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Zoran Jeremić
Singidunum University
Faculty of Business Economics
Department of Finance and Banking
Belgrade

Marko Milojević
Singidunum University
Faculty of Business Economics
Department of Accounting and Auditing
Belgrade

Ivica Terzić
Singidunum University
Faculty of Business Economics
Department of Finance and Banking
Belgrade

BUSINESS PERFORMANCE OF THE LARGEST EXPORTERS IN SERBIA DURING THE PERIOD 2008-2014

Poslovne performanse najvećih izvoznika u Srbiji u periodu od 2008. do 2014. godine

Abstract

A further shift of Serbian economy towards export-oriented economy is a solution which has no alternative. It requires a fundamental change of the current model of development and creation of export strategy which should be supported by adequate economic measures. The purpose of this paper is to identify successful and competitive export companies based on the analysis of business performance results in the period 2008-2014. Therefore, a database was created for the given period that comprises balance sheets of about 4,000 companies which were actively exporting over the observation period as well as export and import results and statistical data concerning their business operations. After analysing 100 largest exporters, the companies were classified based on their size, industry they operate in, degree of technological development, concentration, and export diversification. Based on the conducted analysis, it is established that Serbia has a small number of competitive net exporters, the export concentration being focused on a narrow segment of companies primarily owned by foreign legal entities. What these investing companies have found most appealing was mainly low-priced labour force and state incentives. Due to deep structural disruptions, Serbia is unable to reverse the course of negative trends unless it creates and implements a high-quality export strategy in parallel with fiscal consolidation and improvement of business environment, with direct and indirect export incentives in the current situation being highly necessary.

Key words: *export, import, competition, sector, concentration*

Sažetak

Za ekonomiju Srbije preorijentacija na proizvodnju zasnovanu na izvozu nema alternative. To zahteva temeljnu promenu dosadašnjeg modela razvoja i kreiranje izvozne strategije koja će biti podržana merama ekonomske politike. Cilj ovog rada je da na bazi analize poslovnih performansi izvoznika u periodu od 2008. do 2014. godine identifikuje uspešne, izvozno konkurentne kompanije. Kreirana je baza podataka za posmatrani period koja se sastoji od bilansa oko 4000 preduzeća izvoznika, zatim od njihovog ostvarenog izvoza i uvoza, kao i od statističkih podataka o njihovom poslovanju. Na bazi analize 100 najvećih izvoznika izvršeno je segmentiranje po kriterijumima veličine preduzeća izvoznika, sektora iz kojih dolaze, tehnološke razvijenosti, koncentracije i disperzije izvoza. Na bazi izvršene analize utvrđeno je da u Srbiji postoji mali broj konkurentnih neto izvoznika, uz visoku koncentraciju izvoza usmerenu na usku grupu preduzeća koja su pretežno u vlasništvu stranih kompanija. Ova preduzeća, kao investitori, privučena su uglavnom niskom cenom radne snage i državnim stimulacijama. Zbog dubine strukturnih poremećaja, Srbija ne može preokrenuti negativne trendove ukoliko se uporedo sa fiskalnom konsolidacijom i poboljšanjem uslova poslovanja ne bude kreirala i sprovodila kvalitetna izvozna strategija, uz direktne i indirektne stimulacije izvoza koje su u postojećoj situaciji neophodne.

Ključne reči: *izvoz, uvoz, konkurentnost, sektor, koncentracija*

Introduction

In the aftermath of the global economic crisis, export competitiveness of countries and companies which operate in their territories has become the central issue of global economy. In the case of Serbia, the orientation towards export as the main engine of economic growth is additionally important considering the fact that economic growth is only possible based on export-oriented production. Domestic economic science and international financial institutions both agree that the model of economic growth used after 2000, based on capital and loan inflow accompanied by favouritism towards the import of consumer goods, is both unsustainable and impossible. The above reasons imply that the economic policy in Serbia, as a country characterised by a poor market, should be much more focused on creating more favourable conditions for the development of export companies. Therefore, the goal of this paper is to understand the structure of exporters and to identify the dynamic changes in their business performance results over the observed period, but also to point out the industry sectors and braches where export is viable. This would also contribute to creating an adequate economic policy, i.e. export strategy, and help the country to find optimal areas for export growth, i.e. to identify the areas of relative comparative advantage together with switching export structure toward value-added products. Serbia, therefore, needs to define its "product space" [4], [5], [6] and, based on it, create a high-quality industrial strategy. Serbia has major structural issues given that the share of export in GDP is multiple times lower compared to the countries which have recently acceded to the EU. Therefore, it is in no position to leave the creation of export to the market alone, as it is still underdeveloped, because the economy is predominantly linked to the state and public sector. However, the issue of creating optimal indirect and direct support to investors and exporters remains to be tackled: "What exports should Serbia develop and which products could Serbia export? One way is to let the market decide, but that is not the road most of today's emerging exporters have taken. Typically, they adopted a strategy. Serbia should do the same. The Product Space analysis offers a data-driven way to evaluate feasibility and desirability of sectorial transformation options [10, p. 26]."

Some authors even believe that countries are defined according to their production structure. "Rich countries are those that have latched on to "rich-country products", while countries that continue to produce "poor-country goods" remain poor. Countries become what they produce [4, p. 2]." This suggests how Serbia looks like in terms of the economy bearing in mind that its dominating exporting products are agricultural raw materials and low-processed products which are characterised by outdated technologies used and cheap and insufficiently qualified workforce which is typical of poor countries. In order to ensure its further development and enrichment, Serbia must shift towards the export of goods with higher added value which is typical of wealthier countries.

