

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

SERBIA



## SERBIA: EMERGING HR AND BUSINESS TRENDS

### INTERVIEW:

P. 2



**Anja Quiring**

"CURRENTLY, WE ARE SEEING  
GROWTH IN SERBIA" ►

P. 3



**Christian Tegethoff**

"ATTRACTIVE CONDITIONS  
FROM A COST PERSPECTIVE" ►

P. 5



**Ljubica Tomic**

"SERBIA IS EXCELLING IN ITS  
DIGITALIZATION EFFORTS" ►

## "CURRENTLY, WE ARE SEEING GROWTH IN SERBIA"

### What is the significance of Serbia for the German economy today?

Serbia is an attractive location for German companies. We currently estimate that around 900 companies with German capital involvement are operating in the country, creating more than 80,000 jobs. We also see dynamic development in trade. In the first eight months of this year, goods worth 6.2 billion euros were traded, an increase of 5.3 percent compared to the same period last year. German exports grew by 7.1 percent, and imports by 3.4 percent.

This makes Serbia the country with the highest revenue among the Western Balkan economies, ahead of North Macedonia with a trade volume of 3.3 billion euros in the same period and Bosnia and Herzegovina with a total value of just under 1.6 billion euros. Among the 29 target countries of the German Eastern Business Association, Serbia currently ranks 11th, even ahead of Croatia. There is potential for further expansion of involvement.

### How do you assess the current economic framework conditions in Serbia?

Economically, despite relatively high unemployment and income inequality, the country is expected to see solid GDP growth of at least 3.5 percent in 2024, according to analysts. Overall, Serbia's economy has strongly recovered since the end of the pandemic, when GDP growth was negative like in many other countries, and the economy shrank by almost one percentage point per year. Although the EU accession process is slow, it is advancing important reforms and offers long-term perspectives.

The growth of the Serbian economy is partially due to nearshoring effects from companies and financial support from the EU, especially for public infrastructure projects. The upcoming World Expo 2027 in Belgrade is a major focus. The government has announced investments of around 12 billion euros for this event.

Our companies are closely monitoring the foreign policy course of President Aleksandar Vučić and the Serbian government, often referred to as "balancing policy," which seeks rapprochement with the EU while maintaining close ties with Russia and China. This, along with the issue of regional cooperation, for example within the framework of the Berlin Process, are other factors that companies will consider in their investment decisions.

### What challenges and opportunities exist for German companies looking to invest in Serbia?

A key strength of Serbia, despite the existing uncertainties, is its strong connection to the European internal market, as well as its good and increasingly developed



**Anja Quiring**

Regional Director for South Eastern Europe, German Eastern Business Association (OA), Berlin

logistical infrastructure. With around 70 percent, the EU is the most important destination for Serbian exports. Competitive labour costs and the availability of workers are additional arguments in favour of the location. However, Serbia, like actually all European countries, faces the challenge of being attractive to skilled workers. Furthermore, businesses in Serbia must also be prepared for administrative processes that are still in need of a reform. There is undoubtedly room for improvement in the areas of education, legal security, and combating corruption.

### **What long-term economic trends do you see for Serbia, and how might these affect the investments of German companies?**

What we observed during the financial crisis following the Lehman collapse, and later intensified by the COVID-19 crisis, continues in the context of Russia's war of aggression in Ukraine: Companies are reorganizing their supply chains and considering new investment locations. This has led to increased investments in the country. However, Serbia's close integration with the European internal market, especially with Germany, also poses risks. We are still seeing growth in Serbia, but it is uncertain how long this will last, given the economic slowdown in Germany.

The continued EU accession process, however, is a development that increases opportunities for German companies. The adoption of the EU legal framework and the financial support flowing during the accession process to support reforms could serve as additional growth drivers. Recently, the European Union provided a total of six billion euros through its growth plan for the Western Balkans, four of which are credit lines and two in direct financial aid. Serbia will be able to receive up to 1.6 billion euros, provided the planned reforms are implemented. Positive news also comes from the CEFTA Secretariat. On October 9, 2024, nine additional agreements were adopted to promote trade, employment, and consumer rights throughout the region.

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## “ATTRACTIVE CONDITIONS FROM A COST PERSPECTIVE”

### **What types of assignments do you handle in Serbia?**

CT Executive Search, along with our research subsidiary, Talent Trackers, primarily recruits for international companies in Serbia, particularly from Western Europe and the USA. Most of these clients are mid-sized firms, though we also serve large corporations. Serbia offers a compelling location for industries such as household appliances, automotive suppliers, and industrial components, serving both as a manufacturing hub and a growing sales market. Consequently, many of our assignments focus on roles within sales and production.



**Christian Tegethoff**  
Managing Director  
of CT Executive Search

Additionally, we are witnessing increased demand from the IT sector, as Serbia has become a key destination for IT outsourcing and shared services in recent years—a development of particular interest to German businesses.

Our assignments are typically concentrated in Belgrade, where many companies have established their local offices. However, manufacturing firms are more dispersed throughout the country. Filling production-related roles, especially, in more remote areas, requires detailed market analysis - a task, where we leverage our extensive experience and deep understanding of the Serbian labor market.

