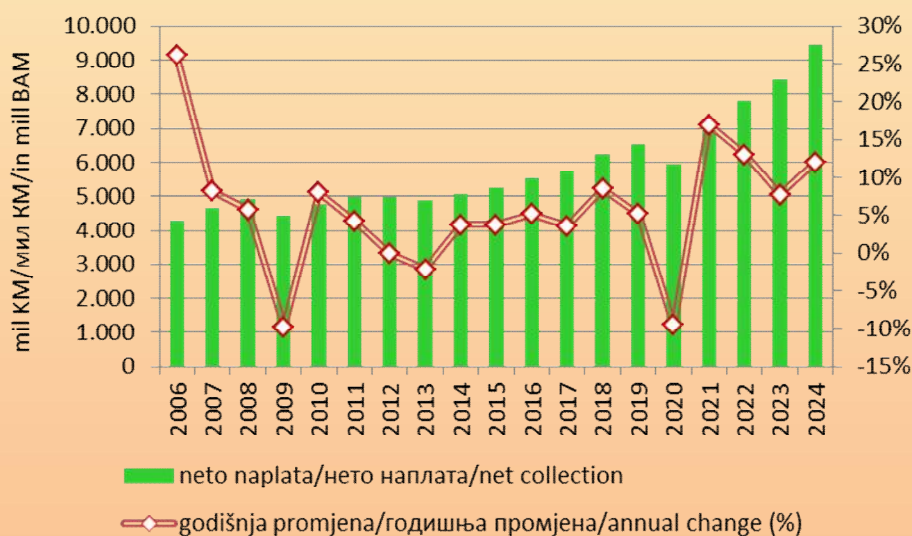




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

ОМЈА Билтен



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With this issue

According to the cash flow report, the ITA collected 1.8 billion BAM of gross revenues from indirect taxes in the first two months of 2025, or 2.5% more than in the same period in 2024. However, the growth in refund payments of 14.6% completely nullified the positive effects in gross collection, so that net collection in the period January - February 2025 was lower by 3.3 million BAM, or by 0.2%. (Chart 1).

Chart 1

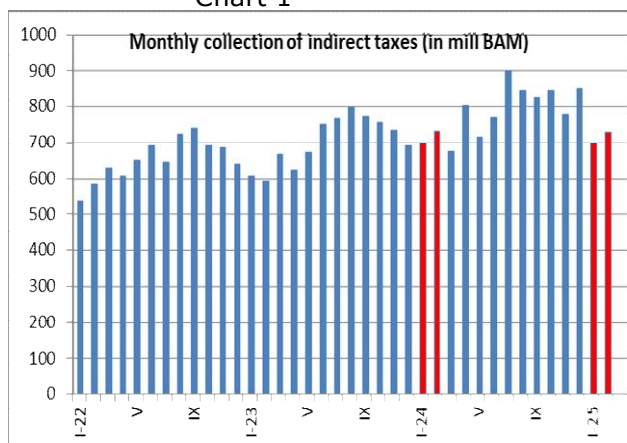
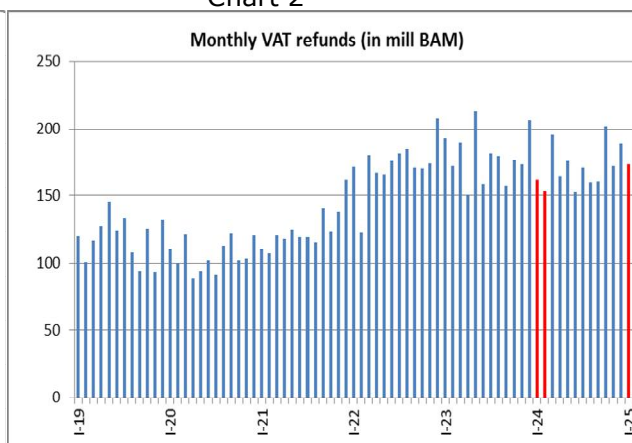


Chart 2



The first reason for the poor start in 2025 is the unusual increase in revenue collection in December 2024. Most of the absolute increase in December 2024 was realised from VAT on imports and excise duties on tobacco products. It can be concluded that part of the revenue from VAT on imports, due to the right to deduct of input VAT, was shifted to December, which reduced the collection in January 2025. The strong growth in revenue from excise duties on tobacco products in December 2024 and the large decline in January 2025 point to tobacco companies' estimate of the start of the winter season in December 2024, which ultimately proved to be correct, unlike in previous years when the peak of the winter season was in January/February. Other reasons relate to VAT refunds (Chart 2). The recovery of imports and exports in the fourth quarter of 2024, due to the legal deadlines for submitting VAT returns, generated a 10.5% increase in VAT refund payments to taxpayers in the first two months of 2025. At the same time, an enormous growth in refunds for international projects of as much as 148.2% was recorded.

Dinka Antić, PhD
Head of Unit

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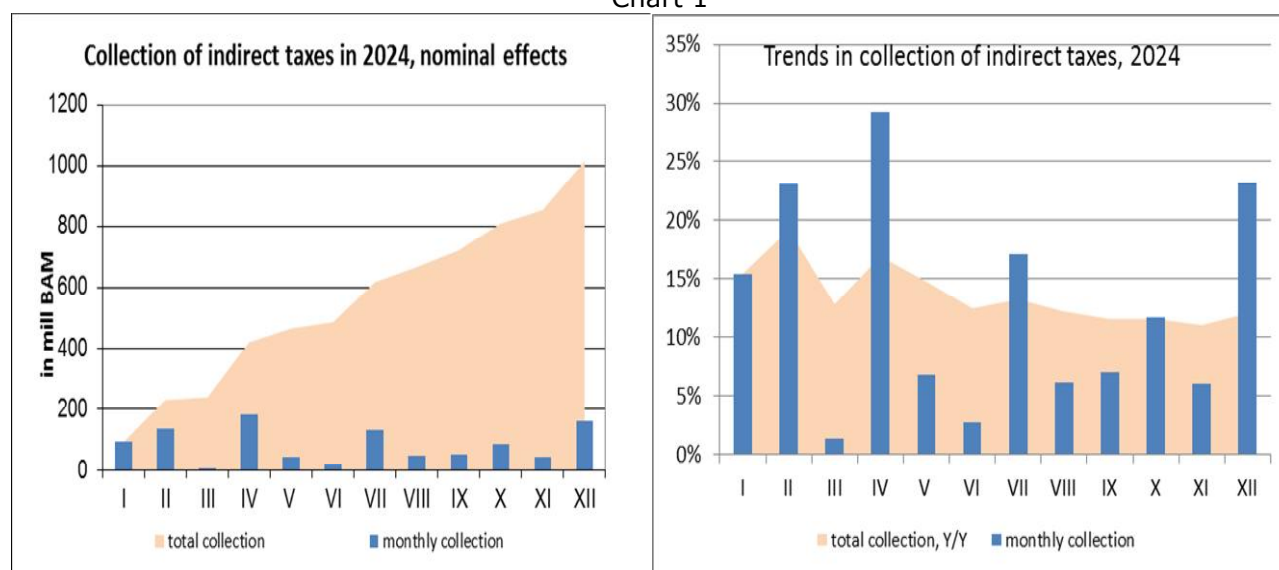
Analysis of indirect tax revenue collection in 2024

(prepared by: Dinka Antić, PhD)

TOTAL COLLECTION

According to the report, in December 2024, the ITA collected 1043.5 million BAM of gross revenues from indirect taxes on the Single Account, which was 130.9 million BAM more than in the same month of 2023. Refund payments were 29.7 million BAM lower, so that, ultimately, the net collection was higher by as much as 160.6 million BAM, or by 23.2% (Chart 1, right).

Chart 1



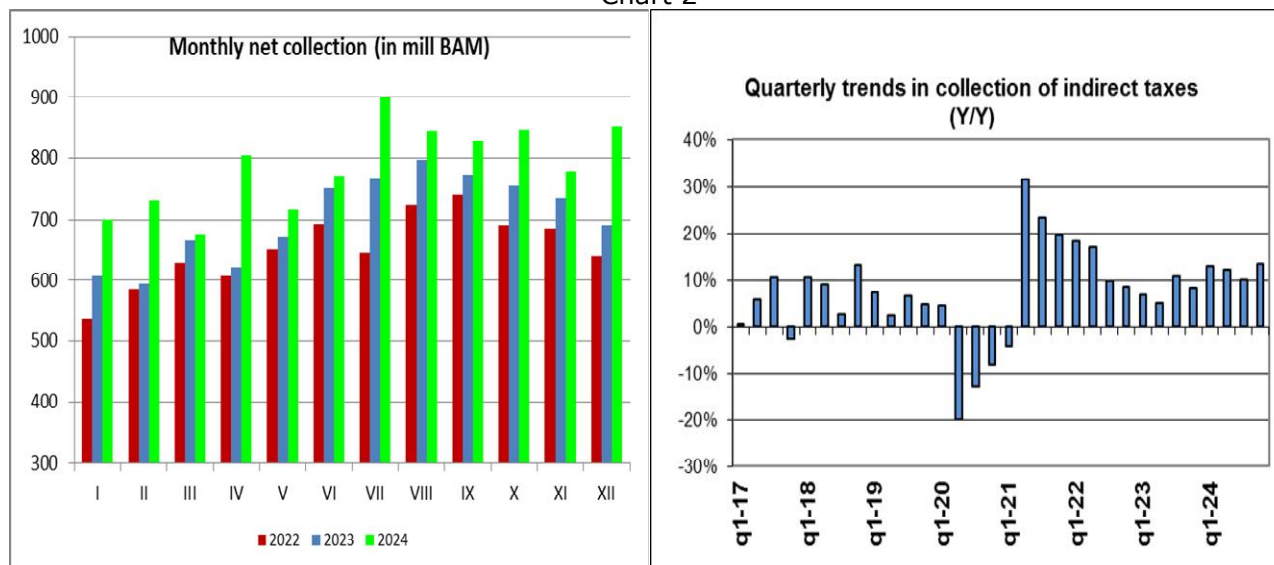
Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

The strong growth in December collection has increased the cumulative absolute increase that was accumulated in the previous eleven months. The net absolute increase in indirect tax collection in the period January-December 2024 amounted to 1.015 billion BAM (Chart 1, left, "cumulative"). Two facts show how high the collection in December was. First, the share of net growth in December in the total net effects of indirect tax collection in 2024 amounted even 16%. Second, the growth in December collection has brought an increase in the cumulative growth rate by a whole 1 p.p., from 11% (the level for eleven months) to 12% (Chart 1, right).

The cash flow analysis in 2024 shows strong oscillations in the monthly collection of indirect taxes. In four months (February, April, July and December), 60% of the total net absolute increase in 2024 was achieved, and, when we add two months with a share of 9% (January, October) the share rises to 80%. This means that in the remaining six months, only 20% of the net absolute increase was achieved. The beginning of the year brought high growth rates of monthly collection, and, consequently, a high cumulative growth rate. Since June 2024, the monthly growth of collection has been more moderate, while the cumulative growth rate has been in a narrow range of only 1 p.p., from 11% to 12% growth (Chart 1, right). Strong monthly oscillations in the collection of indirect taxes are noticeable, from a minimum growth rate of 1.4% in March, to a maximum of 29.2% in April. The high growth rates in the first four months of 2024 were partly a consequence of the statistical base effect from 2023, when significantly lower indirect tax revenue collection was recorded, as a result of high VAT refund payments and the transition to a new excise duty payment regime on tobacco products. In July, a record monthly net collection of

indirect taxes was achieved, exceeding 900 million BAM for the first time since the establishment of the ITA (Chart 2, left). Similarly, a large deviation in December collection compared to the same month of the previous two years was recorded (Chart 2, left).

Chart 2



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Positive quarterly growth in indirect tax revenues has been ongoing since 2021, when a recovery began after the drop in revenues caused by the coronavirus pandemic (Chart 2, right). However, the war in Ukraine and the energy crisis have led to a decrease in growth rates. Although the increase in prices of food, raw materials and other goods resulted in increased collection of *ad valorem* tax revenues (VAT, customs duties), the decline in energy consumption has led to a decrease in excise and road fee revenues, significantly reducing the growth in total indirect tax collection. Although the prices on the global energy market and other commodity exchanges were stabilized in 2023, a significant amount of excise revenue on tobacco products was lost after the transition to a new payment regime in the first months of 2023. The effect of a lower base from the first half of 2023 resulted in higher growth rates in the first and second quarters of 2024, when rates of 12.8% and 12.2% were achieved. The expected slowdown in revenue collection in the second half of 2024, given the higher base in 2023, brought a growth rate of 10% in the third quarter of 2024. However, the strong growth in indirect tax revenue collection in December 2024 has positively affected quarterly trends, and, unexpectedly, indirect tax revenue growth of 13.4% was achieved in the fourth quarter (Chart 2, right).

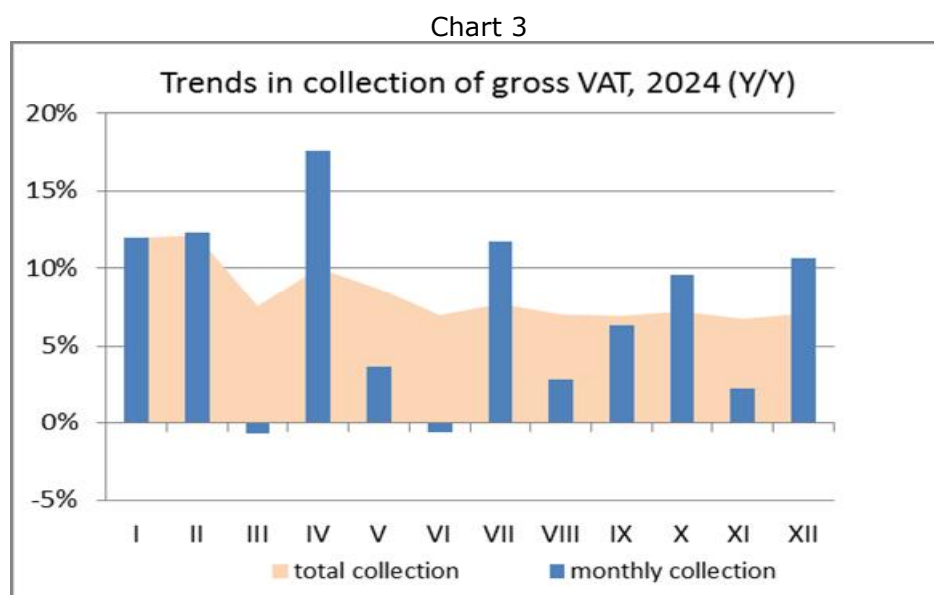
COLLECTION BY TYPE OF REVENUE

VAT

Gross VAT

During 2024, positive growth in gross VAT collection was recorded in all months, except in March and June, when a slight decline was recorded. The range of positive growth rates ranged from 2.3% to a maximum of 17.6% achieved in April (Chart 3, "monthly collection"). After a modest growth in November, a growth of 10.7% was achieved in December, which significantly affected the overall growth of gross VAT in 2024.

