

Go West? Serbia under Vučić

An economic and political assessment

Alexander Radunz / Gero Kunath

Köln, 28.10.2026

IW-Report 45/2026

Wirtschaftliche Untersuchungen,
Berichte und Sachverhalte



Herausgeber

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Autoren

Alexander Radunz

Policy Officer European Affairs

radunz@iwkoeln.de

0032 251 30656

Gero Kunath

Economist für China, Schwellenländer und

Fachkräftesicherung

kunath@iwkoeln.de

0221 – 4981-568

DOI: 10.67087/12.21708

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Stand:

Oktober 2026

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JEL-Classification

O43 – Economic Growth and Aggregative Productivity, Institutions and Growth

O52 – Economywide Country Studies, Europe

D72 – Analysis of Collective Decision-Making, Political Processes: Rent-Seeking, Lobbying, Elections, Legislatures and Voting Behavior

Summary

Aleksandar Vučić had led Serbia since 2014, first as prime minister and from 2017 as president, until his rule ended in October 2026 in a landslide defeat by the Student List. This report assesses the political and economic record of his twelve years in power.

Politically, the record shows institutional erosion. The Varieties of Democracy Institute classified Serbia under Vučić as an electoral autocracy, and Serbia ranks last among the Western Balkan countries on the Liberal Democracy Index. Transparency International's Corruption Perceptions Index fell to a historic low of 33 points in 2025. Many state-owned enterprises are run by acting directors, and large infrastructure and mining projects are often exempted from standard procurement and environmental rules. The collapse of the Novi Sad railway station canopy in November 2024, which killed 16 people, triggered the nationwide student-led protests against corruption and ultimately led to Vučić's downfall as the leader of the country.

Economically, the record is solid but not impressive. Vučić took over Serbia after a prolonged recessionary phase following the Great Financial Crisis and initiated several structural reforms for fiscal consolidation. In the following years, the Serbian economy grew strongly, the labor market improved substantially, inflation stabilized and international trade and investment relationships deepened. Since the Covid pandemic and the Russian war against Ukraine, the economic challenges increased again. Economic growth incrementally weakened, inflation took a toll on the economy and people's livelihood and the labor market suffered from declining employment for the first time during the Vučić years. Overall, average annual growth stood at a solid 2.8 percent between 2014 and 2025.

The quality of economic growth under Vučić, however, was rather poor. Growth relied heavily on foreign private and domestic public investment, while the domestic private sector remained underdeveloped. Investment flowed mainly into traditional, low-productivity industries. The innovative strength was weak with research and development spending remaining far below the EU average. With respect to trade and investments, the EU remained the most important partner for Serbia and the ties between the two economic blocs deepened. However, China became an increasingly important actor in the country's economy and developed several large-scale industrial and infrastructure projects. Moreover, Serbia remained critically dependent on Russian gas, which poses a strategic vulnerability. Despite some improvements of people's livelihood due to rising wages and price stability, the financial situation of Serbian households is still strained. In addition, Serbia's economic performance under Vučić was not sufficient to close the development gap with Central and Eastern European countries, which remains at about 60 percent of their average level.

The key political challenge for the coming government lies first in the formation of a coherent political agenda and vision and ultimately in the qualitative restoration of democratic institutions. The key economic challenges for the next government are the modernization of the industrial base and strengthening of the economy's innovative capacities, the adaptation of the labor market and social security systems to a shrinking and ageing population, as well as the diversification of energy supplies.

1 Introduction

Aleksandar Vučić was Serbia's dominant political figure from 2014 to 2026, first as prime minister between 2014 and 2017 and later as president until his resignation in September 2026. On 25 October 2026, this era reached a decisive turning point when Vučić conceded defeat in a snap parliamentary election to the so-called *Student List*. His political leadership was marked by an increasing concentration of power, the dominance of the ruling Serbian Progressive Party (SNS), pressure on independent media, and the weakening of institutional checks and balances. The economic track record of Vučić is overall solid. Shortly following his inauguration, the country escaped a long recessionary phase since the Great Financial Crisis, the labor market improved considerably, and Serbia experienced a period of price stability after a long time of repeated inflationary phases. Despite the political orientation towards the East and in particular China, the Serbian economy continued to deepen its ties with the European Union, which remained the major partner for trade and investments. However, China expanded its footprint in the region significantly.

The economic and political balance of the last decade paints a mixed picture of the course of the country. Looking at domestic politics, successes such as an improving economy contrasted with accusations of increased corruption and democratic backsliding. His foreign policy course resembled a balancing act between the neighbouring geopolitical blocs EU and Russia and the more distant but influential China and the United States. While he officially pursued and initially pushed forward the EU accession plans, progress has stalled in recent years. Owing to the deep cultural, religious and political ties between Russia and Serbia and the critical dependency of Serbia on Russian gas, Vučić has also maintained publicly close ties with Russia's president Putin. In addition, he deepened the economic ties with China by letting Chinese firms take over valuable industrial assets such as the copper and gold mines in Bor or the Smederevo steel plant and involving them increasingly in public infrastructure development. Chinese companies played a role in the tragedy, which heralded a period of domestic political pressure on Vučić. Following the collapse of the canopy of the Novi Sad railway station, which killed 16 Serbians, student-led protests throughout the country emerged and demanded an end to the perceived corruption. Thereafter, protests spread across the country, with diverse social groups joining the movement. These protests led to Vučić's resignation as president in late September 2026 and the snap parliamentary election of 25 October, transforming a protest movement centered on institutional accountability into a direct electoral challenge to the political order established under the SNS.

The apparent contrast between economic progress and institutional erosion is central to assessing Serbia's development model. While investment-led growth, infrastructure expansion and falling unemployment have generated tangible economic gains, the institutional framework through which investment and public spending are governed has increasingly been characterized by weak oversight, limited transparency and selective regulatory enforcement. The question is therefore not only whether Serbia has grown under Vučić, but also how the quality of its institutions shaped the composition, distribution and sustainability of that growth.

The successful Student List campaign reflected this divide in competing notions of political and economic performance. It centered its campaign on institutional accountability, anti-corruption measures and education, while the SNS emphasized continuity, economic stability, higher pensions and public-sector wages, and further investment in healthcare and infrastructure.

More broadly, the Serbian case raises the question of what happens when authoritarian-leaning governments fail to respond to growing perceptions of corruption and the institutional mechanisms capable of

mediating public discontent become increasingly ineffective, potentially allowing new alliances to emerge across established urban–rural and political divisions (Radunz, 2026).

The election outcome therefore marks a political turning point, but whether it also becomes an institutional and economic turning point will depend on the formation of the next government and its capacity to reform the structures examined in this report.

The following report assesses the political and economic status quo of Serbia after twelve years of Vučić's rule. Section 2 examines the political and institutional decay since Vučić's SNS took power. Section 3 analyzes the economic performance of the Serbian economy under Vučić. Section 4 concludes and provides an outlook on the imminent political and economic challenges for the upcoming government.

2 Serbia's Political Development under Vučić

This section examines Serbia's political and institutional trajectory since Aleksandar Vučić and the Serbian Progressive Party (SNS) consolidated power between 2012 and 2014. It traces how incremental institutional erosion, opaque state-to-state investment deals, and local socio-ecological grievances converged after the November 2024 Novi Sad railway station tragedy into the most severe legitimacy crisis of Vučić's rule, culminating in his resignation as president and the calling of snap parliamentary elections in October 2026.

2.1 Institutional Erosion and Geopolitical Perceptions

Serbia's political-institutional trajectory has stood in growing tension with core principles of liberal market democracies for more than a decade.

Operating in a post-transformation environment still shaped by the economic and institutional legacies of the 1990s conflicts, international isolation, and the unresolved status of Kosovo, the executive gradually dismantled independent oversight bodies, ranging from the judiciary and regulatory agencies to electoral administration and the media sector (Perry, 2019; Němec/Stojarová, 2025).

This institutional erosion is clearly reflected in international governance datasets. In its Democracy Report 2026, the Varieties of Democracy (V-Dem) Institute classifies Serbia as an "electoral autocracy", reflecting a sustained process of democratic backsliding since the SNS consolidated power between 2012 and 2014 (Coppedge et al., 2026). Globally, Serbia ranks 112th out of 179 countries on the *Liberal Democracy Index* (*individual rights and institutional checks*) and, alongside Hungary, records one of the steepest declines in democratic quality in Europe over the past decade (Coppedge et al., 2026).

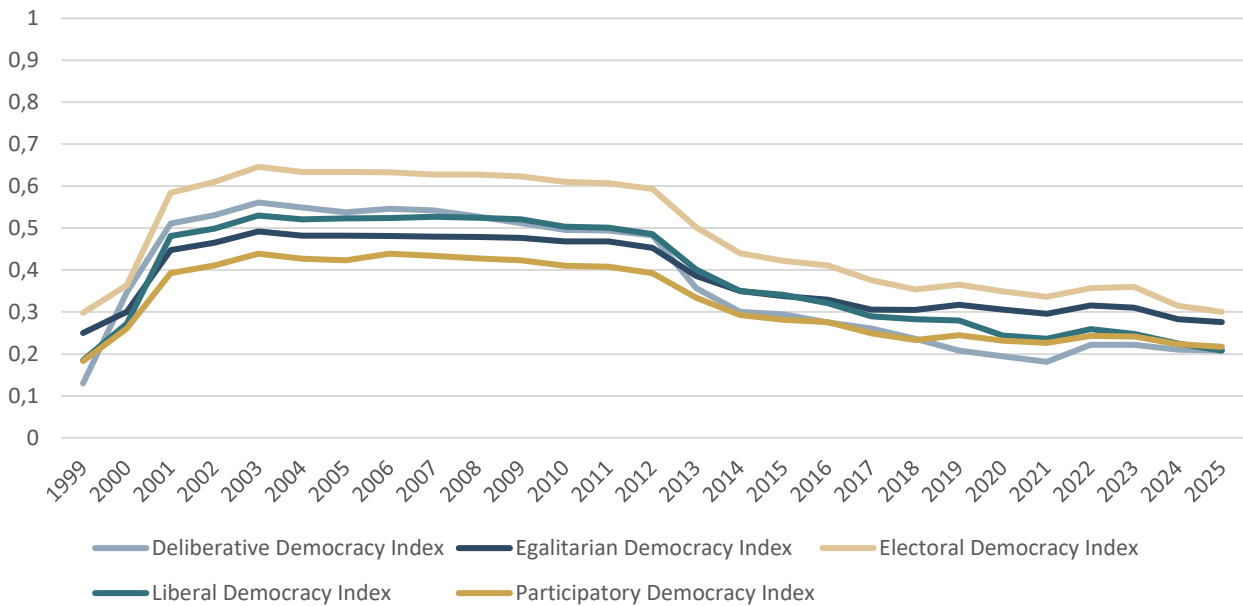
This deterioration extends across all five dimensions of democracy measured by V-Dem (see Figure 2-1). Between 2012 and 2025, Serbia's *Electoral Democracy Index* (electoral competition and suffrage) declined from 0.59 to 0.30 and its *Liberal Democracy Index* from 0.49 to 0.21. Similar declines occurred in the *Deliberative Democracy Index* (reasoned public decision-making, 0.49 to 0.21), the *Egalitarian Democracy Index* (equal political empowerment, 0.46 to 0.28), and the *Participatory Democracy Index* (direct and civic participation, 0.39 to 0.22). The particularly pronounced deterioration from 2013 onwards suggests that institutional erosion extended beyond electoral competition to political deliberation, equal access to political rights, and opportunities for civic participation (Coppedge et al., 2026).¹

In regional comparison, Serbia's core institutional indicators in 2025 have fallen even below those of Hungary under Viktor Orbán: with an Electoral Democracy Index of 0.30 and a Liberal Democracy Index of 0.21 (compared to 0.42 and 0.32 in Hungary), Serbia ranks last among Western Balkan economies on these measures, indicating an entrenched concentration of executive power and weakening institutional constraints (Coppedge et al., 2026).

¹ *Electoral democracy* measures competitive elections and political freedoms; *liberal democracy* adds civil liberties and institutional checks; *deliberative democracy* captures reasoned public decision-making; *egalitarian democracy* equal political empowerment; and *participatory democracy* direct and civic participation. All indices range from 0 to 1, with higher values indicating stronger democratic performance.

Figure 2-1: Selected V-Dem indicators on democratic quality, 1999 – 2025

Range 0-1 (higher values indicating stronger democratic performance)



Source: V-Dem Institute, 2026

A parallel deterioration is evident in perceptions of public-sector corruption. In Transparency International's 2025 *Corruption Perceptions Index* (CPI), Serbia fell to its lowest score under the current methodology, with 33 out of 100 points (down from 42 in 2013), ranking 116th out of 182 countries. Having fallen 45 places relative to its best ranking a decade earlier, Serbia now sits 29 points below the EU average of 62 and ranks last in the Western Balkans, with only Belarus, Turkey, and Russia scoring lower among the European countries covered (Transparency Serbia, 2026a).

