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Abstract

This note assesses Serbia's economic performance under the Serbian Progressive Party (SNS), which has governed the country since 2012, ahead of the parliamentary elections to be held on 25 October 2026. It compares the SNS years with the 2001-2011 period and with other economies in the region. Average annual growth in Serbia during the 2012-2025 period was 2.4%, against 4.2% in the previous decade, and lower than in most neighbouring countries. Unemployment has fallen, but employment has stagnated since 2019, and most wage gains have been absorbed by higher living costs. Inequality has increased, while social protection spending has declined. FDI inflows have been no higher than before, and the income earned by foreign investors now exceeds new inflows. Public investment has risen strongly but has been concentrated on motorways, while other infrastructure has fallen further behind the EU average and domestic private investment has stagnated. The record is far from the economic miracle often claimed.

Keywords: Serbia, Western Balkans, economic growth, labour market, inequality, foreign direct investment, public investment

JEL classification: O52, E24, D31, H53, F21, H54, E22

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Serbia's economy under Vučić: Far from a miracle

When the SNS came to power in 2012, one of its main claims was that it would improve on the poor economic record of its predecessors. Ever since, the party and Aleksandar Vučić, its dominant figure throughout this period, have presented the years that followed as an economic success story: the economy was stabilised, growth picked up, foreign investors arrived, and jobs were created. Each of these claims contains some truth. But taken together, and measured against Serbia's own past and its neighbours, they add up to a picture that is far from the miracle that is often portrayed. In this article, we look at how Serbia's economy has actually performed over the past 14 years.

1. GROWTH: SLOWER THAN BEFORE, AND SLOWER THAN THE NEIGHBOURS

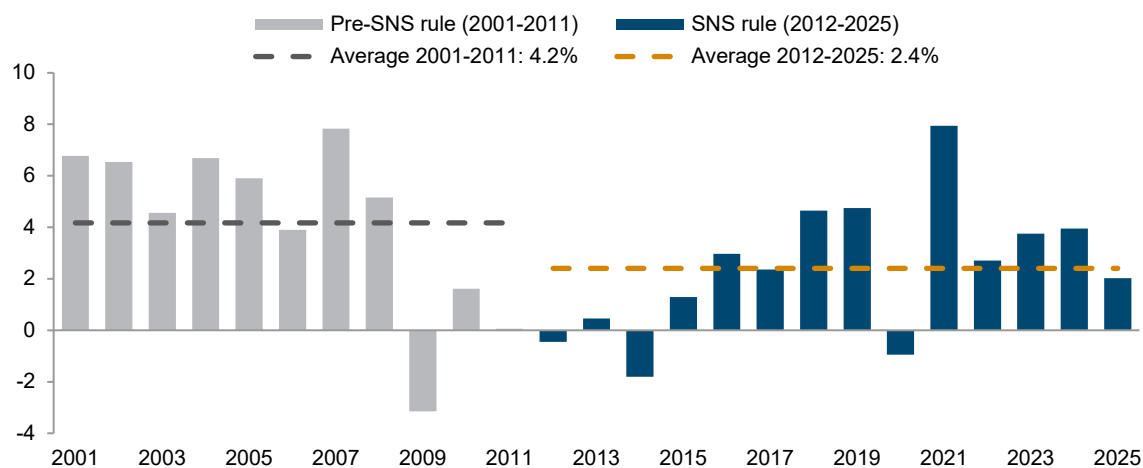
It is true that the SNS inherited a weak economy. In the 2009-2011 period, in the wake of the global financial crisis, Serbia's economy contracted by around 1.5% in total. But the new government did not turn this around quickly. In its first three years in power (2012-2014), the economy contracted by almost 2% – even more than in the three years before. Sustained growth only returned in 2015, the fourth year of SNS rule.

Even then, growth never came close to the rates of the previous decade. Over the 2012-2025 period, real GDP grew by 2.4% per year on average, compared to 4.2% per year in the 2001-2011 period, when the country was governed by the parties of the former democratic opposition (Figure 1). Under the SNS, the economy has thus grown little more than half as fast as before.

Admittedly, part of this gap reflects the pre-2008 boom, which lifted growth across the entire region. Perhaps a fairer test, therefore, is to compare Serbia with its neighbours over the same period. That comparison is not flattering, either. Of the region's nine economies, Serbia's average growth of 2.4% in the 2012-2025 period was only higher than that of North Macedonia and, marginally, Bulgaria (Figure 2). Kosovo, Albania, Montenegro, Romania, Bosnia and Herzegovina, and Croatia all grew faster. Serbia's growth under the SNS has been modest by any measure, and the image of Serbia as a growth champion is simply not supported by the data.