Methodology and databases

In order to grasp the changes in the export structure in the period after the onset of the global economic crisis, we gained an insight into balance sheet and income statement of 4,000 medium-sized and large companies which exported their products in this period and into statistical data on their employees, including the data on recorded exports and imports for each of them per year. This allowed us to have a database with time series which enables the understanding of the movements in export and import trends and to combine such data with balance sheets and income statements as well as the data on business performance of these companies. The goal was to discover, based on defined criteria of success and during the observed period, successful exporting companies and what industrial sector or company group they belong to. The first results of this research were presented at the Kopaonik Business Forum 2015 [8]. The balance sheet and income statement data and statistical data were obtained from the Serbian Business Registers Agency – SBRA, while the data on exporters and importers were obtained from the Customs Administration of the Republic of Serbia. We conducted analysis of 100 largest exporters and 100 largest importers with the aim of comparing their business performance results over the observed period. Since the

groups are non-homogenous, which prevents coming to any conclusions, we classified the companies into groups and then conducted analysis of each company individually. As the sample is rather small for high-quality statistical processing by using any of the known statistical methods, we only processed the first base which comprises companies whose export exceeded the amount of million euros per year. We also used regression analysis with the primary goal to determine the degree of dependency between increased export and improved business results.

In order to identify differences between the companies which are predominantly exporters and the ones which are predominantly importers, we compared cumulative balance sheets and income statements of both groups. We also aimed to determine which sectors and groups exporters and importers come from and what relevant changes occurred in the observed period, then their size, ownership structure, number of employees, and costs of research and development (for those few which did research and development). Particular attention in the research was focused on net exporters because they are the most significant from the perspective of countries' balance of foreign trade and payment operations.

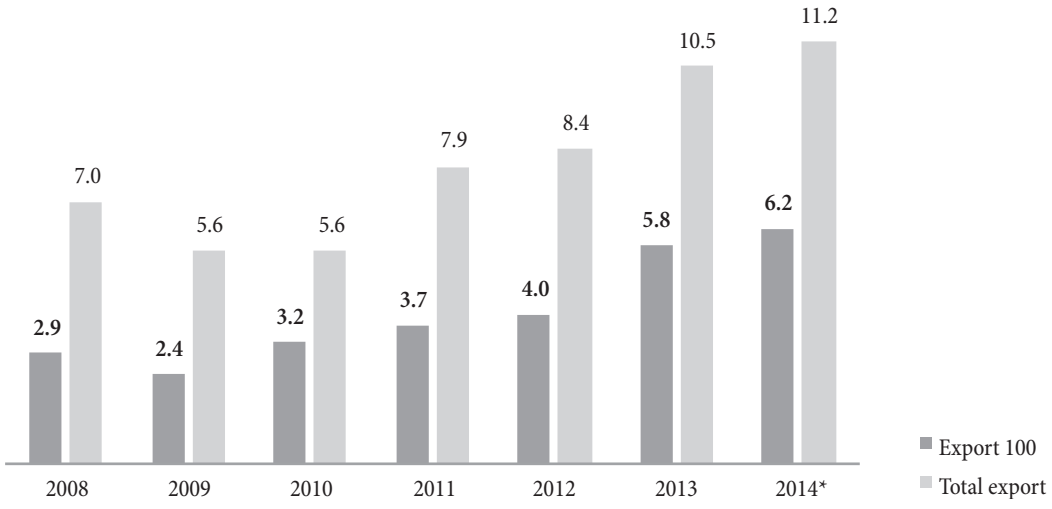
Business performance results of 100 largest exporters in Serbia

We analysed 100 largest exporters in Serbia during 2014 and the changes in their business performance over the period 2008-2014. In the observed period, this group of exporters continuously recorded increase in exports, with the exception of 2009 when the total export dramatically dropped due to the shock caused by the global economic crisis. The share of the first 100 exporters in total export continuously increased, from 42% in 2008 to 56% in 2014 (see Figure 1). This is indicative of the increase in concentration of export on a small number of large companies.

In addition to economic growth, the export also showed mild improvement of its structure in the observed period, heading toward processing and added value. Each improvement of the export structure is very important for Serbia because, in addition to an exceptionally low share of export in GDP, the export structure is also highly unfavourable since it is based on poor-country products and not on rich-country products.

The increase of share of the first 100 export companies in total export is also indication of the increase in concentration of export within the first 100 exporters. One company recorded the export over EUR 1 billion (FIAT), whereas the remaining 6 companies, which recorded the export in the range of EUR 100 million to EUR 400 million, have higher rate of growth and competitive advantage, which decisively contributes to positive performance results and increase in exports over the observation period. A large number of smaller companies, despite being exporters, recorded a decline in business performance results in the observation period. The improved results of export therefore primarily

Figure 1: Total export and export of 100 largest exporters (2008-2014, in EUR billion)



Source: Customs Administration of the Republic of Serbia, summarised by authors

originate from a small number of large companies, mostly owned by foreign legal entities.

The group of 100 largest exporters is mainly composed of the companies which are simultaneously big importers, so a third of this group is comprised of the companies which are net importers. Among others, it includes NIS, but also Tigar Tyres, Philip Morris, Impol Seval and others, which are publicly mostly recognized as the largest exporters. One thing that is peculiar about 2014 is that the import of the first 100 largest exporters slightly exceeded their total export (see Figure 2). When the interests of the largest exporters are viewed from the standpoint of foreign exchange rates, a third of exporters with higher import than export should be excluded from the group of largest exporters even though they are always listed as the largest exporters because they tend to prefer appreciation rather than depreciation of domestic currency and market liberalisation.

