

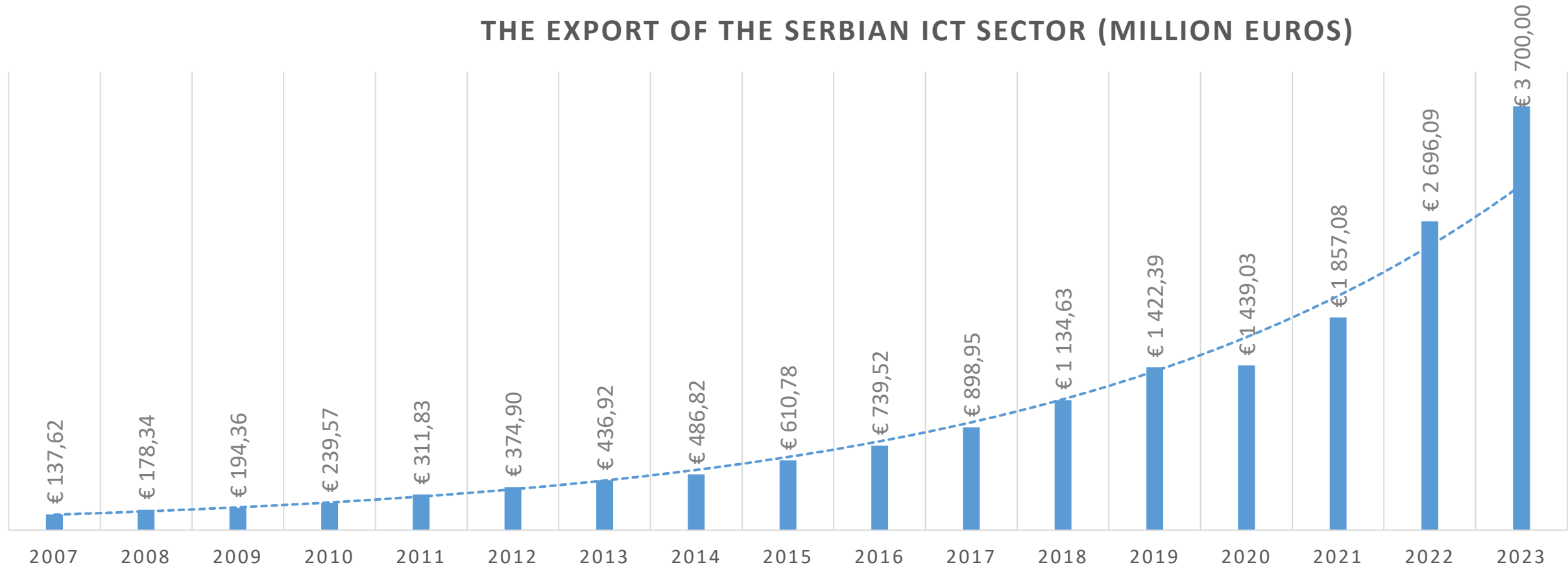
# SERBIA'S DIGITAL HORIZON: NAVIGATING GROWTH IN THE DANUBE REGION

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# Exports Trend in Serbia's Thriving ICT Sector

ICT sector has become one of the three key drivers of the development of the Serbian economy

## THE EXPORT OF THE SERBIAN ICT SECTOR (MILLION EUROS)



Source: National Bank of Serbia

The ICT exports figure for 2023 is currently unofficial; however, the projected value is presented.

# Competitive advantages of Serbia and the Region

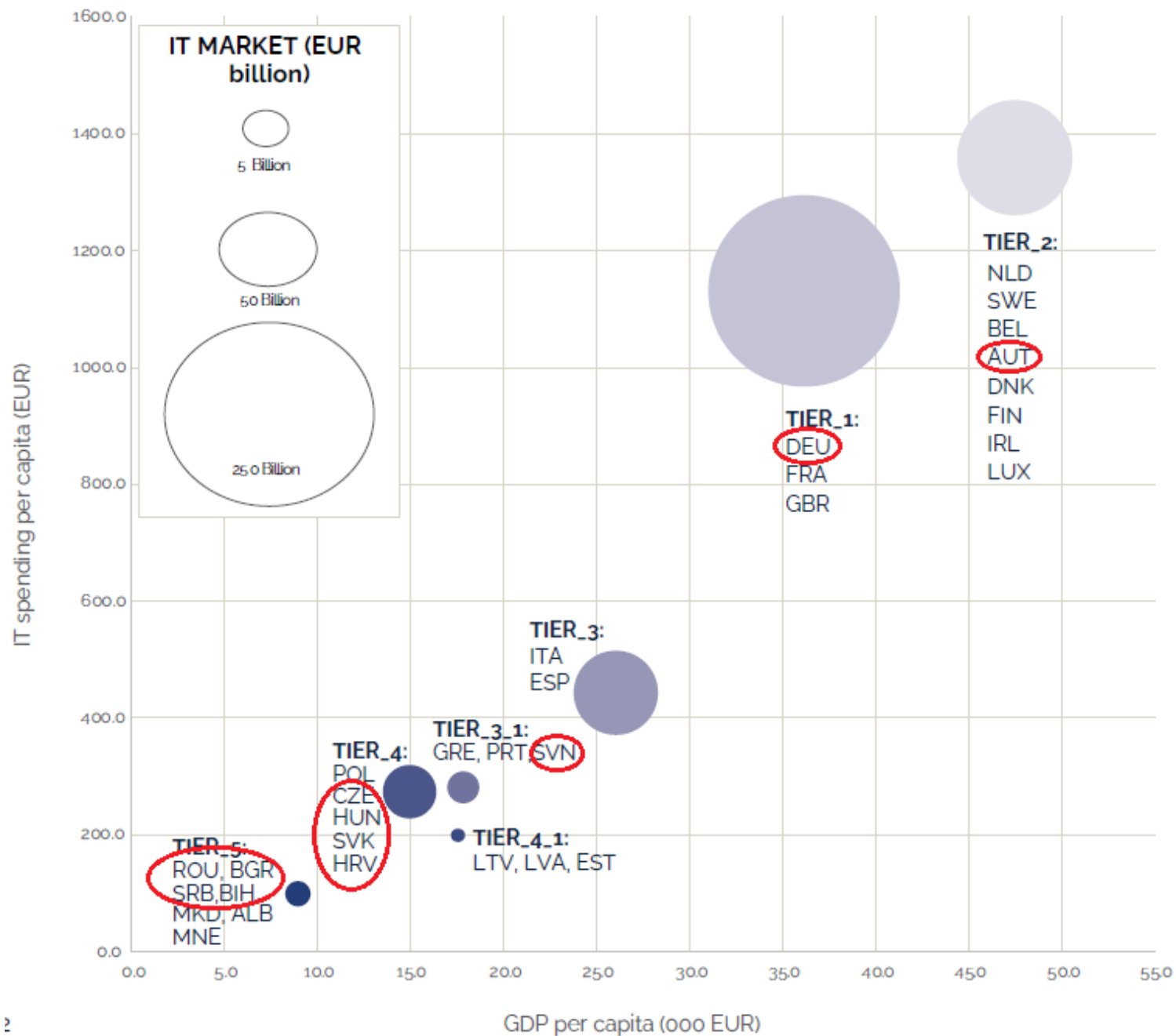
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- The main potential lies in the **ICT services industry**
- **Key trends in Serbia** from the last five years:
  - IT market growing by 10%
  - IT services export growing by over 30%
  - IT employment growing by more than 15%.
- Key competitive advantages that persuade international companies to expand their businesses to Serbia:
  - an outstanding pool of intellectual capital,
  - attractive labor costs,
  - excellent skills,
  - good communications networks and
  - a high fluency in English
- These competences are applicable also to other Western Balkan economies as well as less developed Danube region countries