Strong fluctuations in collection during the year have resulted in a continuous downward trend in the cumulative growth rate. After high rates at the beginning of the year, with the stabilization of monthly growth rates from June to the end of the year, the cumulative growth rate of gross VAT has oscillated around 7% (Chart 3, "total collection").

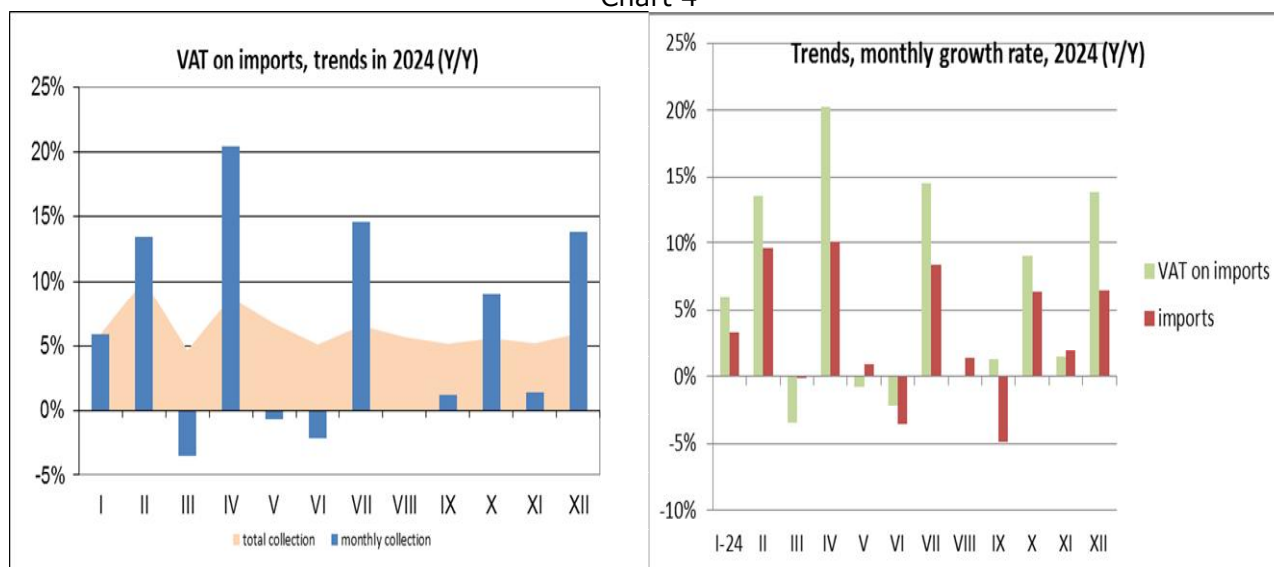


Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

An analysis of the structure of gross VAT during 2024 points to the conclusion that collection of VAT on imports was subject to strong oscillations, while domestic VAT collection continuously recorded positive growth trends, with rates above consumption projections.

The growth rates of VAT on imports fluctuated in the range of -3.4% in March to +20.4% in April. A certain regularity is noticed in the collection pattern of VAT on imports, which is associated with the procurement policies of large importers, which are characterized by cycles, with extremely high growth in one month, and then in the following month or two with negative or weak positive growth. In December, an unexpectedly high growth of VAT on imports of 13.8% was achieved, which significantly exceeds the import growth rate in that month (Chart 4, left). Oscillations in the monthly growth rates in the first part of the year also affected the dynamics in the cumulative growth rate, while in the second part of the year the cumulative growth rate of VAT on imports has stabilized at around 5-6% (Chart 4, left, "cumulative").

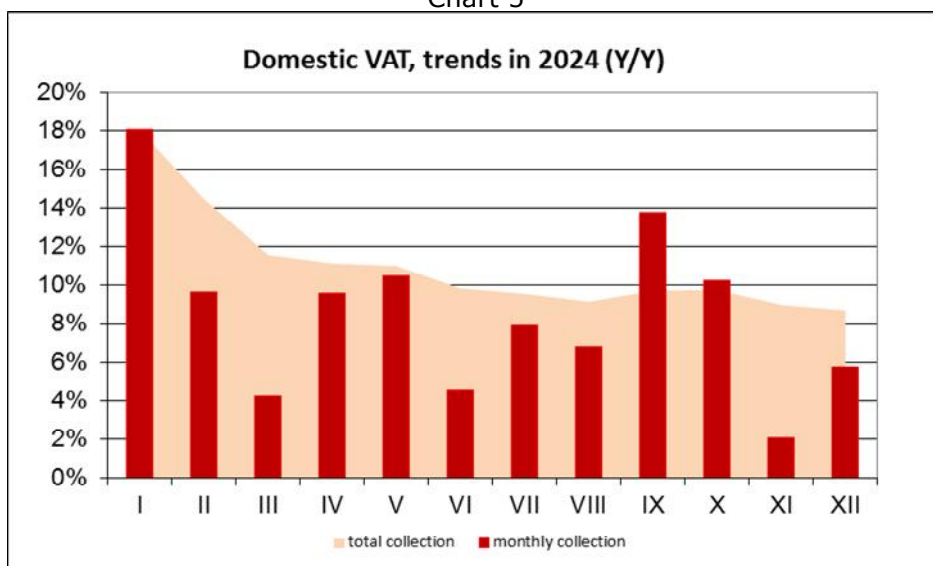
Chart 4



Source: Indirect Taxation Authority of Bosnia and Herzegovina; Agency for Statistics of B&H; calculation and presentation of the MAU

The correlation with imports, in the sense of the same direction of growth, should be present in both the collection of customs revenues and the collection of VAT on imports. This was the case for most of the year, when the dynamics of collection of VAT on imports (growth/decline) followed the trends in imports. However, in March, May and August, a decline in collection of VAT on imports was achieved, while a weak growth in imports was recorded. Another unusual situation was in September, when a decline in imports and an increase in VAT collection on imports were recorded (Chart 4, right). Misalignments can also be a consequence of the deadlines for payment of customs debt, in such a way that the payment of import duties on imports that was made at the end of one month is realized in the following month.

Chart 5



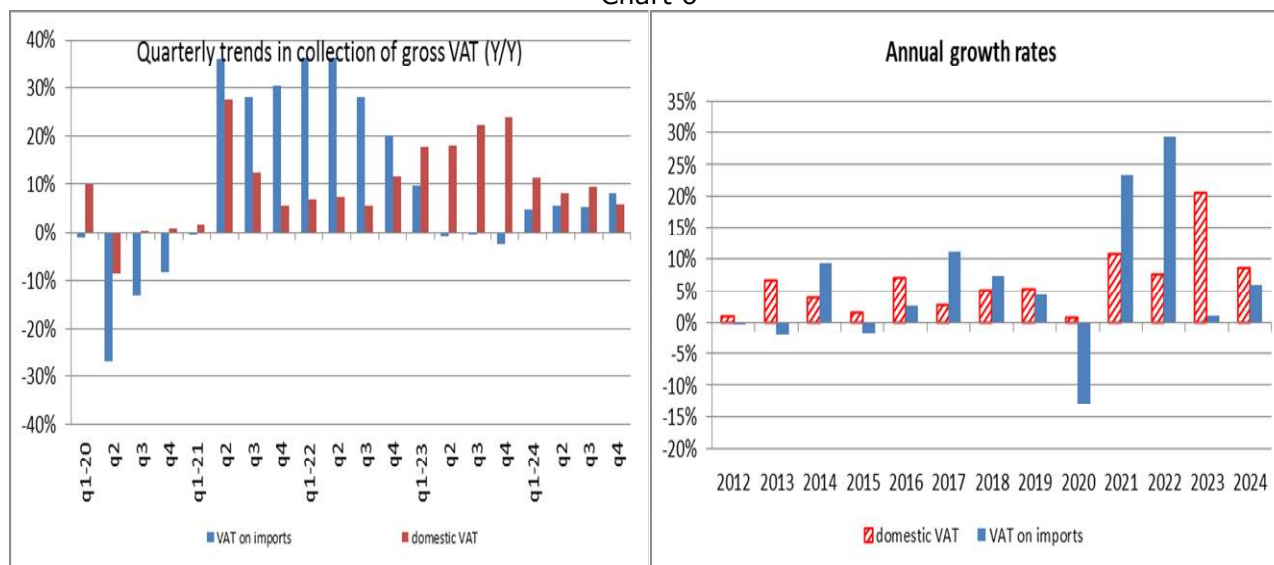
Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

In the collection of domestic VAT in 2024, strong monthly oscillations were recorded during the year, but, unlike VAT on imports, monthly rates were in the positive growth zone constantly throughout the year (Chart 5). Oscillations ranged from 2.1% in November to 18.1% in January. After the initial high growth rates, the cumulative growth rate of domestic VAT fell sharply in the following months. The situation improved in September and October, when a significant increase in the collection of domestic VAT was achieved. However, lower growth rates in the last two months led to a slight decline in the cumulative growth rate to 8.7%, which is 1 p.p. lower than in ten months (Chart 5, "total collection"). Given that at the end of the year, approximately 32.6 million BAM of non-adjusted revenues were recorded, after the final annual report is completed, a larger increase in domestic VAT can be expected, bearing in mind that the greater part of non-adjusted revenues is regularly related to domestic VAT payments.

Monthly fluctuations in VAT collection on imports did not significantly affect quarterly growth rates in the period January – September 2024. In the first quarter of 2024, a growth rate of 4.7% was achieved, in the second 5.5%, and in the third 5.3% (Chart 6, left). However, strong growth in VAT collection on imports in October and December significantly increased the growth rate in the fourth quarter to 8.2% (Chart 6, left). This was the highest quarterly growth rate in the last two years.

On the other hand, quarterly growth rates of domestic VAT during 2024 had a downward trend. Thus, in the first quarter, growth of 11.6% was achieved, in the second 8%, and in the third 9.5%. The slowdown in the growth rate of domestic VAT in the last three months of 2024 resulted in a growth rate drop in the fourth quarter to 5.9% (Chart 6, left).

Chart 6



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

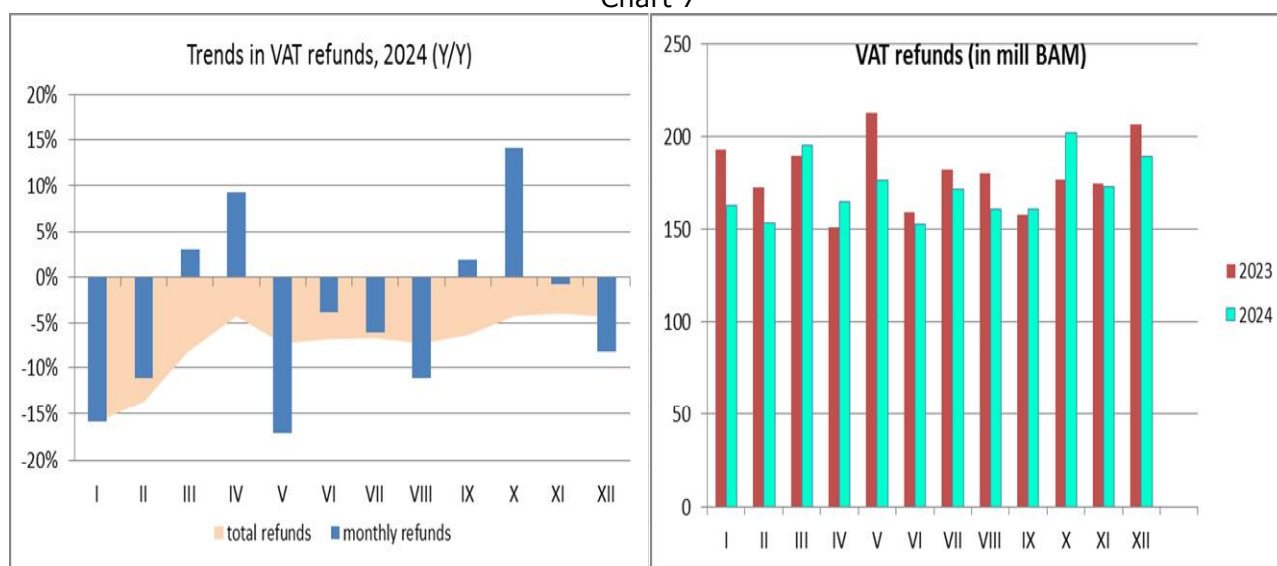
The analysis of annual trends in gross VAT components shows a recovery in VAT collection on imports after modest growth in 2023 (Chart 6, right). The high growth rate of VAT on imports in 2021 is a consequence of the low base from the pandemic year 2020, while the high growth rate of VAT on imports in 2022 is a consequence of the enormous increase in prices of energy and other goods on the world market after the outbreak of the war in Ukraine. Due to B&H's high dependence on imports, high import prices spilled over into domestic prices and led to an increase in domestic VAT. Due to the impact of external shocks, those two years cannot be used as a reference for assessing the growth trend of VAT on imports and domestic VAT. For this reason, a comparison with growth rates before global crises is more useful. In the past, annual VAT growth

rates fluctuated significantly, while growth rates were positive. However, it can be concluded that the growth rates of VAT on imports and domestic VAT in 2024 were higher than in 2019 (Chart 6, right).