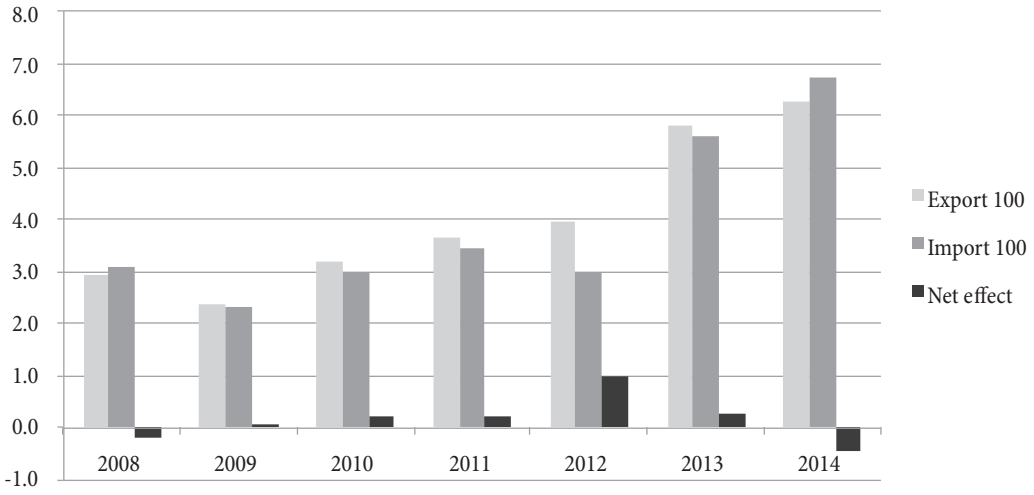
Business results of 100 largest exporters in the period 2008-2013

In order to identify performance results of exporters in the observed period, we summed up their balance sheets and income statements. The interpretation of the results obtained should however be done simultaneously with gaining an insight into individual characteristics of each company, along with identifying typical ownership structure of some groups or significant events as, for example, their entering the market dominated by largest market players (for example, FIAT and manufacturers of car spare parts) or drop in their performance due to the global economic crisis (e.g. Zelezara Smederevo, Farmakom and larger exporters undergoing restructuring).

The group of 100 largest exporters, observed through aggregate data, achieved very good business results in the observation period despite the economic crisis (see Table 1). In the period from 2008 to 2013, they recorded 54% increase in assets, converted into EUR, increase in capital of 34% and EBITDA of 60%. Due to the exchange rate of RSD on two observed days, this growth is more pronounced in RSD. Average number of employees has recorded an increase of 17% for these 6 years while the cost of labour increased by 4%. If we focus our analysis on the companies, both very good and very bad examples are available. It is beyond doubt that the single most negative effect identified in joint results was the deterioration of the business performance of Zelezara Smederevo, and the losses of several major export companies undergoing restructuring but which continue to operate thanks to state subsidies.

Figure 3, showing balance sheet items of operating profit, EBITDA and export, paints a clear picture of a sharp drop in these values in 2009 as a consequence of the global economic crisis which significantly affected export (despite all the previous forecasts that this would not have a major effect). This figure also clearly shows the continuous growth of exports afterwards and the recovery

Figure 2: Export and import of 100 largest exporters (in EUR billion)



Source: Customs Administration of the Republic of Serbia, data processed by authors

Table 1: Balance sheet items of 100 largest exporters

	2013	2012	2011	2010	2009	2008	INCREASE 2013/2008
ASSETS	12,216	11,144	10,211	8,699	8,160	7,918	54%
Capital	4,747	4,346	3,774	3,092	3,141	3,552	34%
Long-term loans	1,146	1,419	1,361	1,011	1,116	714	61%
Operating income	11,713	9,885	9,312	8,357	7,027	8,589	36%
Operating expenses	10,655	8,811	8,575	7,723	6,792	8,146	31%
Operating profit	1,130	1,258	1,022	833	513	590	91%
Operating loss	272	256	285	199	277	147	85%
Net profit	1,024	967	844	535	344	364	181%
Net loss	447	243	425	286	698	342	31%
Interest expenses	124	113	116	103	114	175	-29%
EBITDA	1,711	1,719	1,441	1,229	977	1,069	60%
ROA	5%	7%	4%	3%	-4%	0%	
ROE	12%	17%	11%	8%	-11%	1%	
Cost of salaries and wages	913	875	912	806	842	875	4%
Average number of employees	74,396	70,099	68,151	64,563	63,185	63,677	17%
Cost of salaries per employee	0.012	0.012	0.013	0.012	0.013	0.014	

Source: SBRA, summarised by authors

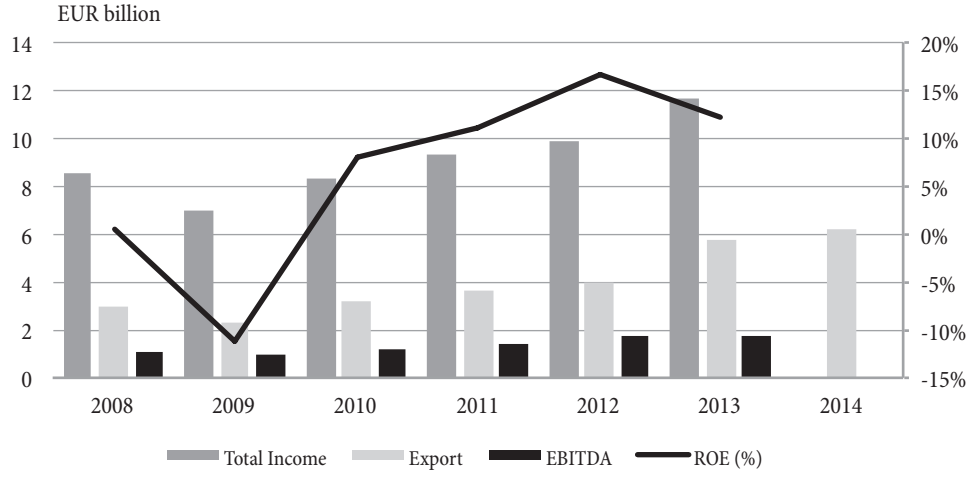
of profitability in 2012. However, new deterioration of profitability rate occurs which will likely be visible in the final accounts for 2014 (not available yet).