This institutional weakness raises concerns about contract enforcement, market competition, and resource allocation. Nontransparent investment decisions and weakened institutional oversight create opportunities for political favouritism and distortions in market competition (Transparency Serbia, 2026a; Transparency International, 2026; Radunz, 2026).

The erosion of rule-of-law standards forms the operational core of Serbia's political-economic governance, resting on the following institutional mechanisms: One aims at the weakening of judicial enforcement and expansion of state monitoring. For example, when the Prosecutor's Office for Organized Crime (TOK) opened investigations into cabinet members over prominent public procurement irregularities, the executive intervened through legislative changes and police obstruction (Transparency Serbia, 2026a).

In parallel, state control capacities were expanded through Huawei's "Safe City" infrastructure in Belgrade, Niš, and Novi Sad, which deployed up to 8,100 biometric facial-recognition cameras in Belgrade amid non-transparent procurement procedures and corruption allegations involving state-owned Telekom Srbija data centers (Briganti, 2021; Nash, 2022; Némec/Stojarová, 2025).

A further mechanism aligns political patronage to state-owned enterprises. Public enterprises serve as key instruments of party patronage. Out of 34 major SOEs, only two entered 2026 with a director lawfully appointed via competitive tender; the remaining 32 were run by acting directors kept in politically revocable short-term mandates (Transparency Serbia, 2026b; Némec/Stojarová, 2025).

Furthermore, large-scale infrastructure, real estate, and extractive investments are routinely removed from standard public procurement, fiscal oversight, and environmental impact legislation via confidential inter-governmental agreements, such as state-to-state deals or project-specific laws (Transparency Serbia, 2026a). In institutional economics and security research, such deals or capital inflows are classified as “dual-use” instruments and “corrosive capital”, which exploits domestic rule-of-law deficits, bypasses the stricter environmental and tendering standards of Western development banks, and stabilizes domestic patronage networks while diluting EU reform conditionality (Prelec, 2020; Zweers et al., 2020; Němec/Stojarová, 2025).

In foreign economic policy, the domestic political model is complemented by an external “four pillar” strategy towards the EU, China, Russia, and the US, which positions Serbia as an East–West “balancer state” (Němec/Stojarová, 2025; Hartwell/Sidlo, 2017).² Since 2013, China has implemented at least 61 projects with an estimated volume of around €19 billion in Serbia, out of 120 Western Balkan projects totalling €28 billion, including at least €5.7 billion in Chinese Export–Import Bank loans, establishing the country as China’s primary regional hub (Němec/Stojarová, 2025). Combined with Belgrade’s refusal to align with EU sanctions against Russia and its official rhetoric of an “ironclad friendship” with Beijing, this policy has entrenched the external perception of a strongly Russia- and China-oriented political economy (Matković, 2020; Vladislavljev, 2026; Juzová, 2023; Němec/Stojarová, 2025).

This political framing is mirrored in domestic public opinion data, where EU support is the lowest in the enlargement region (Stanojević et al., 2023). In the 2025 Special Eurobarometer, only 33.0 percent of Serbian respondents favour EU accession and 38.0 percent hold a positive image of the EU, compared to 82.0 percent in Albania, another accession candidate country. In the 2025 Balkan Barometer, 42.0 percent of Serbians view EU membership positively while the regional average in the Western Balkan is 64.0 percent. One-third of Serbian nationals expect their country to never join the EU (European Commission, 2025a; Regional Cooperation Council, n.d.).

By contrast, Belgrade Center for Security Policy surveys recorded 40.0 percent naming Russia as Serbia’s “best friend”, 72.0 percent assessing Russian influence positively, and nearly 90.0 percent viewing Chinese influence positively, whereas only 9.0 percent ranked EU accession as the main foreign policy priority (Bjeloš et al., 2020). Further polls indicated around 40.0 percent of respondents identifying China as Serbia’s largest foreign donor compared to 17.6 percent naming the EU (Milić, 2020; Němec/Stojarová, 2025).³ Meanwhile, the share viewing the EU as Serbia’s primary economic partner declined from nearly 80.0 to 64.0 percent between 2022 and 2024 as China’s standing rose from 15.0 to 25.0 percent (Hartwell/Vladislavljev, 2020; REUNIR, 2024). According to the Friedrich-Ebert-Stiftung (FES) Security Radar 2025, 86.0 percent of respondents favour avoiding international alignments, with half opposing any reduction in economic ties with Russia and China (Friedrich-Ebert-Stiftung, 2025). As the economic analysis in Section 3 demonstrates, however, these public perceptions do not align entirely with Serbia’s actual trade and investment relationships with these economic blocs.

² The geopolitical concept of “balancer state” is derived from the concept of balance of power. As a dominant republic within the Socialist Federal Republic of Yugoslavia, Serbia conducted a self-proclaimed foreign policy that balanced between the communist bloc and the West (Němec/Stojarová, 2025).

³ In comparison, the EU had already provided approximately 3.6 billion EUR in non-repayable assistance to Serbia by 2018, compared with only 30 million EUR in Chinese grants over the same period, a ratio of roughly 120:1 (Popescu/Ruge, 2020). Much of China’s additional infrastructure financing took the form of repayable loans rather than grants.

2.2 Externalized Costs, Extractive Governance, and the Novi Sad Catalyst

While state-supported industrial, mining, and infrastructure projects have contributed to aggregate output and export growth in the short term, they rely on a structural externalization of adjustment costs onto public budgets, environmental resources, and domestic as well as migrant labor (Radunz, 2026).

In Serbia, the five largest corporate polluters are all owned by or linked to Chinese state-backed enterprises, reflecting a pattern of industrial “ecological outsourcing” into a weak regulatory jurisdiction (Matković, 2020; Němec/Stojarová, 2025).

The eastern Serbian mining complex in Bor illustrates this trade-off between aggregate export performance and local welfare losses. Following the Chinese state-backed mining conglomerate Zijin Mining’s 2018 acquisition of a 63 percent stake in the formerly state-owned RTB Bor complex and the opening of the Čukaru Peki mine, copper exports to China expanded rapidly (Zijin Mining, 2020; 2022).

Yet the massive expansion of mining activities pushed forward by Zijin Mining has received significant societal backlash for excessive environmental pollution and the expulsion of the mostly farming residents (Morrill, 2025; Trevisan, 2026). Because capacity expansion exceeded outdated abatement infrastructure, sulphur dioxide concentrations reached 5.5 to 8.3 times the statutory limit, while the Institute of Public Health of Serbia documented the country’s highest cancer morbidity and mortality rates, turning surrounding settlements into an environmental “sacrifice zone” and prompting up to one-third of the city of Bor’s residents to consider emigrating (Morrill, 2025; Trevisan, 2026; Petkova, 2021; Shehadi, 2021; Němec/Stojarová, 2025).

Institutionally, these externalities stem from the suspension of domestic regulatory enforcement, as the privatization contract exempted the investor from environmental liability during the transition period through a provision that “essentially allows a single commercial agreement to suspend the legal order of Serbia effectively,” while minor court fines of €8,500 to €26,000 initiated by the Renewables and Environmental Regulatory Institute lacked binding compliance mechanisms (Prelec, 2021; Němec/Stojarová, 2025).

Moreover, the company faces allegations of using forced labor, which resulted in an import ban by the United States on copper and copper products produced by Zijin Mining in Serbia in 2026, following earlier documentation of passport confiscations under a 2018 bilateral agreement exempting Chinese workers in Serbia from domestic labor standards (U.S. Customs and Border Protection, 2026; Dragojlo, 2021a; Němec/Stojarová, 2025).

Comparable regulatory distortions characterize other flagship industrial sites across the country. At the Shandong Linglong tyre plant in Zrenjanin, authorities allocated 96 hectares of farmland free of charge and roughly €75 million in state subsidies without a prior environmental impact study, while labor abuses against Vietnamese workers triggered a December 2021 European Parliament resolution; at the Hesteel steel mill in Smederevo, heavy-metal dust emissions and a near-fourfold increase in local cancer cases between 2011 and 2019 prompted the Tvrdava civic protests; and at the Kostolac B3 power plant, mine and plant expansion was awarded directly without a public tender or environmental impact assessment (Matković, 2020; Dragojlo, 2021b; European Parliament, 2021; Vasovic, 2021; Němec/Stojarová, 2025).

Across the Balkans, over 100 local protests and legal disputes at Chinese project sites were recorded as of 2024 (Just Finance International, 2024). However, recent political-economy studies emphasize that growing public resistance to Chinese-led projects in Serbia is less rooted in sinophobia, but responds to a “synergy of failures” between foreign investors and domestic regulators and a “malign synergy of pollution and illiberalism” in which state authorities waive environmental, labor, and property protections to secure investment inflows and political rents (Tsimonis et al., 2020; Duvnjak/Bruni, 2025; Němec/Stojarová, 2025; Gubenko,

2026).

The fact that societal opposition targets Serbia's domestic governance of extractive projects rather than Chinese capital alone is illustrated by the protests against Rio Tinto's approximately €2 billion Jadar lithium project near Loznica, whose output could meet a significant amount of European lithium demand by 2030 (Ivanović et al., 2023; Müller et al., 2025). Following its suspension amid mass protests in 2022, Belgrade reinstated the project in July 2024 alongside a strategic raw materials memorandum with the EU, attended by German Chancellor Olaf Scholz and Commission Vice-President Maroš Šefčovič (Müller et al., 2025). In 2025, Germany earmarked up to €4.9 million for environmental assessment capacity-building and dialogue with civil society (Dragojlo/Meyer, 2026). Meanwhile, 63 percent of Serbian respondents identified air pollution, 64 percent water pollution, and 59 percent soil pollution as local environmental concerns (Regional Cooperation Council, n.d.).

Independent courts, regulators, and media can serve as corrective feedback mechanisms that mitigate systemic shocks, while weakened institutional accountability may reinforce existing vulnerabilities (Bornstein, 2013). In Serbia, environmental degradation, investor interests, and democratic backsliding illustrate how deficient governance can undermine societal resilience and fuel broader, unprecedented political opposition (Němec/Stojarová, 2025; Müller et al., 2025).

In November 2024, Serbia's institutional vulnerabilities became visible when the concrete canopy of Novi Sad's recently renovated railway station collapsed, killing 16 people (OSW, 2025a; European Commission, 2025b). The reconstruction formed part of the Chinese-backed Belgrade–Budapest railway programme, undertaken by China Railway International and China Communications Construction Company and largely financed through public borrowing rather than Chinese direct investment (Serbian Ministry of Construction, 2025; Pupin Initiative, 2025). The project had been promoted as a symbol of state-led modernization, replacing the 1990s association of "Made in China" with informal retail markets such as New Belgrade's Blok 70 (Duvnjak/Bruni, 2025; Pupin Initiative, 2025).

Awarded without an open tender under an intergovernmental agreement, the project lacked publicly accessible pricing records and clear documentation of subcontractor selection, limiting competition and external scrutiny of public spending. Investigations have also examined contract amendments signed by two former construction ministers, suspected of enabling additional charges without competitive tendering and causing approximately \$115 million in losses to the state budget (Transparency Serbia, 2024). While these allegations remain unresolved, the European Commission documented police non-cooperation and the withdrawal of investigators from the related corruption investigation (European Commission, 2026). Public protests under the slogan "*Korupcija ubija*" ("Corruption kills") thus reflected broader concerns over institutional accountability, while the case illustrates how opaque public procurement can undermine value for money, public safety and confidence in state-led investment (OSW, 2025a; Transparency Serbia, 2024).

2.3 Societal Feedback Mechanisms and Mobilization

In a low-trust institutional environment, perceived governance failures and externalized costs can act as powerful endogenous corrective mechanisms that alter traditional political alignments (Radunz, 2026). For over a decade, the ruling SNS stabilized its electoral majority by polarizing voters between urban-progressive middle classes in Belgrade and Novi Sad and rural-conservative constituencies in smaller municipalities, yet

between late 2024 and autumn 2026 two parallel developments bridged this divide (Kurbangaleeva, 2026; Kosić, 2026).

First, in local conflicts over mining and industrial pollution in Bor, Smederevo, Zrenjanin, and the Jadar Valley, rural constituencies framed environmental protection under the banner of “*ekološki patriotizam*”, ecological patriotism, as a matter of national sovereignty and property security, defending agricultural land and water resources against a political leadership accused of subordinating domestic welfare to foreign corporate interests from both East and West (Pešić/Vukelić, 2022; Stepanović, 2024; Tiedemann, 2024; Němec/Stojarová, 2025). This framing neutralized the government media’s standard strategy of discrediting environmental critics as “foreign mercenaries” and elites paid by “the West” (Němec/Stojarová, 2025; Pešić/Vukelić, 2022; Trevisan, 2026).