VAT refunds

VAT refund payments fluctuated strongly during the year, but the main conclusion that can be drawn is that most of the payments were lower than in the reference months in 2023 (Chart 7, left).

Chart 7



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

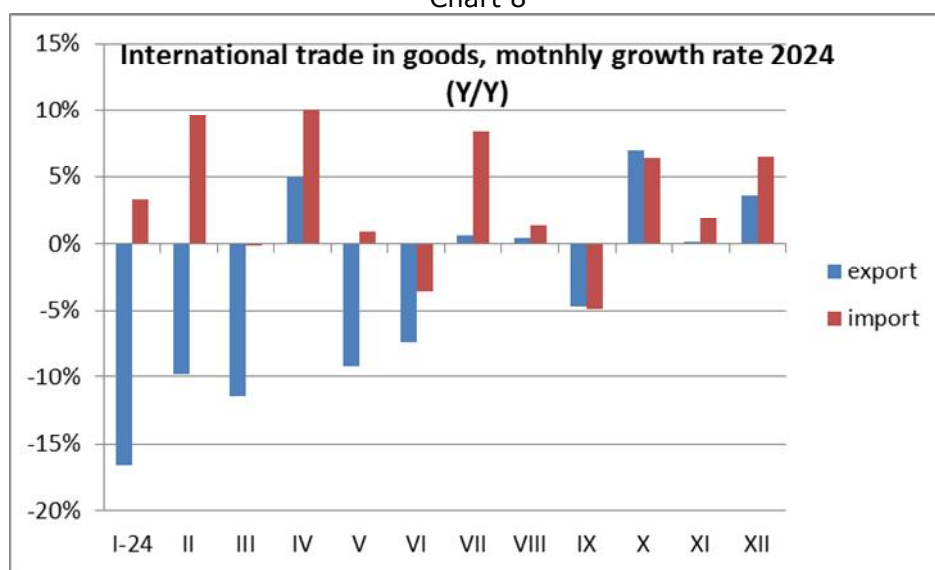
The biggest drop in VAT refund payments was recorded in May, down by as much as 17% compared to the same month in 2023. A bigger drop was also recorded in January, February and August. On the other hand, the growth of refund payments in October of 13.9% represents the maximum monthly growth rate in 2024. In the last two months, refund payments were significantly below the level in 2023. Despite strong oscillations, the cumulative rate was constantly in the negative growth zone during 2024, which is positive from the point of view of net VAT growth. However, a gradual worsening of the trends can be observed, so that the cumulative decline in refund payments during the year decreased from the initial -15.9% to -4.4% in twelve months (Chart 7, left, "total refunds").

Regarding the structure of refund payments, taxpayers were paid 87.7 million BAM less of VAT refunds in 2024 than in 2023, while refund payments to international projects were 8.1 million BAM less compared to 2023.

One of the factors that influenced the oscillations in the growth rate of VAT refunds is the base effect. Analysis of trends in VAT collection in 2023 showed two periods with opposite trends (Chart 7, right). The period January - May 2023 was dominated by high refund payments, which resulted in a larger decline in VAT refunds in the same period in 2024. In the following seven months of 2023, a slowdown in refund payments was recorded, resulting in a smaller decline in refund payments or a positive growth rate of VAT payments in the same period in 2024.

Reduced refund payments are associated with a decline in imports and, in particular, a decline in exports from B&H. In accordance with the deadlines¹ set out in the Law on VAT, in the period January - December 2024, refunds were paid to exporters - reported on VAT returns in the period December 2023 - November 2024, as well as refunds to importers- from VAT returns in the period November 2023 - October 2024. The main factor in the dynamics of VAT refunds, apart from irregular ones, such as fraud in the VAT system in the refund segment, are export trends. In 2024, exports fell by 3.7%, and imports increased by 3.2%.² The large decline in exports has resulted in reduced requests for refund payments. Slight growth in imports and recovery in exports in the fourth quarter of 2024 (Chart 8) led to increased VAT refund payments at the end of the year, and a delayed effect is expected in the form of an increase in refund payments in January and February 2025, given the legal deadlines for refund payments in B&H.

Chart 8



Source: Agency for Statistics of B&H; calculation and presentation of the MAU

Trends in refund payments at the end of 2023 and the beginning of 2024 were also related to happenings in large companies. Thus, the suspension of operations of Arcelor Mittal, as a large exporter, resulted in lower VAT refunds paid at the beginning of 2024.³ On the other hand, in March, VAT refund payments increased by 2.9%, as a result of a one-time payment of VAT refunds based on the suspension of investments in the Thermal Power Plant Tuzla.⁴

Reduced VAT refund payments in the period January – September 2024 were also reflected in quarterly trends. In the first quarter of 2024, a decline in VAT refunds of 8% was recorded, representing the largest decline since the pandemic in 2020, in the second quarter of 5.5%, and in the third quarter of 5.5% (Chart 9, left). The increase in refund payments in the fourth quarter of 2024 resulted in a quarterly growth of 1.2%.

The analysis of annual trends in VAT refunds (Chart 9, right) points to two conclusions. First, in absolute terms, VAT refunds in the last three years are far higher than in years before the global

¹ In accordance with the provisions of the Law on VAT, refunds to predominant exporters are paid within 30 days of submitting the VAT return, and refunds to other taxpayers (other exporters and importers) within 60 days of submitting the VAT return.

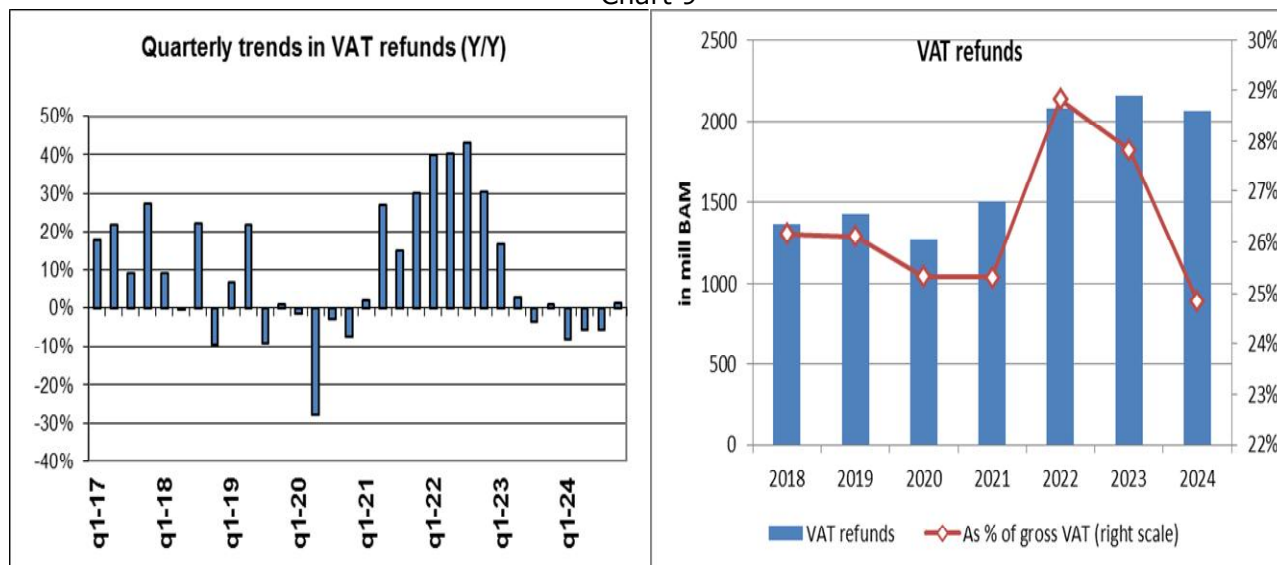
² Source: Agency for Statistics of Bosnia and Herzegovina.

³ Arcelor Mittal has suspended production from November 2023 to January 2024 due to unfavorable conditions on the global market in terms of steel prices. This is a company that has a share of 3.4% in annual VAT refunds.

⁴ This is as much as 18.4% of the total VAT refunds paid in March 2024.

crises. Second, after a huge growth in 2022, the share of refunds in gross VAT has been falling sharply, even below the pre-pandemic level. This is an indicator of positive trends in VAT collection - growth in gross collection, decline in refund payments and, consequently, high growth in net VAT.

Chart 9

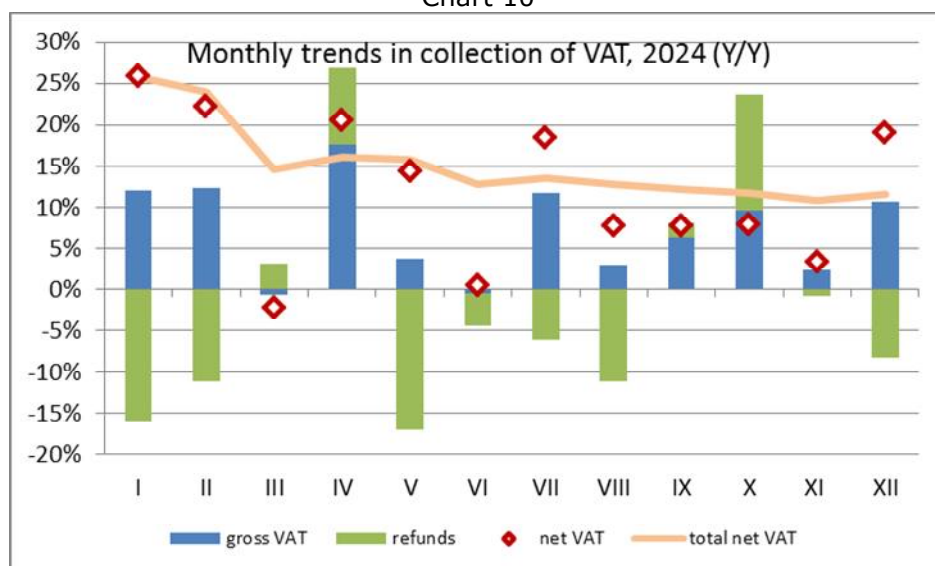


Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Net VAT

The movement of gross VAT collection has determined the monthly growth rates of net VAT. Besides that, fluctuations in VAT refunds had an additional effect, increasing rates above the growth rate of gross VAT in the case of reduced refund payments or as a corrective to the gross VAT growth rate in several months when refunds were higher than in 2023 (Chart 10).

Chart 10

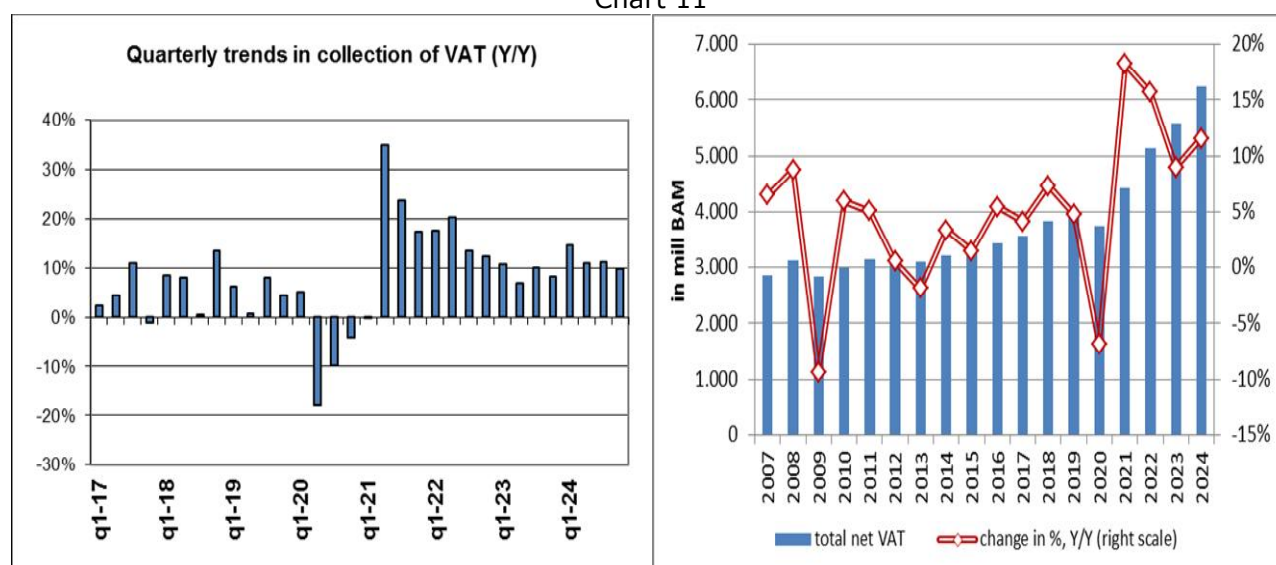


Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Net VAT rates ranged between -2.3% in March and +25.8% in January. The coincidence of the growth of gross collection and the fall of VAT refunds in the first five months produced a cumulative positive effect in the form of extremely high net VAT collection rates. However, the zero growth rate in June, the more modest growth rates in the following three months, and the minimal growth in November contributed to the constant downward trend of the cumulative growth rate, with a loss of 5 p.p. growth, from 15.7% in May to 10.6% in November 2024 (Chart 10, "total"). Nevertheless, the strong growth of gross VAT in December and the decline in VAT refunds had a positive impact on the cumulative growth rate of net VAT, which ultimately amounted to 11.5%.

Slowdown in the growth rate of net VAT is best reflected in the quarterly trends. At the level of the first quarter of 2024, a growth of 14.5% was achieved, the highest since the second quarter of 2022, but in the second and third quarters the growth was 11% (Chart 11, left). The worse net VAT collection in November could not be neutralized by the growth in December, so in the fourth quarter of 2024, the net VAT growth rate fell to 9.9%.