Export structure and diversification

The structure of exporters based on the amount of actually realised export is very interesting (see Figure 4). Only one exporter (FIAT) recorded export exceeding EUR 1 billion and represents a relevant exporter from the perspective of broad market. There are no exporters with export value between EUR 400 million and EUR 1 billion. This may lead to a conclusion that there are not sufficiently large exporters and that this segment must be expanded which is only possible through the introduction of new market players, though this is highly unlikely at the moment. Having larger exports would reduce the risk accompanying possible significant reduction in FIAT's exports, which would make the shown values plunge.

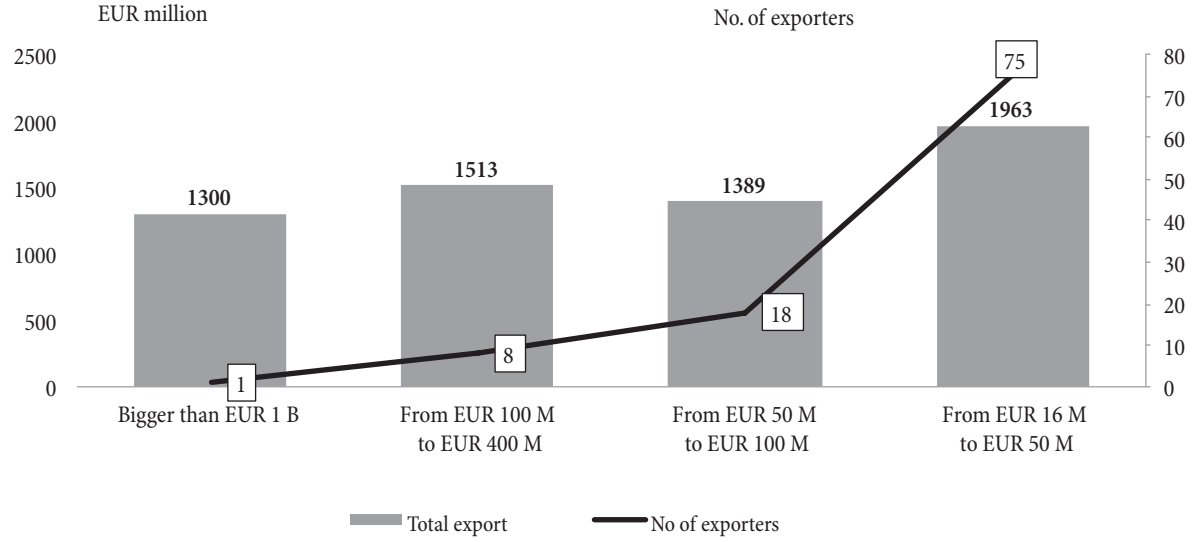
In order to analyse the export of individual companies, we need to classify the companies based on the achieved export results and based on the time they entered the market. Some of the most successful exporters were not even present in 2008 since either they only entered the market in the subsequent years or their business operations were at the very start.

Figure 3: Balance sheet items and export of 100 largest exporters (in EUR billion)



Source: Customs Administration and SBRA, summarised by author

Figure 4: Classification of companies based on export achieved in 2014



Source: Customs Administration and SBRA, summarised by authors

FIAT is followed by a large gap in the amount of exports and the next group of companies with export exceeding EUR 100 million consists of 8 companies (see Table 2). With EUR 370 million worth of exports, NIS is the first exporter in this group but it also recorded an imposing growth of export of 283% since 2008. Its share of export in operating income increased from 5% to 17%. Considering that the import of oil is substituted by processing of domestic oil, its effects on the balance of payments and the growth of GDP is truly remarkable (without reviewing other aspects of NIS operations in details).

Gorenje is the following good example of an export company with growing exports. Gorenje Valjevo recorded EUR 135 million worth of export in 2014 which is an increase of 248% since 2008, with export having a share of 94% in its operating income. It is a fine example of the companies which were the first to penetrate the Serbian market, largely due to the state subsidies and low-cost labour. One should bear in mind that Gorenje has two more factories – Gorenje Tiki, Stara Pazova and Gorenje Home, Zajecar – which recorded EUR 50 million of export in 2014, making it an important exporter.

Significant increase in export was also accomplished by Tetrapak, Tigar Tyres and Yura Corporation, which entered the market in 2010 with export worth of EUR 8 million only to reach EUR 119 million in a few years, thus becoming one of the most significant net exporters.