### **How attractive is Serbia from an HR perspective?**

The labor market in Serbia presents a mixed picture. On the one hand, the country's low labor costs are a major advantage — averaging just €8.80 per hour in 2022. With moderate income taxes and relatively low social security contributions, Serbia is particularly attractive for labor-intensive manufacturing processes from a cost perspective. This makes the country an appealing option for companies considering nearshoring strategies.

On the other hand, these low wage levels bring certain challenges. There is a marked shortage of both skilled and unskilled labor, stemming not only from gaps in the education system, but also from competition with the European labor market. Many Serbian workers prefer to emigrate to countries like Germany, France, or Austria, where they can earn significantly higher wages. This wage disparity is a key factor contributing to the skills shortage in Serbia.

### **What distinguishes the Serbian leadership market?**

Serbia now boasts a well-educated pool of executives, whose qualifications meet international standards. Over the years, multinational companies have heavily invested in employee development and have established corporate cultures in Serbia, often emphasizing a more "democratic" leadership style. This marks a shift from the traditionally more autocratic structures found in local, owner-managed businesses. Younger leaders, in particular, are drawn to the greater autonomy offered by internationally oriented organizations, and do not support micromanagement.

Serbia is a relatively small country in terms of population, meaning the talent pool for specialized roles can be limited. For this reason, we recommend looking beyond the local market and considering the large Serbian diaspora. Many candidates within the diaspora have international experience and may be open to returning to Serbia for a high-caliber role.

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## "SERBIA IS EXCELLING IN ITS DIGITALIZATION EFFORTS"

### How competitive is Serbia's legal and tax system compared to other Southeast European countries?

As an EU candidate country, Serbia continuously adapts its legal framework to align with EU standards. Often referred to as a "nearshoring leader," Serbia's favorable business environment has been confirmed by a 2023 survey conducted by the German-Serbian Chamber of Commerce (AHK), which found that 87% of German companies operating in Serbia would choose the country as an investment location again.

Foreign investors in Serbia benefit from complete investment freedom, and companies can be established with 100% foreign capital across nearly all sectors, with limited exceptions (such as arms and military equipment manufacturing). Management can be entirely foreign, and foreign managers can operate under an employment contract or a management agreement (which doesn't require a work permit). Profits of Serbian subsidiaries can be freely transferred abroad, after taxes, to foreign shareholders.

Serbia's tax environment is competitive, with a corporate tax rate of 15%. The country has double taxation agreements with Germany, Austria, and Switzerland, and offers a range of tax incentives and grants to attract foreign investments. For example, large investments exceeding EUR 8.5 million and employing at least 100 people are exempt from corporate taxes for up to ten years.

In October 2024, S&P Global Ratings upgraded Serbia's foreign currency bonds to "BBB- with a stable outlook," marking the first time Serbia has achieved the coveted investment-grade status. This milestone signals improved competitiveness and the potential for increased investment. For more information, see: <https://www.investmentweek.com/>.

### What recent legal changes have been made or are expected?

Serbia has recently introduced significant legal reforms in the areas of innovation, research and development (R&D), and urban development.

As of 2024, Serbia will chair the Global Partnership on Artificial Intelligence and host international exchanges on artificial intelligence. The country is also focused on attracting more R&D projects, supported by new tax incentives. Employers, for example, are exempt from paying 70% of taxes and social security contributions for employees directly involved in R&D projects.



**Ljubica Tomic**

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TSG Lawyers and CT Executive Search are members of CBBL, a network of German-speaking attorneys, tax consultants, and business service providers.

In construction and urban development, recent legislation is aimed at streamlining the building permit process and introducing incentives for eco-friendly construction. These regulations will support numerous projects related to the upcoming World Expo 2027 in Belgrade. Serbia's government has announced plans to invest EUR 18 billion in construction projects and the Expo, which is expected to significantly boost the local construction industry. More details can be found here: <https://www.gtai.de/en/>

### **How does Serbia rank in terms of bureaucracy compared to other regional countries?**

Serbia has taken measures to reduce bureaucratic burdens and improve public sector efficiency. The government has implemented several reforms to simplify administrative processes, particularly, through digitalization initiatives in areas like tax administration and the business registry agency (covering company formations, collateral registries, injunctions, etc.). Serbia is performing well in digitalization, when compared to its regional neighbours.

### **What tax and regulatory advantages make Serbia attractive for investment?**

Serbia offers a highly educated, motivated, and available workforce. Foreign employers are welcomed, and the country's strategic geographic location is another asset.

Serbia's low tax rates—15% corporate tax and 10-15% personal income tax—create a favorable investment climate.

Additionally, the wide range of government incentive programs enhances Serbia's competitiveness as an investment destination. These incentives are available for direct investments in greenfield and brownfield projects, offered as grants, land subsidies, or various tax benefits, depending on factors like industry, employment levels, and investment size and location. Typically, these incentives cover 20-30% of the total gross wage costs of employees over two years, with potential additional increases based on the specific project.

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## EXECUTIVE SEARCH



### EXECUTIVE SEARCH EXPERTS IN EASTERN EUROPE AND THE EMERGING MARKETS

**CT Executive Search** focuses on placing key positions in Eastern Europe and the Emerging Markets – in CIS, Africa, the Middle East and Asia. We are experts in cross-border search processes and identifying high-performing candidates, adding value to international companies. Leveraging a broad network of analysts and consultants across Eastern Europe and the emerging markets, CT Executive Search has established itself as a reliable partner to well-reputed multinational companies.

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