

**“UPGRADED SUPPORT TOOL FOR INTEGRATION OF SMEs IN
EUROPEAN AND GLOBAL VALUE CHAINS”**

REPORT 5

**FOREIGN TRADE OF WB6 MANUFACTURERS AND
SERVICE PROVIDERS THAT ARE RELATED TO
INFRASTRUCTURE SECTOR, METAL PRODUCTION AND
AUTOMOTIVE SECTOR AND AGRICULTURE (FOOD
PROCESSING) SECTOR**



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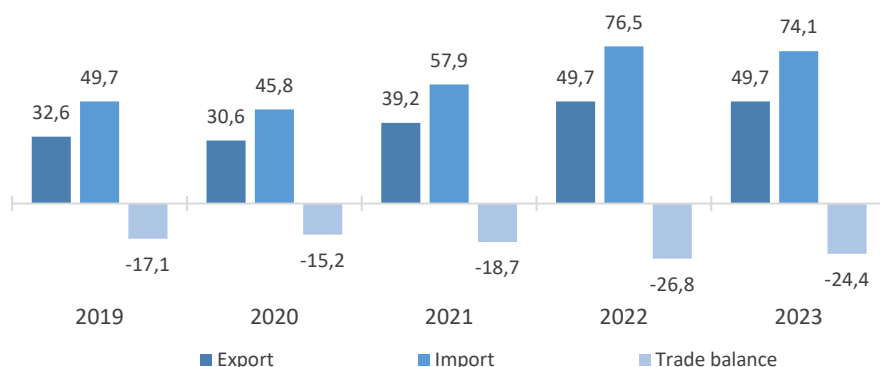
Foreign trade commodity exchange of selected sectors of the Western Balkans

The Western Balkans region recorded an increase in economic activity, measured by a real GDP growth rate of 2.6% in 2023, which is a slight slowdown compared to the previous year (3.4%), primarily because of the slowdown in economic activity in the countries key partners within the EU. Despite this, at the end of last year, the total value of the nominal GDP that these countries created in aggregate exceeded the pre-pandemic levels, which can be marked as an exit from the crisis period. Serbia and Montenegro, where economic activity has increased above the regional average, have been identified as drivers of this result. Production-oriented countries such as Serbia, North Macedonia and Bosnia and Herzegovina were the most affected by the slowdown in economic activity in the EU, but the crisis period was overcome relatively quickly, compared to countries that are more dependent on tourism, such as Montenegro and Albania, where the normalization of economic activity was established only during 2023.

Judging by the volume of foreign trade exchange, this region went through some kind of crisis in 2023 when the total exchange reached 124 billion Euros, which is a decrease of 1.8% compared to the previous year. The total foreign trade exchange in the observed five-year period is developing in the direction of a significantly faster increase in total imports, which therefore contributes to an increase in deficit of about 37% in 2023. The average annual growth of exports in the observed period (2019-2023) was 11.2%, compared to 10.5% of the average annual growth of imports.

The economies of the Western Balkans represent a type of subcontractor in the production processes that take place in the European Union, but also an important agricultural producer in Europe. In this regard, many foreign direct investments from this economic bloc are predominantly oriented towards the labor-intensive part of the production process, which has clearly positioned itself on the market in recent years in the Western Balkans. Nevertheless, the long-term strategy of the region should develop in the direction of taking over processes with a higher degree of added value, as well as greater involvement in global supply chains. In terms of economic indicators, Serbia certainly dominates, as well as the largest economy in this region, both when it comes to exports and when it comes to the volume of foreign direct investments.