# Domestic IT investments

- Serbia need to additionally increase domestic investments.
- In 2021 IT market reached more than €700 million - an annual growth of 9%.
- IT investments per capita - Serbia has finally crossed €100 domestic investments per capita
- Current investment of €108 per capita should be increased to €150. To narrow the digital gap
- Serbia needs an average annual growth rate of the IT market more than 10% until 2025.

IT investments according to economic strength (GDP).





# Digitalisation

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- Serbia has made visible progress in digitalising its economy, especially in e-government, but much scope remains for the integration of advanced technologies in the business sector.
- Despite certain progress, adoption of digital technologies by firms continues to lag behind the levels of the EU average.
  - Only 6.7% of enterprises are using software solutions, like CRM, compared to an EU average of 19.5%
  - The total share of Serbian enterprises' turnover on e-commerce is only 7.9%, far behind the EU average of 18.0%.
- Research results - there is a limited collaboration between ICT companies and traditional businesses in Serbia and the Western Balkan region
- Most ICT companies focus on international markets and exports, while traditional businesses have yet to fully recognise the importance of embracing digital practices.

# Digitalisation - Key figures (Serbia)

- 99.7% of companies have access to the Internet
- 81% of companies use mobile Internet connection via mobile devices (smart phones, laptop, tablet).
- 95% of the companies that have an Internet connection use e-Government services
- 84% of companies in Serbia with more than 10 employees have a website, greater than the EU average.
- Many companies know that digital transformation of businesses is well under way, but still have reservations.
- Rather weak results in e-Commerce. Only 41.9% of the companies that have Internet access were engaged in purchasing goods/services online and 22% of companies were approached through the Internet to deliver goods/services.
- 29% of the companies pays for cloud services via Internet
- 22% of Serbian companies use ERP, most of which are large companies (55%), then medium-sized companies (35%), and small companies (18%).



# Government support measures

- Support measures to the development of the innovation ecosystem
- Tax relief schemes for startups
  - **IP Box regime:** Only 3% corporate income tax for revenues from intellectual property created in Serbia.
  - **R&D Deduction:** Research and development (R&D) double deduction
  - **Tax Credit for Investments in Start-up Companies**
- Centre for Digital Transformation



# Future prospects

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**Digital Europe Programme** - an additional opportunity for rapid development and the great potential that Serbia has already shown in this area.

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Recent research results reveal that more than 57% of respondents in the surveyed ICT community in the Western Balkans **lack awareness of the Digital Europe Programme**

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**Efforts to disseminate information about the Digital Europe Programme need to be strengthened** to ensure that stakeholders in the region are well informed and can actively contribute to improving regional cooperation, digitalisation and development in the ICT sector.

# Conclusions

- Serbian companies are **in the initial phase of digital transformation**, which reflects their business environment. Organizations are mirrors reflecting the functioning of a society in which they operate.
- There is a **need to promote digital uptake**, especially among smaller firms that lag behind.
- **IT companies in Serbia should invest more time in getting specific knowledge about the economy in Serbia** and by doing that to position themselves for future opportunities.
- There are **a number of good domestic IT companies as the leading ERP solution providers** in Serbia, with excellent references and long tradition in business.
- **Addressing weaknesses in foundational skills through education reforms** and responding more effectively to labour market needs for digital skills would enable a wider adoption of advanced technologies and higher productivity growth.
- Recent research results show **high enthusiasm among ICT stakeholders to actively engage in digital transformation initiatives** within traditional sectors
- Financial constraints, limited awareness, and a lack of skilled resources pose challenges.

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**THANK YOU**

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