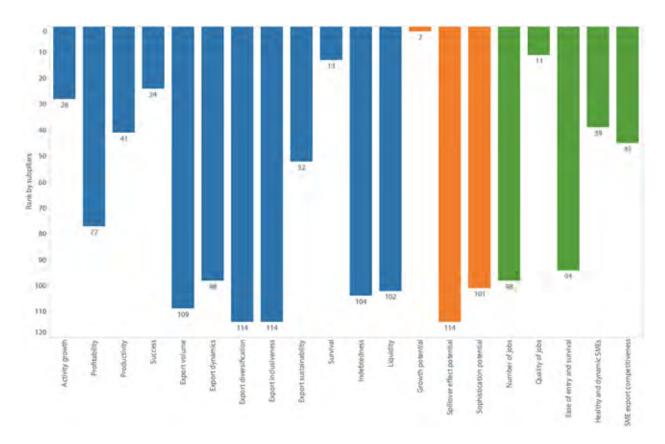
Rank 105 Production and distribution of gas

Sector characteristic 2014	Sector	Economy*
Number of firms	47	24.551
Revenues (000 EUR)	105,4	27.118,3
Revenues growth rate (2009-2014)	-2,2%	3,2%
Number of employees	627	398.814
Growth of employees (2009-2014)	-217	-86.307
Number of exporters	2	5.697
Value of exports (mil EUR)	0,0	11.081,7
Export growth rate (2009-2014)	-	14,2%
HHI index	985	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	27
Export performance	114
Sustainable performance	66
Growth potential	2
Spillover effect potential	114
Sophistication potential	101
Job creation contribution	98
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	42
	General performance Export performance Sustainable performance Growth potential Spillover effect potential Sophistication potential Job creation contribution Contribution to investment attraction Encouraging entrepreneurship and SME





Production and distribution of gas

The sector of production and distribution of gas includes activities of gas production, water gas, other than petroleum gases and other gaseous hydrocarbons.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Dp Novi Sad-Gas	Novi Sad	24,8	90
2.	Energia Naturalis		10,6	1
3.	JKP Suboticagas	Subotica	9,1	50
4.	Gas-Feromont	Stara Pazova	9,1	42
5.	Jp Ingas Inđija	Inđija	6,4	34
6.	Jp Gas	Ruma	5,9	43
7.	Beogas	Beograd	5,3	26
8.	Jp Srem-Gas	Sremska Mitrovica	4,7	35
9.	Doo Sombor-Gas	Sombor	3,6	15
10.	Jp Kovin-Gas Kovin	Kovin	3,6	27
	Total (Top 10)		83,1	363
	Total sector		105,4	627

Picture: Structure of enterprises according to income and property

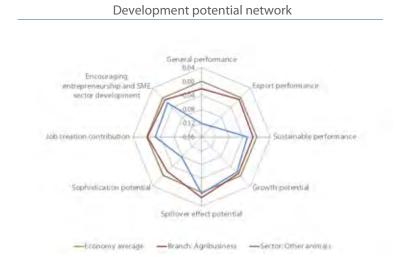


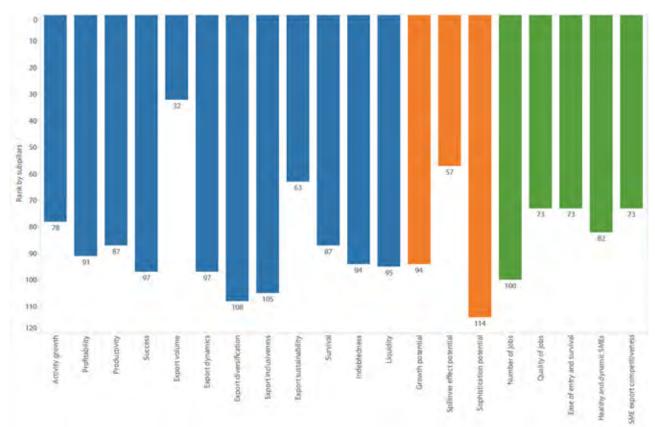
Rank 106 Other animals

Sector characteristic 2014	Sector	Economy*
Number of firms	316	24.551
Revenues (000 EUR)	156,6	27.118,3
Revenues growth rate (2009-2014)	-1,5%	3,2%
Number of employees	4.122	398.814
Growth of employees (2009-2014)	-1.457	-86.307
Number of exporters	30	5.697
Value of exports (mil EUR)	38,0	11.081,7
Export growth rate (2009-2014)	-1,9%	14,2%
HHI index	1.127	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	95
Export performance	97
Sustainable performance	101
Growth potential	94
Spillover effect potential	57
Sophistication potential	114
Job creation contribution	100
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	79





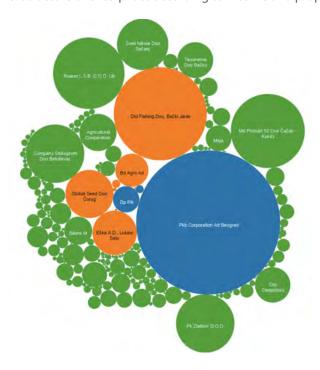
Other animals

The sector of other animals includes activities of raising other cattle and buffaloes, sheep and goats, breeding horses and other equines, breeding of animals, etc. The enterprises in this sector produce natural honey, silkworm, wool, fine animal hair, coarse animal hair, vegetable waxes, beeswax, other insect waxes and spermaceti, regardless of whether refined or colored, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Pkb Korporacija	Padinska Skela	44,1	1.978
2.	Dtd Ribarstvo	Bački Jarak	18,4	392
3.	Md Produkt 92	Kukići	11,6	45
4.	Stočar L.S.B.	Trnjaci	10,8	73
5.	Pk Zlatibor	Zlatibor	7,2	60
6.	Preduzeće Stokoprom	Beloševac	7,2	44
7.	Sveti Nikola	Sečanj	5,6	150
8.	Global Seed	Novi Sad	4,9	65
9.	Ribarsko Gazdinstvo Ečka	Lukino Selo	4,2	172
10.	Zemljoradnička Zadruga	Valjevo	2,9	7
	Total (Top 10)		116,9	2.986
	Total sector		156,6	4.122

