



SECTOR OVERVIEW

IT Sector

Prepared by: Embassy of Denmark, Belgrade
The Trade Council

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Basic country indicators

Indicator	2010	2011	2012	2013	2014	2015
GDP, in bn USD	39.5	46.5	40.7	45.5	44.2	36.5
GDP growth, in %	0.6	1.4	-1	2.6	-1.8	0.7
GDP per capita, in USD	5,850	5,910	5,700	6,050	5,840	5,500
Unemployment rate, in %	20.0	23.6	24.6	23.0	20.1	18.5
Foreign direct investments, bn EUR	1.7	5	1.3	2	2	2.3
Inflation, in %	6.1	11.1	7.33	7.7	2.1	1.4

Source: World Bank and IMF

Basic sector indicators

Indicator	2010	2011	2012	2013	2014	2015
% of households having a computer	50.4	52.1	55.2	59.9	63.2	64,4
% of households having an internet connection	39.0	41.2	47.5	55.8	62.8	63,8
% of households having a broadband internet connection	27.6	31.0	38.0	43.4	55.1	56
% of companies that use internet in their business	96.8	97.2	97.7	99.6	100	99.1
% of companies that have their own website	67.5	67.6	79.8	73.8	74.0	80.8

Source: Statistical Office of the Republic of Serbia

1. GENERAL ECONOMIC AND MARKET DEVELOPMENT IN SERBIA

In 2014 the newly established Serbian government introduced a number of economic reforms as well as started the official negotiations of EU-membership. The market has now become more transparent and easier to do business in. The World Bank's 'Ease of Doing Business list' now ranks Serbia as 47 compared to 93 in 2014. Also Serbia now witnesses positive economic growth. The growth in GDP was 0.7 % in 2015 in spite of large reductions in the public sector. And the growth is expected to be 2.5 % in 2016 and 2.8% in 2017. As a result, the Serbian economy and market now offer an increasing number of business opportunities for Danish exporters and investors. One sector of interest is the IT-sector, attracting an increasing number of smaller Danish IT-companies.

2. KEY SECTOR INFORMATION

The new economic reforms and EU candidate process affect all sectors, among them IT. The IT-sector in Serbia is one of the most prosperous sectors with the highest potential for growth. The highly skilled labour force combined with the low salary level makes Serbia a potential hub for IT start-ups and the call centre industry.

In 2015 software exports amounted to approximately EUR 450 millions. The structure of the software industry in Serbia is characterized by local companies that conduct projects for foreign partners. The potential for the export of software from Serbia could reach as much as EUR 3bn over the next 5 years.

Software development

The northern province of Serbia, Vojvodina, and especially its capital Novi Sad, have become an IT hub for Serbia in the past decade, given the efficient cooperation between academia and business. Annual turnover in Novi Sad has thus surpassed EUR 100 mil. and today over 2,500 people are employed in the IT-sector.

The attractive conditions offered in the IT-sector have contributed to a further push of young students to choose this path. This again is bound to stimulate the sector further.

As an example of typical salary levels, the average monthly net wage for Java/.NET programmers are roughly the following:

- Beginners, fresh graduates with no experience: EUR 350-450

- A couple of years of experience: EUR 500-1000
- Seniors, team leaders: EUR 1000+, maybe EUR 1500+

On top of this, approximately 60% should be added for all the taxes and contributions.

3. FOREIGN INVESTORS

Since 2005, Microsoft has a development center in Serbia which now employs 220 people and has a network of over 1000 partners throughout the country.

Examples of extremely successful startups and local subsidiaries are Nordeus, Schneider Electric, RTRK, GTECH and PS Tech. The number of Danish IT-companies present in Serbia is still fairly modest, but has been growing in the past years. Lately Danish software companies have also started to make use of Serbia as a production platform.

4. REFORMS AND POLICIES

There is an institutional support from the government to the IT-sector and awareness about its current and future importance. In June 2013, the government adopted the program for support to the development of IT industry which includes subsidies for startup companies, support to outsourcing companies, support for development, export of original programs, and efforts on attracting large foreign companies to open development centers in Serbia.

The Serbian government has started implemented different kinds of eGovernment solutions both at the state and local levels. The first step has been an eGovernment portal for business. This development will be supported and enhanced through the EU accession process and usage of pre-accession funds.

The Serbian government as well as foreign aid organisations have supported the Serbian IT-sector. Among the beneficiaries have been start-up projects, investors into IT-office parks etc. Government sector support is expected to continue due to the fact the Serbian government considers IT a focus area and key to economic growth.

5. DANISH OPPORTUNITIES

As of today the market for software is smaller than the EU economies. The banking and telecom sector should be targeted. Also larger infrastructure projects, such as planned airport expansion or

privatization of Telekom Srbija, have potential for Danish producers of software and related technology.

The public sector is in dire need of introducing and implementing IT systems throughout the whole sector. The lack of funding is a barrier for Danish exporters. But the EU accession will be a new driver for export opportunities to Serbia.

As of today the sale of Danish software in the Serbian market is fairly limited. The Danish export mainly consists of a smaller number of niche oriented software products for specific sub-sectors in the economy. But as the economy is reforming, state companies are expected to be privatized and the need for technology optimizing processes in the companies, including software, will increase.

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Ministry of Foreign Affairs of Denmark

Embassy of Denmark, Belgrade

Neznanog Junaka 9 A

11040

Beograd

Tel: + 381 11 367 9500

Fax: + 381 11 4060 500

E-mail: begamb@um.dk

Web: serbien.um.dk