Figure 1 / GDP growth has been much lower in Serbia under the SNS than under previous governments 2002 – 2011

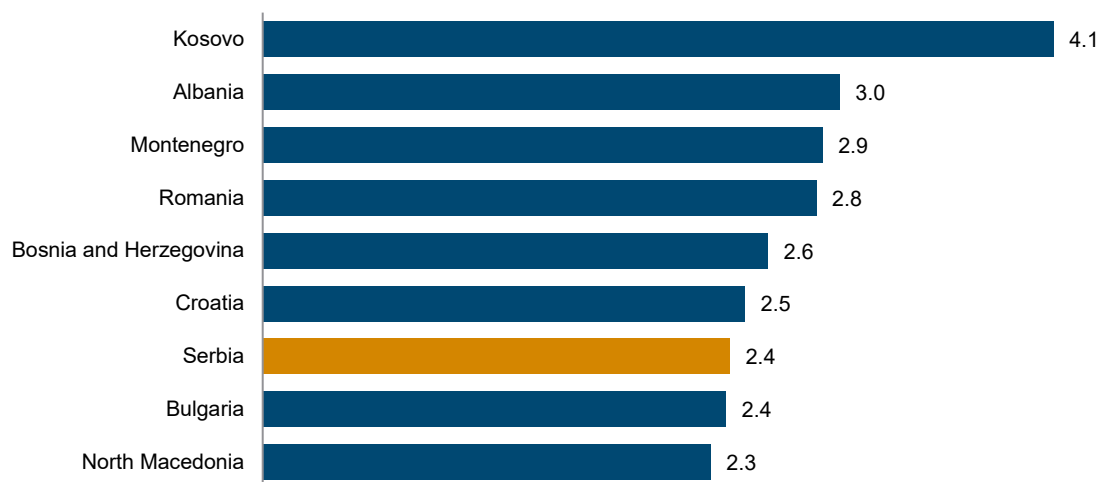
Real GDP growth in Serbia, % per year, with period averages



Source: wiiw Annual Database.

Figure 2 / GDP has grown more slowly in Serbia under the SNS than in almost all of its neighbours

Average real GDP growth in the region, 2012-2025, % per year



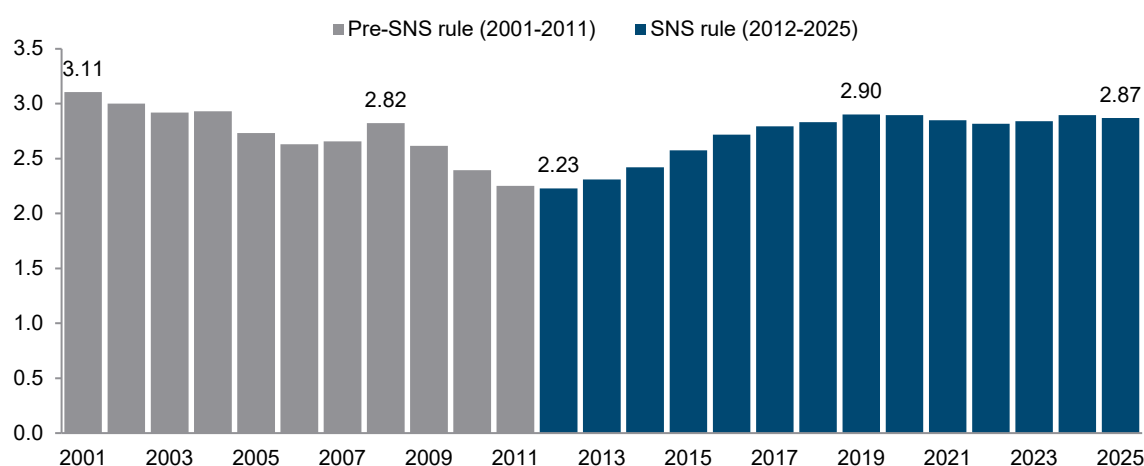
Source: wiiw Annual Database.