Picture: Structure of enterprises according to income and property

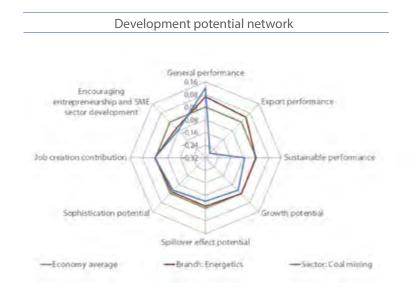


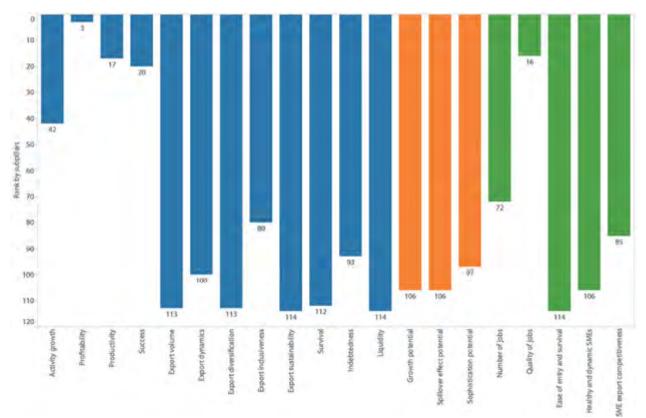
Rank 107 Coal mining

Sector characteristic 2014	Sector	Economy*
Number of firms	9	24.551
Revenues (000 EUR)	515,9	27.118,3
Revenues growth rate (2009-2014)	2,7%	3,2%
Number of employees	19.533	398.814
Growth of employees (2009-2014)	1.638	-86.307
Number of exporters	3	5.697
Value of exports (mil EUR)	5,0	11.081,7
Export growth rate (2009-2014)	9,3%	14,2%
HHI index	6.800	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	16
Export performance	111
Sustainable performance	114
Growth potential	106
Spillover effect potential	106
Sophistication potential	97
Job creation contribution	72
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	105



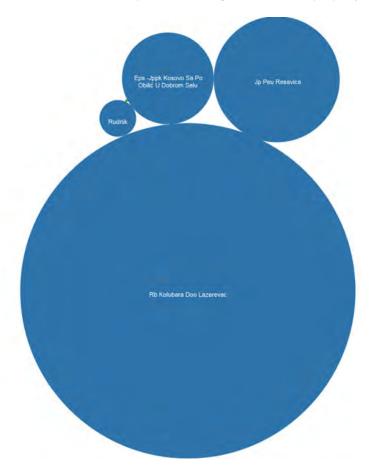


Coal mining

Coal mining sector includes the exploitation of hard coal and anthracite, lignite and bituminous coal mining.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Rb Kolubara	Lazarevac	420,0	12.708
2.	Jp Peu Resavica	Resavica	59,3	3957
3.	Eps -Jppk Kosovo	Obilić	31,5	2745
4.	Rudnik Kovin	Kovin	5,0	120
5.	Brikenergo	Šabac	0,0	1
6.	Preduzeće Termika	Vranovo	0,0	0
7.	Port Boner	Beograd	0,0	0
8.	Mineral Investments	Beograd	0,0	0
9.	Ece Doo Niš	Novi Sad	0,0	2
10.	Prometno Preduzeće Mixon & Com	Kovin	0,0	0
	Total (Top 10)		515,8	19.533
	Total sector		515,9	19.533

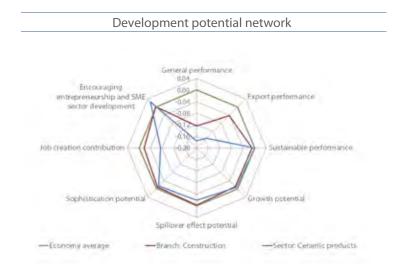


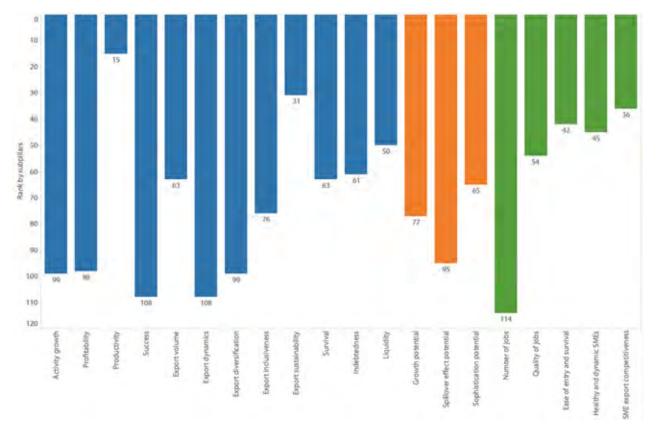
Rank 108 Ceramic products

Sector characteristic 2014	Sector	Economy*
Number of firms	40	24.551
Revenues (000 EUR)	7,2	27.118,3
Revenues growth rate (2009-2014)	-12,1%	3,2%
Number of employees	212	398.814
Growth of employees (2009-2014)	-1.226	-86.307
Number of exporters	11	5.697
Value of exports (mil EUR)	4,1	11.081,7
Export growth rate (2009-2014)	2,3%	14,2%
HHI index	1.152	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	107
Export performance	103
Sustainable performance	58
Growth potential	77
Spillover effect potential	95
Sophistication potential	65
Job creation contribution	114
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	38





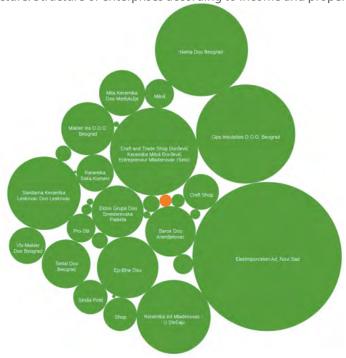
Ceramic products

The sector of ceramic products includes other ceramic products, ceramic household items and decorative objects, sanitary ceramic products etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Elektroporcelan	Novi Sad	1,9	85
2.	Gps Insulators		0,8	6
3.	Nama	Mladenovac	0,7	10
4.	Đorđević Keramika	Mladenovac	0,7	10
5.	Keramika Ad Mladenovac	Mladenovac	0,5	0
6.	Sanitarna Keramika Leskovac	Bratmilovce	0,5	25
7.	Ep-Bhw	Novi Sad	0,3	15
8.	Makler Ins		0,2	2
9.	Eldon Grupa	Sd Palanka	0,2	1
10.	Barok	Aranđelovac	0,2	11
	Total (Top 10)		6,0	165
	Total sector		7,2	212