Table 2: Increase in export and share of export in operating income in the group of exporters with export worth between EUR 100 million and EUR 400 million

In EUR million				EXPORT GROWTH					Share of export in operating income*		
	EXPORT			2014/	2014/	OPERATING INCOME			Export 2014/	Export 2008/	ROEE
EXPORTER	2014	2013	2008	2013	2008	2013	2012	2008	Op. inc. 2013	Op. inc.2008	2013
NIS A.D. NOVI SAD	370	301	97	23%	283%	2,176	2,023	1,910	17%	5%	37%
GORENJE DOO VALJEVO	135	120	39	12%	248%	144	71	44	94%	88%	4%
TETRA PAK PRODUCTION, BG	160	102	78	57%	106%	142	141	133	113%	58%	99%
TIGAR TYRES DOO, PIROT	233	231	125	1%	86%	259	230	152	90%	82%	40%
HEMOFARM, VRSAC	149	158	105	-6%	42%	213	220	216	70%	48%	28%
YURA CORPORATION RACA	119	116	0	3%	0%	119	99	0	100%		95%
HIP-PETROHEMIJA in restr.	148	234	206	-37%	-28%	372	124	338	40%	61%	
ZELEZARA SMEDEREVO	201	131	877	53%	-77%	186	187	970	108%	90%	
	1,514	1,393	1,526	9%	-1%	3,611	3,096	3,764	42%	41%	

Source: SBRA, Customs Administration, summarised by authors

Note: In calculating the share of export in operating income, we took 2013 as the relevant year since the data for 2014 are still not available due to regulations in this area. For this reason, the export values of some exporters exceed 100% of operating income but this can also be a consequence of the time of recognizing export, i.e. invoicing.

These few exporters have exceptional profitability and return on average capital which is hard to encounter in the market economy.

On the other hand, a significant drop in exports, which annulled the positive export results of this group, was recorded by Zelezara Smederevo with a record EUR 877 million of exports in 2008 reduced to EUR 201 million in 2013. In addition to Zelezara, a substantial drop in the observation period was also recorded by Petrohemija, which is also looking for a potential strategic partner.

Group of exporters with export value in the range of EUR 50 million to EUR 100 million

This group comprises 18 companies, with 7 companies being distinguished based on their speedy growth of export over the observation period (see Table 3). Unlike the previous group which comprises the exporters whose export is worth more than EUR 100 million, where many recorded both growth and exceptionally high profitability rate, this group is characterised by an increase in export, but maintaining the profitability of these exporters became an issue with the start of the economic crisis. In this group of exporters, the export growth was not correlated with the increase in profitability due to a decline in prices of their products on the global market and/or due to poor management.

Even though this group has low profitability, the majority of these companies have economic prospects and potential for growth, which is primarily dependent on the recovery of global economy. The volatile trend of export can be noticed in smaller sized companies. This can be attributed to aggravated operating conditions in the aftermath of the global economic crisis as small sized companies are in disadvantageous position when it comes to obtaining loans on the financial market. Therefore, an overall view remains that small and medium sized companies have lost their positions in foreign markets and thus were forced into bankruptcy since the loss of foreign markets cannot be compensated by domestic market because the consumer purchasing power in Serbia has declined.

The second negative effect which gives way to high instability of exports is the fact that export depends mainly on raw materials and has low diversification of industrial products. This is typical of all underdeveloped countries. "Export instability is another reason for the benefits of export diversification, which is analogous to the portfolio effect in finance. Commodity products are often subject to very volatile market prices so that countries that are dependent on these commodities may suffer from export instability [8]." Having in mind that agricultural raw materials are dominant products in export, the result is, in addition to low profit, high volatility of export due to various circumstances such as drought, presence of aflatoxins etc. The same goes for the industry: should FIAT experience significant drop in export because, for example, the company failed to launch a new model from its factory in Kragujevac, both export and production would sustain a major blow. Therefore, switching to highly processed products and diversification of exported goods and increasing the number of competitive export companies could reduce the risks of a sudden drop in exports (see Table 4).

Table 3: Exporters with export worth EUR 50 million to EUR 100 million

	EXPORT			EXPORT GROWTH		ROEE
EXPORTER	2014	2013	2008	2014/ 2013	2014/ 2008	
PHILIP MORRIS, NIS	86	48	14	80%	527%	13%
VALY	94	118	19	-20%	394%	1%
RTB INVEST DOO	81	107	19	-24%	325%	
SOJAPROTEIN AD BECEJ	64	63	16	2%	297%	
VALJAONICA BAKRA SEVOJNO	87	53	30	64%	189%	
LBK LIVNICA KIKINDA	55	48	23	14%	140%	10%
HENKEL SRBIJA, BGD	67	52	35	28%	91%	17%
BALL PACKAGING, BGD	97	96	53	1%	82%	11%

Source: Summarised by authors

Table 4: Increase in balance sheet items of 100 largest exporters and importers in 2013/2008

	GROWTH 2013/2008			
	based on items in RSD		based on items in EUR	
	Exporters	Importers	Exporters	Importers
ASSETS	100%	54%	54%	19%
Capital	73%	46%	34%	12%
Long-term loans	108%	21%	61%	-7%
Operating income	89%	71%	36%	23%
Operating expense	82%	68%	31%	21%
Operating profit	166%	95%	91%	40%
Operating loss	157%	33%	85%	-4%
Net profit	291%	252%	181%	153%
Net loss	82%	-11%	31%	-36%
Interest expenses	-2%	-16%	-29%	-40%
EBITDA	122%	-33%	60%	-52%
Average ROA	2.3%	1.7%	2.5%	1.8%
Average ROE	6.3%	4%	6%	4%
Cost of salaries and wages	45%	45%	4%	4%
Average number of employees	17%	15%	17%	15%

Source: SBRA, summarised by authors

Importance of net exporters in changing export structure

Positive trends however can be seen when it comes to changing export structure. About one third of companies considered net exporters in 2008 have recorded a continuous increase of export with their share in total export growing as well. On the other hand, about 300 companies, some of which are undergoing restructuring or were subject to unsuccessful privatisation procedure, have significantly reduced their export operations thus causing a certain recombination of the structure of net exporters during the observation period of economic crisis. This was under a major influence of the fact that many new net exporters whose business was mostly export-oriented emerged on the market. Although there were many mistaken or unnecessary subsidies, the effects were clearly visible wherever foreign investors oriented towards exports and new technologies were drawn to invest.