2. JOBS AND WAGES: EARLY GAINS, THEN STAGNATION

The strongest argument in the SNS's favour is the labour market. Here, the improvement has been real: the unemployment rate fell from around 23% in the 2011-2012 period to below 9% in the 2024-2025 period. But most of this improvement came in the early years of SNS rule as the economy recovered from the post-2008 collapse. Employment had started to recover just before the global financial crisis, reaching 2.8m in 2008. Then the crisis reversed this trend, with employment dropping to 2.2m by 2012, after which it climbed back to 2.9m by 2019 (Figure 3). Since then, it has stagnated and never exceeded 2.9m, and it even declined slightly in 2025. The much-celebrated jobs boom was therefore largely a recovery of the jobs lost in the crisis: employment today is roughly where it was in 2008, and still below the levels of the early 2000s. This stagnation comes at a time when 270,000 people are still unemployed and 2.5m are outside the labour force – a large labour reserve that the economy has failed to absorb.

Figure 3 / Employment recovered in the early SNS years but has stagnated since 2019

Number of employed persons in Serbia, million



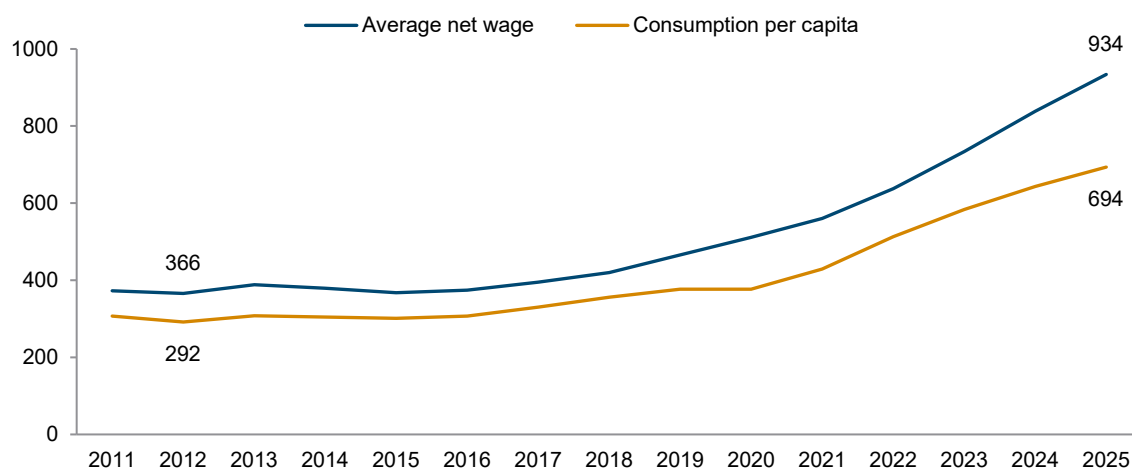
Source: wiiw Annual Database.

A second common SNS claim is that wages have risen substantially. Of course, in euro terms, they have: the average net wage increased by around 150% between 2012 and 2025, from around EUR 370 to around EUR 930 per month (Figure 4). But the cost of living has risen almost as fast. Average consumption per person rose from around EUR 290 to around EUR 700 per month, or by around 140%.

What this means for households can be illustrated with a simple example. Take a family of four in which both parents work and earn the average wage. In 2012, their two wages covered 63% of the family's consumption; in 2025, they covered 67% (Figure 5). Households today consume considerably more than in 2012, which has likely improved their well-being. But wages have barely kept pace: the share of consumption they cover has increased by only four percentage points in more than a decade, and two average wages are still not enough to cover what a typical family spends. Such a family still has to finance a third of its spending from other sources (e.g. remittances, pensions, savings, borrowing, or informal work). The improvement in living standards has thus been far more modest than the headline wage figures suggest.