Further, the victims in the Novi Sad incident included commuters, schoolchildren, and pensioners from provincial towns. The failure of public infrastructure affected all social groups equally (de Launey, 2025). University students leading nationwide faculty blockades set aside polarizing foreign-policy symbols by excluding both EU and Russian flags, operated independently of fragmented opposition parties, and focused strictly on accountability and transparency (OSW, 2025a; 2025b). Through protest marches and bicycle relays into provincial municipalities and SNS strongholds, the movement bypassed state-aligned national television channels and established a nationwide civic network (OSW, 2025a; BCSDN, 2026; Němec/Stojarová, 2025). Survey data from the Center for Research, Transparency and Accountability (CRTA) reflect this broad societal discontent. In February 2025, 64.0 percent of citizens supported the student protests, around one-third reported having participated in demonstrations, and 72.0 percent attributed the protests to public anger over negligence and corruption surrounding the Novi Sad tragedy. By April, 51.0 percent were dissatisfied with the government’s overall performance and 61.0 percent specifically with its handling of corruption (CRTA, 2025).

While the movement’s formal agenda remained predominantly institutional, it was not entirely detached from socio-economic concerns. One of the four original student demands called for a 20.0 percent increase in public funding for higher education, whereas inflation, housing, wages, or pensions did not form part of the core agenda (Sekularac et al., 2025; Smith, 2025). Yet the movement unfolded against pronounced economic dissatisfaction. In the Balkan Barometer 2025, 70.0 percent of Serbian respondents rated the national economic situation as rather bad or very bad, while 54.0 percent identified rising prices and the cost of living and 48.0 percent corruption among the country’s three most important problems (Regional Cooperation Council (RCC), 2025). Socio-economic grievances therefore appear as part of the broader livelihood context in which demands for institutional accountability gained support.

The movement submitted a non-partisan Student List of 250 candidates for the early parliamentary elections, supported by opposition parties and civic associations (Kurbangaleeva, 2026; Kosić, 2026; Tschinderle, 2026). Constitutionally barred from a third presidential term in 2027, Vučić dissolved parliament, scheduled snap parliamentary elections for 25 October 2026, and resigned early as President in September 2026 to run for Prime Minister at the head of the SNS list, seeking to preserve executive control by shifting power back to the head of government (Kosić, 2026). Despite pronounced media asymmetry, with Vučić personally accounting for 50.0 percent of national television airtime and his opponent Srdanović receiving 88.0 percent negative coverage on pro-government channels, pre-election surveys indicated an open race (Tschinderle, 2026; Kurbangaleeva, 2026).

The following section examines the extent to which Serbia's political-institutional and social trajectory is actually reflected in key macroeconomic, labor-market, and external economic performance indicators, and whether the perception of an eastern-oriented growth model holds up against empirical data.

3 Serbia's Economic Development under Vučić

This section presents selected indicators on economic development, the labor market, people's livelihood as well as on international trade and investments to assess key trends and the status quo of the Serbian economy under Vučić.

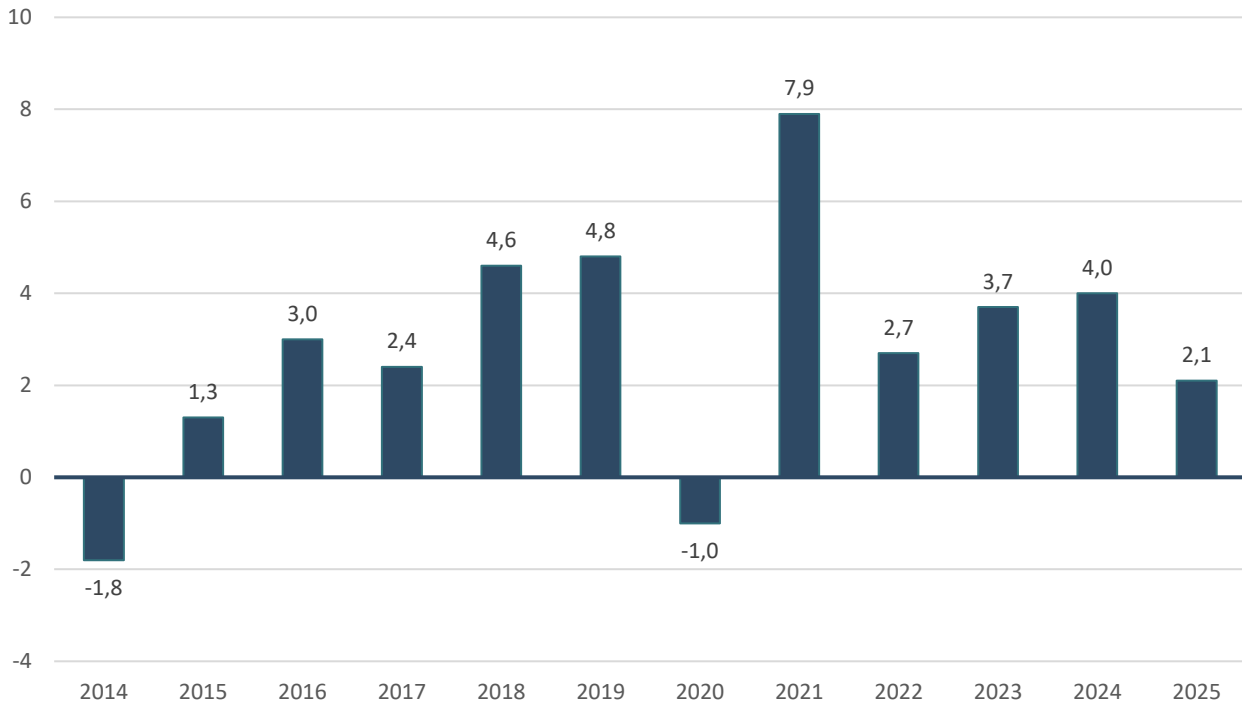
3.1 Economic Development

Following the war in Kosovo in 1999, Serbia tried to rebuild its economy by attracting foreign direct investment and channelling it into the manufacturing sector as well as by developing the country's damaged infrastructure via public investments. While this stimulated economic growth, not all sectors profited equally from this growth model. In particular, the domestic private sector of the economy remained underdeveloped (Aničić et al., 2025). When Vučić took power as prime minister in March 2014, the Serbian economy had been in a prolonged recessionary phase since the Great Financial Crisis in 2008/2009. Among the most pressing issues were high unemployment, a widening public deficit, weak growth and a pessimistic business climate (International Monetary Fund, 2013).

Shortly after Vučić's inauguration in March 2014, he began implementing several structural reforms targeting labor, pension, corporate bankruptcy and privatization laws and enforced fiscal consolidation by reducing the public sector's wage and pension bills as well as budget support to financial enterprises (IMF, 2014). However, Serbia experienced a massive natural disaster with floods caused by excessive rainfall threatening the livelihood of more than 1.6 million people and causing damage totalling €1.7 billion or 4.7 percent of Gross Domestic Product (GDP) (United Nations Development Programme, 2025). Consequently, the economy recorded a negative growth rate of minus 1.8 percent against the previous year. In the following year, the Serbian economy quickly recovered and escaped recession with positive economic growth of 1.3 percent – the highest growth rate of annual GDP since 2008. Since then, annual economic growth gradually improved further and reached 4.8 percent against the previous year in 2019 before the Covid pandemic set Serbia back into recession in 2020. Again, the Serbian economy recovered rapidly and grew strongly with 7.9 percent in 2021. In the following years, economic growth slowed but remained stable and sound with annual growth rates of 2.7 percent in 2022, 3.7 percent in 2023 and 4 percent in 2024. In 2025, growth decelerated markedly and reached only 2.1 percent – the lowest annual growth rate since 2015 (see Figure 3-1). The average annual growth rate of Serbia's economy under Vučić between 2014 and 2025 stood at a solid 2.8 percent.

Figure 3-1: Economic growth in Serbia under Vučić

Year-on-year change in real GDP, in percent



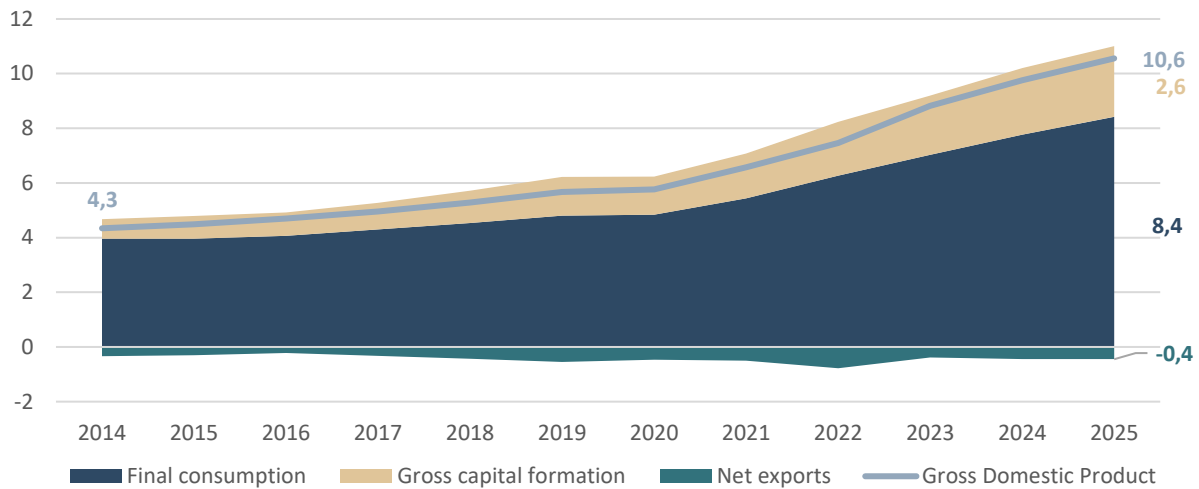
Source: Statistical Office of the Republic of Serbia

The main drivers of economic growth in Serbia since the 2000s have been foreign direct investments and domestic public and private investments. These investments have often targeted public infrastructure development as well as traditional manufacturing sectors such as rubber and plastic manufacturing, food production and metallurgy as well as the construction and mining sector. Consequently, the capital stock and employment grew in these sectors, which exhibit rather low value-added and low productivity (Aničić et al., 2025).

The economic development under Vučić has been no different and these trends continued or even intensified (see Figure 3-2). The nominal GDP of Serbia in 2014 stood at 4.3 trillion RSD (around €36.6 billion). Final consumption expenditures of households and the government made up 91.3 percent of GDP, gross capital formation accounted for 16.5 percent of GDP, while the trade deficit contributed negatively to GDP with 7.7 percent of total GDP. Under Vučić, capital formation took a more prominent role at the cost of final consumption. By 2025, nominal GDP had reached 10.6 trillion RSD (around €90.2 billion) of which gross capital formation accounted for 24.5 percent of GDP while the share of final consumption diminished to 79.7 percent. The share of the Serbian trade deficit of GDP reduced to 4.2 percent.

Figure 3-2: Development of nominal Gross Domestic Product and its components

in trillion RSD, current prices

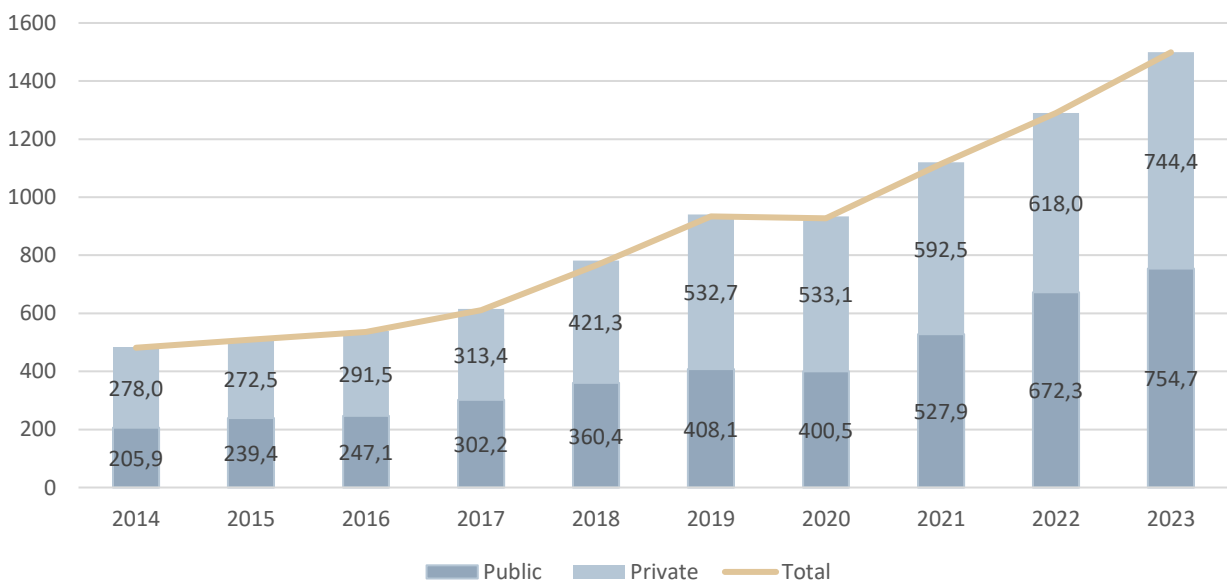


Source: Statistical Office of the Republic of Serbia

The expansion of capital formation has been fuelled by growing private and public investment in recent years. The annual volume of realized investments in fixed assets rose from 484 billion RSD to close to 1.5 trillion RSD between 2014 and 2023 (around €4.1 billion and €12.8 billion respectively) (see Figure 3-3). Under Vučić, investment activity gradually shifted away from the private sector to the public sector in recent years. In 2014, public investments made up 42.6 percent and private sector investments accounted for 57.4 percent of total realized investment. By 2023, the importance of the public sector had grown substantially with now 50.3 percent of total investments stemming from the public sector and a notably diminished share of 49.7 percent stemming from the private sector.