Chart 11



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Analysis of annual trends in net VAT collection shows that a record amount of net VAT was collected in 2024 (Chart 11, right). Likewise, the annual growth rate of net VAT in 2024 is very high, the highest since the introduction of VAT, if we exclude the years 2021 and 2022, which were not reference years for comparison due to the impact of external crises.

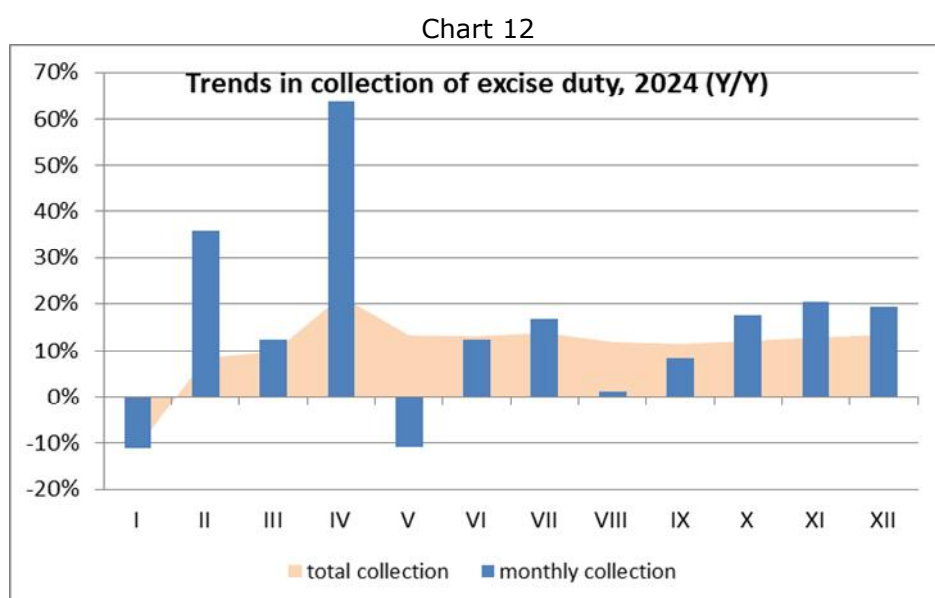
Table 1: Collection of VAT revenues, annual trends

	2022	2023	2024
Annual change in %	15,6%	9,1%	11,5%
As % of GDP	11,2%	11,0%	11,6%
As % of indirect taxes	65,4%	66,2%	65,9%

Source: Indirect Taxation Authority of B&H (revenues); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); calculation of the MAU.

Excise duties

Although strong oscillations are a traditional feature of excise tax revenue collection, last year was specific in that the decline in collection was recorded in only two months, January and May. In April, an enormous increase in excise tax collection of as much as 63.7% was achieved.⁵ Since June, in all months, except August, high and stable monthly growth rates have been achieved, reaching 20% (Chart 12).



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

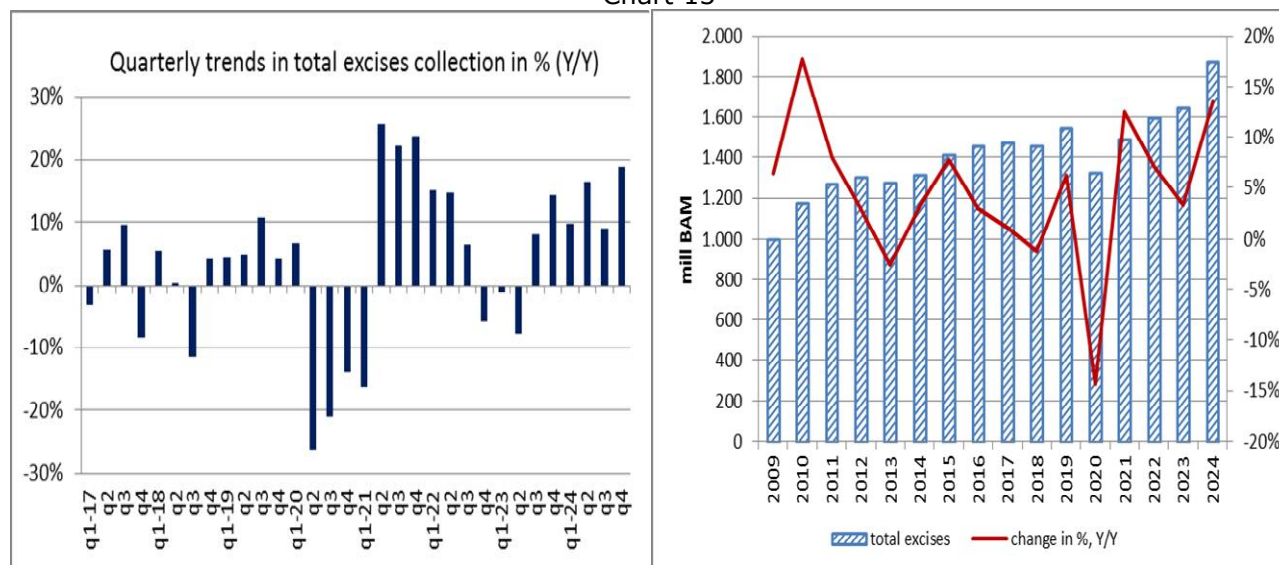
Positive collection growth in the first four months of 2024 led to a very high cumulative growth rate of 21.5%, which represents the maximum growth in 2024. However, the decline in excise collection in May, and lower growth rates in the following three months, stabilized the cumulative growth rate in a very narrow range of 13% to 14% (Chart 12, "cumulative").

The oscillations in collection were also reflected in quarterly trends. In the last five quarters, high and moderate growth rates have alternated (Chart 13, left). In the first quarter of 2024, the growth in excise revenue was 9.8%, and in the second quarter it was 16.3%. Stable excise collection in the last three months brought a high growth rate in the fourth quarter of 2024 of 19% (Chart 13, left).

In the last four years, there has been a constant increase in excise revenue in absolute terms, but the annual effects were greatest in 2024 (Chart 13, right). The uneven pace of growth has also led to fluctuations in annual growth rates. The main reason is the lower base in 2023, as a result of the loss of excise revenue on tobacco products due to the change in the excise duty payment regime.

⁵ At the beginning of 2024, as well as at the end of 2023, significant payments of excise duty refunds on tobacco products were made, related to the transition to the new excise duty payment regime. Given that these were non-standard refunds, which do not have a regular cash flow, using data on net collection would not give a realistic picture of trends. For this reason, in the analysis of the collection of total excise duties and excise duties on tobacco products, data on gross collection were used.

Chart 13



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Regardless of the annual oscillations caused by the base effect, the share of net excise revenue measured as a % of GDP and as a share in total indirect tax revenues collected did not vary significantly (Table 2). However, the effect of the loss of excise revenue due to the change in the method of payment of excise duties on tobacco products in 2023, as well as the effect of non-standard and one-off excise duty refunds on tobacco products in the same year, can be noticed.

Table 2: Collection of net excise revenues, annual trends

	2022	2023	2024
Annual change in %	7,1%	1,5%	15,4%
As % of GDP	3,5%	3,1%	3,5%
As % of indirect taxes	20,2%	19,0%	19,6%

Source: Indirect Taxation Authority of B&H (revenues); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); calculation of the MAU.

Excise duties on tobacco products

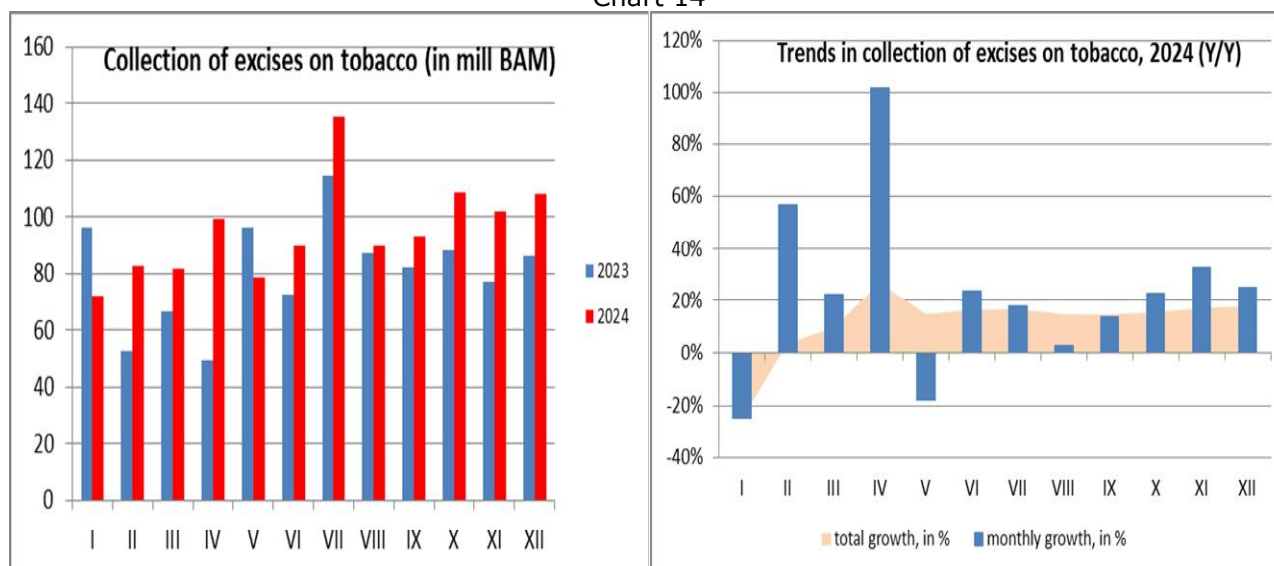
Excise duties on tobacco products have the largest weight in the structure of excise revenues, which is growing year by year. In 2024, it was 62%. Given this, it is expected that trends in the collection of excise duties on tobacco products will determine trends in the collection of total excise duties. The direction of growth rates is identical, only the growth/decline rates of total excise revenues are lower than the growth/decline rates of excise duties on tobacco products due to the influence of trends in the collection of excise duties on oil derivatives, which also have a significant share in the collection of total excise duties and therefore represent a corrective to the trends in excise duties on tobacco products.

The collection of excise tax revenues on tobacco products is increasing, in terms of the amounts collected, but still with strong monthly oscillations. Oscillations in the collection of excise taxes on tobacco products are common, given that it depends on the sales policies of two multinational tobacco corporations, which hold 85% of the cigarette market in B&H. However, in 2024, the oscillations in excise tax collection were further exacerbated due to the implementation of a new excise tax payment regime that disrupted the excise tax payment scheme.⁶ In the first few

⁶ Changes in the Law on Excise Duties ("Official Gazette of B&H" No. 50/2023).

months of 2023 (Chart 14, left, "2023"), the change in the payment regime created a vacuum in the cash flow of excise tax revenues, reducing the statistical basis for comparing the collection of excise taxes on tobacco products in 2024 and, consequently, leading to higher growth rates. The range of monthly growth rates of excise revenue on tobacco products in the first five months was as much as 127 p.p., ranging from -25.1% in January to 101.8% in April 2024 (Chart 14, right).

Chart 14



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

After the drop in collection in May of -18.1%, in the rest of the year, except for August, the monthly growth rates of excise revenue were very high, ranging from 18% to 33% (Chart 14, right).

At the annual level, the collection of excise duties on tobacco products increased by 17.8% (Chart 14, right, "cumulative"). At first glance, one could conclude that this is a very high growth, which also brings a high absolute increase in revenues due to the high base. However, it should be borne in mind that in 2023, at least one month of collection was lost due to the new excise duty payment regime. If the lost revenues are added to the base from 2023, the cumulative growth rate of excise duty collection for eleven months would be 8.8%.

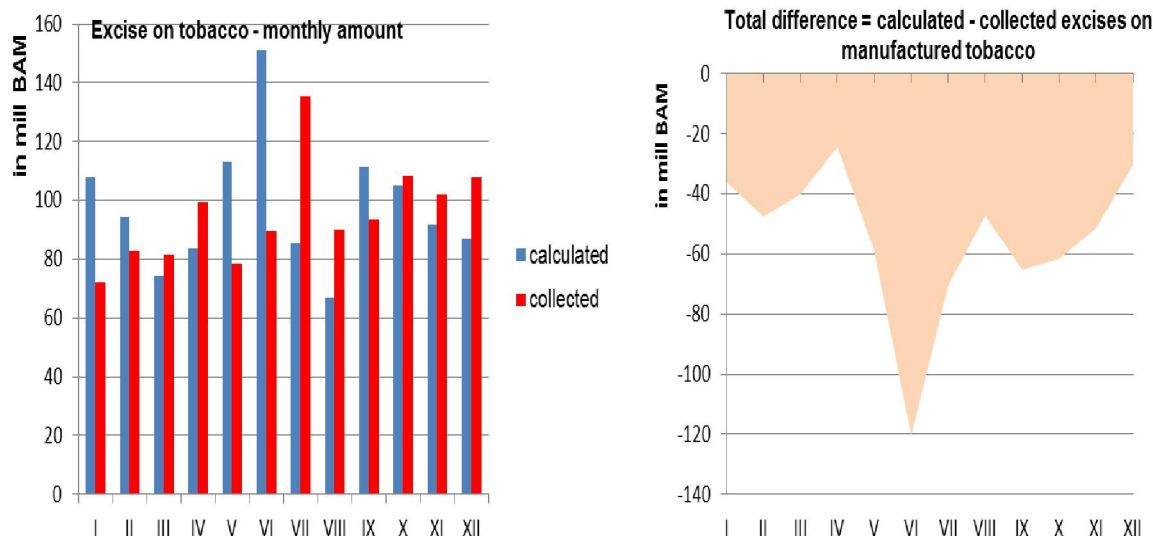
The new payment regime, which has significantly changed the dynamics of excise duty collection, implies payment of excise duty at the moment of import, instead of at the moment of receipt of excise stamps. The consequence of the new excise duty payment regime is a discrepancy between the calculated (when collecting the excise stamps) and the paid excise duty (when importing).⁷

The discrepancy grew during 2023, and fell to 99.4 million BAM in December. The expectations were that the payment scheme would stabilize during 2024, which should have reduced the discrepancy to a minimum. In January 2024, the discrepancy amounted to 36 million BAM, but in the following months it increased, reaching as much as 120 million BAM in June (Chart 15, right). Since July, the situation has been reversed, with excise duties collected being higher than those

⁷ In the excise duty payment regime when collecting stamps, the time period between collecting stamps and placing on the market cigarettes with those stamps was about a month and a half. The quantity of collected stamps depended not only on the dynamics of sales but also on the necessary financial resources that had to be committed to paying excise duties well in advance, even before the production of cigarettes. In the new payment regime, the time gap between the import of cigarettes, when excise duties are paid, and their sale is relevant. Therefore, the time of collecting excise stamps, when excise duties are calculated, is no longer relevant for the company's cash flow.

calculated for that period. At the same time, the discrepancy has significantly decreased, so that in December it fell to 30.3 million BAM, which corresponds to the January situation.