Picture: Structure of enterprises according to income and property

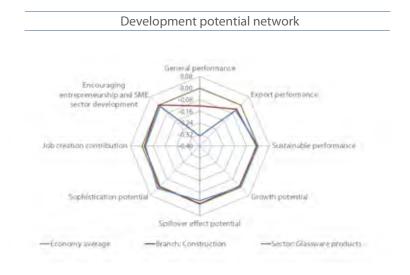


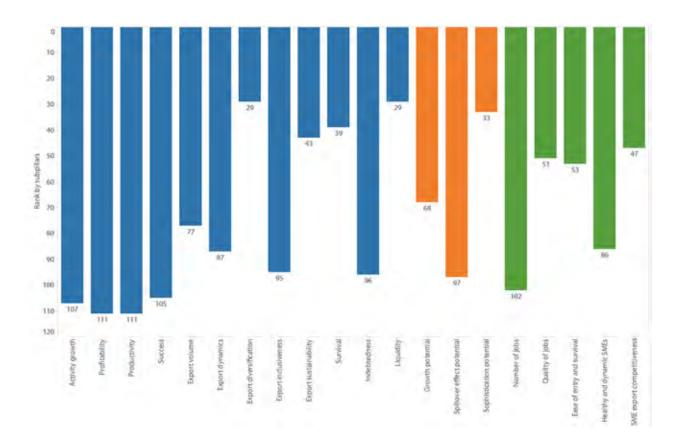
Rank 109 Glassware products

Sector characteristic 2014	Sector	Economy*
Number of firms	77	24.551
Revenues (000 EUR)	28,0	27.118,3
Revenues growth rate (2009-2014)	-12,9%	3,2%
Number of employees	1.487	398.814
Growth of employees (2009-2014)	-1.011	-86.307
Number of exporters	13	5.697
Value of exports (mil EUR)	20,3	11.081,7
Export growth rate (2009-2014)	11,9%	14,2%
HHI index	1.765	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	113
Export performance	75
Sustainable performance	60
Growth potential	68
Spillover effect potential	97
Sophistication potential	33
Job creation contribution	102
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	71



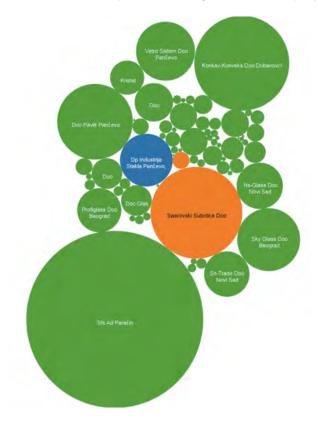


Glassware products

The sector of glassware products includes the activities of production and processing of other glass, including technical glassware, hollow glass production, production of flat glass; design and processing of flat glass production and processing of other glass, including technical glassware, production and processing of other glass, including technical glassware etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Sfs	Paraćin	10,6	863
2.	Konkav-Konveks	Beograd	3,0	70
3.	Swarovski	Beograd	2,8	35
4.	Doo Pavle P	Pančevo	1,9	48
5.	Sky Glass	Beograd	1,3	44
6.	Vetro Sistem	Pančevo	1,2	31
7.	Dp Industrija Stakla	Pančevo	0,9	177
8.	Ns-Glass	Novi Sad	0,7	19
9.	Sn-Trade	Novi Sad	0,7	9
10.	Profiglass	Rušanj	0,7	8
	Total (Top 10)		23,8	1.304
	Total sector		28,0	1.487

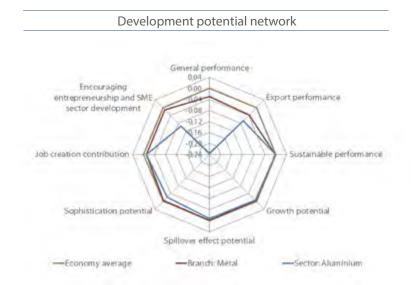


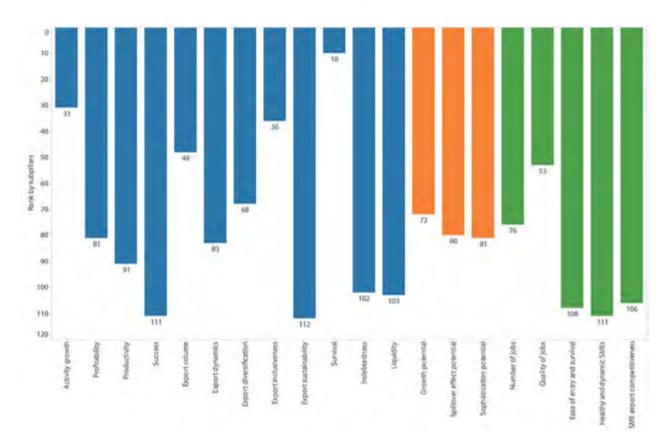
Rank 110 Aluminium

Sector characteristic 2014	Sector	Economy*
Number of firms	20	24.551
Revenues (000 EUR)	105,8	27.118,3
Revenues growth rate (2009-2014)	7,9%	3,2%
Number of employees	1.026	398.814
Growth of employees (2009-2014)	-284	-86.307
Number of exporters	7	5.697
Value of exports (mil EUR)	176,9	11.081,7
Export growth rate (2009-2014)	11,9%	14,2%
HHI index	9.413	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	109
Export performance	82
Sustainable performance	61
Growth potential	72
Spillover effect potential	80
Sophistication potential	81
Job creation contribution	76
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	112



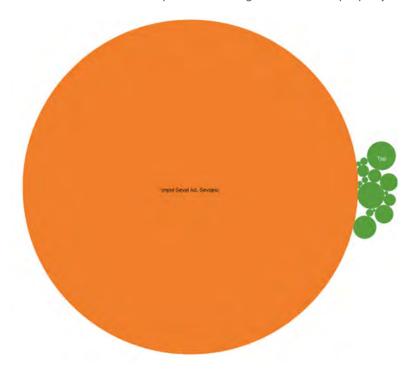


Aluminum

Aluminum production sector includes the activities of production of aluminum and aluminum alloys.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Impol Seval	Sevojno	102,6	583
2.	Tpp Kapedunum	Užice	0,8	10
3.	Aluminum Systems And Constructions		0,7	14
4.	Nissal	Niš	0,5	329
5.	Eksal	Pančevo	0,3	51
6.	Eliv	Volujac	0,3	4
7.	Jovanović Doo	Arilje	0,2	6
8.	Eurodizajn	Gornja Vrežina	0,1	3
9.	Doo Celeja Export-Import	Čačak	0,1	4
10.	Niprobal	Novi Sad	0,1	1
	Total (Top 10)		105,7	1.005
	Total sector		105,8	1.026