Figure 3-3: Development of realized investments in fixed assets by private and public sector investors

in billion RSD, current prices

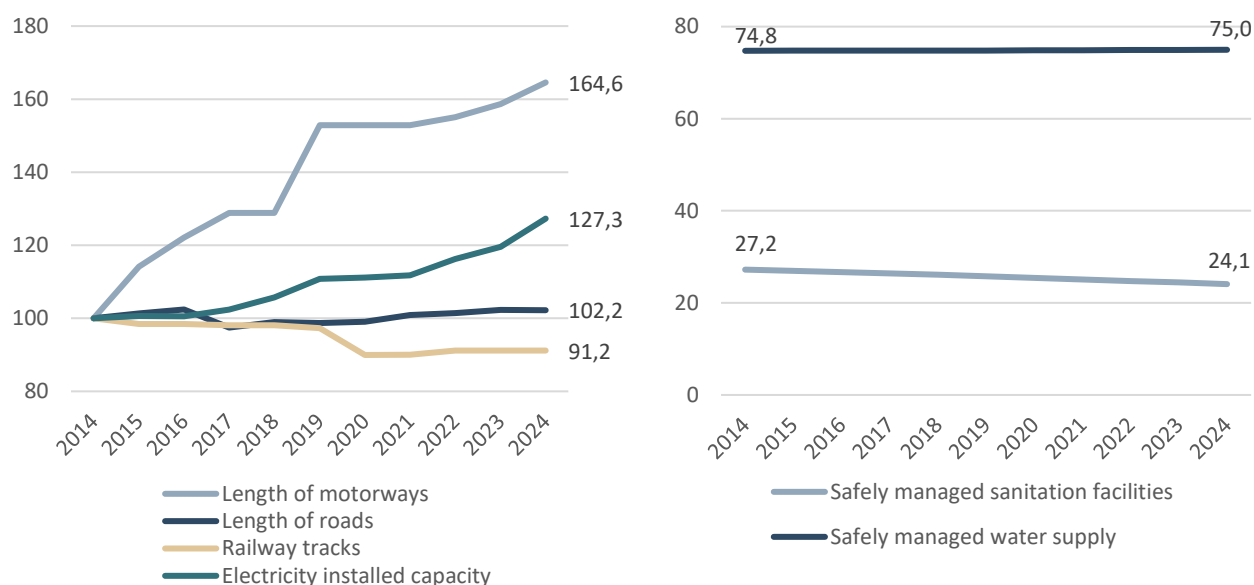


Source: Statistical Office of the Republic of Serbia

Despite the growing public investment volume, Serbia's infrastructure has improved in a few selected areas, while it stagnated or even worsened in most (see Figure 3-4). Infrastructure development under Vučić has focused nearly exclusively on the expansion of motorways, whose coverage rose by 64.6 percent between 2014 and 2024. Installed electricity capacity also increased by 27.3 percent during that period. Both the length of roads (up 2.2 percent between 2014 and 2024) and access to safely managed water supply (around three-quarters of the population) largely stagnated. The length of railway tracks declined substantially by nearly a tenth (8.8 percent) as well as the access to safely managed sanitation facilities, which declined from 27.2 percent of the total population down to 24.1 percent. Relative to the EU average, Serbia's infrastructure fell behind in all six indicators, except for motorways (Jovanić, 2026).

Figure 3-4: Development of selected indicators on public infrastructure

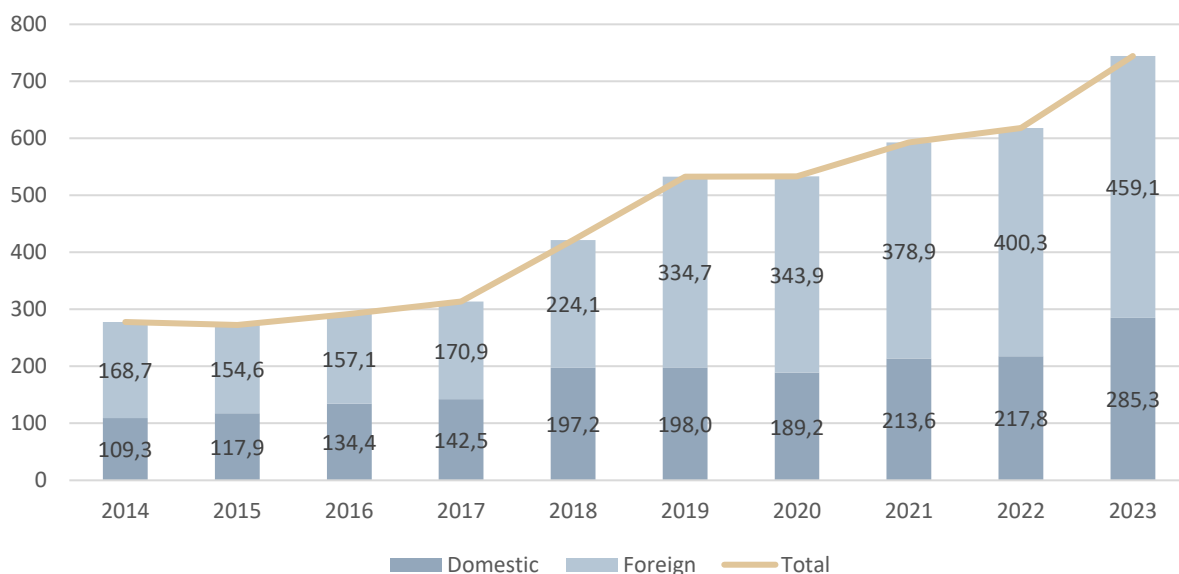
Hard infrastructure indicators (left) as indices (2014=100), sanitation access measures (right) in percent of total population



Source: Vienna Institute for International Economic Studies

Although the share of private sector investments has declined between 2014 and 2023, their volume increased substantially. This absolute increase in private sector investments – in particular since 2018 – has been mostly driven by foreign direct investments, while domestic private investments played a subordinate role (see Figure 3-5). In both 2014 and 2023 the domestic Serbian private sector provided roughly 40 percent of realized private investments (39.3 percent in 2014 and 38.3 percent in 2023), while foreign investors accounted for around 60 percent (60.7 percent in 2014 and 61.7 percent in 2023). The relative importance of the domestic private sector for investment thus remained subdued under Vučić.

Figure 3-5: Development of realized private investments in fixed assets by domestic and foreign investors
in billion RSD, current prices

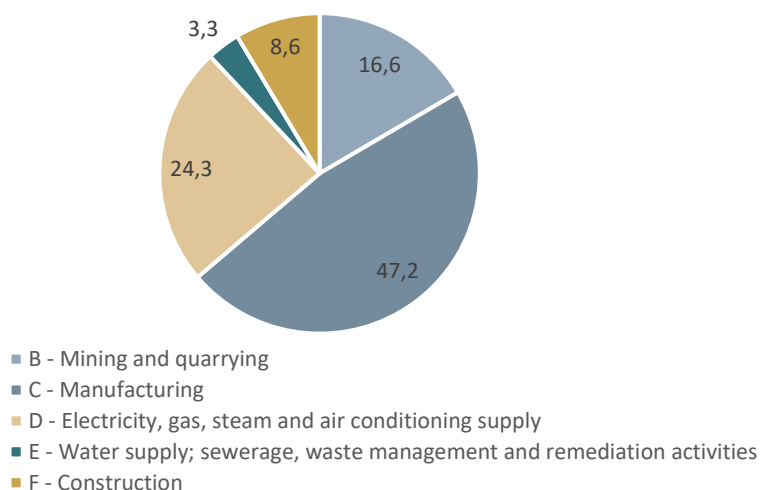


Source: Statistical Office of the Republic of Serbia; German Economic Institute

The largest recipient of total investment in the productive sector was by far the manufacturing sector with a total volume of realized investments between 2014 and 2023 of more than 1.8 trillion RSD (around €15.4 billion), which was equivalent to nearly half (47.2 percent) of the realized investment volume in the productive sector in that period. Around a quarter (24.3 percent) of total productive sector investments and hence around 931 billion RSD (around €7.9 billion) were allocated to the energy supply sector. The mining sector realized the third highest investment volume worth 635 billion RSD (around €5.4 billion) between 2014 and 2023. The construction sector and the water and waste management sector received substantially smaller shares of the total realized investment volume of 8.6 percent and 3.3 percent respectively.

Figure 3-6: Cumulative realized investments in fixed assets between 2014-2023 by productive sectors

Shares of total realized investments in fixed assets by productive sector, in percent



Source: Statistical Office of the Republic of Serbia; German Economic Institute

The largest recipients of investments within the manufacturing sector have been mostly traditional industries, which are labor-intensive, generate low value added and exhibit rather low productivity such as rubber and plastic as well as paper manufacturing, food and beverages production and metallurgy. More sophisticated sectors included the production of automotive parts, chemical products and electrical equipment (see Table 1).

Table 1: Top 10 industries with the largest realized investment volumes between 2014 and 2023

Volumes in billion RSD; shares of total realized investments in manufacturing sector in that period, in percent

Industry (NACE division)	Volume (in billion RSD)	Shares (in percent)
Rubber and plastic products	302.6	16.7
Food products	280.9	15.5
Motor vehicles, trailers and semi-trailers	196.8	10.9
Fabricated metal products, except machinery and equipment	148.2	8.2
Chemicals and chemical products	133.9	7.4
Basic metals	86.9	4.8
Other non-metallic mineral products	83.8	4.6
Electrical equipment	83.1	4.6
Beverages	64.7	3.6
Paper and paper products	61.0	3.4

Source: Statistical Office of the Republic of Serbia; German Economic Institute

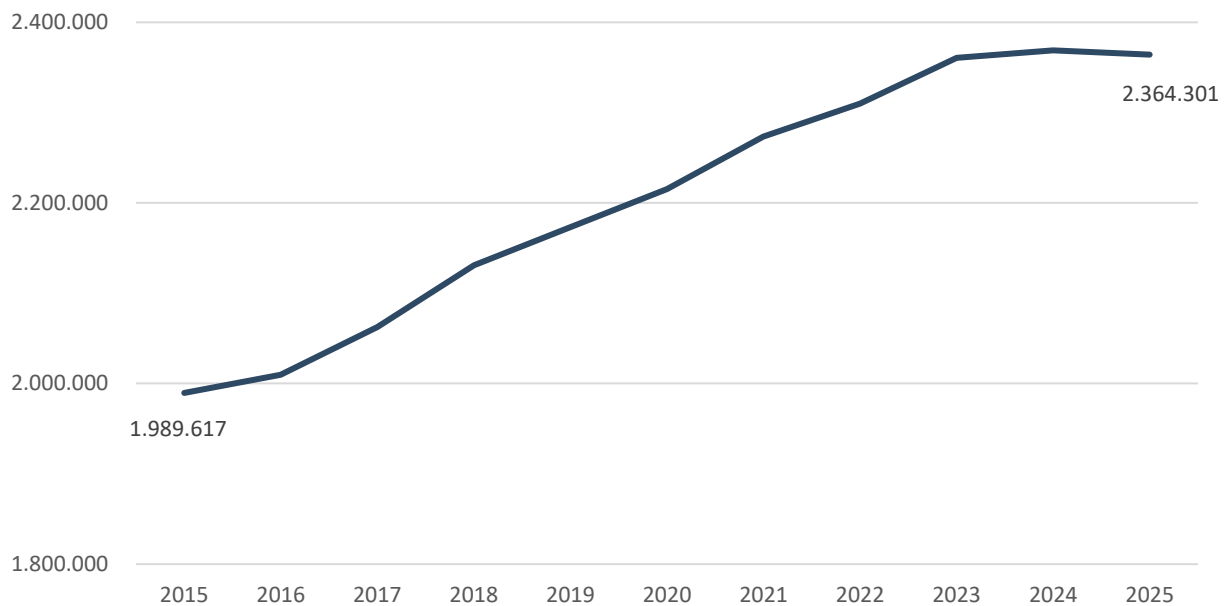
Altogether, the Serbian economy under Vučić has become increasingly reliant on traditional industries, while innovation has been largely neglected. Despite efforts by the Chamber of Commerce and Industry to promote innovation via initiatives such as the Innovation Fund, the Serbia Ventures Program or the Scale up Factory initiative, research and development (R&D) activities have underperformed in recent years (Nguyen, 2025). Between 2014 and 2024, the expenditures on R&D have risen only moderately from a very low 0.69 percent to a still low level of 0.94 percent by international standards. For comparison, the R&D expenditures of the EU member countries amounted to 2.3 percent of GDP in 2024 (World Bank, 2026). Not only are the funds limited, but so is the involvement of Serbian firms in R&D activities. Recently, only one out of ten Serbian firms engaged in R&D activities compared to four out of ten firms in the European Union (Nguyen, 2025).

