

## Serbia

### Changes in buying behaviour

Serbian industry is increasingly likely to enter recession in 2009. Starting from the end of 2008, falls in the number of orders, instability of the national currency and decreased liquidity followed by a crisis of confidence which resulted in a drop in production activities have all been noticeable.

- According to official statistics, in 2008 the value share of spending on food, beverages and tobacco in the household budget had been increasing.

- The basic sustaining foods are the most affected by the price increases and, consequently, demand for these products has declined. This trend is noticeable in smaller outlets and in all regions but in larger outlets this basket has shown less of a price increase.

- Within this basic basket, both premium and value brands have increased more in price compared to the premium and value brands of the other non-essential FMCG baskets. In addition, the value brands in the basic sustaining food basket have shown the highest increases in price and also the largest losses as a result.

- However, the price index for the basic sustaining food basket stabilized for all formats of store towards the end of 2008.

- This basket has had the most influence on the increasing trend of the total FMCG price index. Later, in the second half of 2008, premium brands also started to lose share of the total FMCG market.

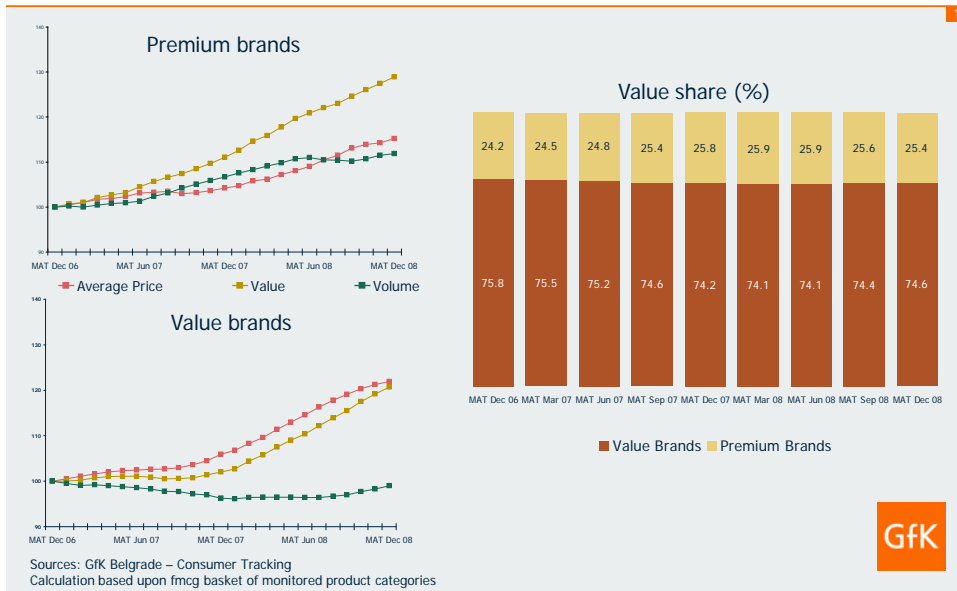
- In general, the larger store formats are more important for the premium rather than the value brands where traditional shops are still dominant although also in decline. Traditional shops are shrinking in the total FMCG market compared to the larger store formats for both premium and value baskets.

- Furthermore, the leading retailers are more important for premium brands than they are for the value brands. Almost half of the total spending on premium brands was through the top 10 retailers.

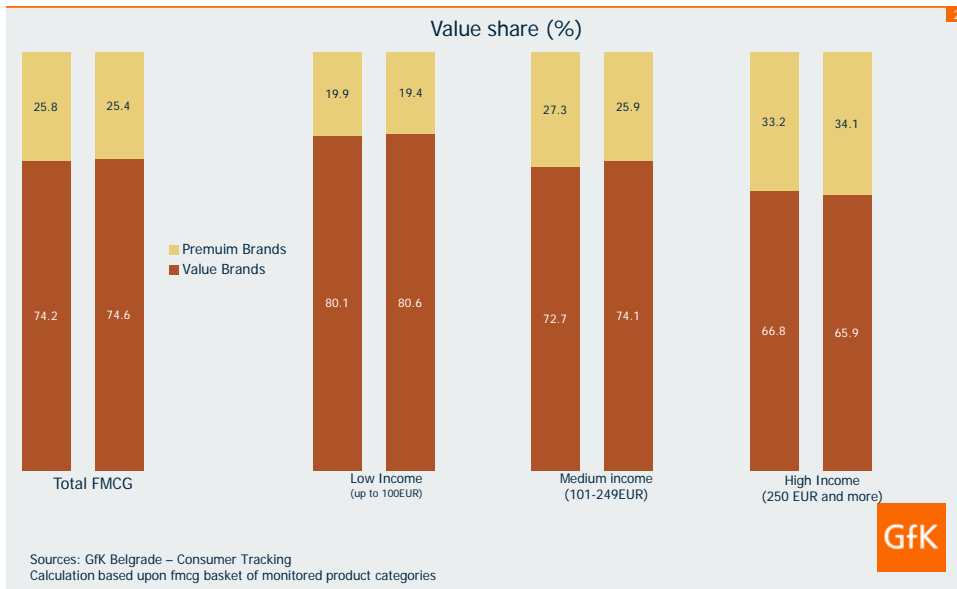
- The high income class spends more than a third of their money on premium brands in the FMCG basket. This figure also increased in 2008 compared to 2007. Other income classes spend less on these products and the amount is falling.

- At this stage, the high income class is least affected by the price increases and the low income classes suffer the most. However, the potential risk is mostly amongst the medium income group because of the large base of shoppers it represents. If the trend of price increases continues in 2009, this medium class group would probably continue to reduce their buying volume which would result in a negative trend compared to the base period of December 2006.

### Premium compared to Value Brands FMCG - by MATs (MAT Dec 06 = 100%)



### Premium compared to Value Brands by Income Classes - 2008 vs 2007





Sources: Bureau of statistics, ConsumerTracking – Household panel, extracts from “Global crisis in Serbia: what changes does it bring?” Report

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