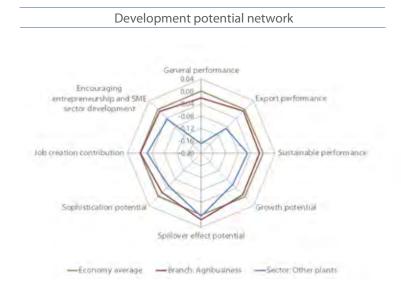


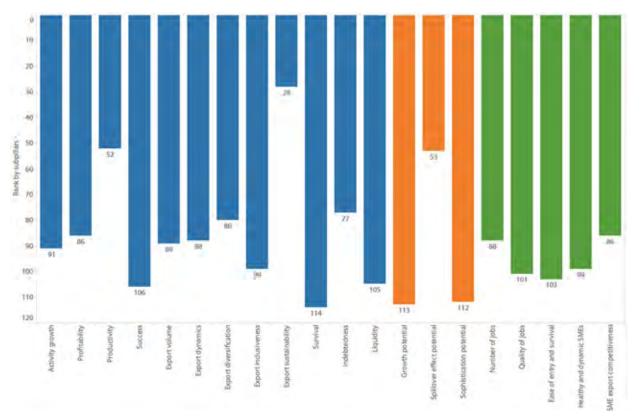
Rank 111 Other plants

Sector characteristic 2014	Sector	Economy*
Number of firms	74	24.551
Revenues (000 EUR)	65,8	27.118,3
Revenues growth rate (2009-2014)	-6,4%	3,2%
Number of employees	1.931	398.814
Growth of employees (2009-2014)	-972	-86.307
Number of exporters	11	5.697
Value of exports (mil EUR)	38,3	11.081,7
Export growth rate (2009-2014)	5,5%	14,2%
HHI index	2.774	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	106
Export performance	89
Sustainable performance	113
Growth potential	113
Spillover effect potential	53
Sophistication potential	112
Job creation contribution	88
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	97



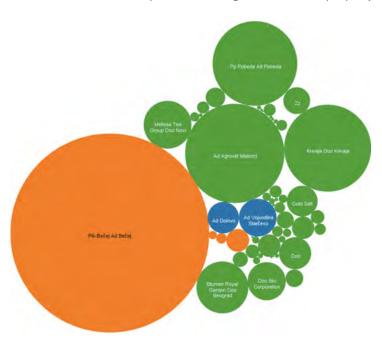


Other plants

The sector of other plants includes farming other crops - perennial and biennial crops, growing of plants for making beverages, spices, aromatic and medicinal herbs, the other perennial and biennial crops, plants for the production of fibers etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Pik-Bečej	Bečej	32,4	1.361
2.	Ad Agrovet	Melenci	8,0	16
3.	Krivaja	Krivaja	6,2	164
4.	Pp Pobeda	Pobeda	5,9	126
5.	Blumen Royal Garden	Beograd	2,2	17
6.	Melissa Tea Group	Novi Sad	1,9	20
7.	Doo Bio Corporation	Beograd	1,2	1
8.	Ad Vojvodina	Starčevo	1,2	40
9.	Doo Pumpa	Vršac	0,8	1
10.	Ad Dolovo	Dolovo	0,8	23
	Total (Top 10)		60,6	1.769
	Total sector		65,8	1.931

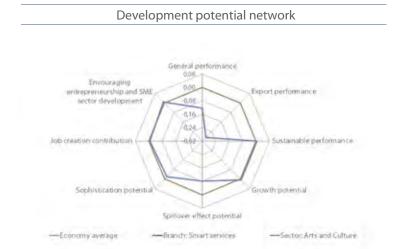


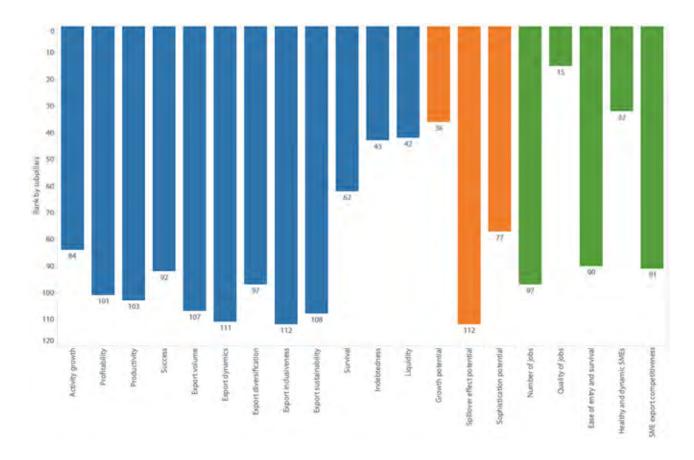
Rank 112 Arts and Culture

Sector characteristic 2014	Sector	Economy*
Number of firms	152	24.551
Revenues (000 EUR)	28,4	27.118,3
Revenues growth rate (2009-2014)	-3,6%	3,2%
Number of employees	1.196	398.814
Growth of employees (2009-2014)	-56	-86.307
Number of exporters	6	5.697
Value of exports (mil EUR)	0,3	11.081,7
Export growth rate (2009-2014)	-24,4%	14,2%
HHI index	581	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	96
Export performance	113
Sustainable performance	49
Growth potential	36
Spillover effect potential	112
Sophistication potential	77
Job creation contribution	97
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	58





Arts and Culture

The sector of arts and culture and includes artistic creativity, activity of the museum galleries and art collections. The products produced by these enterprises include paintings, drawings and pastels, executed entirely by hand, collages and similar decorative plaques. Original engravings, prints and lithographs; original sculptures and statues, collections and specimens of zoological, botanical, mineralogical, anatomical, historical, archaeological, ethnographic character, antique objects more than one hundred years old and so on.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Jp Sava Centar	Beograd	4,1	119
2.	Jp Nacionalni Park Fruška Gora	Sr Kamenica	3,1	150
3.	Jp Nacionalni Park Tara	Bajina Bašta	3,0	200
4.	Jp Nacionalni Park Đerdap	Donji Milanovac	1,9	75
5.	Beo Zoo Vrt	Beograd	1,1	47
6.	Nacionalni Park Kopaonik	Kopaonik	1,1	52
7.	Long Play	Beograd	0,9	4
8.	Festival Zove	Beograd	0,8	0
9.	Jp Beogradska Tvrđava	Beograd	0,8	18
10.	Dvorana Doma Sindikata Dp Beograd	Beograd	0,6	32
	Total (Top 10)		17,4	697
	Total sector		28,4	1.196