3.2 Labor market

The Serbian labor market profited from the overall solid economic development under Vučić (see Figure 3-7). Total registered employment rose from close to 2 million employed persons in 2015 (data for 2014 is not available due to methodological changes and measurement changes) to its peak at close to 2.37 million in 2024. In 2025, however, employment fell for the first time during Vučić's terms by 0.2 percent against the previous year.

Figure 3-7: Development of total registered employment

absolute values



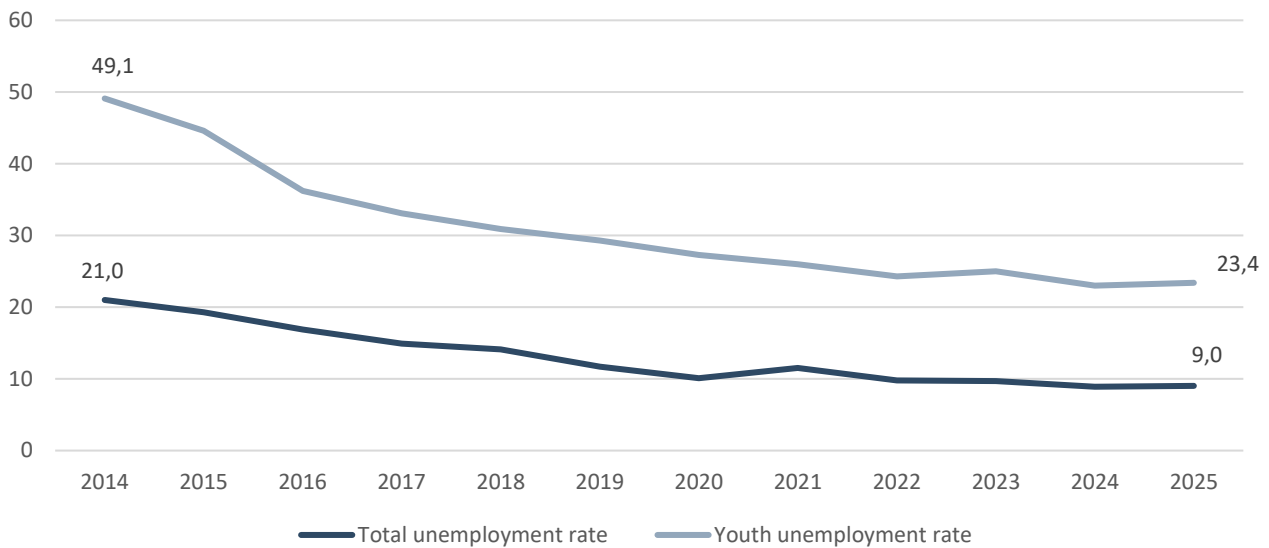
Source: Statistical Office of the Republic of Serbia

The positive development of employment can be attributed largely to the poor condition of the Serbian labor market at the beginning of Vučić's leadership of the country, which was marked by the prolonged economic weakness following the Great Financial Crisis. In fact, the current level of employment is comparable to that shortly before the Great Financial Crisis. It hence does not indicate a boom of newly created jobs, but rather a recovery of jobs lost in the late 2000s (Jovanić, 2026). Moreover, the Serbian labor market might have reached a turning point. The recent stagnation in total employment since 2023 is only in parts the result of the economic challenges following the Covid pandemic and the Russian war against Ukraine, but is rather a symptom of several disadvantageous trends, which could hamper employment growth over the coming years. The employment growth during Vučić's term has been largely concentrated on labor-intensive sectors such as mining and manufacturing and driven by initially high unemployment and low wages. Disadvantageous demographics and wages outpacing labor productivity growth, making labor a more expensive input, have slowed this dynamism and led to the relocation of companies such as Benetton or Jeans in low value-added sectors such as textiles in recent years (Rakic, 2026).

In line with overall rising employment, the unemployment rate in Serbia reduced substantially by more than half during Vučić's term (see Figure 3-8). In 2014, the unemployment rate stood at 21 percent due to the prolonged phase of economic weakness following the Great Financial Crisis. While the labor market had already recovered in parts by that time and the unemployment rate had already fallen a bit from its historical peak of 26.2 percent in 2012, widespread unemployment was a major challenge. Over the following decade, unemployment continuously trended downwards, except for a small uptick during the Covid pandemic. In 2024, the unemployment reached its historical low during Vučić's presidency at 8.9 percent, before rising again slightly to 9 percent in 2025.

Figure 3-8: Development of total unemployment and youth unemployment

Total unemployment rate (15 to 64 years old), youth unemployment rate (15 to 24 years old), in percent



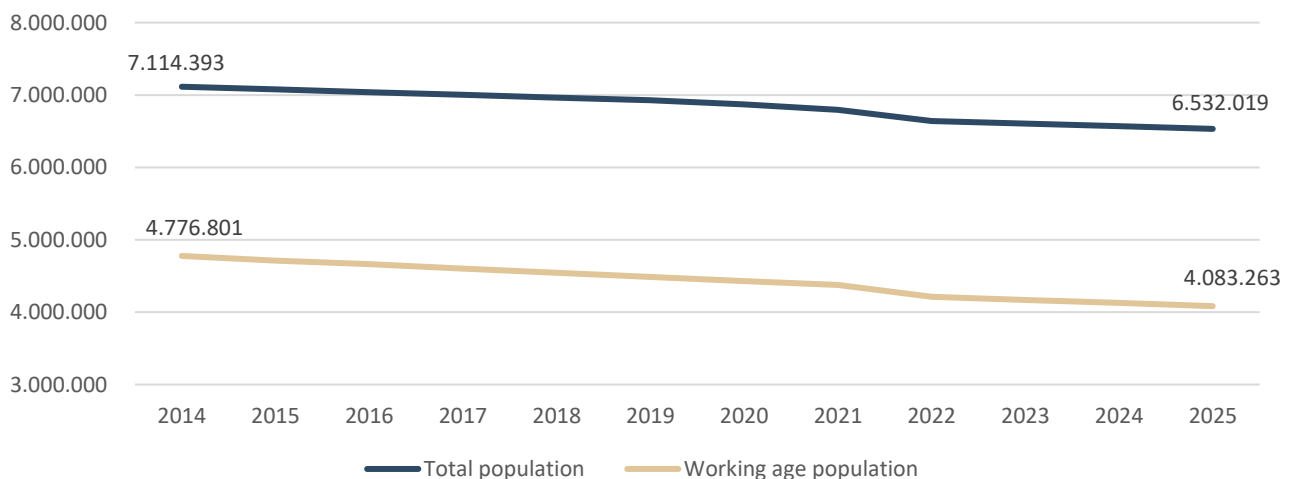
Source: Statistical Office of the Republic of Serbia

The reduction of unemployment under Vučić marks indeed a substantial improvement of the labor market performance. However, it is again in large parts the result of the poor condition of the Serbian economy and labor market at the onset of his leadership.

Despite the overall positive labor market development, disadvantageous structural changes such as an overall shrinking population and thus a shrinking working-age population have continued and weakened the labor market potential over the past twelve years (see Figure 3-9). The total Serbian population shrank by 8.2 percent between 2014 and 2025 while the working-age population declined even more dramatically by 14.5 percent in that period.

Figure 3-9: Development of the total population and the working-age population

Working-age population (15 to 64 years old), absolute values



Source: Statistical Office of the Republic of Serbia

The developments are the results of unfavourable demographics such as an ageing population as well as low birth rates and outmigration in particular of young people. During Vučić's terms between 2014 and 2025 alone, the share of people older than 65 increased from 18.5 percent to 23.1 percent. Conversely, the share of people younger than 15 years old nearly stagnated and rose only marginally from 15.3 percent to 15.4 percent during that period. Consequently, the age dependency ratio, i.e. the share of people younger than 15 and older than 64 relative to the working-age population, skyrocketed from 49 percent to an historical peak of 60 percent between 2014 and 2025 (World Bank, 2026), which puts the country's social security systems under increasing pressure and aggravates chronic labor shortages in sectors such as construction, agriculture, transport, and services (Alimpijević, 2026). The demographic perspectives for the Serbian labor market are poor. In the medium run, a large wave of labor market exits into retirement is imminent. In 2025, close to 428,000 employed were older than 55 years old. Hence close to every fifth worker is destined to leave the labor market in the coming years. Also in the long run, unfavourable demographics will burden the Serbian labor market. Population projections foresee a further decline of the Serbian population from 6.5 million people in 2025 down to 5.3 million by 2050 in the medium scenario (SORS, 2026a).

To counteract the ageing population and the shrinking labor market potential, the Serbian labor market needs young people and immigration.

The integration of young Serbs into the labor market is particularly weak. In 2025, the unemployment rate for young people between 15 and 24 years old stood at 23.4 percent (see Figure 3-8: Development of total unemployment and youth unemployment). Moreover, 13.0 percent of the total population in that age group are so-called NEETs, which means they are neither in education, employment nor training (SORS, 2026b). While both rates have improved over recent years, the Serbian labor market still fails to absorb a large number of young people. In the face of poor job opportunities, young Serbs emigrate to EU countries such as Germany, Austria, France as well as to Switzerland in the hope of better economic prospects. Emigration has increased significantly under Vučić. In 2014, first time permits for Serbian citizens in the EU-27 countries stood at only 24,381, but had reached 43,280 by 2025, of which 47.8 percent were issued for employment reasons (Eurostat, 2026). In particular Germany attracts a large number of Serbian emigrants. In 2025, 39.5 percent of all Serbian emigrants to the EU went to Germany (Eurostat, 2026). The German labor market suffers from substantial labor shortages in fields such as construction, healthcare and logistics, in which also the Serbian labor market lacks workforce. Emigration of young Serbs into the German labor market has been further facilitated via the *Westbalkanregelung*, which allows immigration of up to 50,000 workers from the Western Balkan countries annually. While the planned reduction of the quota to 25,000 workers annually from 2027 onwards will not solve the emigration issue for Serbia, it might ease the pressure to some degree (Kosovo Online, 2026).

On the flipside, immigration into Serbia has picked up massively in recent years. In 2014, immigration was negligible with only 5,082 people entering the country in comparison to more than 34,000 immigrants by 2024. The largest groups of immigrants in 2024 by nationality have been Russians, who made up 50.1 percent of all immigrants, followed by Chinese (13.2 percent) and Indians (5.6 percent) (SORS, 2026c). While Russian permits have been issued for several reasons such as employment, family reunification and education, permits for Chinese and Indian residents were nearly exclusively issued for work-related reasons linked to corporate and infrastructure investments (Prague Process, n.d.). While the increased immigration helps to address labor shortages, it is unclear whether only selected international firms bringing in staff profit from this immigration or the whole labor market.

3.3 Prices and People's Livelihood

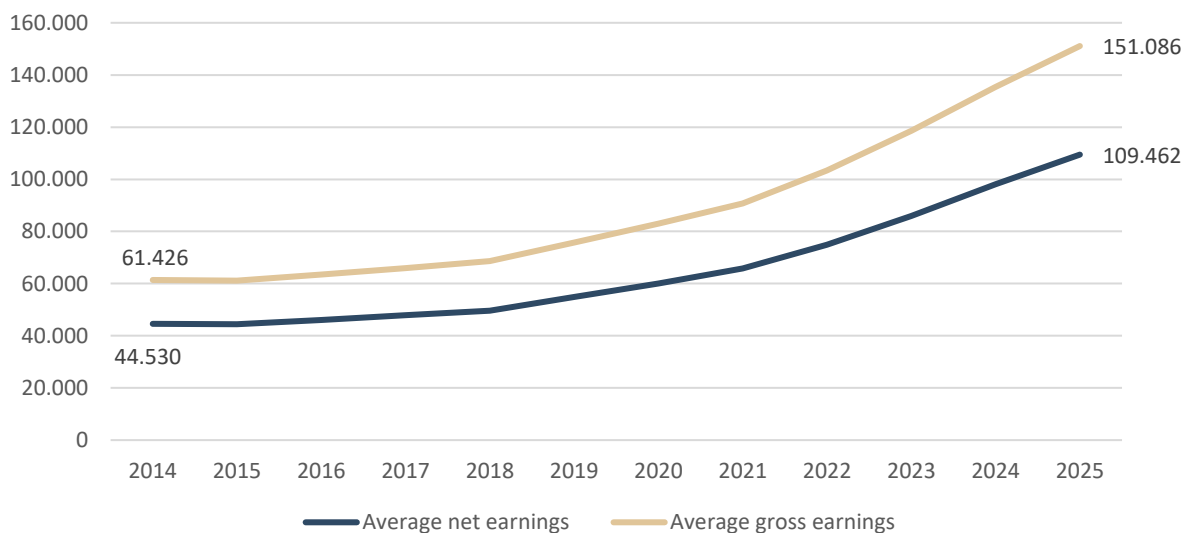
The Serbian people's livelihood has overall improved during the Vučić years in comparison to the recessionary phase in the years before his inauguration. The period was marked by growing nominal wages and relative price stability. However, inflation in recent years has offset the increased prosperity to some degree.

