

The Shadow Economy in Serbia in 2022

The National Cashless Payment Initiative "Better Way" supports the activities of the Government of the Republic of Serbia in countering shadow economy. The project helped draft a new Program for Countering Shadow Economy by 2025. In the process of development of that strategic document, NALED made new assessments of the size of the shadow economy in Serbia. In order to ensure maximum reliability of the findings, the size study was first conducted using two different methods.

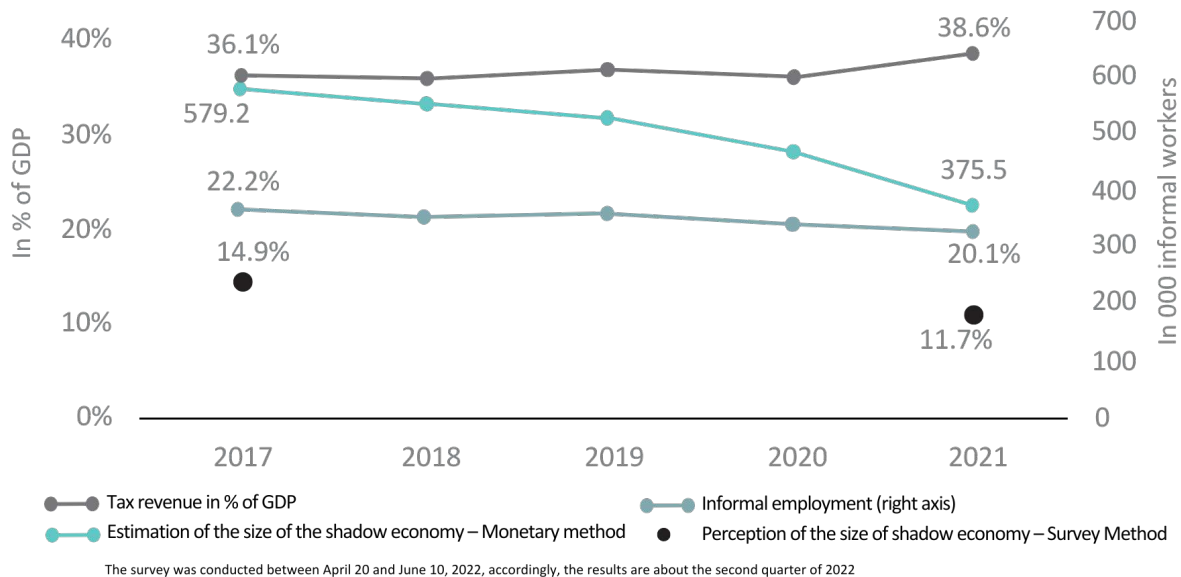
Survey Method

It is based on the revenue method of GDP calculation and the data of the business survey on undeclared wages and undeclared company profits. Indirect responses of businessmen, i.e., perceptions, of informal business operations of "other companies in the same industry" were used. The shadow economy according to this method is defined as the undeclared income of registered business entities that perform legal market activities that are intentionally concealed from the state authorities. Although the method is relatively new, the number of countries using it is growing, including the Baltic states and countries in Central and Eastern Europe. It also helps to understand the structure of the shadow economy (by industry regions and other characteristics of business entities) and identify the specific factors that affect the decision of the company to operate in the sphere of shadow economy. The size estimation according to the survey method was carried out by NALED in 2012 and 2017, which provides for the comparison of results. The study was prepared by Gorana Krstić, PhD., from the Faculty of Economics, and Branko Radulović, PhD., from the Faculty of Law, University of Belgrade.

Monetary Method

It is based on the estimation of the size of the shadow economy by comparing the volume of cash in circulation and cash that would be sufficient if all businessmen and citizens were duly paying taxes. This method, in addition to legal business, also includes an unregistered business. This was the first time it was applied in Serbia. The monetary approach was developed in the early 1980s and has since been used in more than 40 countries around the world. In recent years, it has been particularly frequently used in countries at a comparable level of development as Serbia. The method first estimates the volume of cash used in the shadow economy in Serbia, which is then multiplied by the average velocity of money circulation, to arrive to the total shadow economy figure. The monetary method measures the size of the shadow economy in the overall economy, and thus the whole society, to complement the survey method, which estimates the shadow economy only at the level of the formally registered economy. Unlike the survey method, the monetary approach is based on publicly available data and could even be structured on a monthly basis, which means that it can also serve for a very quick insight into the effects of public policies. The study was prepared by Jasna Atanasijević, PhD., Zorana Lužanin, PhD., from the Faculty of Science in Novi Sad, Marko Danon, PhD., and Dušan Kovačević from the Competitiveness Unit in NALED.

Basic Findings



drop from 14.9% to 11.7% of GDP

The share of the shadow economy according to the survey method among the registered businesses decreased by about three percentage points in the 2017-2021 period

 6,5 BILLION €

The level of the shadow economy measured by the survey method shows that the registered businesses turn EUR 6.5 billion per year through activities of the shadow economy

drop from 22.2% to 20.1% of GDP

the share of the shadow economy according to the monetary method decreased by two percentage points in the 2017-2021 period

 10,7 BILLION €

The level of the shadow economy measured by the monetary method shows that registered and unregistered businesses turn EUR 10.7 billion per year through activities of the shadow economy

The size of the shadow economy in Serbia has continued to decline in the last five years. The study, conducted according to the survey method, estimates that the level of the shadow economy among the registered businesses decreased by about three percentage points in the 2017-2021 period, i.e., from 14.9% to 11.7% of GDP.

Other indicators such as the number of informal employees in the labor market, which has been reduced by about 200,000, also point to a downward trend, from 579,000 to about 375,000. In the same period, tax revenues grew by eight billion euros to reach as much as 20.6 billion, or 38.6% of GDP.

The fact that size of business in the shadow economy is decreasing, was confirmed by a study conducted according to the monetary method. The findings of this survey show a decline of two percentage points, from 22.2 per cent to 20.1 per cent of GDP.

200.000 
Informal employees in the labor market have moved to legal flows in the previous five years