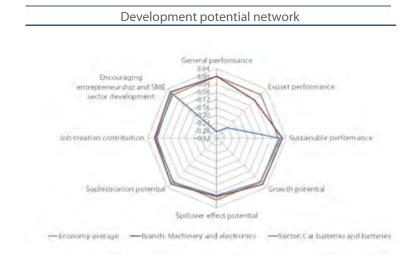


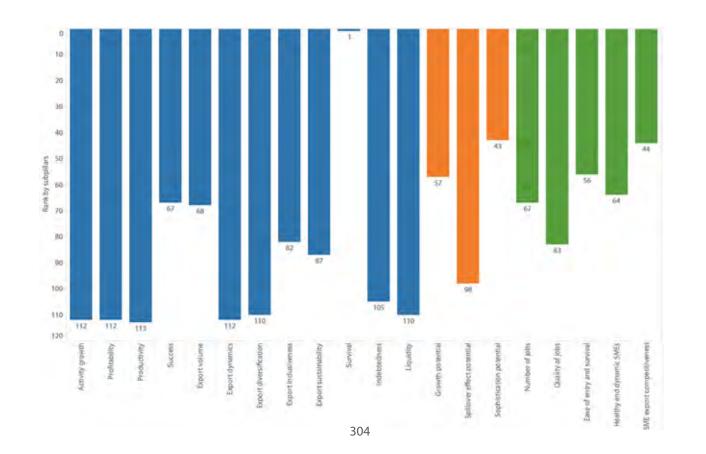
Rank 113 Car batteries and batteries

Sector characteristic 2014	Sector	Economy*
Number of firms	23	24.551
Revenues (000 EUR)	16,8	27.118,3
Revenues growth rate (2009-2014)	-18,9%	3,2%
Number of employees	613	398.814
Growth of employees (2009-2014)	-39	-86.307
Number of exporters	4	5.697
Value of exports (mil EUR)	15,7	11.081,7
Export growth rate (2009-2014)	-1,7%	14,2%
HHI index	3.255	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	112
Export performance	109
Sustainable performance	40
Growth potential	57
Spillover effect potential	98
Sophistication potential	43
Job creation contribution	67
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	59



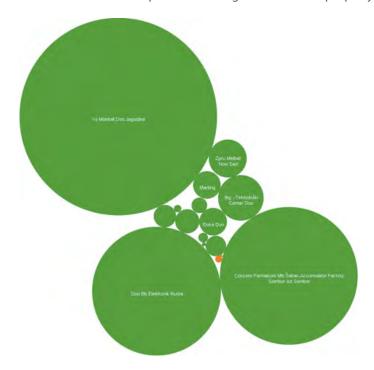


Car batteries and batteries

The sector of car batteries and batteries covers production activity of batteries, electrical accumulators and the required parts.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	Yu Monbat	Jagodina	8,1	11
2.	Fabrika Akumulatora	Sombor	3,9	454
3.	Doo Bb Elektronik	Voganj	3,4	29
4.	Ibg - Tehnološki Centar	Beograd	0,4	3
5.	Zpru Melbat	Novi Sad	0,3	8
6.	Đuka	Kruševac	0,2	5
7.	Marting	Beograd	0,2	6
8.	Jeličić Compani	Futog	0,1	1
9.	Maten Doo Valjevo	Valjevo	0,1	1
10.	Preduzeće Akumulator Mb	Žabalj	0,1	1
	Total (Top 10)		16,8	519
	Total sector		16,8	613

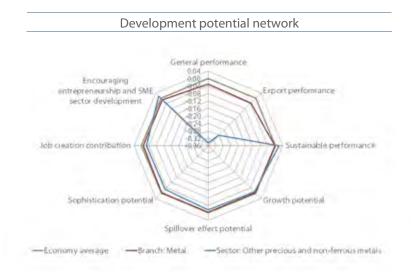


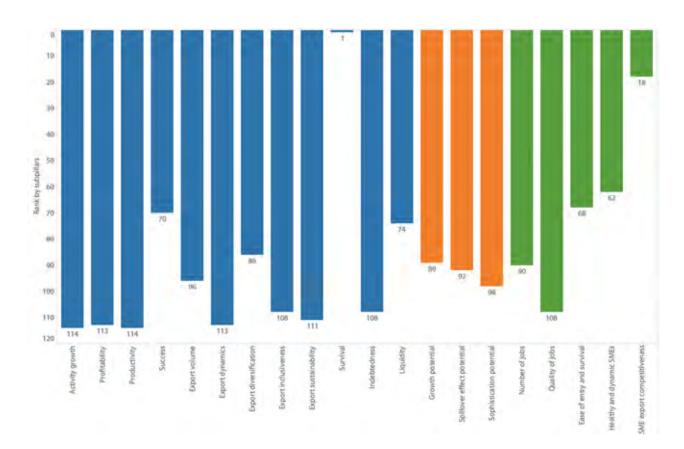
Rank 114 Other precious and non-ferrous metals

Sector characteristic 2014	Sector	Economy*
Number of firms	13	24.551
Revenues (000 EUR)	7,5	27.118,3
Revenues growth rate (2009-2014)	-23,9%	3,2%
Number of employees	382	398.814
Growth of employees (2009-2014)	-250	-86.307
Number of exporters	1	5.697
Value of exports (mil EUR)	6,8	11.081,7
Export growth rate (2009-2014)	-13,4%	14,2%
HHI index	4.010	-

^{*}Tradable sectors in economy

Pillar	Rank
General performance	114
Export performance	112
Sustainable performance	25
Growth potential	89
Spillover effect potential	92
Sophistication potential	98
Job creation contribution	90
Contribution to investment attraction	-
Encouraging entrepreneurship and SME sector development	53





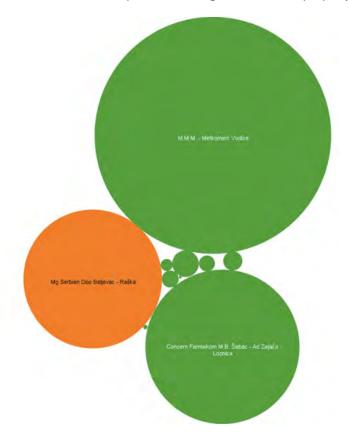
Other precious and non-ferrous metals

Sector of other precious and non-ferrous metals includes production of precious metals, lead, zinc, tin and other non-ferrous metals, metal acid salts, platinum and other metals of platinum, nickel and nickel alloys, zinc, alloys of copper, tin, tungsten, etc.

Table: Top 10 enterprises of sector by business revenues in 2014

#	Company name	City	Revenues (mil EUR)	Number of employies
1.	M.M.M Metkomerc	Vodice	4,2	15
2.	Koncern Farmakom Zajača	Loznica	1,8	298
3.	Mg Serbien	Baljevac	1,4	58
4.	Ihis Elektrokontakti	Beograd	0,1	0
5.	Pietro Argento	Sr Mitrovica	0,0	3
6.	Champion-Commerce	Beograd	0,0	2
7.	Jan Promet	Gorić	0,0	1
8.	Doo Forma-S	Subotica	0,0	1
9.	Pranić	Ćuprija	0,0	1
10.	Inter-Metal	Smederevo	0,0	0
	Total (Top 10)		7,5	379
	Total sector		7,5	382