Figure 4 / Wages have risen solidly, but so has the cost of living

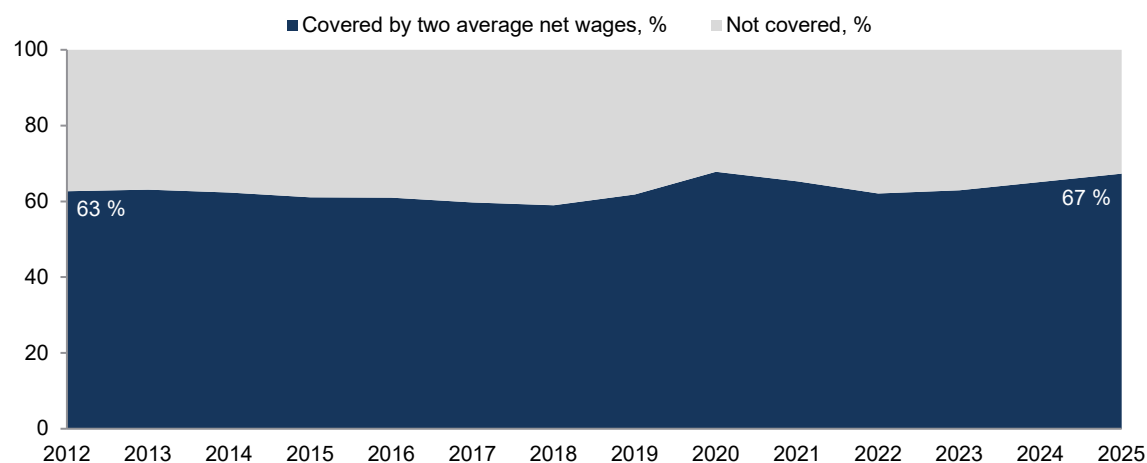
Average net wage and consumption per capita in Serbia, EUR per month



Source: wiiw Annual Database.

Figure 5 / Two average wages still cover only two thirds of a family's consumption

Share of the consumption of a four-person household covered by two average net wages, %



Source: wiiw Annual Database; author's calculations.

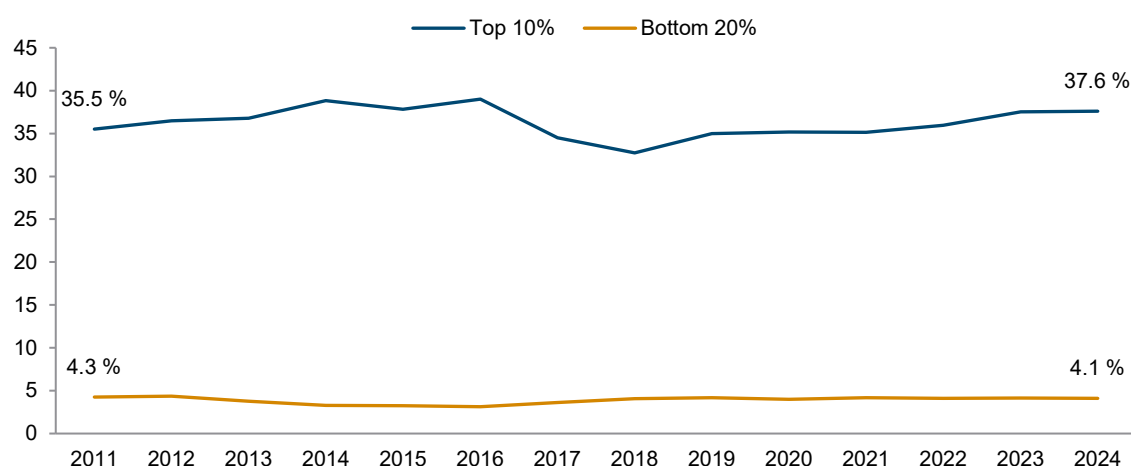
3. WHO HAS GAINED? INEQUALITY AND SOCIAL PROTECTION

Averages, however, say little about who has benefited – and, here, the record is worse. Serbia entered the SNS era as one of the most unequal countries in Europe, and inequality has increased further in the meantime. The share of post-tax income going to the poorest 20% of the population fell from 4.3% in 2011 to 4.1% in 2024, while the share going to the richest 10% rose from 35.5% to 37.6% (Figure 6). The changes are not dramatic, but the direction is unambiguous: the gains from growth have accrued disproportionately to those at the top.

At the same time, the state has been dedicating fewer funds to social protection. Spending on social protection benefits (excluding health and pensions) fell steadily, from around 4% of GDP in 2011 to 2.8% in 2023 (Figure 7). Poverty, inequality, and social cohesion have simply not been priorities of SNS governments. One explanation is ideological: as a right-wing party, the SNS has little faith in social protection and little concern for the poor. Another, less charitable explanation is political: persistent poverty creates a constituency that can be mobilised before elections with one-off payments, a tool that SNS governments have used repeatedly. A well-functioning social safety net would make such handouts far less effective.