Nominal wages have increased substantially between 2014 and 2025 (see Figure 3-10). Average monthly net earnings stood at 44,530 RSD in 2014 and had reached 109,462 RSD by 2025 (around €379 and €932 respectively). The median net monthly income, however, was considerably lower at 90,819 RSD (around €773) by December 2025 (SORS, 2026d). Moreover, there is substantial variation in earnings between urban and rural areas (Džunić et al., 2026).

While wages rose only moderately between 2014 and 2019, they have risen strongly over the recent years following the Covid pandemic and the Russian war against Ukraine as a reaction to higher costs of living, which repeatedly outpaced wage growth and led to falling real wages throughout 2022 (SORS, 2026e). Due to the increased costs of living, the financial situation of Serbian households remains tight. For a four-person household with two members earning the average monthly salary and in which all four members consume the average per capita amount (around €694), the total household income covers only roughly two thirds (67.3 percent) of its total consumption expenditure. Therefore, remittances from relatives abroad, savings, borrowing and additional income from informal work play a crucial role for the livelihood of Serbian households (Jovanić, 2026).

Figure 3-10: Average gross and net monthly earnings

in RSD



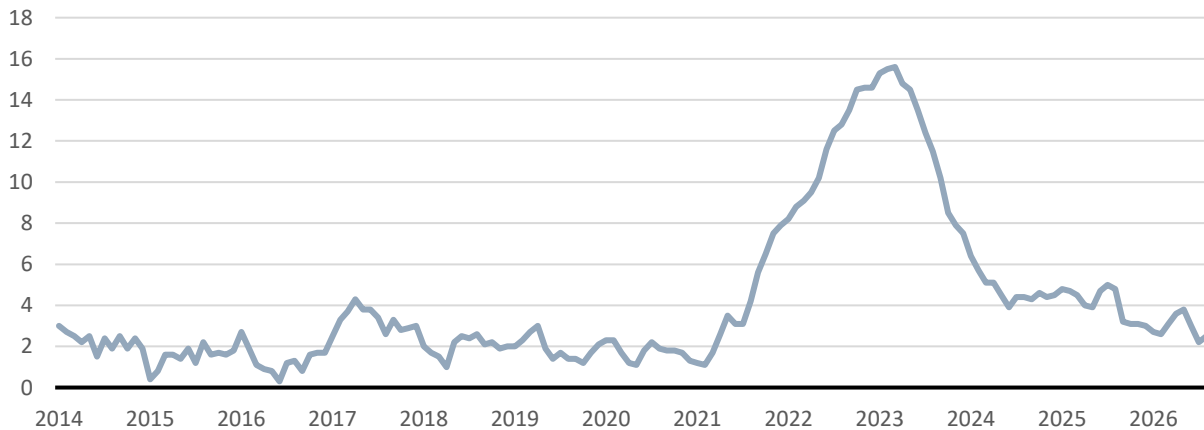
Source: Statistical Office of the Republic of Serbia

With respect to inflation, the first years under Vučić marked a period of price stability, which Serbia had not experienced in years (see Figure 3-11). In 2008, 2011, late 2012 and early 2013 the monthly inflation rates repeatedly reached two-digit levels and put Serbian households under financial stress. The latest spikes in late 2012 and early 2013 were driven primarily by a widening current account deficit, a weakened exchange rate and sharply increased food prices due to a weak harvest season after a drought (Vasovic, 2012; IMF, 2013). Before Vučić took over as prime minister in 2014, the previous government (in which he already had

an influential role as first deputy prime minister and defence minister) had already implemented decisive steps to bring down inflation. When Vučić entered office, the key interest rate was already in decline, which stimulated both demand and investment. Until 2021, inflation remained in check with monthly rates largely fluctuating around two percent with only temporary spikes of up to 4.3 percent in April 2017 and lows of 0.3 percent in June 2016. Over the following two years, however, inflation rose incrementally to its historical peak during Vučić’s leadership of 15.6 percent in March 2023. The Covid pandemic and the Russian war against Ukraine had distorted global supply chains and caused cost-push shocks of energy and food prices around the world, which did not spare Serbia. The Serbian central bank raised its key interest rate from one percent in late 2020 up to 6.5 percent in July 2023 to bring inflation down. The gradual easing of the Covid pandemic decreased the inflationary pressures further such that monthly inflation rates fell steeply down to 3.9 percent in June 2024, before increasing again up to five percent in July 2025. Since then, inflation rates have been overall decreasing to around three percent with some temporary spikes in recent months.

Figure 3-11: Inflation rate

Harmonized consumer price index (HICP), change against previous year’s month, in percent



Source: Eurostat

3.4 International Trade and Foreign Direct Investment

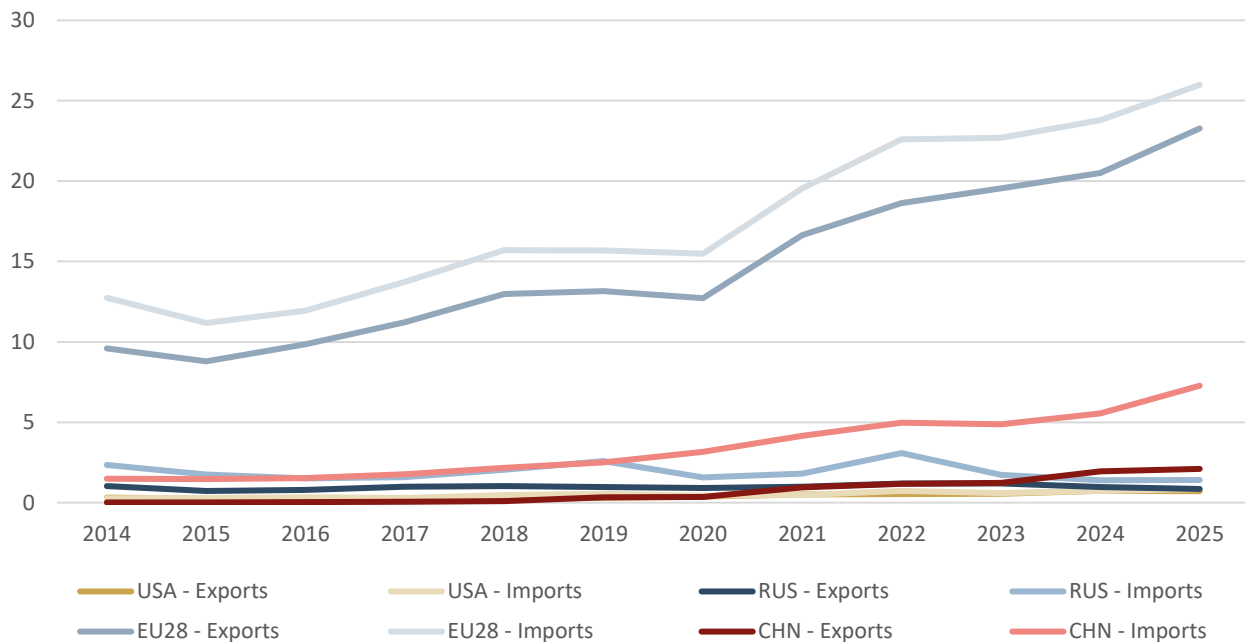
International Trade

Despite the “four pillar” foreign policy strategy pursued by Vučić, the Serbian economy clearly continued to deepen its ties with the European Union and to some degree with China, while other geopolitical economic blocs such as Russia and the United States played a subordinate role in goods trade (see Figure 3-12).

In 2025, 62.4 percent of total Serbian goods exports went to the EU and imports from the EU accounted for 55.0 percent of total Serbian goods imports. China was the destination of only 5.6 percent of total Serbian goods exports, but the origin of 15.4 percent of all imported goods. Russia accounted for 2.3 percent of total goods exports and 3.0 percent of total goods imports. Goods Exports to and imports from the United States stood even lower at 1.9 and 1.8 percent respectively of total goods exports and imports.

Figure 3-12: Goods exports and imports with selected geopolitical economic blocs

in billion USD



Source: Statistical Office of the Republic of Serbia

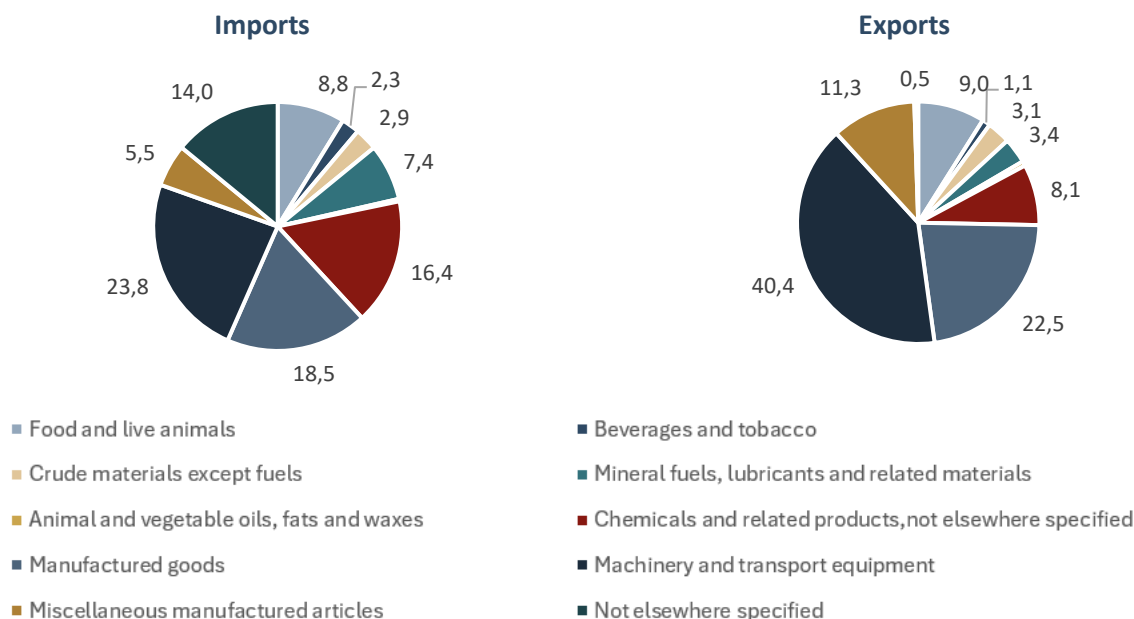
The **European Union** member countries have been historically the major trading partners of Serbia and remained the most important origin of imports and destination of exports under Vučić. In 2014, Serbia exported goods worth \$9.6 billion to the EU-28 countries (trade data published by the SORS still include the United Kingdom in the EU aggregate). The import value was \$12.7 billion, such that Serbia ran a trade deficit with the EU-28 countries of around \$3.1 billion. Since then, trade ties deepened and both exports and imports had more than doubled by 2025 with exports reaching a value of \$23.7 billion and imports reaching a value of close to \$26 billion.

Exports to the EU are mainly concentrated on machinery and transport equipment as well as on manufactured goods, which made up 40.4 and 22.5 percent of total exports in 2025 respectively (see Figure 3-13). The Serbian economy is deeply intertwined with the European automotive sector and supplies products such as tires, wiring harnesses, wipers, hoses and other metal components (Development Agency of Serbia, n.d. a). Moreover, Serbia produces and exports machinery and equipment such as pumps and compressors, general purpose machines and cooling and ventilation equipment. Relevant manufactured goods being exported to the EU include basic metals such as iron and steel, copper and aluminium, fabricated metal products such as metal framing and profiles, metal machining or defence-related products (Development Agency of Serbia n.d. b).

Imports from the EU largely fall into the same sections with machinery and transport equipment and manufactured goods making up 23.8 percent and 18.5 percent of total imports from the EU in 2025 respectively. This is closely followed by chemicals and related products (16.4 percent of total imports from the EU) and commodities and transactions not classified elsewhere (14.0 percent).

Figure 3-13: Composition of Serbian goods imports and exports from and to EU-28 countries in 2025

by SITC sections, shares of total imports and exports respectively, in percent



Note: Shares smaller than one percent not depicted for readability.

Source: Statistical Office of the Republic of Serbia

Trade with **China** exhibited the strongest growth among all selected geopolitical economic blocs under Vučić. While the trade volume still remained relatively low in comparison to trade with the EU and is largely concentrated on selected goods and companies, China has deepened its ties with Serbia considerably in recent years. Between 2014 and 2025, Serbian exports to China surged from \$14.1 million to \$2.1 billion and Serbian imports from China grew from \$1.5 billion to \$7.3 billion. The deepened trade ties between Serbia and China have been enshrined in a free trade agreement, which was signed in late 2023 and went into effect by mid-2024 (World Trade Organization, 2026).