Total foreign trade commodity exchange of the economies of the Western Balkans, in billions of Euros

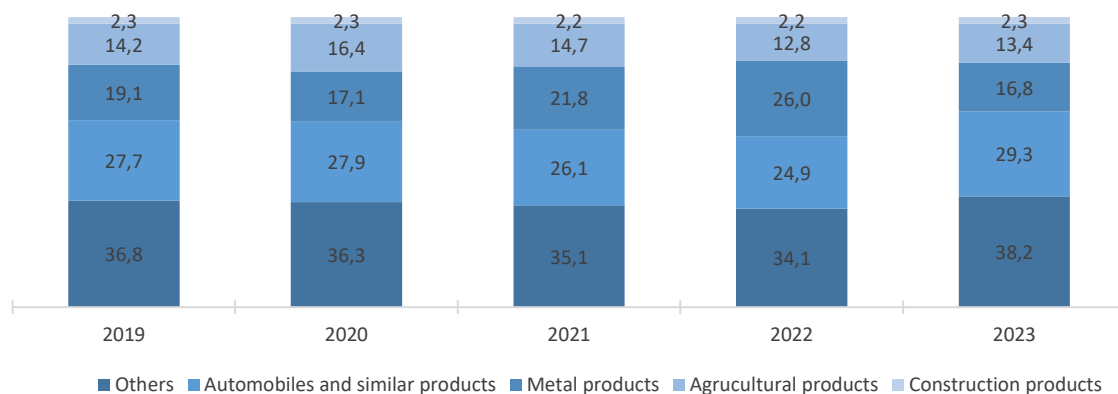


NOTE: Export, Import, Total

Source: Trademap.

The auto industry is not only the production of motor vehicles, but also the production of tires, car parts and a large number of other components, so this branch of the industry is the most exported category when looking at the selected sectors. The region is not rich in direct production of motor vehicles, but export is a significant factor primarily due to a large number of foreign direct investments in related activities to the auto industry, such as the aforementioned tire production or the production of electrical equipment for cars. The share of the auto industry in the export of the Western Balkan region increased in 2023 to 29.3% and is above the five-year average. The sector that shows significant fluctuations in the annual export of the region is certainly the metal sector, whose share in the total export varies between 17-26%. Agriculture and the food industry make up a significant share of the total GDP of individual countries (more than 8%), which is significantly above the EU average, which is concentrated on products with a higher degree of added value. In the export structure of the Western Balkans, agricultural and construction products are at a stable annual level of around 14% and 2%, respectively.

Export structure of Western Balkan countries by selected sectors, in % of total exports

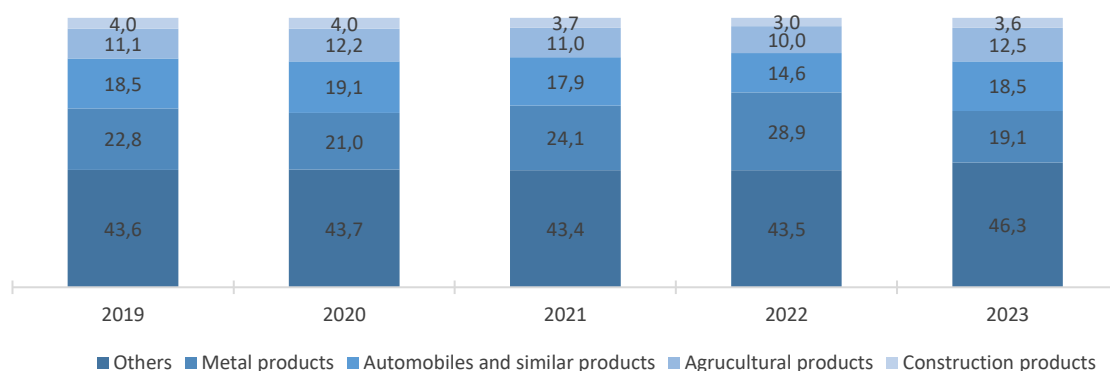


NOTE: Cars and similar products, metal products, agricultural products, construction products, other

Source: Recalculation based on Trademap data.

On the other hand, the distribution is much more uniform when it comes to the structure of imports. Namely, the import of metals and metal products, which represent raw materials on which these countries depend, makes up about 19% of the total import of the region in 2023, which is the smallest in the period from 2019 to 2023. In the same year, the import of automotive products amounted to about 18%, and agricultural products to about 12-13%. The smallest share is the share of construction products that are annually imported in this region, on average 3-4% of total imports.