Figure 6 / The richest have seen their share of income grow, while the poorest have lost ground

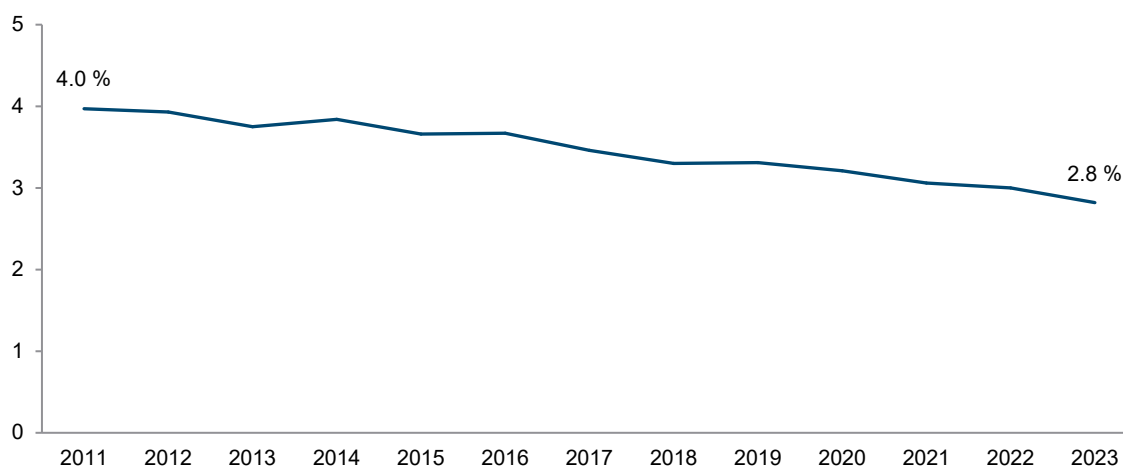
Post-tax income shares of the top 10% and the bottom 20% in Serbia, % of total income



Source: World Inequality Database.

Figure 7 / Spending on social protection has fallen steadily relative to GDP

Expenditure on social protection benefits in Serbia, excluding health and pensions, % of GDP



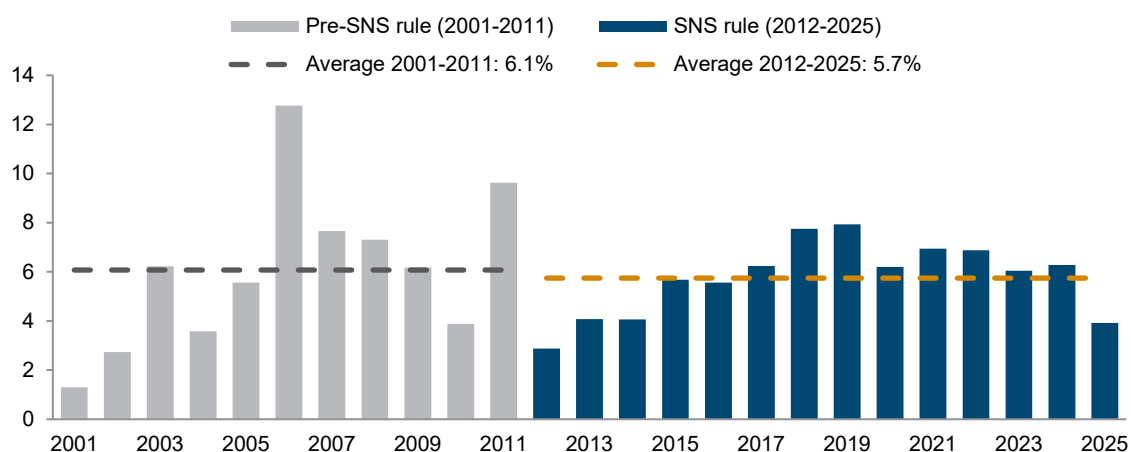
Source: Eurostat.

4. FOREIGN INVESTMENT: NO MIRACLE, AND A RISING BILL

Strong inflows of foreign direct investment (FDI) are often cited as the flagship success of SNS economic policy. Serbia has indeed attracted large FDI inflows – 5.7% of GDP per year on average in the 2012-2025 period. This has helped bring technology and business practices to the country in addition to supporting exports and the integration of Serbian companies into global value chains. But strong FDI inflows are nothing new for Serbia: in the 2001-2011 period, they averaged 6.1% of GDP, or slightly more (Figure 8). In 2025, they dropped to 3.9% of GDP, and they are likely to be even lower in 2026. Although this slowdown owes more to global uncertainty than to domestic policy, it shows how exposed an FDI-dependent model is to external shocks. All in all, the FDI record of the SNS years is nothing spectacular – solid, but no better than what came before.