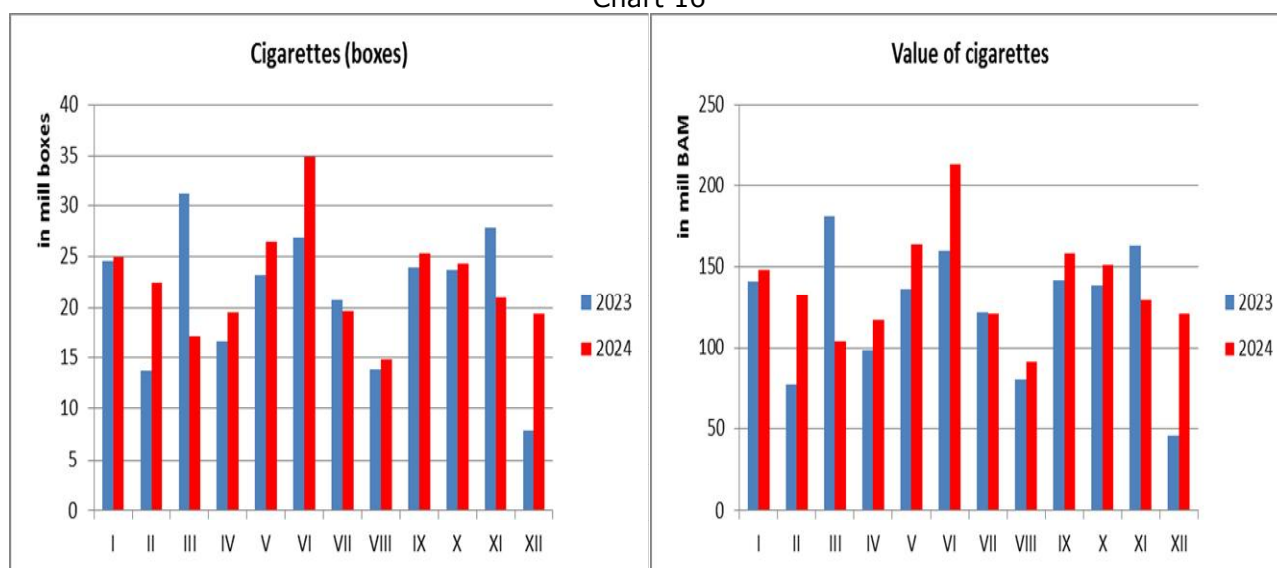
Chart 15



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

The change in the method of payment of excise duties on tobacco products brought a structural break in the data series and made analysis more difficult, because the direct link between the recording of excise stamps and the payment of excise duties is lost. In 2024, a high growth rate of excise revenue on tobacco products was achieved, at the level of 17.8% (Chart 14, right, "total") The weighted average price of cigarettes increased by 4.6%, but this did not significantly affect the quantity of cigarettes, measured by the number of stamps issued for packs, which increased by 11% (Chart 16, right). At the same time, the value of the cigarette market in 2024 increased by 15.3% (Chart 16, left). The growth in cigarette quantities and values brought an increase in both ad valorem and specific components of excise revenue, and, consequently, an increase in VAT revenue.

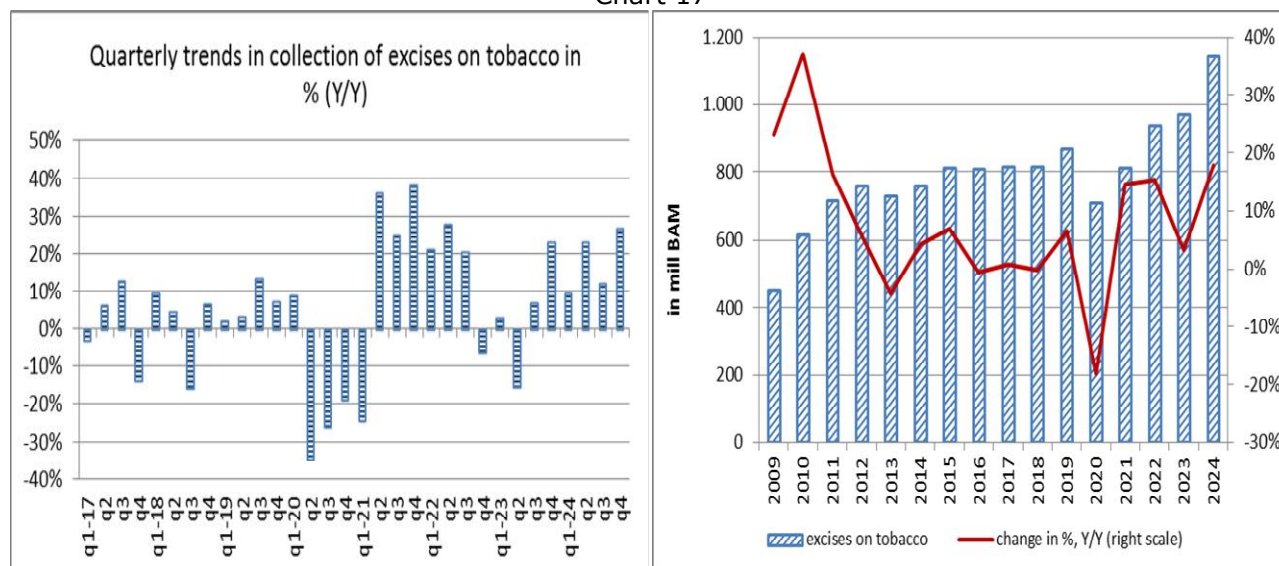
Chart 16



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Quarterly trends are positive and stable, with high growth rates. Considering the positive effect of the smaller statistical base due to the loss of excise revenue in the first four months of 2023 on the revenue growth rates, it is obvious that the growth in the first quarter of 2024 was *de facto* significantly lower, and to a lesser extent in the second quarter as well. Growth of 9.6% was achieved in the first quarter, 23% in the second, and 12.1% in the third (Chart 17, left). Due to the high collection of excise revenue in the last three months of 2024, a high growth rate of 26.7% was achieved in the fourth quarter of 2024.

Chart 17



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

In 2024, the collection of excise tax revenue on tobacco products recorded a historical maximum since the establishment of the ITA, both in terms of the absolute amount of collected revenues and the annual growth rate (Chart 16, right). The large differences compared to 2023 are a consequence of the implementation of the new excise duty payment regime at the beginning of 2023. However, regardless of the new administrative measures, the collection of excise duties on tobacco products in 2024 has remained stable, measured as a % of GDP and as a share in total indirect taxes collected (Table 3).

Table 3: Collection of excise tax revenues on tobacco products, annual trends

	2022	2023	2024
Annual change in %	15,3%	3,4%	17,8%
As % of GDP	2,1%	1,9%	2,1%
As % of indirect taxes	12,0%	11,5%	12,1%

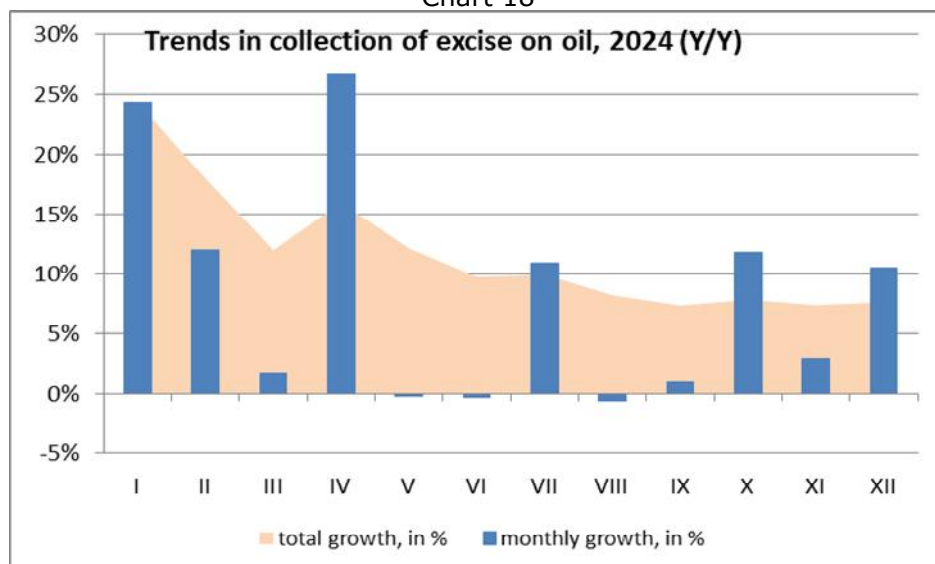
Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

Excise duties on oil derivatives

Unlike the collection of excise duties on oil derivatives in previous years, which were characterized by strong oscillations in monthly growth rates, in 2024, collection was overall in the positive growth zone. Zero growth was achieved in three months, and in the remaining nine months the growth rates reached as much as 26.7% (April). Higher growth rates at the beginning of the year were a consequence of the low base from the same period in 2023. At that time, the consumption of derivatives was lower due to higher retail prices of derivatives, and therefore the collection of excise taxes was lower. The calming of monthly oscillations in the collection of excise duties on oil

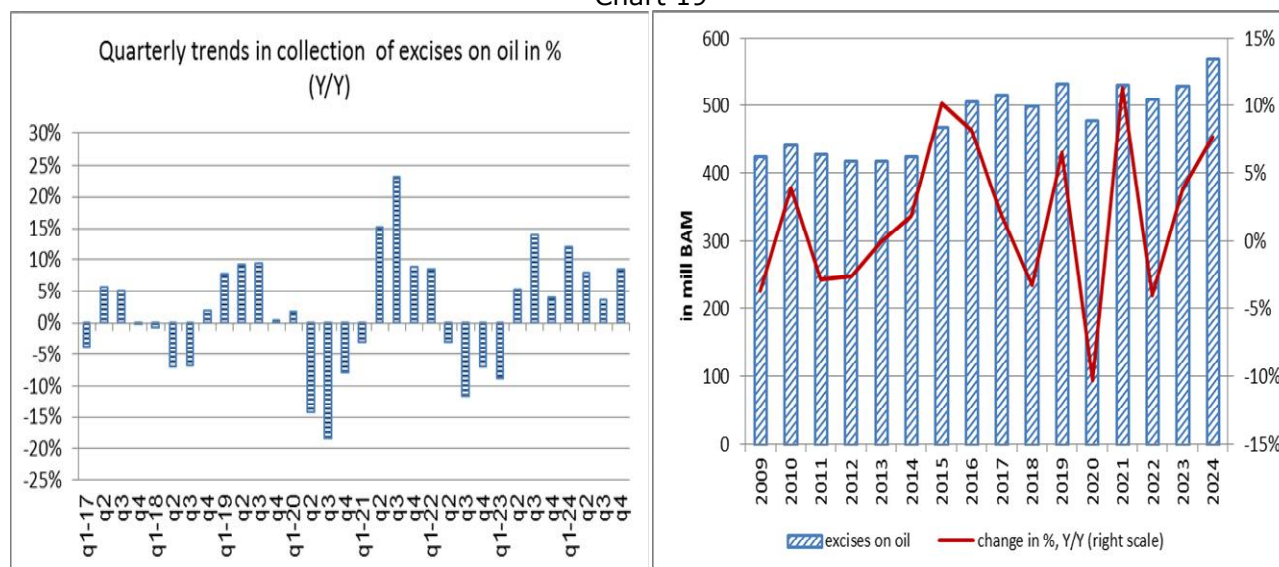
derivatives in the last four months resulted in stable cumulative growth, which amounted to 7.7% in December (Chart 18, left, "total").

Chart 18



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Chart 19



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Due to the base effect, in the first quarter of 2024, a high increase in revenue from excise duties on oil derivatives was recorded at the level of 12%. In the second quarter of 2024, the growth rate was 7.9%, in the third it was only 3.6%, while the stabilization of collection in the last months of the year brought 8.5% growth in the fourth quarter (Chart 19, left).

In 2024, a record collection of excise duties on oil derivatives was achieved since the establishment of the ITA (Chart 19, right). For many years, from 2016 to 2023, annual collection ranged from 500 to 530 million BAM, and the upper limit was significantly exceeded only in 2024. Since there was no change in the policy of taxation of oil derivatives, the growth in collection can

only be associated with the growth of consumption.⁸ The share of revenues from excise duties on oil derivatives in GDP is stable. However, the share of these revenues in indirect taxes is noticeably decreasing (Table 4). It points to the conclusion that the growth of total revenues from indirect taxes was higher than the growth of revenues from excise duties on oil derivatives.