In respect of ownership structure, the majority of the largest exporters are predominantly owned by foreign companies. When it comes to the criterion of success, there are state-owned companies listed here which are large net exporters but in terms of business results, they remain unsuccessful and survive solely due to the fact that the state covers their losses and/or tolerates their failure to pay obligations (HIP-Petrohemija, Zastava oruzje, Azotara...). With the view of their export potential, it is of key importance to ensure the consolidation of these companies and, for some, to finally cut off state subsidies if they do not prove to be economically sustainable regardless of companies' potential for exports.

When it comes to financial incentives and compromises made in order to appeal to foreign investors, this analysis showed that their positive effects should not be underestimated nor the fact that re-industrialization of Serbia cannot happen without large investors as a prerequisite for the development of small and mid-sized domestic companies, provided that they use the opportunity to integrate themselves into such systems. What surely remains positive and clearly visible is the high rate of increase in net exports of manufacturers of car components that have arrived to Serbia precisely to do business with FIAT but also to export their products to partners outside Serbia. They are also net exporters. So, there are two car component manufacturers among the first 30 net exporters: Yura Corporation, Raca whose export increased from EUR 96 million in 2012 to EUR 116 million in 2013 and EUR 119 million in 2014 and Leoni, Prokuplje whose export was worth EUR 65 million in 2012, EUR 87 million in 2013 and EUR 80 million in 2014. Both companies are characterised by a low share of imported components, while low labour costs (a reflection of the circumstances in effect in the country with extremely

high unemployment rate) accompanied by certain sales on both domestic and foreign markets, state subsidies and relatively low investments make them highly profitable, with high return on total assets and total capital. Similar logic can be applied to other car component makers and therefore an increase in production and export and their arrival in greater numbers to Serbia could turn out to be the most significant long-term effect of doing business with FIAT, because net export would grow along with domestic production of such companies. Their motives for coming to Serbia would gain momentum with further development of car manufacturing industry and possibly also if some other manufacturers are also drawn to come. The greatest risk of entering into business with FIAT is the market risk which depends on the global market movements and FIAT's decision to produce new models in Kragujevac, without which no development and profitability is possible in any car industry in the world as this is a prerequisite for ensuring competition on the global market.

Foreign companies that have emerged on the domestic market have significantly contributed to the increase of net export. This group is headed by FIAT, Tigar Tyres, Yura, Leoni, Gorenje. What is common for all these companies is that they are owned by foreign legal entities, attracted to Serbia by state subsidies. It would be interesting to see what share export has in their profit. Namely, 88% of income of all of the above-mentioned companies is earned on foreign markets. Almost the entire income of Yura and Leoni comes from sales abroad (Yura 99%, Leoni 93%). In 2013, both companies multiplied their profit in comparison to the previous year with exceptionally high return on capital. However, unfavourable aspects may be reflected in ROL and debt-equity ratios of these companies. Liabilities of Yura and Leoni exceed the amount of their capital (D/E=1.19 and 1.7, respectively) and therefore, from the standpoint of economic theory, their financial stability could be brought into question. Their liquidity ratios in 2013 (Yura 1.05, Leoni 0.66) only corroborate the previous statement. High values of ROE are partially resulting from relatively low value of capital, i.e. debt financing, which can be improved by reinvesting high profit earned. The production of electrical appliances has also been largely improved in the past several years. Gorenje is a large net exporter mainly to the Russian market. It also includes not only Gorenje Valjevo but also Gorenje Tiki, Stara Pazova and Gorenje Home Zajecar. The profitability of this company is however significantly affected by a sudden drop in demand for export on Russian-Ukrainian market (several other large exporters oriented to these markets experience the same issue, such as hosiery manufacturer Valy).

What is noticeable is that the structure of net exporters has an increasing number of export-oriented companies which are not focused on domestic market but for which Serbia is a base for production. In order to establish whether the connection between income and export has become statistically significant due to the change in export structure and arrival of foreign companies which made impact on the net export we used regression analysis. The regression analysis was applied through NuM XL Program. When the obtained determination coefficient for 2013 (92.5%) is compared to determination coefficient for 2008 (85%), we may conclude that the change of export value in percentages relative to 2008 much "poorly" explains the growth of operating income which is mainly the result of attracting export-oriented investors. These results should, however, be taken with a pinch of salt, above all because of the short timeline.

Comparative analysis of the balance sheet items of 100 largest exporters and importers

The following section will be dedicated to the analysis of aggregate balance sheets of two observed groups: the first group consists of 100 largest exporters and the second consists of 100 largest importers. The goal of this analysis is to identify elementary changes in their balance sheet structure. This analysis should, however, be taken with a pinch of salt as the majority of big exporters are also big importers and vice versa, which makes the obtained results relative because the groups are not completely homogenous. However, certain useful indicators of the positions of the group of exporters and importers can be obtained with such limitations taken into account.

After the start of economic crisis, liquidity became the most important factor of business strategies applied by the companies. In 2008, the current ratio (CR) for

exporters was 0.98 and 1.21 for importers. Furthermore, according to the value of this financial indicator, neither exporters nor importers meet the standards but, in the observed year, exporters were more liquid than importers. In the period 2008-2011, both exporters and importers recorded increase in the value of these indicators, which means that the majority of analysed companies relied on the strategy for the increase of liquidity as a protection measure against the bankruptcy risk. From 2011, CA has been declining over the years and in 2013, the value of this ratio for exporters was 1.13 and 1.08 for importers. Acid Test Ratio (ATR) paints a more specific and precise picture of the companies' liquidity because the most non-liquid item, i.e. supplies, is excluded from the current assets (see Table 5).

