

Serbia

Changes in buying behaviour

The economic crisis and approaching recession are also becoming a top topic in Serbia nowadays. Although the troubled Serbian economy has successfully avoided the first wave of the crisis (mainly due to the fact they are not part of the main investors' cash flow), the forecast is very cloudy, if not stormy.

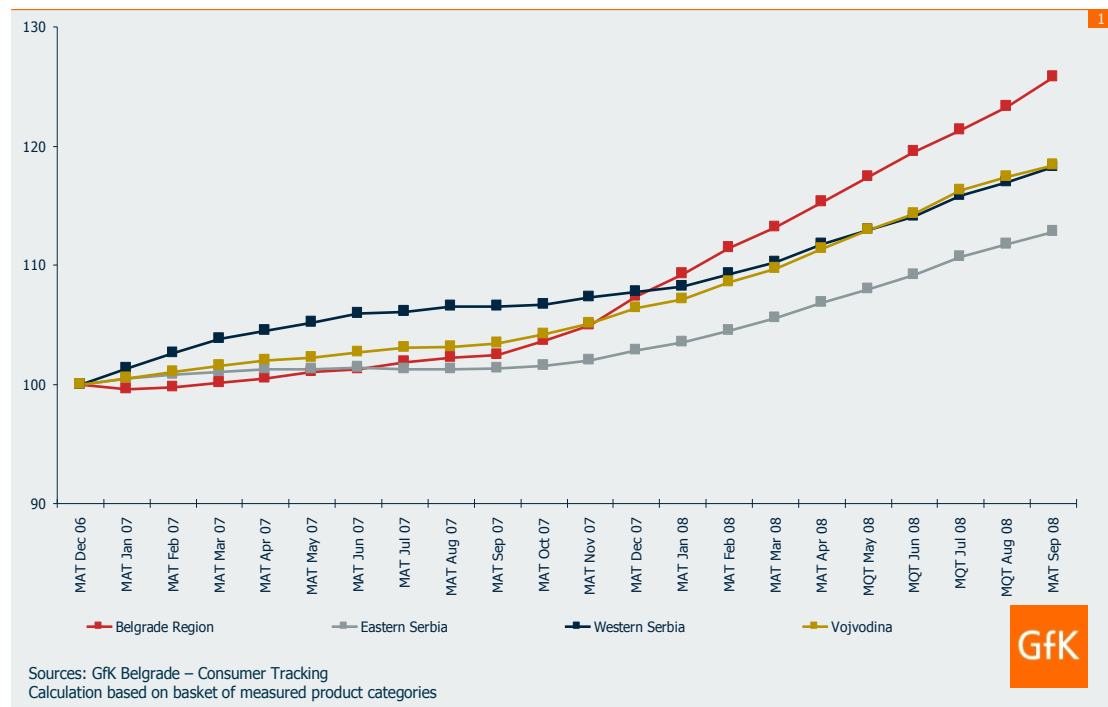
On the other hand, the political crisis over the past two years concerning the government and their parliamentary majority has also had an effect on tailoring the consumers' mood so that Serbs were already prepared to some extent for the global crisis.

Nevertheless, although average wages have been on a constant upward path (partly due to the appreciation of the local currency versus the Euro) not many FMCG categories have profited from that. The price increases for essential food categories have 'eaten' most of the income accrued, keeping volume growth modest or even in decline. In the light of that, the value share of food, beverages and tobacco in the household budget (according to official statistics) increased from 43% in 2006 to 45% in 2007 and reached 48% in Q2 2008. On the basis of that fact, Serbs are back in 2003!

The price increases started in 2007 and have continued throughout 2008. As was to be expected, the fastest and biggest increases occurred in the Belgrade area and then spread to the rest of the country after a slight time delay.

Price Indices by Regions

by MATs (MAT Dec 06 = 100%)



As has already been mentioned, the food basket shows the steepest price increases whilst the average prices for beverages and personal care products have remained relatively stable.

On the other hand, the prices of the household care products bought, which had had the same pattern of increase as food until the end of 2007, suddenly started to decrease over the course of 2008. This does not necessarily mean that producer prices had decreased but was more probably the result of shoppers turning to cheaper products and products on promotion.

Low income buyers suffer the most from price increases and search for the products with the lowest prices (or lowest price increase). Certainly, this segment had been refraining from shopping and thus reducing the volumes purchased until, in late 2007, a point was reached where their basket could not be reduced any further.

After the first wave of the global crisis, the lowest income segment has become highly exposed and is suffering the most, whilst the middle and higher income classes do not yet show much change in their behaviour. Since government officials and market experts talk of harder times yet to come in Q2 of 2009, we will probably see changes in the purchasing patterns of these two segments in the near future.

Sources:

- Bureau of statistics
- ConsumerTracking – Household panel, extracts from the Report "Global crisis in Serbia: what changes does it bring?"

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