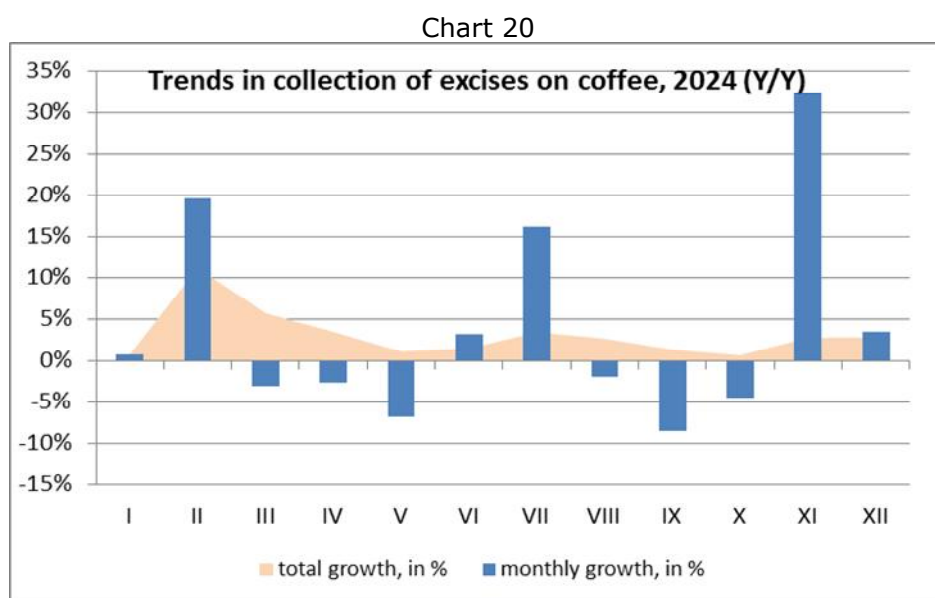
Table 4: Collection of excise revenues on oil derivatives, annual trends

	2022	2023	2024
Annual change in %	-4,0%	3,7%	7,9%
As % of GDP	1,1%	1,0%	1,1%
As % of indirect taxes	6,5%	6,3%	6,0%

Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

Excise duties on coffee

Strong monthly oscillations⁹ in collection were also recorded for excise duties on coffee (Chart 20, left).



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

During 2024, a decline in excise revenue on coffee was recorded in six months, and this was especially pronounced in September, when 8.5% less excise revenue was collected than in the same month in 2023. On the other hand, positive growth rates were recorded in the remaining six months, with a maximum in November, when a growth of as much as 32.3% was achieved.

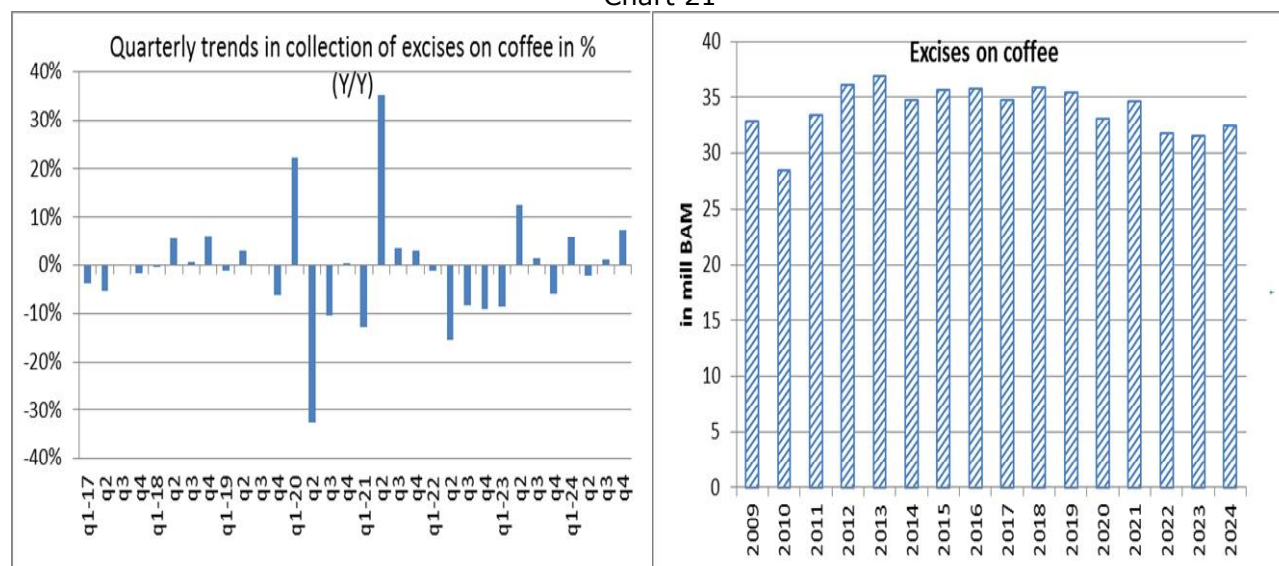
Despite changing trends during the year, the cumulative growth rate was positive throughout the year, with a maximum in February, slowly decreasing until October, when it fell to only 0.7%. However, more favorable collection trends in the last two months of 2024 led to an increase in the cumulative growth rate to 2.9% (Chart 20, left, "total").

⁸ More about trends in the consumption of oil derivatives and the impact on the collection of excises and road fees in a special analysis in the Bulletin.

⁹ A detailed analysis of coffee excise duty collection trends will be published in bulletins during the year.

Quarterly comparisons indicate that the worst collection of excise duties on coffee was in the second quarter of 2024, when a decrease of 2.1% was recorded, and in the third quarter, when a growth of only 1.1% was achieved. On the other hand, higher positive growth rates were achieved in the first and fourth quarters of 2024, 5.7% and 7.4% respectively (Chart 21, left).

Chart 21



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

An overview of the annual collection of excise duties on coffee provides an interesting conclusion that revenues from excise duties on coffee have been slowly decreasing from year to year. It leads to the following conclusion, that coffee consumption in 2024 was lower than in 2009 (Chart 21, right). Given the unchanged excise policy, the decrease in consumption may be associated with the rapid outflow of the working-age population from B&H, which is the main consumer of coffee. On the other hand, one should not lose sight of the existence of differentiated taxation of coffee (raw, roasted, etc.). In a situation where the price of coffee on the world market and in retail is constantly increasing, the expected reaction of importers and consumers could be a change in the structure of consumption towards the least taxed raw coffee, which ultimately results in a decrease in excise revenue.¹⁰

Table 5: Collection of revenues from excise duty on coffee, annual trends

	2022	2023	2024
Annual change in %	-8,7%	-0,5%	2,9%
As % of GDP	0,1%	0,1%	0,1%
As % of indirect taxes	0,4%	0,4%	0,3%

Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

Excise duties on beer, wine, alcohol, alcoholic and non-alcoholic beverages

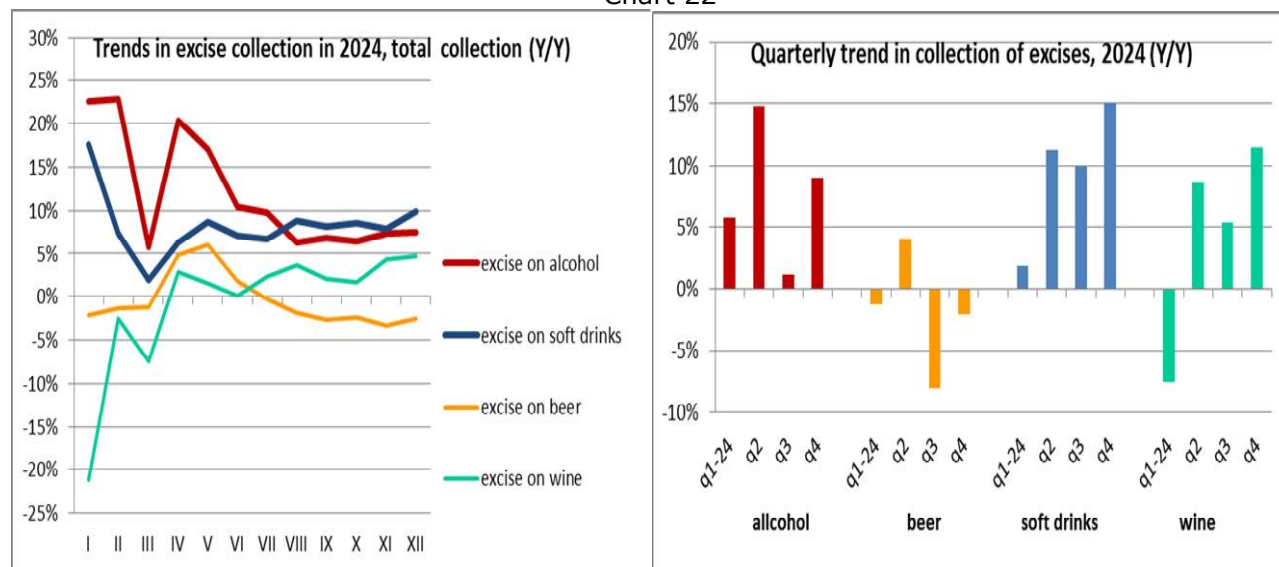
Oscillatory trends¹¹ in collection during 2024 were also recorded for excise duties on beer, wine, alcohol, alcoholic and non-alcoholic beverages, especially in the first half of the year. In the first few months, there was an increase in revenue from excise taxes on alcohol, alcoholic and non-

¹⁰ The excise tax on roasted coffee is twice as high as the excise tax on raw coffee.

¹¹ A detailed analysis of excise collection trends on excise products from this group will be published in bulletins throughout the year.

alcoholic beverages, while the collection of excise taxes on beer and wine was lower than in the same period in 2023. In the following months, the collection of excise taxes on beer shifted from a negative to a positive growth zone, but since July it has been in a negative growth zone again, with a tendency to worsen. Excise duty collection on other products from the group has been stable with increasing positive cumulative growth rates at the end of 2024 (Chart 22, left).

Chart 22



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

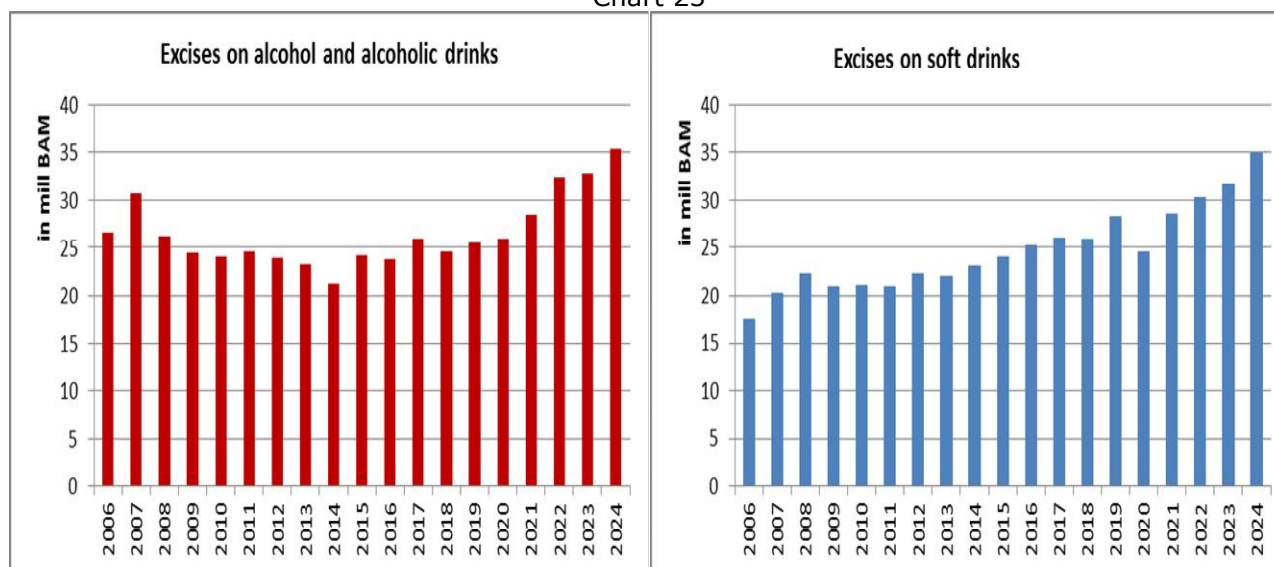
Quarterly comparisons show a decline in excise tax collection on beer in the third and fourth quarters, while other products show a high growth rate in the fourth quarter of 2024 (Chart 22, right).

Analysis of collection in absolute amounts shows a growing trend in excise duties on alcohol and alcoholic beverages, and excise duties on non-alcoholic beverages, for which record collection was achieved in 2024 since the establishment of the ITA (Chart 23).

However, the collection of excise duties on beer in 2024 was *de facto* at the level of 2015. The collection of excise duties on wine has a similar trend (Chart 24).

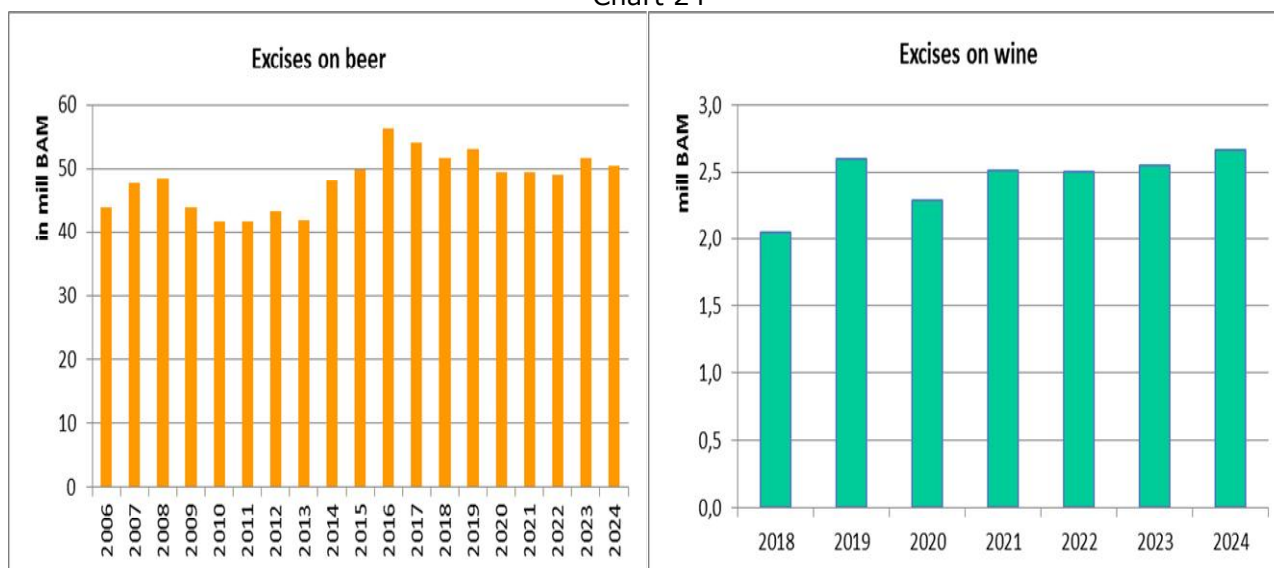
Annual comparisons show a significant decrease in excise revenue on this product group, measured as a % of GDP and as a share in collected indirect taxes (Table 6).

