COFACE INSIGHTS

**Social unrest in Serbia**



The ongoing social unrest in Serbia primarily affects the nation’s political landscape but also carries significant economic implications. These economic repercussions extend beyond Serbia’s borders, influencing the broader Adriatic region, even though large-scale protests have not yet emerged in neighboring countries. Several key channels illustrate how the unrest is impacting Serbia’s domestic economy as well as its neighbors.

Foremost among these is the disruption to mobility and logistics, driven by peace marches and infrastructure blockades organized by protesters. Critical transportation hubs, such as the bridges in Novi Sad and Belgrade and the Autokomanda interchange—where two major roads converge en route to the capital—have been affected. The consequences extend beyond Serbia’s domestic market, given that key transport corridors connecting Croatia and Slovenia to South-Eastern European markets pass through Serbia. This disruption is particularly impactful on Adriatic ports such as Koper and Rijeka. Delays and rising logistical costs may prompt some companies to reevaluate their supply chains, potentially shifting routes away from Adriatic ports. This supply chain instability could have pronounced effects on the regional manufacturing sector as well.

The impact of limited mobility is evident across various modes of transportation. As illustrated in the graph below, touristic traffic has declined in response to the national protests, reflecting a broader reduction in overall mobility. This decline affects not only supply chains but also investor and business travel. Limiting the possible entrepreneurial activity in the region. Clearly, this reflects the current struggles of the touristic sector which extend its services beyond the sole accommodation.



The aforementioned reduction in mobility also highlights another critical channel through which social unrest is impacting the regional economy: consumer and retail sector confidence. Local business closures and mobility challenges have notably eroded consumer confidence. Similarly, the retail sector is experiencing a decline in activity. In March 2025, Serbia saw the first decline in retail sales since 2023. Although, the retail sales were gradually losing their dynamic much before the national protests, thereby making it hard to distinguish the effect of the protests.

While much of the postponed consumer spending may eventually be recaptured, retail segments that rely heavily on spontaneous consumption are facing considerable challenges. This sentiment is further exacerbated across the Adriatic region by recent supermarket boycotts, organized as part of protests against rising grocery prices and the deteriorating cost of living.

The operational disruptions are also impacting government functionality, particularly in Serbia. The government’s ability to advance critical reforms and investment projects—especially those under the "Leap into the Future - Serbia EXPO 2027" development plan—has been significantly curtailed as attention shifts toward crisis management. Additionally, the public budget may eventually be reallocated to partially meet the demands of protestors, which would place strain on fiscal resources and reduce the available funding for planned public investments. Another notable disruption stems from the reshuffling of government representatives due to recent resignations, further complicating the execution of key initiatives.

The indirect ramifications of the protests are equally significant, primarily manifesting in investor perception. Governmental instability risks deterring potential market engagement. This sentiment is already reflected in financial indicators, with Serbian dollar-denominated bonds among the poorest performers in emerging markets in the recent weeks. Rating agencies have explicitly tied Serbia's credit rating to the trajectory of social unrest, suggesting that prolonged political instability could further erode investor confidence. The total inflow of foreign direct investments is visibly lower than last year, while the outflows increased slightly. This indicates the reallocation of investors away from Serbian economy, either through portfolio divestments or selling more tangible assets. In order to offset this fund flow and stabilize the currency, the National Bank of Serbia had to sell their EUR reserves by almost 1 bln.



The primary risks lie in the potential for public dissent to spread further across neighboring Adriatic countries. Early signs of protests have already emerged in Slovenia, expressing solidarity with Serbian demonstrators. Public sentiment in the region is fragile, with various parallel movements already underway—such as the grocery price boycott in Croatia and criticism of the Bosnian government’s handling of recent floods. In Serbia, past grievances, such as those surrounding the lithium mining project—a critical initiative for Serbia’s role in the European EV supply chain—could resurface. Should the unrest spill over into neighboring countries, similar economic disruptions to those experienced in Serbia may occur, albeit to varying degrees.

To some extent these higher-frequency indicators did precede the worse than expected releases of hard data. The GDP growth rate in the first quarter of 2025 decelerated to historically meager 2% year over year. While the numbers are definitely unsatisfying, the period was also marked by elevated level of uncertainty induced by the trade wars, thereby complicating the isolation effect stemming from the national protests.

Paradoxically, the current social disruption might yield a constructive long-term outcome. The escalating public dissatisfaction with corruption could exert meaningful pressure on government officials to implement more transparent governance practices. Addressing systemic corruption could ultimately enhance economic efficiency by mitigating resource misallocation, as exemplified by the incompetent reconstruction of the railway station and resulting tragedy.



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