Figure 8 / FDI inflows under the SNS have been no higher than under previous governments

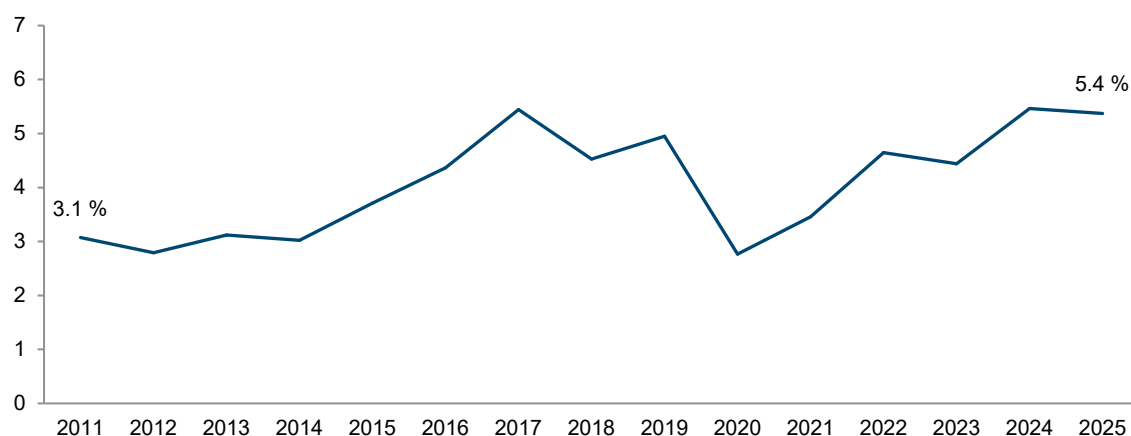
FDI inflows in Serbia, % of GDP, with period averages



Source: wiiw FDI Database.

Figure 9 / The earnings of foreign investors in Serbia are increasing

Direct investment income (debit) in Serbia, % of GDP



Source: wiiw Annual Database.

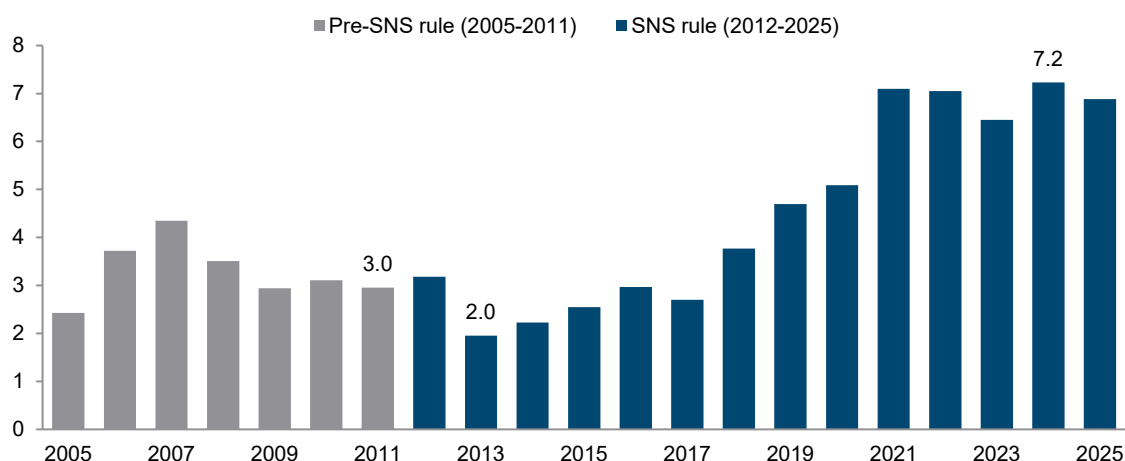
More importantly, foreign investment comes at a price. The income earned by foreign investors in Serbia – measured by direct investment income on the debit side of the balance of payments – rose from around 3% of GDP in 2011 to more than 5% in 2024 and 2025 (Figure 9). In 2025, it exceeded new FDI inflows – in other words, Serbia now generates more income for foreign investors than it receives in fresh foreign investment. This is the logical outcome of a strategy built on attracting foreign capital with subsidies and cheap labour rather than on developing domestic firms – over time, the earnings of foreign owners catch up with the new money coming in.