Chart 23



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Chart 24



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Table 6: Collection of excise revenue on beer, wine, alcoholic and non-alcoholic beverages, annual trends

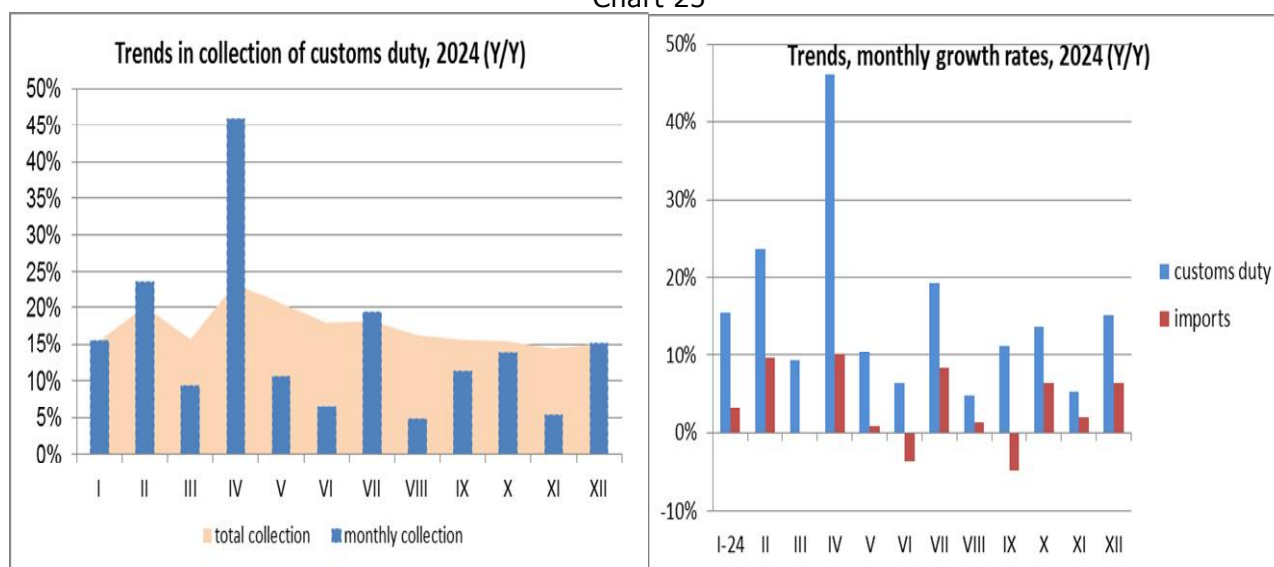
	2022	2023	2024
Annual change in %	5,2%	1,6%	5,9%
As % of GDP	0,3%	0,2%	0,2%
As % of indirect taxes	1,5%	1,4%	1,3%

Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

Customs

The collection of customs revenue during the year fluctuated strongly. The maximum monthly growth rate of customs revenue in 2024 of a whopping 45.9% was achieved in April, and in eight months the growth rates exceeded 10% (Chart 25, left). In the remaining months, growth rates ranged from 4% to 6%.

Chart 25



Source: Indirect Taxation Authority of B&H; Agency for Statistics of B&H, calculation and presentation of the MAU

The enormous increase in customs revenue collection in April was also reflected in the cumulative growth rate in the first four months of 2024, increasing it to 23.3%, which is also the maximum growth in the entire year (Chart 25, left, "total"). In the second half of the year, the oscillations of the growth rates were weaker, which led to a gradual decrease in the cumulative growth rate, which ultimately fell to 14.5%.

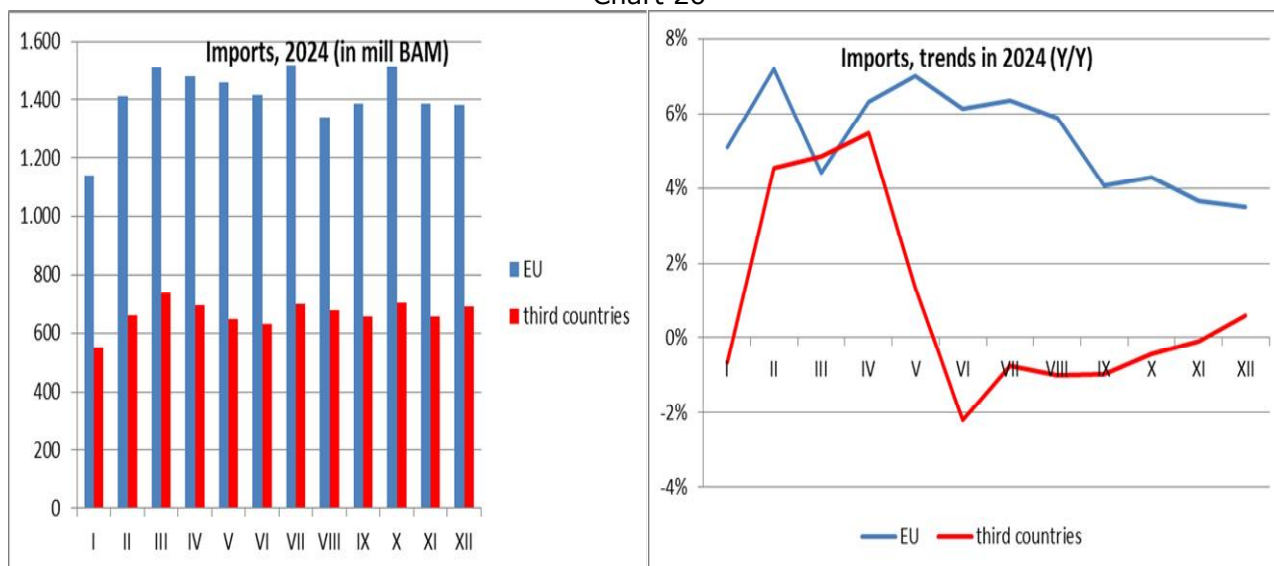
The growth of customs revenue should be correlated with the growth of imports since the largest part of customs revenue is *ad valorem*, i.e. it is calculated as a percentage of the base. Differences between the growth rates of imports and customs revenues are possible due to the structure of the base, which, for the purpose of analysis, consists of two categories of goods - goods that are subject to customs duties and the one on which customs duties are not levied, i.e. the movement of imports of each of the above categories. However, a comparison of the growth rates of customs revenue and statistical data¹² on the dynamics of imports in 2024 indicate an unusually large discrepancy in favor of the growth of customs revenue, especially in April (Chart 25, right). The second situation relates to June and September, when a decline in imports and an increase in customs revenue were recorded.

Given that in all months growth rates of customs duties were higher than import growth rates, it can be concluded that in the structure of imports of goods, a faster growth has been achieved in imports of goods on which customs duties were levied. Part of goods from the EU and the import of goods from third countries are under the customs regime. The value of imports in the first months of the year is traditionally the lowest. However, the overview of import trends by main groupings of countries relevant for the collection of customs revenues shows an increase in imports from the EU and from third countries in the first three months, expressed in absolute

¹² Source: Agency for Statistics of B&H

amounts, and a decreasing collection trend in the second quarter. However, in July, imports increased again to the level of March. However, in August, imports from the EU were significantly lower compared to most months in 2024, and in September there was a recovery, but far less than in the period February - July (Chart 26, left). A comparison with imports in 2023 shows downward trends in imports from the EU whose growth ultimately fell to 3.5%. On the other hand, after six months of negative growth, thanks to the growth in imports in December, total imports from third countries in 2024 moved into the positive growth zone with a rate of 0.6% (Chart 26, right).

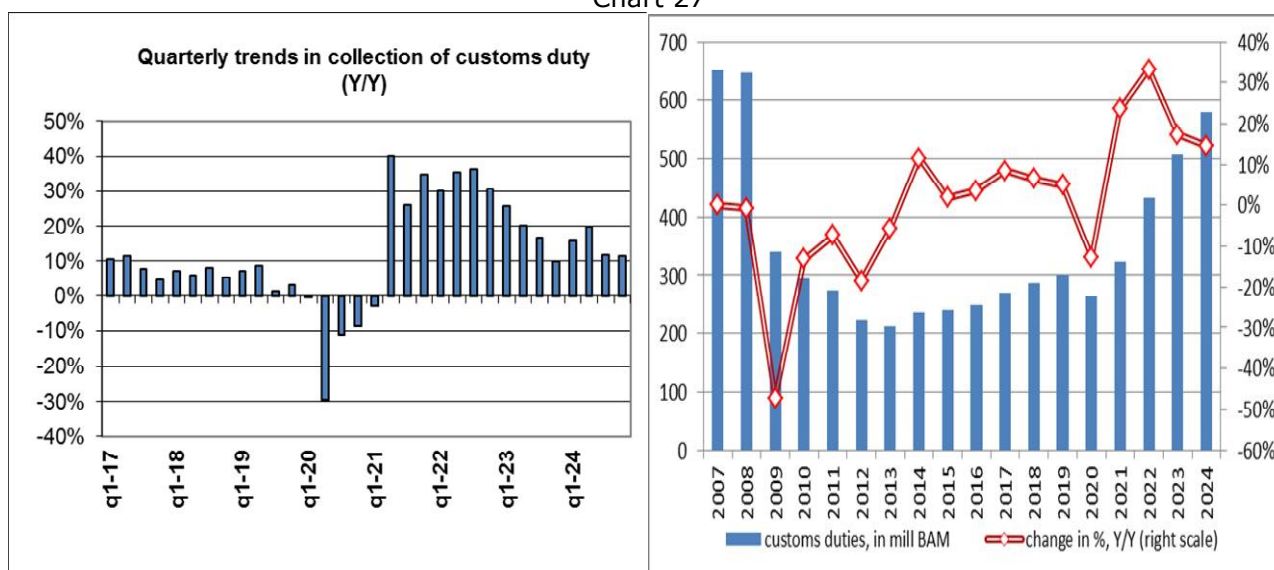
Chart 26



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

A review of quarterly trends in customs revenue collection indicates a recovery in revenue collection in the first half of the year, with growth of 15.7% in the first quarter of 2024 and as much as 19.8% in the second. The slowdown in customs revenue collection growth in the second half of the year also affected quarterly rates, which were 11.7% and 11.5% in the third and fourth quarters, respectively (Chart 27, left).

Chart 27



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

An overview of annual customs revenue collection shows rapid growth in absolute terms over the last three years (Chart 27, right). It is noted that, year after year, the significance of customs revenue, measured as a % of GDP and as a share in indirect taxes collected, has been increasing (Table 7).

Table 7: Customs revenue collection, annual trends

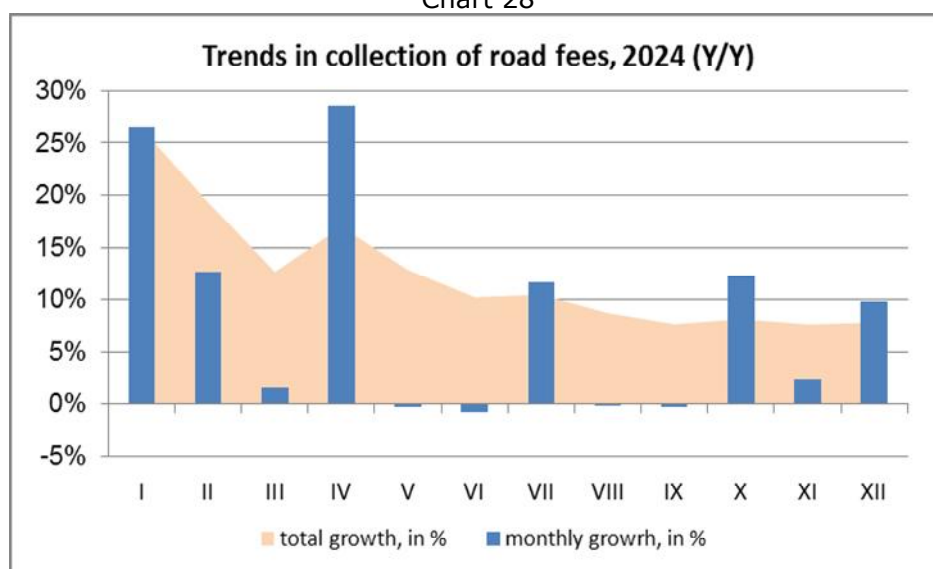
	2022	2023	2024
Annual change in %	33,1%	17,3%	14,5%
As % of GDP	0,9%	1,0%	1,1%
As % of indirect taxes	5,5%	6,0%	6,1%

Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

Road fee

Although, in principle, the dynamics of road fee revenue collection follows the dynamics of excise duty collection on oil derivatives, there are differences determined by the rate policy for different types of oil derivatives and the reliefs prescribed by the Law on Excise Duties (exemptions, refunds, exemptions from taxation). Given the narrowing of the scope of exemption from road fee payment, the differences between the growth rates of excise duty on oil derivatives and road fee have been decreasing. In 2024, road fee collection fluctuated strongly at the beginning of the year, with a maximum in April (28.6%). Since May, the oscillations have weakened. The maximum rate in that period was 12.3%, and low growth rates or zero growth were achieved in five months (Chart 28, left, "monthly collection"). At the end of the year, road fee collection increased, which had a positive impact on the cumulative growth rate, which increased to 7.9% (Chart 28, left, "total").