The norm for this indicator is 1:1 and we may observe that, from the standpoint of this ratio, ATR of the companies is higher than their CR. Both exporters and importers have invested a significant amount of their available funds in supplies. In 2013, the value of this ratio of exporters and importers was below norm but certainly above the value in the initial year under observation.

The major impact on liquidity has the accounts receivable collecting period. In 2009, the average receivables collection period in 100 largest exporters was 88 days and 69 days in 2013. Data indicate that the average receivables collection period significantly shortened over the period of 6 years by 24.47%, which is a positive trend and speaks of the speeding up of the cash generation cycle of the largest Serbian exporters. These data have additional importance in the light of the structure of Current Assets (CA). The working capital of the largest exporters in 2013 predominantly consisted of receivables (54%), followed by supplies (37%) and cash (9%). By comparing these data with the circumstances in 2008 (see Figure 5), we may conclude that the share of receivables in the structure of CA increased by 10.60% and the share of supplies and cash declined by 10.76% and 8.07%, respectively.

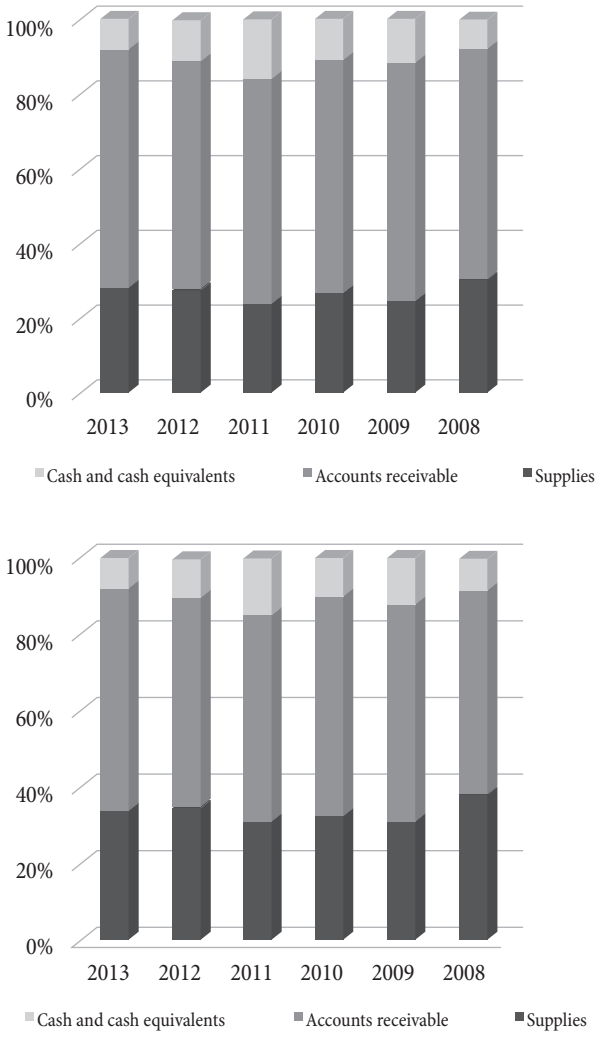
Table 5: Acid Test Ratios for the period 2008-2013

Year	2013	2012	2011	2010	2009	2008
RLR exporters	0.79	0.84	0.94	0.86	0.82	0.67
RLR importers	0.78	0.81	1.03	0.9	0.87	0.72

Source: Authors

The position of the largest importers is somewhat different. Average accounts receivable collection period in 2008 was 100 days and 72 days in 2013, which is a reduction of almost 28%. Based on the comparison of average accounts receivable collection period across the observed groups of largest exporters and importers, we may conclude that exporters collect their receivables faster than importers. The observed fact could be explained by more stable sales accompanied by faster collection, which results from gaining position on foreign markets and contracts concluded with foreign partners. On the other hand, importers are oriented towards domestic market that is faced with the drop in demand, which is the reason why in 2009 the average accounts receivable collection period was 100 days. It implies that, in order to prevent

Figure 5: Breakdown of the current assets of exporters and importers for the period 2008-2013



Source: SBRA, summarised by authors

further dramatic drop in their income, these companies sold their goods for deferred payment, the deadline for collection by far exceeding global standards and norms.

By comparing cumulative values of supplies, accounts receivable and cash and cash equivalents, it is evident that the supplies and accounts receivable of importing companies showed a mild but stable rising trend whereas cash item records an increase in the period 2008-2011 only to drop again. It is obvious that the largest importers were "scared" by the economic crisis of 2008-2011 and therefore insisted on increasing their current liquidity. As the effects of global crisis wear off, their financial management tends to move from liquidity to profitability.

The increase of working capital shows that exporters have much more supplies than importers. In 2013, this difference amounted to EUR 300 million which is a 14% increase from the initial observation year when this difference was EUR 263 million. The result should not be surprising because exporters are dominated by the companies from the processing industry which must use raw materials and consumables, i.e. must have supplies. Unlike exporters, the structure of import companies is dominated by wholesale trade companies. These companies are oriented towards faster circulation of funds so these companies recognized higher amounts of accounts receivable compared to exporters. In 2013, importers recognized higher value of accounts receivable than importers in the amount of EUR 266 million, which is a 28% drop compared to the initial observation year. The approximation of cumulative sums of accounts receivable recognized by exporters and importers is the result of regulation of payment deadlines in the domestic market where the reduction of the average accounts receivable collection period is obvious.

Analysis of income statement shows that operating income over the observed period increased faster than the operating expenses: 36.42% versus 30.82% recognized by exporters, i.e. 23.05% versus 20.85% recognized by importers. Faster increase in operating income than operating expenses was reflected in the operating profit indicator which increased by 91.31% in export companies and by 40.40% in import companies. Though inflation should be taken into account, this growth of profit still shows that the majority of large Serbian exporters have something to offer to their market. On the other hand, the first 100 exporters also include companies whose operating income is insufficient to cover all operating expenses and, as a consequence, these companies recognized operating loss.

