

COFACE MARKET INSIGHTS

Home appliances sector

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Business climate in Serbia remains stable, rated with A4 by Coface country risk assessment. ICT sector to which home appliances also belong, is characterized as the sector with medium risk in Central Eastern Europe. In this article our focus is going to be on Home appliances sector with the overview of current situation and expectations for next period.

According to Statista, annually growth projected for consumer electronics sector is 1.64% in 2024-2028. Additionally, Serbia's consumer electronics market is witnessing a surge in demand for affordable smartphones, driven by the growing tech-savvy population. ([source: Statista](#))

Main strenghts that should be emphasized regarding this sector are:

1. The globalisation of internet access and market penetration opportunities are accelerating because of the physical distancing linked to the COVID-19 pandemic
2. Exponential growth of connected goods
3. Strong innovation, with AI having a growing impact on all sectors and future 5G technology

Some of the main weaknesses are:

1. Saturation of some hardware in large markets (tablets, smartphones, PCs)
2. Long-term challenges regarding rare mineral reserves
3. Tougher regulatory environment in the future for ICT giants, notably in terms of taxes, data protection, freedom of speech and CO2 emissions
4. Concerns about semiconductors shortages and supply chain disruptions

[[Source: Coface](#)]

As a news that stood out at the beginning of this year, we can cite the fact that Tehnomanija became part of the Prointer Group. The company Prointer stated that this strategic integration marks an important step towards creating an even stronger team and better providing technological innovations to their clients. The merger of these two companies brings a synergy of expertise and experience, which will help in responding more efficiently to the growing needs of the modern market. [source: [Prointer](#)]

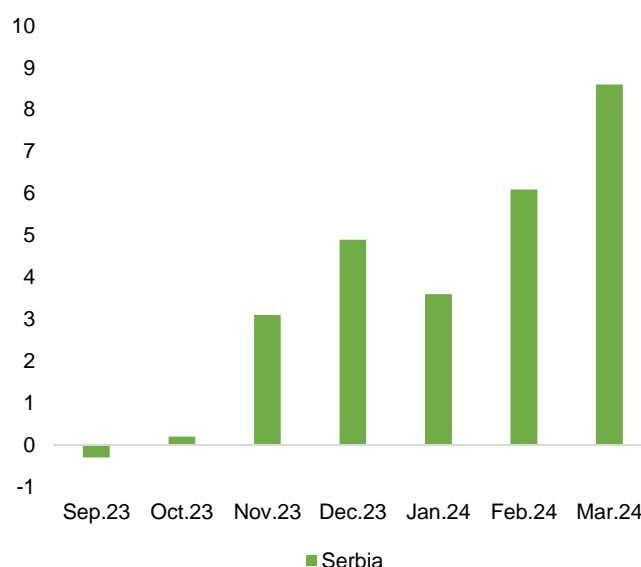
When it comes to assessing companies in Coface, we are trying to understand the whole picture on current situation of certain business entities and main factors which had dominantly affected business performance. Not counting only on financial figures but getting insights regarding reasons that stay beyond certain company's performance, we are considering particular sector as well as country and business climate in which company operates.

Growth of operating costs (OPEX) such as: salaries, rent, utilities and electricity was pointed out as one of the main factors that affected business performance. Additionally, reduced purchasing power of the population due to rising inflation, making people unable to buy better quality products was mentioned and being more focused on products for daily consumption as well. In electronics manufacturing process, changing consumer preferences is one of the biggest challenges that companies are facing, mostly due to the fact that purchasing power has decreased. They are also pointing out the impact of the Russian-Ukraine conflict which caused inflation. That is why companies avoid making long-term predictions. Economic crises and certain economic conditions have significant influence on consumer behavior. People are focusing on appropriate spending their home budget and companies who primarily sell their products to individuals are affected by changes in economic situation. Some companies have decided to invest in opening premium stores, but it remains questionable how this reflects on the company's overall results given the decline in the purchasing power of the population.

According to the Republic office for statistics, in 2023, the average monthly income per household (all households) amounted to 87,973 dinars, and expenditures for personal consumption of households (all households) amounted to 88,244 dinars. Compared to 2022, average monthly incomes in money and in kind are higher by 12.2%, and expenditures for personal consumption by households are also higher by 12.2%, nominally. (Source: [Statistical office of the Republic of Serbia](#))

The largest share in the personal consumption of households (all households) is expenditure on food and soft drinks - 36.8% and on housing, water, electricity, energy, gas and other fuels – 16.4%. This is followed by expenses for transport - 8.7%, for other personal items and other services - 5.9%, for communications - 5.3%, for recreation and culture - 5.1%, for clothes and shoes - 4.7% , for alcoholic beverages and tobacco - 4.5%, for health - 4.2% and 8.4% are expenditures for other groups of personal consumption. (Source: [Statistical office of the Republic of Serbia](#))

Turnover and volume of sales in wholesale and retail trade are picking up – monthly data (*Source: Eurostat*)



As we mentioned in our previous article regarding Agri-food sector (which you can read here: [Marketinsights: Agri-food](#)), companies within home appliances sector are also cautious when it comes to making long-term plans. However, it seems that they are ready to observe how preferences are changing on the market in order to find new ways of approaching potential clients.

Companies within the home appliances sector are facing a lot of competition and thin margins. However, it is expected that consumer confidence will grow if in the following period there will be a reduction of inflation and of the reference interest rate at National bank of Serbia. The reference interest rate of the National Bank of Serbia is at an unchanged level of 6.5% since July last year. The decision not to change the level of the reference interest rate of the previous ones months, the Executive Board adopted, taking into account the medium-term projection of inflation, the fact that global inflationary pressures, although declining, are still elevated, as well as there is still considerable uncertainty regarding the movement of world energy prices and other primary products. Interannual inflation in Serbia since the beginning of the year moved at a lower level than it was projected in February, first of all as the result of lower growth in unprocessed food prices than expected in favorable conditions of weather and good offer. [*Source: National bank of Serbia*]. With falling inflation and rising wages, consumer confidence will grow and then consumers will start to decide on other premium products - not only on those for daily consumption.

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