Picture: Structure of enterprises according to income and property



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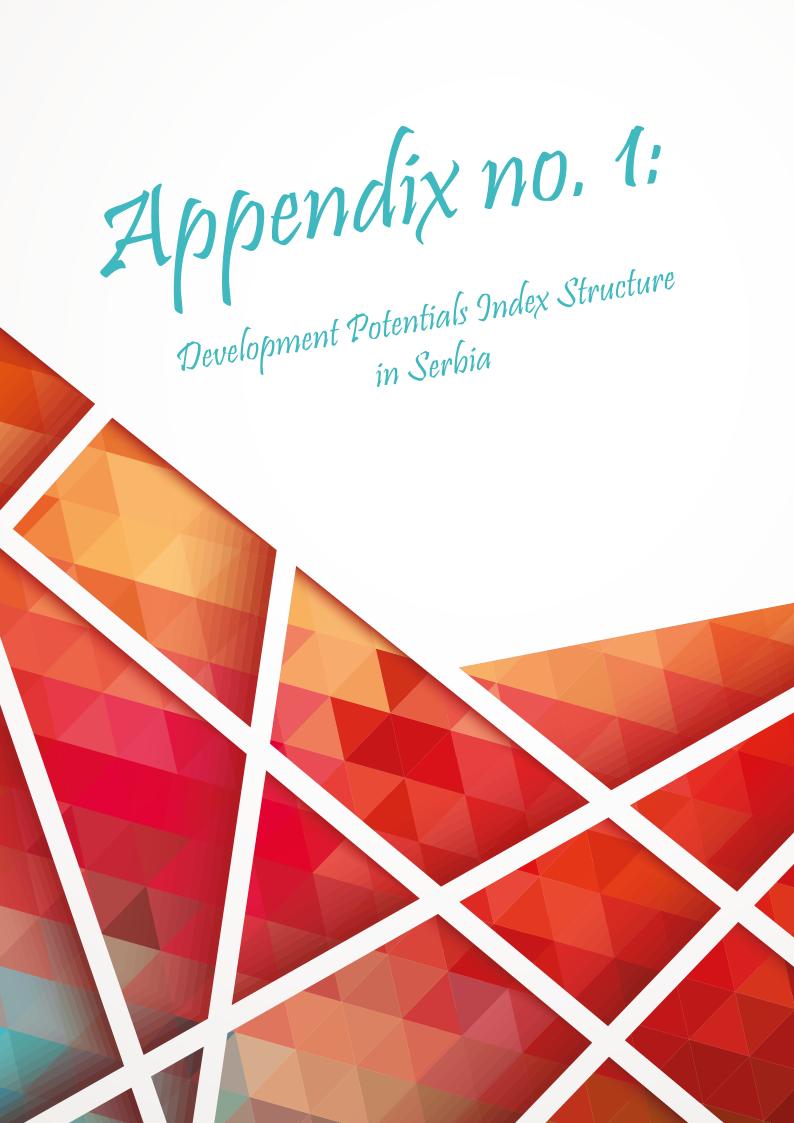
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Appendix no. 1 shows the structure of the Development Potentials Index (DPI), its components, and the method of their calculation. In the process of creating DPI, the steps were taken to form a composite index: defining the theoretical framework, data selection, data preparation, weighting, aggregation and multivariate analysis. The next section describes the construction of the index, data normalization, treatment of the problem of missing values and system of weighting.

Index Composition

The sector development potentials index is made up of three main components, each of which is described by three pillars. The first index component is the achieved performance, supported by pillars: general performance, export performance, and sustainable performance. The second component, the economic development potential, consists of pillars: growth potential, spillover effects potential and the sophistication potential. The third component is the contribution to the socio - economic objectives and is made up of pillars: employment creation, attracting investment, and encouraging entrepreneurship.

The fourth component of the index is the expert opinions which are not included in the quantitative construction and represent a corrective component of the index. The results of the Development Potentials Index are based on quantitative data, and therefore exposed to the problems of imperfections in statistics. Interviews with experts, as the final component of the index, aims to correct, but also to further explain and amplify the results obtained from the index.

Index pillars further branch out to sub-pillars, and each sub-pillar is described in detail by its indicators. The indicators are the lowest level of aggregation of data in the composite index. The index is obtained through a process of successive aggregation of scores, starting from the lowest level (indicator level), via the relevant sub-pillars and pillars, to the level of the value of the very composite index, using the established weights for each level of aggregation. This composition of the composite index allows for multiple aspects of perceiving results: the summarized ranking of a sector, position within the pillar, and in the end, value of each indicator.

The process of creating an index requires the successive aggregation of values from the lowest level of aggregation - defined indicators that make up the index. The carrier activity of the process is data collection and preparation for analysis, normalization of all defined indicators, and at the end, their weighting system. The following section, describes all of those individual activities.

Data Preparation for Analysis

Since the process of collecting all the necessary data exhibits certain problems, one of the key activities is the preparation of the data for analysis. This primarily relates to the problem of missing values that occur for different reasons. Since its nature differs between indicators, three methods of treating this problem were developed. Also, an additional problem is the high interconnection of indicator sets. Since it is necessary to avoid the multiplication of the same or very similar information, it is necessary to treat this problem in a certain way. The next section presents the method of solving these issues.

Treatment of Highly Correlated Indicators

Testing indicator correlation constituted one of the initial data analyses. When creating the index, the goal is to include as broad a set of relevant, necessary, and different sets of information. The indicators that showed a high level of correlation among them are specifically treated (Spearman correlation coefficient above 0.8). In order to avoid the multiplication of the same information, a number of highly correlated indicators is excluded from the analysis. The criterion of treatment of highly correlated indicators was in two principles used:

- Of the indicators that are highly correlated, and are in the same component, one indicator was retained, while others are excluded from the analysis. Since these are the same components, exclusion of such indicators does not lead to a fundamental distortion of the set theoretical framework.
- The indicators that are highly correlated, but are in different components, were all retained. This is because the
 "reading" of index is achieved through partial sector performance monitoring by different bearing components.
 It is therefore important to retain the fundamental sets of information, and not damage the theoretical framework initially set. These cases small in number.

Treatment of Missing Values

When creating indicators for Development Potentials Index, it was not possible to obtain or calculate values for a number of sectors. The nature of these missing values is different, and accordingly various methods were defined to overcome them. The initial condition for the acceptance of a certain indicator implied the presence of the existing values of at least 90% of the sector within it. Only then, after awarding the missing values, it was included in the analysis. Of the 117 indicators, the treatment of missing values had to be done on just 24 indicators.

Three methods were used in the process of overcoming the problem of missing values. The method used depended primarily on the nature of the problem. The section describes the methods used by the specifics of the missing values.