Higher growth of income on the side of the exporters results from the fact that exporters sell their goods and services on a foreign market in stable currencies and they are much less sensitive to circumstances on the domestic market.

Conclusion

The export of Serbian companies in the period from 2008 to 2014, after recording a minor decline in 2009, was continuously on the rise accompanied by a slight improvement in the export structure towards highly processed and value-added products. In this respect, we may observe that the export is, after all, one of rare shining lights in this country's economy, but that this progress is insufficient to turn around negative trends. In order for these tiny movements to be made in the right direction, it is necessary to drastically improve economic environment and establish macroeconomic balance which would also reduce the operating risks in Serbia.

The majority of the largest Serbian exporters are simultaneously big importers. In 2014, in summary, 100 largest importers had higher total import than export and about a third of the largest exporters were also net importers over the observation period. This structure is also reflected in their interest which means that, when the exchange rate of RSD is concerned, they prefer its appreciation rather than depreciation. Since the largest exporters also have the greatest capability to influence the economic policy, they are the only ones, if they had interest to do so, who could prevent the actual appreciation of RSD which has been prevailing since 2000 and sudden market liberalisation which we have witnessed after the country opened up to foreign investments. Since this interest for depreciation is really present only in primarily net exporters (provided that they are not deeply indebted with foreign currency clause loans), it is clear that the resistance to appreciation could not be expected.

The analysis showed that a group of successful exporters became noticeable for overall better operating results than importers that had bigger issues with the drop in domestic demand and general illiquidity. Exporters recorded more stable sales figures, faster and more certain collection of accounts receivable and lower market risks. For this reason precisely, the export will in the future remain the only possibility for survival for many companies. This also applies to the entire Serbian economy which should be more focused on export.

In order to improve foreign trade balance, i.e. reduce high deficit, the net export companies must be significantly stronger and the centre of attention of the economic policy. The increase of net exports was largely dependent on subsidies for foreign investments in Serbia. We may still say that some effects were actually achieved whenever they were used to increase net exports and to appeal to foreign companies to invest in value-added products.

The concentration of exports in Serbia is very high: one company records export which is worth over EUR 1 billion (FIAT), while the remaining six companies with export worth between EUR 100 million and EUR 400 million also achieved higher growth and competition parameter, which decisively contributes to their positive business performance results and growth of export during the observation period. Large number of smaller companies, despite being exporters, experienced the worsening of their business performance results during the economic crisis so that progress is owed to a small number of competitive companies, both across entire economy or a certain industry sector. Export, viewed as a whole, was not diversified but relied solely on agricultural raw materials and a small number of companies, mostly in foreign ownership, which leads to greater potential risks.

Despite having probably the highest potential for growth and high value-added products, i.e. net export, the agriculture failed to accomplish sufficiently good results over the observation period even though its share in export has recorded an upward trend. The first great opportunity which should be seized is to increase the export of processing industry which processes agricultural materials whose current share in total export of agricultural products is about 20%. The second great opportunity lies with the stronger integration of domestic economy with foreign companies emerging on domestic market, primarily in the industry of car manufacturing, electrical appliances and processing industry which relies on agricultural raw materials. Reinforcing the industry of value-added products which is export-oriented must be supported by indirect and direct economic policy measures, along with fiscal consolidation and improved business environment. Proactive policy taken in relation to export is necessary in the current circumstances and the expectation that the market will resolve the issue by itself is unrealistic. So, the question is not whether the state should have a strategy and active role in it but what kind of strategy it should be, how it should be implemented and how it should be used to minimise all negative effects.

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Zoran Jeremić

has worked in a range of financial institutions, including commercial banks, the National Bank of Serbia, the Agency for Deposit Insurance and Bank Rehabilitation, and the Belgrade Stock Exchange, where he served as Managing Director. He was also General Manager of two banks during their reconstruction, Chairman of the Supervisory Board of the Belgrade Chamber of Commerce, Researcher at the Economics Institute and Project Manager in charge of the privatisation of 3 banks. He had a large number of visiting lectures at expert forums, economics and law schools in Serbia and abroad. He has published a large number of academic works, including the book "The economic system and the effectiveness of monetary policy", then "Stock market in Serbia: Analysis of sectors and 100 companies from the Belgrade Stock Exchange" as well as the textbook "Financial markets and financial intermediaries". He is a Full Professor at the FEFA and at the Faculty of Business Economics, Singidunum University, Belgrade.

Marko Milojević

is an Assistant Professor at the Singidunum University, Department of Accounting and Auditing. He teaches at the undergraduate level courses Managerial Accounting, Business Finance and Accounting Information Systems. At master studies he is a lecturer for the course Methodology of Forensic Accounting both in Serbian and English language. So far, co-author of the university textbook "Business Finance". Author of more than twenty articles in the fields of accounting, management accounting and forensic accounting. Since 2013 he is member of the Association of Internal Auditors. His professional interests are related to the fields of forensic accounting, managerial accounting, financial statement analysis, econometrics. He completed a basic SAP training and obtained a relevant certificate. Furthermore, he is engaged as a consultant in the small and medium sized enterprises.

Ivica Terzić

was born in 1981 in Pljevlja, Republic of Montenegro. He is an Assistant Professor at the Faculty of Business, Department of Finance and Banking, Singidunum University. He teaches courses in Financial Markets, Portfolio Management, Banking and Monetary Economics. His interests refer to risk management, financial risk forecasting, risk modelling and portfolio management. He wrote numerous research papers in these fields.