Structure of imports of Western Balkan countries by selected sectors, in % of total imports



NOTE: Cars and similar products, metal products, agricultural products, construction products, other
Source: Recalculation based on Trademap data.

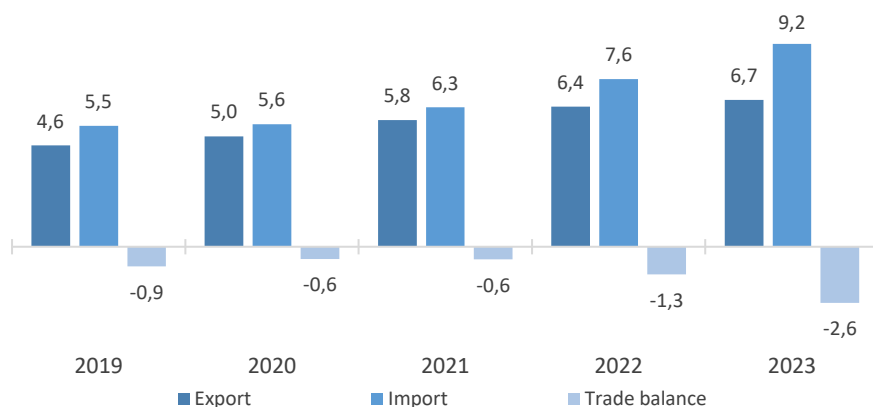
The total export of agricultural products of the economies of the Western Balkans in 2023 amounted to 6.7 billion Euros, which is a growth of 4.6% compared to the previous year. On the other hand, imports are significantly higher and amounted to 9.2 billion Euros, which is the highest value of imports in the observed time period. As a result, the realized deficit amounted to 2.6 billion Euros, which is also the highest value of the deficit in the last five years.

From the structure of export of agricultural products, it can be concluded that the largest export agricultural product of this region is frozen fruit, where frozen raspberries stand out above all, whose export value in 2023 was 507 million Euros, that is, 8% of the total annual export. The export of this product from the Western Balkan region varies significantly from year to year and primarily depends on the purchase price of the raspberry itself, which is the subject of great controversy and discussion in this region every year. The second largest export product of the region is water and non-alcoholic beverages with 355 million Euros of annual exports, that is, 5% of the total exports of the region. The largest export agricultural products can also be distinguished: bread, pastries, cakes, biscuits, etc. similar products (348 million Euros); preparations for animal nutrition (312 million Euros); cigarettes (275 million Euros); corn (260 million Euros); processed tobacco (252 million Euros); refined sunflower oil (220 million Euros), etc.

The largest imported product that economic entities of the Western Balkans will import from abroad in 2023 are bread, pastries, cakes, biscuits, etc. similar products, the import of which amounted to 460 million Euros, and since 2019 it has increased almost 2 times. It is worth highlighting the import of the following products: food products (458 million Euros); water and soft drinks (377 million Euros); frozen

pork (363 million Euros); chocolate and cocoa products (360 million Euros); preparations for animal nutrition (288 million Euros); coffee (272 million Euros), etc.

Total foreign trade exchange of agricultural products of the economies of the Western Balkans, in billions of Euros



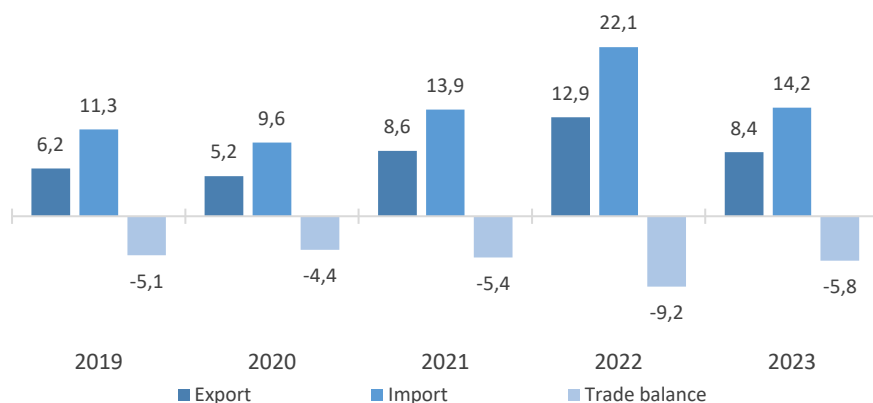
Source: Recalculation based on Trademap data.