- 1. For a number of indicators, values for some individual sectors could not be calculated because their performance was extremely negative, and therefore mathematical calculation was disabled. In such cases, these sectors were assigned either minimum value or a predefined "below-minimum value".
 - Example 1: When calculating the indicators concerning the inclusion and performance of the SME sector in the whole sector (pillar 9), for the sectors that do not have any small or medium-sized company it was not possible to calculate the value. In this way, these sectors were assigned minimum value. If the indicator is Contribution of SMEs to the sector revenue the value assigned is zero.
- 2. If there is an indication that the indicator with missing values has a high correlation coefficient (above 0.8), the value is created in accordance with the deviation in relation to the highly correlated one. It should be stressed that a small number of indicators lent itself to treatment according to this method, since highly correlated indicators were initially excluded from the analysis because they carry similar type of information.
 - Example 2: Examples are the sectors whose negative performance disabled indicator calculation. In the past five years, there were just a few companies that ac hieved a negative value added. Such an example was the iron and steel sector which had a negative value added in 2014, predominantly due to bad performance of "Zelezara Smederevo" steelworks. Therefore, it was mathematically impossible to calculate the indicator growth rate of labor productivity¹ in the sector. As there is an indicator with which it is highly correlated, the missing values were assigned in accordance with the movements within the indicator, thus creating an expected value.
- 3. Indicators for which no solution has been found in the previous two methods the values were assigned to them so that their ranking with and without these variables remains unchanged.
 - Example 3: The tobacco industry in the period from 2009 to 2014 not a single new SME was established. For such sectors, it was not possible to calculate the survival rate of newly established enterprises. As missing values were not the result of specific performance, nor are they highly associated with other indicators, these sectors were assigned value according to the third method.

Indicator Value Normalization

Indicator value normalization is a process of reduction of indicators to comparable values. By their nature, indicators are initially calculated in different dimensions and units of observation. The value of exports is shown is absolute, in millions of euros, while the rate of export growth was given as a percentage. For all the indicators to be reduced to an equal and comparable level, they are normalized to standard values. Then each indicator retains the same value ratio between sectors, and indicators are comparable to one another.

The process of normalization is a standard preparatory activity for the process of weighting. Then the indicators are all reduced to the same level of observation, and the weighting process adds their different specific weight in the index. Normalization was performed via standard Z value², where all indicators are reduced to the values that have an average value of 0 and standard deviation 1. In this way it is possible, using the weighting process, to fully regulate assigning a different significance to different indicators.

$$Z_{ij} = \frac{X_{ij} - \overline{X_{ij}}}{\delta_i}$$

 X_{ij-} standardized value of entity in variable j; $\overline{X_{ij}}$ - empirical value of entity in variable j; δj - arithmetic mean of variable j; δj - standard deviation of variable j

¹ Labor productivity indicator is calculated as the total value added created in the sector by number of employees in the sector. Growth rate of labor productivity indicator is calculated as the average annual growth rate of labor productivity in the period 2009-2014.

² The standardized value is a relative measure of deviation of each empirical value from the arithmetic mean, expressed in standard deviation units.

Weighting System

For the individual indicators to be aggregated into a composite index, each indicator is assigned specific significance, i.e. weighting. The decision on the weighting was taken based on the results of the preliminary analysis, the set theoretical framework and finally, expert opinion. The weights assigned to the indicators have critically important influence to the pillars that support the index, as well as to the final result of the index. There is no single rule on assigning the weighting, in this regard, the system of weighting is the result of the assessment of relative importance of each variable. The weightings designed to highlight priority areas as viewed by the experts who discussed the structure of the development potential index.

The description that follows presents the distribution of weighting in the context of a composite Development Potentials Index. Specific weighting of the nine pillars of the Index makes the sum total of 100%. Each pillar is assigned a number of 0-100% that carries the information about its importance in the context of the entire index. On the other hand, in the context of each pillar, its sub-pillars and indicators have their relative importance. Specific significance of a sub-pillar is presented in a number 0-100% within the respective pillar. In this way, all levels in the composition of the Development Potentials Index get a number that represents their specific importance for the category they explain.

In addition to defining the specific significance of individual indicators within the sub-pillars, the indicators are still specifically defined in accordance with whether the observed sector is high, moderate or low concentrated. Sector performance led by one or many companies produces different final results. Therefore such specificities of certain sectors created a blurred final image. As a solution, for all sectors that are highly concentrated, higher specific significance was awarded to the indicators relating to trends at sector level. On the other hand, in the sectors which are not concerted, more specific significance was awarded to the indicators relating to the movement of the average company in the sector.

The following graphic display presents the distribution of weighting assigned to the pillars and sub-pillars of the Development Potentials Index. The weighting of each category is the importance of the given data within the respective category. For example, the second pillar, export performance, in the entire index has a specific significance of 37%. Within it, the sub-pillar, dynamics of exports, has a weighting of 45.9% within its pillar. So in the total index, the sub-pillar dynamics of exports is weighted by the value of 16.9%.

Weighting System of Development Potentials Index

General performance 26.5%

Revenues	20%
Profitability	10%
Productivity	20%
Success	50%

Export performance 37.5%

Export volume	21.6%
Export dynamics	45.9%
Export diversification	10.8%
Export sustainability	10.8%
Export inclusiveness	10.8%