5. PUBLIC INVESTMENT: MOTORWAYS, AND LITTLE ELSE

The SNS also points to a public investment boom. The figures admittedly confirm the claim here – but only for recent years. In the first years of SNS rule, public investment actually fell, to 2-3% of GDP in the 2013-2017 period, which is below the roughly 3% of the pre-SNS years. It rose sharply from 2018 onwards and has been close to 7% of GDP since 2021 (Figure 10).

Figure 10 / Public investment has more than doubled, but only since 2018

Public investment in Serbia, % of GDP

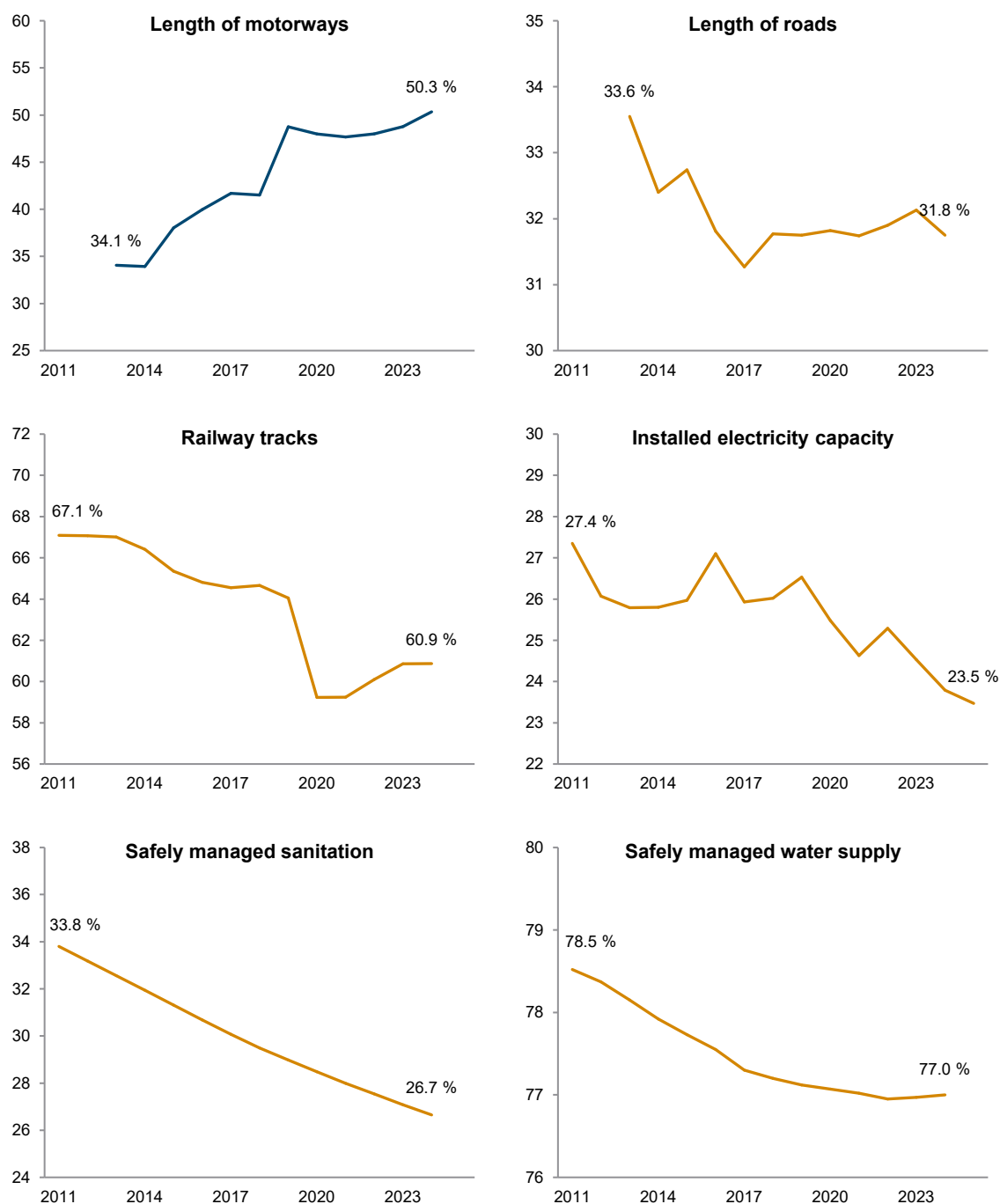


Source: Ministry of Finance of Serbia, consolidated state budget.