The total export of metal products from the Western Balkans in 2023 amounted to 8.4 billion Euros, which is a decrease of 35.3% compared to the previous year. On the other hand, imports are significantly higher and amounted to 14.2 billion Euros, and as a result, the realized deficit amounted to 5.8 billion Euros.

From the structure of the export of metal products, it can be concluded that the largest export product of this region is copper ore and concentrates, whose export value in 2023 was 1.4 billion Euros, that is, 16% of the total annual export. The export of this product from the region of the Western Balkans varies significantly from year to year and primarily depends on the movement of prices on the world stock exchanges. The second largest export product of the region is iron and steel products with 608 million Euros of annual exports, that is, 7.3% of the total exports of the region. The largest export products of the metal sector can also be singled out: constructions and parts made of iron and steel (603 million Euros); raw copper and copper alloys (476 million Euros); iron and steel semi-products (290 million Euros); raw aluminum (247 million Euros); aluminum constructions and parts (244 million Euros); ammunition (238 million Euros), etc.

The largest import product that economic entities of the Western Balkans will import from abroad in 2023 is unclassified goods, the import of which amounted to 5 billion Euros, and if we exclude it, then it is platinum and platinum semi-products with 1.1 billion Euros of imports. It is also worth highlighting the import of the following products: raw aluminum (550 million Euros); copper wire (477 million Euros); iron and steel constructions and parts (460 million Euros); iron and steel semi-products (432 million Euros); other iron and steel products (326 million Euros); hot-rolled bars of iron and steel (322 million Euros), etc.

Total foreign trade exchange of metal products of the countries of the Western Balkans, in billions of Euros



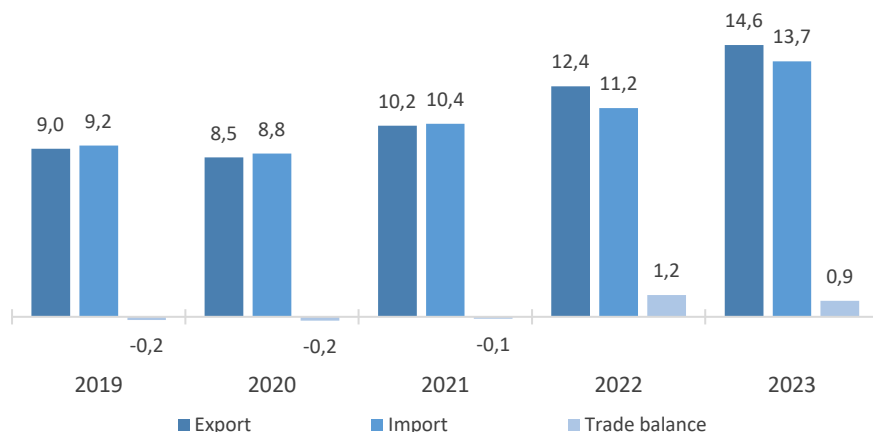
Source: Calculation based on Trademap data.

The total export of auto industry products of the Western Balkan countries in 2023 amounted to 14.6 billion Euros, which is a growth of 17.8% compared to the previous year. On the other hand, imports are smaller and amounted to 13.7 billion Euros, and consequently, the realized surplus was 0.9 billion Euros.