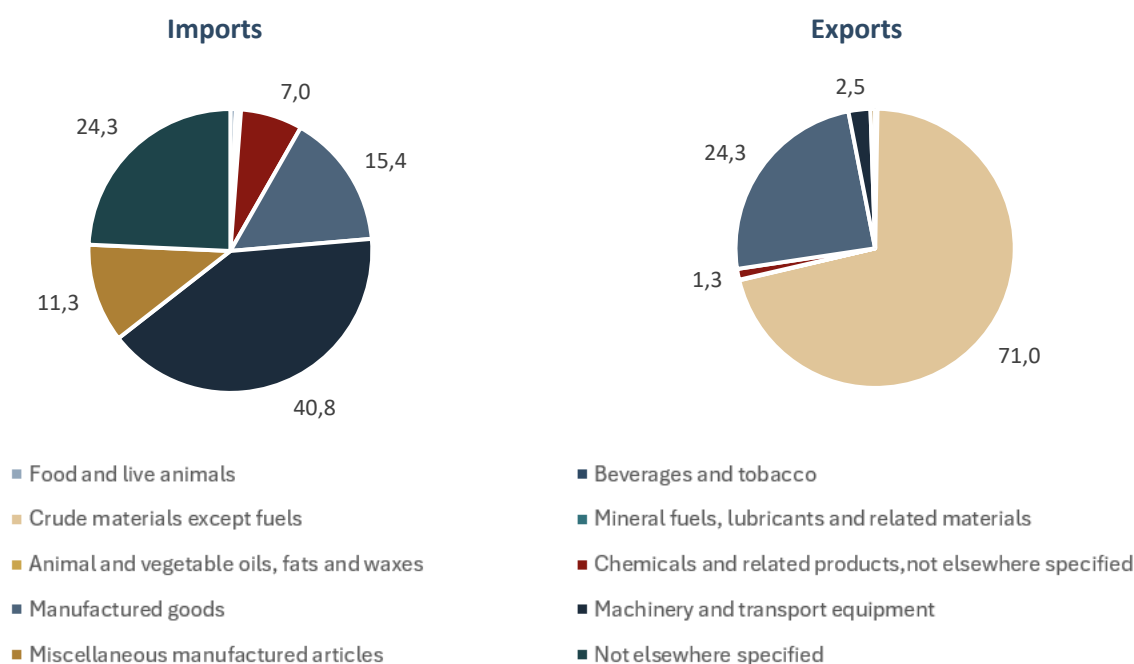
Serbian exports to China are heavily concentrated on crude materials, which accounted for 71.0 percent of total Serbian exports to China in 2025, as well as on manufactured goods with a share of 24.3 percent (see Figure 3-14). The rising exports since roughly 2018 in these two sections are deeply connected with the activities of the Chinese company Zijin Mining, which operates gold and copper mines in the East of Serbia in Bor. In 2018, the Chinese company Zijin Mining acquired a 63 percent interest in the previously state-owned copper production RTB Bor, formally took over the company by December and expanded production of electrolytic copper heavily over the following year after substantial investments of \$944 million (Zijin Mining, 2020). Between 2018 and 2019, manufactured goods exports from Serbia to China then jumped by more than tenfold from \$25.6 million to more than \$267 million. Another large step occurred between 2020 and 2021 despite the woes of the Covid pandemic with crude material exports jumping from \$74.2 million to close to \$552 million, whereby the increase mostly stemmed from rising copper ore exports. Zijin Mining had expanded its site in Bor and had begun operating the upper zone of the Čukaru Peki copper and gold mine endowed with super-high grade copper ore (Zijin Mining, 2022). Over the following years, copper ore and copper products exports rose incrementally with the expansion of the mines located in Bor and the further development of the reserve-rich lower zone of the Čukaru Peki copper and gold mine. By 2025, crude material

exports had reached close to \$1.5 billion, and manufactured goods exports had risen to close to \$510 million of which \$492 million stemmed from non-ferrous metals.

Serbian imports from China recently also concentrated on machinery and equipment and manufactured goods, which made up 40.8 percent and 15.4 percent of total Serbian imports from China in 2025. Imported machinery and equipment concentrated on electrical machinery and appliances, general industrial machinery and equipment as well as telecommunications equipment and specialized machinery. Manufactured goods imports mostly consisted of metal products, iron and steel, textiles and non-ferrous metals.

Figure 3-14: Composition of Serbian goods imports and exports from and to China in 2025

by SITC sections, shares of total imports and exports respectively, in percent



Note: Shares smaller than one percent not depicted for readability.

Source: Statistical Office of the Republic of Serbia

Despite the deep cultural and political ties, trade between Serbia and **Russia** has been relatively low in value and overall declined between 2014 and 2025. Exports to Russia stood at around \$1 billion in 2014 and hovered around that level during the observation period until they fell to around \$851 million in 2025. Imports from Russia had a value of \$2.3 billion in 2014 and of only \$1.4 billion in 2025. During that period, Serbian imports from Russia fluctuated quite strongly between a low point of \$1.5 billion in 2016 and a peak of \$3.1 billion in 2022. Following the beginning of the Russian war against Ukraine, imports first decreased substantially in 2023 and 2024, before increasing again in 2025.

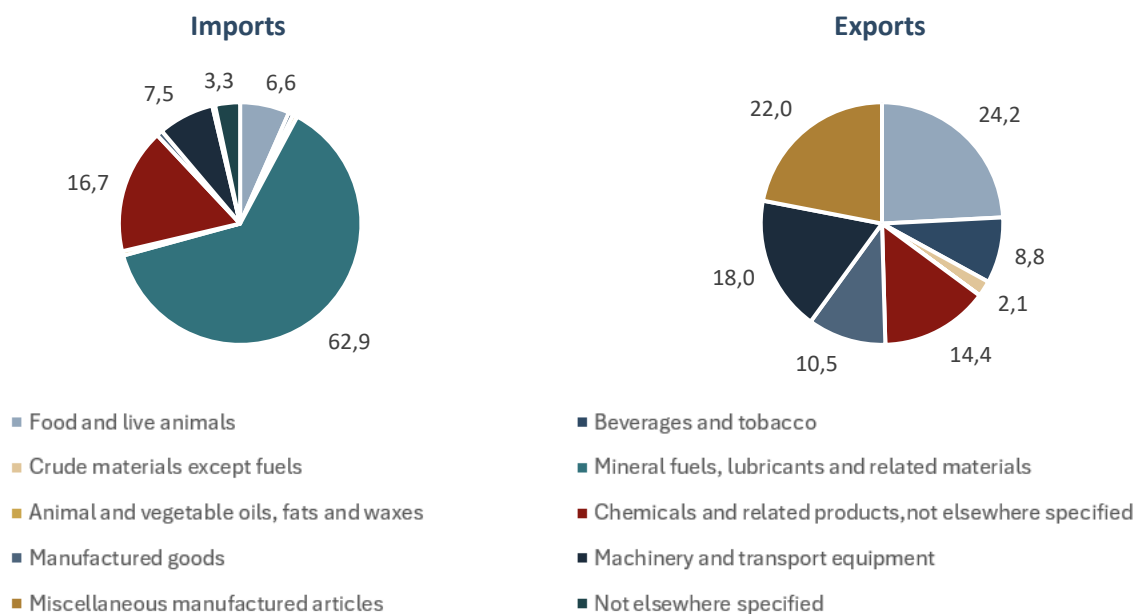
Serbian exports to Russia in 2025 mainly consisted of food and live animals (24.2 percent of total Serbian exports to Russia), miscellaneous manufactured articles (22.0 percent), machinery and transport equipment (18 percent), chemicals and chemical products (14.4 percent) as well as manufactured goods (10.5 percent) (see Figure 3-15). Imports from Russia were highly concentrated on mineral fuels in the form of natural gas, which accounted for 62.9 percent of total Serbian imports from Russia. Further relevant imports included

chemicals and chemical products with a share of 16.7 percent and food and live animals with a share of 6.6 percent.

While Serbia's total trade with Russia is modest, its dependence on Russian natural gas imports is critical. Around 75 percent of natural gas consumption in Serbia is covered by Gazprom. Following the end of a three-year agreement in the summer of 2025, the Serbian government has relied on three-month-long extensions, which have been confirmed quarter by quarter since (energynews, 2026). The energy dependency puts Serbia in a vulnerable position and forces the government to balance domestic needs and close ties with Russia against European and US demands for decoupling from Russia.

Figure 3-15: Composition of Serbian goods imports and exports from and to Russia in 2025

by SITC sections, shares of total imports and exports respectively, in percent

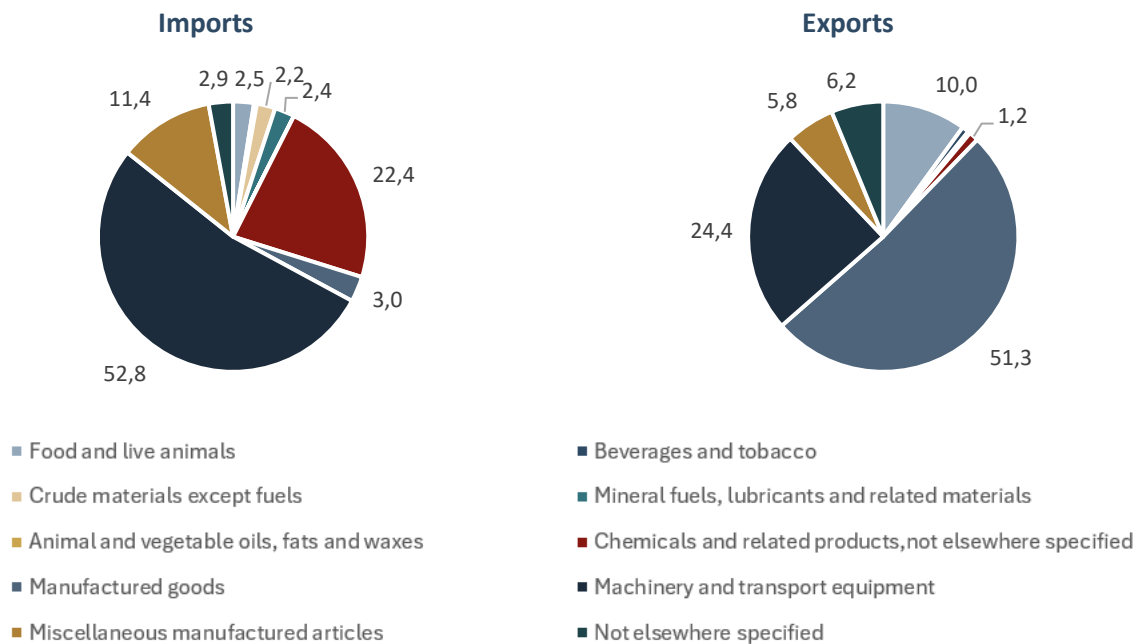


Note: Shares smaller than one percent not depicted for readability.

Source: Statistical Office of the Republic of Serbia

Serbia's trade relationship with the **United States** deepened substantially, but the trade value of both exports and imports remains relatively low in comparison with other geopolitical economic blocs. The import value rose from \$272 million to \$841 million between 2014 and 2025. The export value more than doubled from \$313 million to \$716 million in that period. Serbian imports from the United States in 2025 mostly consisted of machinery and transport equipment (52.8 percent of total Serbian imports from the United States), chemicals and chemical products (22.4 percent) as well as miscellaneous manufactured articles (11.4 percent). Exports from Serbia to the United States in the same year were concentrated on manufactured goods (51.3 percent of total Serbian exports to the United States), machinery and transport equipment (24.4 percent) as well as food and live animals (10 percent) (see Figure 3-16).

Figure 3-16: Composition of Serbian goods imports and exports from and to the United States in 2025
by SITC sections, shares of total imports and exports respectively, in percent



Note: Shares smaller than one percent not depicted for readability.

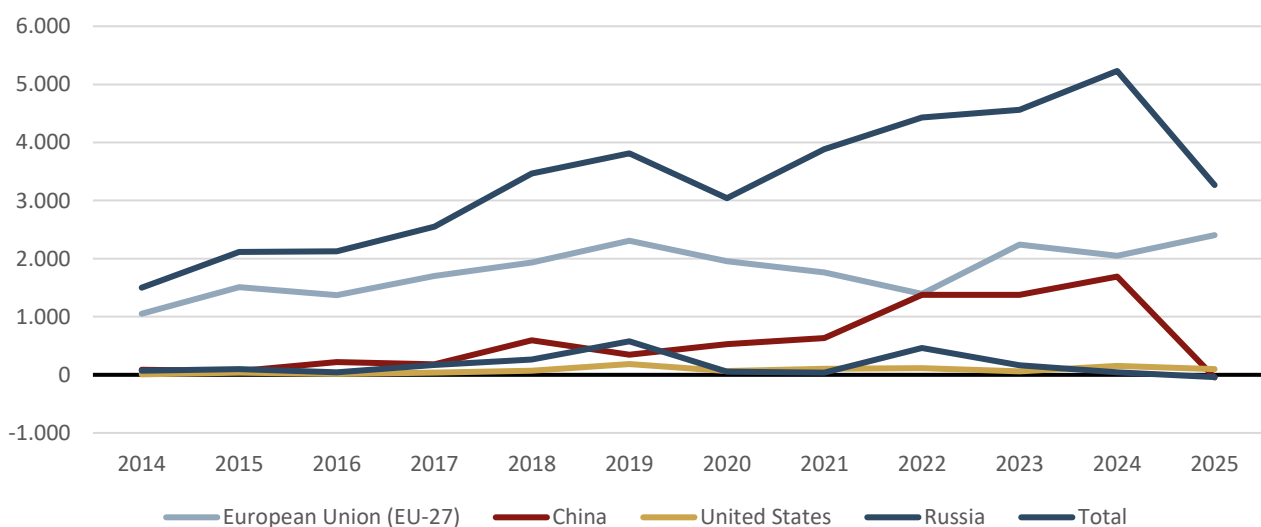
Source: Statistical Office of the Republic of Serbia

Foreign Direct Investment

The developments of Serbia's trade relationships with the European Union, China, Russia and the United States are mirrored by the investment activities of these actors in Serbia (see Figure 3-17). Taken together, the four economic blocs accounted for around three quarters of total foreign investments in Serbia over the observation period.