Sustainable performance 5%

Survival 4	0%
Indebtedness	30 %
Liquidity average	30%



Growth potential 5%

Spillover effect potential 6%

Complexification potential 6%

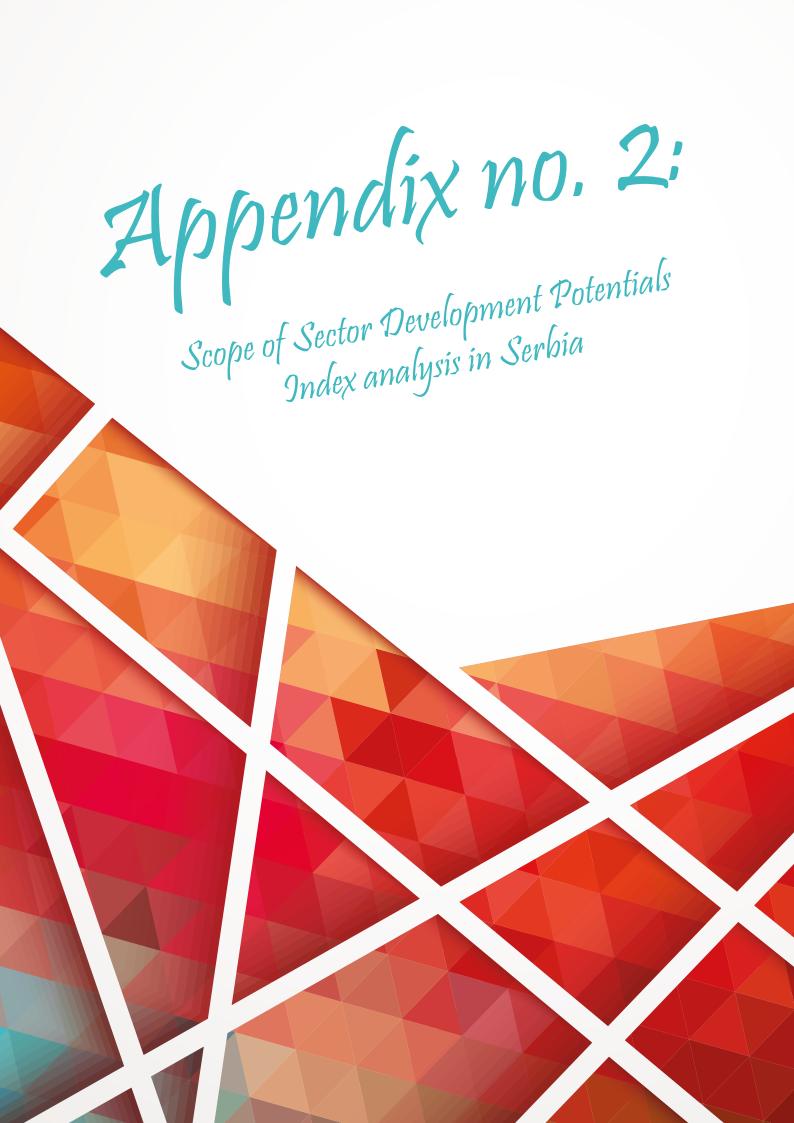
Employment creation 6%

Job creation.....**75**% Job quality......**25**%

Investment attraction 0%
Local investment.....0%
Foreign investment......0%

Encouraging entrepreneurship and development of micro and small enterprise sector 8%

Healthy SME base presence.....62.5% Export capacity of SMEs.......31.3% Entry & dev. potential of SMEs...6.2%



Forming sector development potential index primarily meant creating a methodology for systematic and comprehensive ranking of sectors according to their achieved performance and growth potential, development, and contribution to the Serbian economy. One of the initial activities included the definition of scope of analysis, observed period and creating a level of aggregation at which sector will be considered. The analysis included several complete databases, a five-year period observed, and a 114 defined sectors of tradable goods.

The scope of the analysis includes the following main categories:

- Comprehensive database of financial statements of all business entities in the Republic of Serbia
- Comprehensive database of exporters with their export activities according to the products and export destinations
- 114 sectors of tradable goods in Serbia
- Production database of exports to 110 individual foreign destinations
- Period of analysis includes the post-crisis period: 2009-2014.

The development of methodology involved an innovative index creation, which essentially combines the achieved competitiveness of the sectors, their potential for broader economic development, as well as the sector's contribution to socio-economic objectives. The index represents a new and innovative concept, created by CEVES, which to our knowledge has never existed before in global practice. However, the creation of structural elements of the index used the world's best practice of certain economic activities monitoring, adopted, adapted and improved to a certain extent for the specifics of this analysis.

The global methodologies that stood out the most were:

- Product Complexity Analysis Harvard University Methodology
- Product Export Competitiveness Analysis Constant Market Share Analysis
- Company Export Activities Survival Rates–World Bank Methodology.

In order to create a sector Development Potentials Index which would comprehensively consolidate and describe the set theoretical framework, CEVES relied on a large number of data sources. The following chapters describe the process of collecting the necessary databases and the process database cleanup.

Collection of the Required Databases

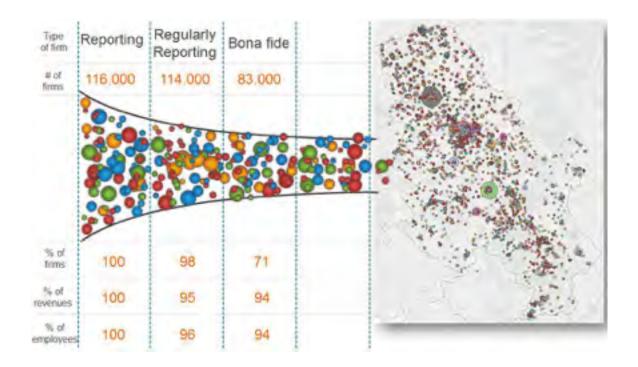
The overall sector development potential index is based on detailed and cleaned-up quantitative data. Therefore, one of the initial activities was the collecting of all the data necessary to create the index and consequent ranking of sectors.

Data were collected in raw, disaggregated form from the following source organization:

- Data on international trade source: Customs Administration, Ministry of Finance, Republic of Serbia;
- Data on international trade of products (Standard International Trade Classification, Revision 4, 4 digits) Source: UN Comtrade, International statistical database of the United Nations.
- Data on the operations of economic entities (Classification of Activities, 2010, 4 digits) source: Serbian Business Registers Agency (SBRA)
- Data on innovation activities of business entities Source: Statistical Office of the Republic of Serbia (SORS)
- Data on the investment activities of economic entities Sources: Statistical Office of the RS; The Serbian Investment and Export Promotion Agency of Serbia (SIEPA) National Alliance for Local Economic Development (NALED)
- Data on liquidity and account blocking of business entities Source: National Bank of Serbia
- Data on the predictions of international developments Source: Oxford Statistics Database

Database Cleanup

The imperfection of statistics is a problem faced also by the countries more developed than the Republic of Serbia. For the purposes of this project, CEVES worked on databases that were cleaned up and reduced to those units of observation that exhibited reliability and credibility to a high degree of certainty. Examples are the databases of operation of businesses, which are made up largely of the regular annual financial statements of companies. The analysis excluded those entities which did not submit their reports regularly; entities who did, but whose reports were suspicious in nature and so on. The reconciliation to relevant and reliable level creates the conditions for a reliable analysis.



The process of cleaning up the databases is shown in the graph. This process included the reduction of databases of all companies and entrepreneurs who submit the report (116,212 subjects who in 2014 filed a financial report) to the relevant set of entities with reliable reports. The first phase excluded irregular reporting entities. From initial set, 2,785 subjects in the previous period regularly submitted reports year after year. However, some among them submitted financial statements with significantly illogical data. Examples include entities reported identical amount of revenue and expenses year after year. Such entities were also excluded as the aim was to analyze the entities we were certain were established and operating within their registered activities. Therefore, the companies we were able to establish with certainty as actually in operation in the past, were marked as bona fide. There were 82,827 such entities in 2014.

As previously emphasized, the creation of indexes and the analysis used cleaned up databases. From the initial set of 116 212 entities, 82,827 were observed. However, although the number of these companies was significantly reduced in the analysis, the same does not apply to the share of the value created by these companies. In the process of cleaning up the data, the number of surveyed companies was significantly reduced from 100% to 71% of the companies. However, the share of created operating income, as well as share in employment of the observed entities in the total remained high at 94% (in both categories). Such a tendency speaks in favor of the cleaning up process and the relevance of observed entities.