From the structure of exports of auto industry products, it can be concluded that the largest export product of this region is insulated electrical conductors, whose export value in 2023 was 3.1 billion Euros, that is, 21% of the total annual export. The export of this product from the region of the Western Balkans is significantly higher than in 2022, by as much as 15% and is closely related to the large influx of foreign companies engaged in the production of this product in recent years, especially in Serbia. The second largest export product of the region is parts and accessories for the production of motor vehicles with 1.2 billion Euros of annual exports, that is, 8% of the total exports of the region. The following can be singled out as the largest export products of the automotive sector in the region: car seats (1.1 billion Euros); electric motors and electric generators (1.0 billion Euros); new tires for motor vehicles (830 million Euros); machine parts (510 million Euros); equipment for distribution of electricity (450 million Euros), etc.

The largest import product that economic entities of the Western Balkans import from abroad in 2023 are cars, the import of which amounted to 2.2 billion Euros and has significantly increased compared to the previous year, by about 58%. It is worth highlighting the import of the following products: insulated electrical conductors (1.0 billion Euros); parts and accessories for the production of motor vehicles (650 million euros); fuses, switches and relays (555 million Euros); plastic products for the auto industry (425 million euros); machine parts (415 million Euros); motor vehicles for transporting goods (413 million euros), etc.

The total foreign trade exchange of cars and similar products of the economies of the Western Balkans, in billions of Euros



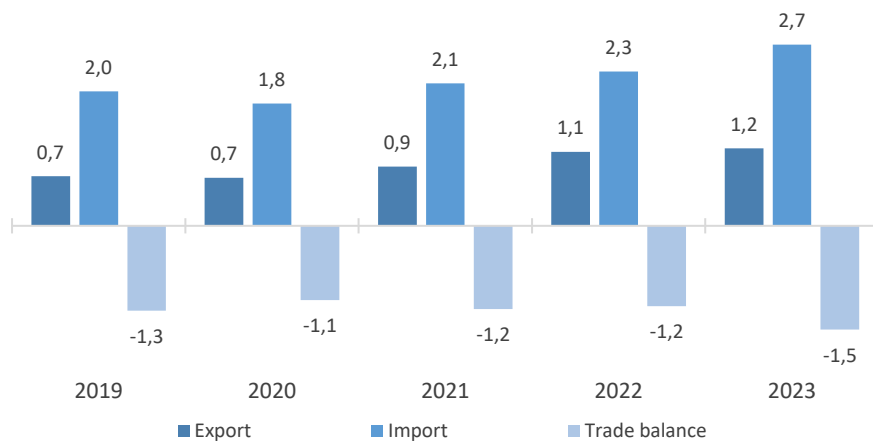
Source: Recalculation based on Trademap data.

The total export of construction products of the economies of the Western Balkans in 2023 amounted to 1.1 billion Euros, which is the smallest of all the previously mentioned industries. On the other hand, imports are significantly higher and amounted to 2.7 billion Euros, which is the highest value of imports in the observed time period. As a result, the realized deficit amounted to 1.5 billion Euros, which is also the highest value of the deficit in the last five years.

From the structure of the export of construction products, it can be concluded that the largest export construction product of this region is artificial aluminum for the construction industry, whose export value in 2023 was 133 million Euros, that is, 11.5% of the total annual export of the construction industry. The second largest export product of the region is reflectors and signs for lighting with 130 million Euros of annual export, that is, 11.3% of the total export of the region. The following can be singled out as the largest export construction products: prefabricated buildings (130 million Euros); Portland cement (111 million Euros); cement and concrete products (88 million Euros); glass fibers (70 million Euros), etc.

The largest import product that the business entities of the Western Balkan countries import from abroad in 2023 are ceramic products, the import of which amounted to 386 million Euros and increased by about 14% compared to 2022. It is worth highlighting the import of the following products: unglazed ceramic tiles (262 million Euros); binders for casting molds (247 million Euros); Portland cement (203 million Euros); reflectors and lighting signs (200 million Euros), etc.

Total foreign trade exchange of construction products of the economies of the Western Balkans, in billions of Euros



Source: Calculation based on Trademap data.

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Title: Upgraded support tool for integration of SMEs in European and Global Value Chains, Report 5 – Foreign trade of WB6 manufacturers and service providers that are related to infrastructure sector, metal production and automotive sector and agriculture (food processing) sector

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