Figure 3-17: Inward Foreign Direct Investment flows

in million EUR



Source: National Bank of Serbia

Historically and in the period between 2014 and 2025, the **European Union** has been the most important investor in Serbia. Between 2014 and 2019, annual foreign direct investment flows from the European Union into Serbia rose from €1.1 billion to around €2.3 billion. At the height of the Covid pandemic between 2020 and 2022, inward FDI flows from the EU fell to €1.4 billion, before picking up again in 2023 and reaching its peak during the observation period in 2025 with annual investments of around €2.4 billion.

The second most important investor in Serbia in recent years has been **China**. Chinese investments into Serbia grew steadily for most of the observation period. In particular during the height of the Covid pandemic, China expanded investments into Serbia substantially. In 2022, Chinese investment even nearly matched those of the EU. This expansion is largely tied to the acquisition and renovation of the gold and copper mines in Bor by Zijin Mining as well as with other major projects in manufacturing, heavy industry and infrastructure development. In 2025, investments dropped sharply and turned negative to minus €45.5 million. While no single reason is known, potential reasons for this sharp contraction could be the end of major investment cycles by Chinese companies such as the upgrading and expansion of the Bor gold and copper mines, a reversal of previous agreements on infrastructure projects as well as a structural re-orientation of Serbian or Chinese investments (Vladislavljev, 2026).

Russian investments into Serbia overall have been relatively low over the observation period. Between 2014 and 2019, annual Russian investments into the Serbian economy steadily rose. FDI inflows from Russia in 2014 had a volume of €73.5 million, which was equivalent to 4.9 percent of total FDI inflows into the Serbian economy. In 2019, €567.8 million of FDIs from Russia accounted for 15.2 percent of total FDI inflow. During the height of the Covid pandemic in 2020 and 2021, FDI inflows from Russia fell drastically to €55.5 million and €39.9 million respectively and thereby accounted for only 1.8 and 1.0 percent of total FDI inflows. In 2022, FDI inflows from Russia rose strongly to €463.7 million. However, in the years following the Russian war against Ukraine, FDI inflows from Russia have decreased substantially and in 2025 turned even negative to minus €38.6 million.

The investment activities of the United States in Serbia over the observation period have been even lower than those of Russia in comparison. In 2014, FDI inflows from the United States amounted to a mere €8.5 million equivalent to 0.6 percent of total FDI inflows in that year. Over the following years, investment flows from the United States into the Serbian economy expanded and reached their peak with a volume of €185.7 million by 2019, followed by a sharp contraction down to a third of the previous year's level of €62.8 million in 2020. Investment flows then quickly recovered and stood €105.6 million and €115.5 million in 2021 and 2022 respectively. In 2023, FDI inflows from the United States contracted again with a volume of only €59.5 million, before rebounding to their second highest value during the observation period of €154.2 million in 2024. In 2025, FDI inflows from the United States had a volume of €96.4 million, making the country the second most important source of FDI inflows for the Serbian economy in that year after the EU.

4 Conclusion and Policy Outlook

Serbia suffered from substantial setbacks in demography under Vučić, while making some economic progress. Politically, the Vučić era has been marked by a sustained erosion of institutional checks and public-sector accountability. V-Dem's indicators document deterioration across electoral, liberal, deliberative, egalitarian and participatory dimensions of democracy, while Serbia's 2025 corruption score reached its lowest level since the current methodology was introduced. At the same time, opaque procurement practices, politically dependent state enterprises and weak regulatory enforcement increasingly linked institutional shortcomings to concrete economic and environmental costs. The Novi Sad tragedy transformed these accumulated grievances into a nationwide protest movement whose formal demands remained centered on accountability, transparency and education, but whose support developed against a broader social background of dissatisfaction. The political and economic records should therefore not be assessed in isolation, as the quality of institutions affects how investment is selected, regulated and translated into broader welfare gains.

With respect to economic growth, Vučić's performance between 2014 and 2019 had been strong and marked by initial structural reforms which helped the country to recover from the prolonged recessionary phase following the Great Financial Crisis. While the economic turmoil following the Covid pandemic in 2020 put the Serbian economy back into recession, the post-pandemic recovery in the following year was strong and the Serbian economy remained largely on track. Economic growth slowed and weakened in recent years after the beginning of the Russian war against Ukraine in 2022, however, it remained positive despite the resulting economic challenges. While the economic development performance was solid, it was by no means impressive. It was partly the result of the weak initial condition of the Serbian economy at the time of his inauguration. Moreover, the quality of economic growth was rather poor. The economy remained heavily dependent on foreign and public investments, while the domestic private sector played a subordinate role. The increased investments under Vučić were channelled into traditional industrial sectors with low value added and low productivity. In sum, the economic development under Vučić was not sufficient in order to catch up with other Central and Eastern European countries. The development gap of Serbia remains at 60 percent of Central and Eastern European countries' average level and has not made any progress in recent years (Aničić et al., 2025). The key challenge for upcoming governments in Serbia will be a modernization of the industrial base of the economy and a shift towards higher value-added manufacturing to improve or at least sustain productivity.

The largest economic success of Vučić lay in the labor market, which again was partly the result of its poor condition, when he took power. Employment grew substantially and compensated the job loss after the Great Financial Crisis and unemployment has been brought down by more than half and stabilized in recent years. However, the labor market prospects for young people remained weak, which incentivized emigration. Moreover, disadvantageous structural trends such as a shrinking and ageing population putting pressure on social security systems and a shrinking working-age population continuously weakening the labor market potential continued. Immigration picked up in recent years and eased some of the demographic pressures. The challenges for coming governments are most likely to intensify with an imminent wave of labor market exits into retirement and further population decline ahead.

Another success of Vučić had been the initial phase of price stability under his leadership after repeated phases of strong inflation throughout the 2000s and early 2010s. However, the Covid pandemic and the Russian war against Ukraine brought back inflation and put Serbian households under financial stress. In reaction

to the increased costs of living, nominal wages increased substantially over recent years to compensate for the real wage losses during the inflationary phase. Over the past two years, inflationary pressures have eased. Nonetheless, the financial situation of many Serbian households remained tense.

With respect to the trade and investment relationships of the Serbian economy, the country has remained clearly western-oriented. Despite following a foreign policy of “four pillars”, which are the United States, China, Russia and the EU, the Serbian economy rests largely on two: the EU and China. The EU has been the most important trading partner and investor for Serbia. The ties between the two economies have deepened considerably in both areas under Vučić. However, China has significantly expanded its footprint in Serbia. Chinese companies took over valuable industrial assets such as the Bor gold and copper mines or the Smederevo steel plant and were increasingly involved in public infrastructure projects. However, many of these projects have turned out quite controversial. Despite the public political alignment with Russia, the economic ties between Russia and Serbia are rather weak, but critical. Vučić has neglected to diversify the country’s energy imports and Serbia has remained critically dependent on Russian gas, which secures Putin a powerful lever over the country’s economy.

The Serbian case thus illustrates how populist governments that disregard growing perceptions of corruption, while weakening the judicial, political, media and civil-society mechanisms through which public grievances might otherwise be addressed, risk reaching a critical point at which discontent transcends established political and urban–rural divides and gives rise to new societal alliances. The latter have led to the historic outcome in the October 2026 elections (Radunz, 2026).

For the next government, the central challenge will therefore extend beyond sustaining headline growth. Raising productivity and domestic private investment, addressing demographic decline and labor shortages, improving household resilience to living-cost pressures, and diversifying energy supplies will need to be accompanied by stronger judicial and regulatory oversight, more transparent public procurement and consistent enforcement of environmental and labor standards. Serbia’s experience under Vučić suggests that the long-term quality of economic development depends not only on the volume of investment attracted, but also on the institutional framework through which that investment is governed.

5 Zusammenfassung

Aleksandar Vučić stand seit 2014 an der Spitze Serbiens, zunächst als Ministerpräsident und ab 2017 als Präsident, bis seine Amtszeit im Oktober 2026 mit einer vernichtenden Niederlage gegen die „Studentenliste“ endete. Der vorliegende Bericht bewertet die politische und wirtschaftliche Bilanz seiner zwölfjährigen Amtszeit.

Die politische Bilanz zeugt von demokratischem Verfall. Das „Varieties of Democracy Institute“ stufte Serbien unter Vučić als „Wahlautokratie“ ein, und im Liberal Democracy Index belegte Serbien zuletzt den letzten Platz unter den Ländern des Westbalkans. Der Korruptionswahrnehmungsindex von Transparency International sank 2025 auf einen historischen Tiefstand von 33 Punkten. Viele staatliche Unternehmen werden von kommissarischen Geschäftsführern geleitet, und große Infrastruktur- und Bergbauprojekte sind häufig von den üblichen Vergabevorschriften und Umweltvorschriften ausgenommen. Der Einsturz der Überdachung des Bahnhofs von Novi Sad im November 2024, bei dem 16 Menschen ums Leben kamen, löste landesweite Studentenproteste gegen die Korruption aus und führte letztendlich zum Sturz Vučićs als Staatschef.

Die wirtschaftliche Bilanz ist solide, aber nicht beeindruckend. Vučić übernahm die Führung Serbiens nach einer langen Rezessionsphase im Zuge der globalen Finanzkrise und leitete mehrere Strukturreformen zur Konsolidierung des Staatshaushalts ein. In den folgenden Jahren verzeichnete die serbische Wirtschaft ein starkes Wachstum, der Arbeitsmarkt erholte sich, die Inflation blieb auf einem niedrigen Niveau und die internationalen Handels- und Investitionsbeziehungen vertieften sich. Seit der Covid-Pandemie und dem russischen Krieg gegen die Ukraine haben die wirtschaftlichen Herausforderungen zugenommen. Das Wirtschaftswachstum schwächte sich allmählich ab, die Inflation belastete die Wirtschaft und die finanzielle Situation serbischer Haushalte, und der Arbeitsmarkt verzeichnete zum ersten Mal während der Amtszeit von Vučić sinkende Beschäftigungszahlen. Insgesamt lag das durchschnittliche jährliche Wachstum zwischen 2014 und 2025 bei soliden 2,8 Prozent.

Die Qualität des Wirtschaftswachstums unter Vučić war jedoch gering. Das Wachstum stützte sich stark auf ausländische private und inländische öffentliche Investitionen, während der inländische Privatsektor nur eine geringe Rolle spielte. Die Investitionen flossen hauptsächlich in traditionelle, wenig produktive Branchen. Die Innovationskraft war schwach, und die Ausgaben für Forschung und Entwicklung lagen weit unter dem EU-Durchschnitt. Im Bereich Handel und Investitionen blieb die EU der wichtigste Partner für Serbien, und die Beziehungen zwischen den beiden Wirtschaftsblöcken vertieften sich. China gewann jedoch zunehmend an Bedeutung für die Wirtschaft des Landes und entwickelte mehrere groß angelegte Industrie- und Infrastrukturprojekte. Zudem blieb Serbien in entscheidendem Maße von russischem Gas abhängig und damit strategisch vulnerabel. Trotz einiger Verbesserungen der Lebensbedingungen der Bevölkerung aufgrund steigender Löhne und langjähriger Preisstabilität ist die finanzielle Lage der serbischen Haushalte nach wie vor angespannt. Darüber hinaus reichte die wirtschaftliche Leistung Serbiens unter Vučić nicht aus, um die Entwicklungslücke zu den mittel- und osteuropäischen Ländern zu schließen, die weiterhin bei etwa 60 Prozent ihres Durchschnittsniveaus liegt.

Die wichtigste politische Herausforderung für die künftige Regierung besteht zunächst in der Ausarbeitung einer schlüssigen politischen Agenda und Vision und letztlich in der Wiederherstellung der demokratischen Institutionen. Die wichtigsten wirtschaftlichen Herausforderungen für die nächste Regierung sind die Modernisierung der industriellen Basis und die Stärkung der Innovationsfähigkeit der Wirtschaft, die Anpassung des

Arbeitsmarktes und der Sozialversicherungssysteme an eine schrumpfende und alternde Bevölkerung sowie die Diversifizierung der Energieversorgung.

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