However, there are two prominent problems here. The first concerns the outcomes. Public investment has been concentrated on motorways, and motorways are the only area in which Serbia's infrastructure has improved relative to the EU average. Of the six infrastructure indicators from our converge2.eu framework, all measured relative to the EU average, only the length of motorways increased, from 34% to 50% of the EU average (Figure 11). The length of roads and railway tracks, installed electricity capacity, and access to safely managed sanitation and water supply all declined relative to the EU benchmark. Thus, despite the investment boom, Serbia's basic infrastructure has fallen further behind. The pattern suggests that investment priorities have favoured highly visible projects suitable for ribbon-cutting events and political self-promotion over less visible, but often more important, projects involving basic infrastructure.

Figure 11 / Apart from motorways, Serbia's infrastructure has fallen further behind the EU benchmark

Infrastructure indicators in Serbia, % of the EU average (note the different scales)



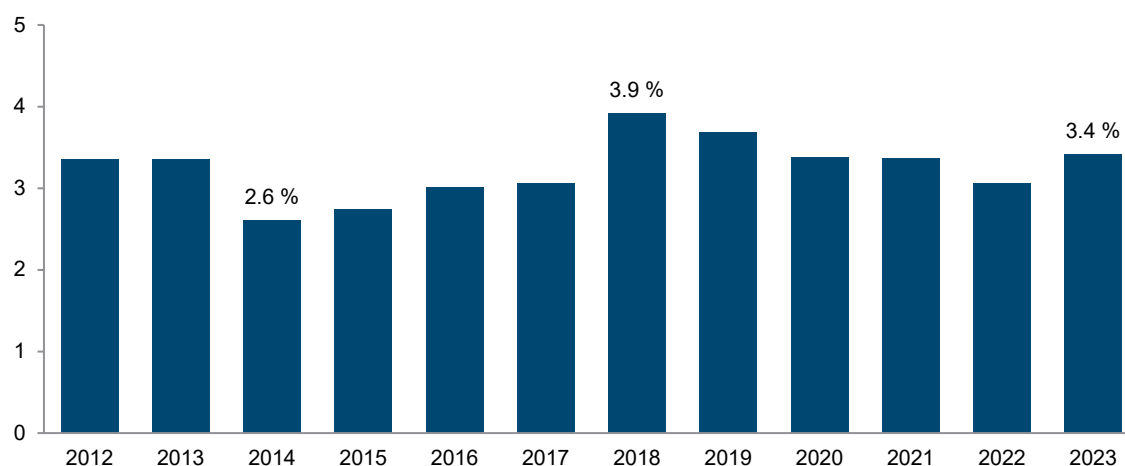
Source: converge2.eu.

The second, more fundamental problem is that the investment drive has done nothing to stimulate domestic private investment – the missing link of the SNS growth model. Investment by domestic private firms has fluctuated around 3% of GDP throughout the period, well below foreign investment and, in

recent years, about half the level of public investment, and there are no indications of an upward trend (Figure 12).

Figure 12 / Domestic private investment has remained stuck at around 3% of GDP

Domestic private investment in Serbia, % of GDP



Source: Statistical Office of the Republic of Serbia.

Several factors explain this. Weak rule of law, corruption, and poor governance discourage private investment. Moreover, there has not been any meaningful industrial or innovation policy to support domestic firms, while foreign investors have received generous subsidies. What's more, the government has shown little interest in fostering a strong, independent domestic business sector, which it appears to see as a potential rival centre of economic – and political – power.

6. WHAT IS AT STAKE ON 25 OCTOBER

The SNS years have not been without achievements. Unemployment has fallen, wages have risen, FDI has continued to flow in, and many kilometres of new motorways have been built. But the overall record is far from the economic miracle the government likes to portray. Growth has been slower than before 2012 and slower than in most of the region. Employment has stagnated since 2019, and most wage gains have been absorbed by higher living costs. Inequality has increased, while social protection has been scaled back. FDI inflows have been no higher than before SNS rule, and foreign investors now earn more in Serbia than they newly invest. Public investment has delivered motorways, but the rest of the infrastructure has fallen further behind the EU benchmark, and domestic private investment has stagnated.

Much is therefore at stake on 25 October, including the direction of Serbia's economic policy. If the SNS and Vučić win, the current model – driven by foreign investment and motorway construction, and indifferent to inequality and domestic entrepreneurship – is likely to continue. A change of government would not guarantee better outcomes, but it would at least open the door to a rethink of economic policy – and to a fresh start.

IMPRESSUM

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