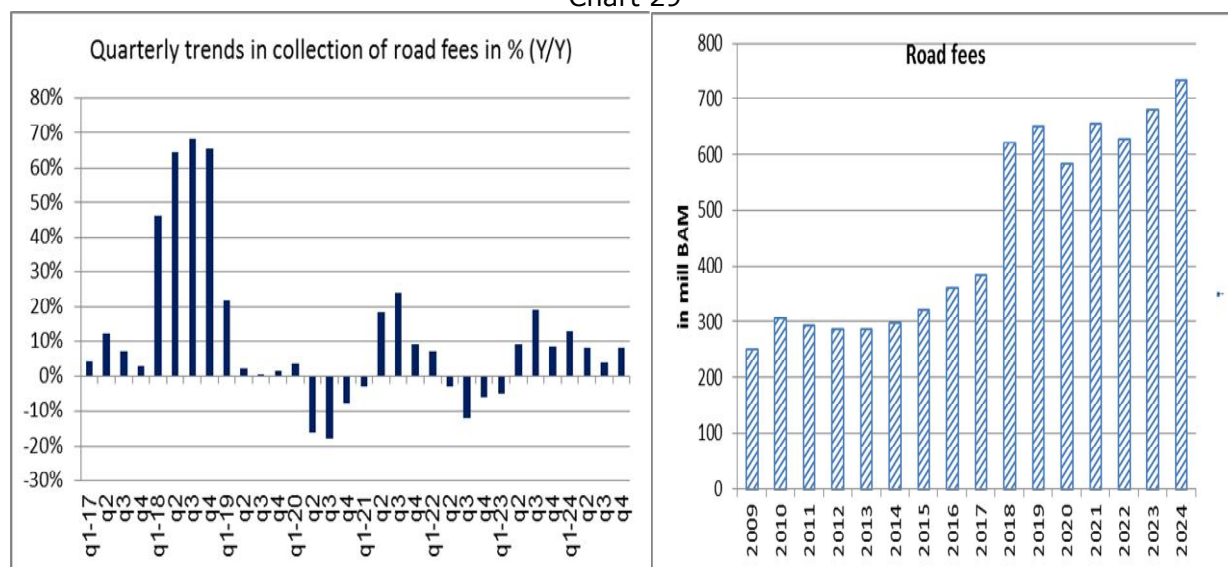
Chart 28



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

The highest growth rate of road fee revenue of 13.1% was achieved in the first quarter of 2024, and the lowest of 3.7% in the third quarter of 2024. In the second and fourth quarters, growth rates were almost identical, 8.2% and 8.3% respectively (Chart 29, left).

Chart 29



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

Year-on-year comparisons indicate record road fee revenues in 2024 (Chart 29, right). The large jump in absolute road fee collection in 2018 was a consequence of the increase in the earmarked road fee rate since February 2018.

Regarding the significance of road fee revenues, a decrease in the share of total indirect tax revenues is noticed (Table 8). Given that these are relative comparisons, the decrease in the share of total indirect taxes may be a consequence of faster growth in total collection compared to road fees.

Table 8: Road fee revenue collection, annual trends

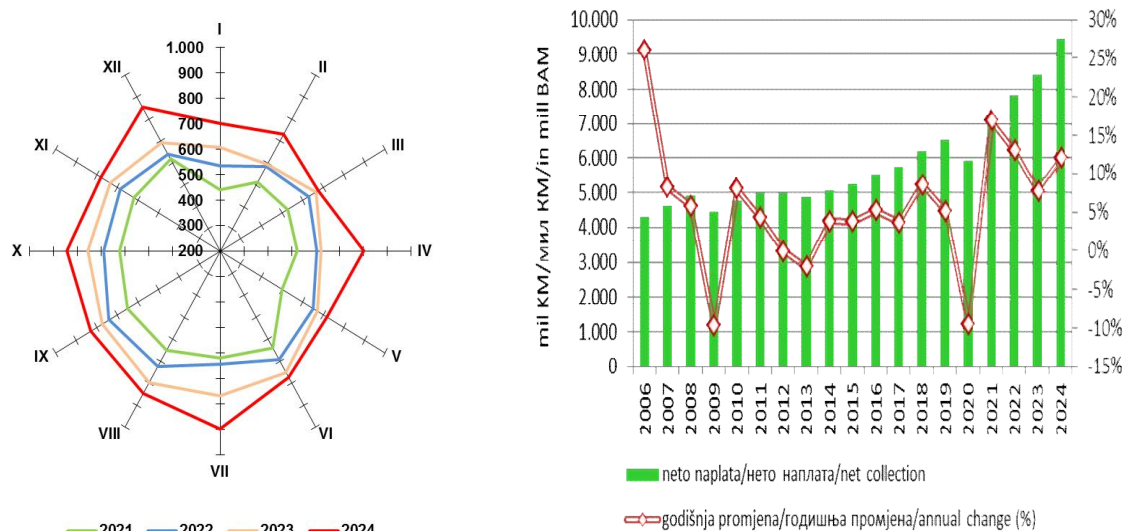
	2022	2023	2024
Annual change in %	-4,3%	8,1%	8,2%
As % of GDP	1,4%	1,3%	1,4%
As % of indirect taxes	8,0%	8,0%	7,8%

Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

EFFECTS OF INDIRECT TAX COLLECTION IN 2024

Analysis of annual trends in indirect tax collection indicates a constant growth in collection in absolute terms at the monthly level (Chart 30, left) and at the annual level (Chart 30, right) in the last four years, with high annual growth rates (Chart 30, right).

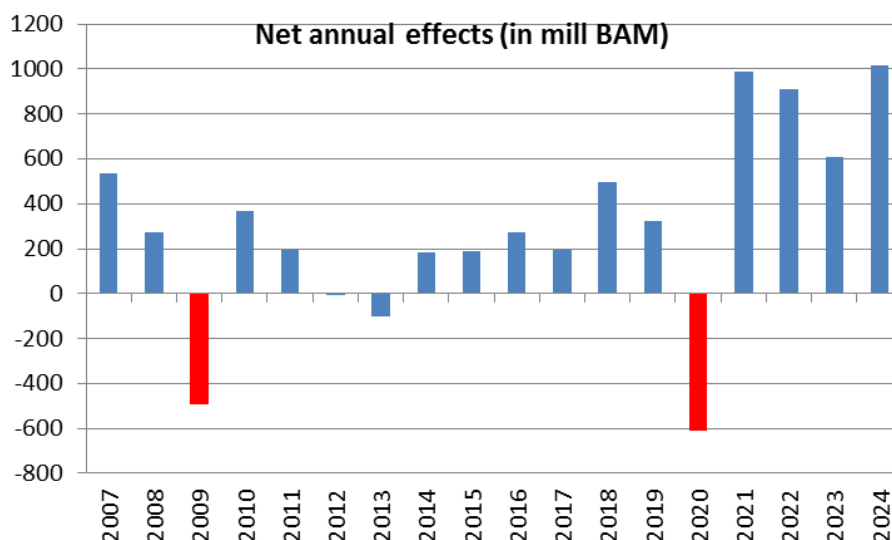
Chart 30



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

In 2024, a record net absolute increase in indirect tax revenues was achieved, the largest since the establishment of the ITA (Chart 31).

Chart 31

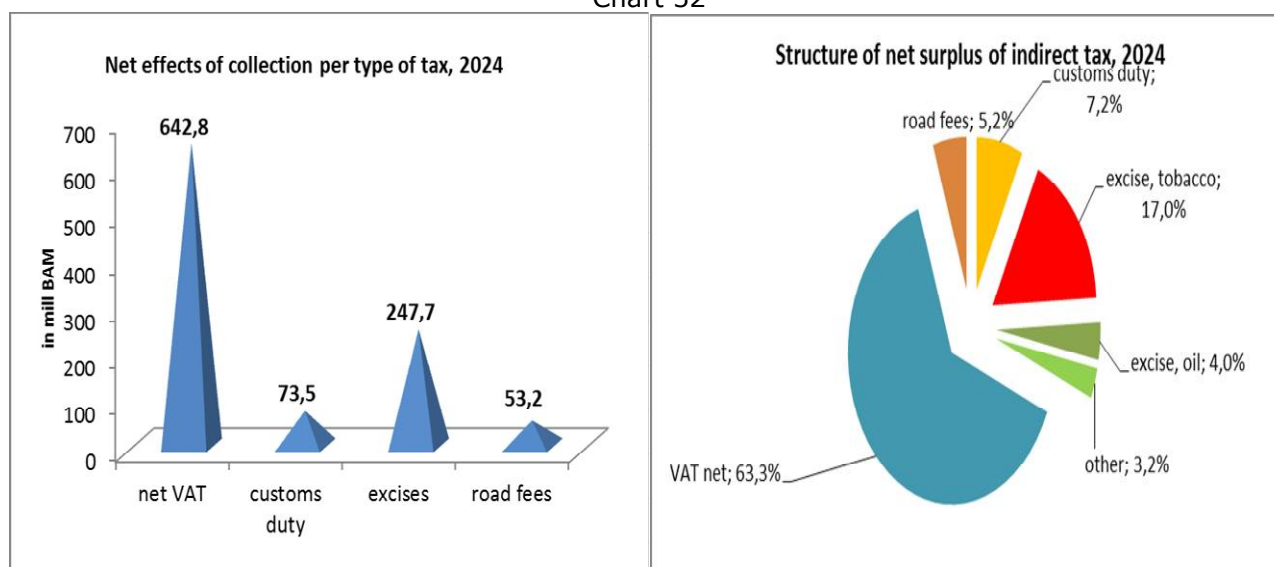


Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

In only two years, there has been a net decline in indirect tax revenues. These were years marked by major global crises: 2009, the year of the global financial and economic crisis, and the pandemic year 2020. In the last four years, net effects have been very high, with 2021 being excluded, as the high effects in that year resulted from the recovery after the huge drop in

revenues in 2020. It can also be noted that net effects in 2024 were higher than in 2022, which was characterized by the start of the war in Ukraine and a large jump in the prices of energy, raw materials and other goods and services. Bearing in mind that commodity markets have stabilized already in 2023, it is necessary to analyze the structure of the absolute increase in 2024. Observed by type of revenue, the largest absolute increase in 2024 compared to 2023 was achieved in the collection of VAT in the amount of 642.8 million BAM, and in collection of excises in the amount of 247.7 million BAM (Chart 32, left).

Chart 32



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the MAU

VAT revenues dominated in the structure of the net absolute increase in 2024 with a share of 63.5%. Revenues from excise duties on tobacco products have also significantly contributed to the total net absolute increase of 1.015 billion BAM, with a share of 17% (Chart 32, right). A deeper breakdown of the absolute increase according to the method of determining the base into the: increase that comes from *ad valorem* taxes (VAT, the largest part of customs duties, *ad valorem* component of excise duties on cigarettes) and the part that is of a specific nature (specific excise duty on tobacco products, excise duties on oil derivatives and other excise products, road fees) shows that 80.8% of the net absolute increase of indirect tax revenues came from *ad valorem* taxes, which means that it was mostly related to the growth of the base, i.e. the prices of goods and services, since tax rates have remained unchanged. The remaining absolute increase was related to the real increase in the consumption of excise products. One should also take into account the positive effects due to increased efficiency in revenue collection by the ITA.

The lower growth rate in 2023, and thus the lower share in GDP, was a consequence of the change in the excise duty payment regime on tobacco products. The loss of revenues in that year due to the change in the method of payment of excise duties amounted to 0.1% of GDP, and the annual growth rate was lower by 1 p.p.

Table 9: Collection of indirect taxes, annual trends

	2022	2023	2024
Annual change in %	13,1%	7,8%	12,0%
As % of GDP	17,2%	16,6%	17,7%

Source: Indirect Taxation Authority of B&H (revenue); Agency for Statistics of B&H (GDP 2022-2023); Directorate for Economic Planning (GDP 2024); Calculation of the MAU.

Mathematically, a higher base in 2023 would have resulted in an annual growth rate of indirect tax collection in 2024 lower by 1 p.p.

Prices, consumption and revenues from oil derivatives in the period 2006-2024

(prepared by: Aleksandra Regoje, Expert Advisor – Macroeconomist)

Introduction

This article analyzes the consumption of oil derivatives in the period from 2006 to 2024, which is characterized by significant turbulences in all areas of the economy, given that it covers the period of introduction and change in the earmarked road fee rate, huge fluctuations in the world oil market, the outbreak of the global financial crisis in 2008, the outbreak of the coronavirus crisis, and then the crisis caused by the events in Ukraine.

Although the consumption of oil derivatives is price inelastic, strong price turbulences in the past period, together with the movements of relevant macroeconomic indicators, have determined the consumption of oil derivatives on the B&H market, and thus the revenues collected from excise duties on oil derivatives and road fees, which have a significant share in total revenues from indirect taxes. Factors that determine the prices of oil derivatives on the B&H market are primarily crude oil prices, trade margins and the level of tax rates. What has largely determined the movement of oil derivatives prices in B&H is certainly the turbulences on the crude oil market.

Part I presents the price trends: crude oil on the world market and oil derivatives on the B&H market. Part II of this article presents the consumption of oil derivatives in B&H, which refers to the quantities of oil derivatives on which excise duties and road fees have been calculated. Part III presents the calculation of the elasticity of demand for oil derivatives in B&H, i.e. the demand for diesel fuel and gasoline. Part IV analyses the revenues collected at the ITA Single account (ITA SA) on the basis of oil derivatives, which relate to excise duties and road fees. Finally, an appendix is available showing changes in excise duty and road fee rates in the Law from 2017 compared to the Law from 2009.

I Crude oil prices and dynamics of prices of oil derivatives on the B&H market

Crude oil prices

Based on data from the U.S. Energy Information Administration¹³, Chart 1 (left) shows the monthly prices of Brent crude oil prices¹⁴ in the period from I-2019 to XII-2024. Crude oil prices were relatively stable in 2019, ranging from 59 to 71.3 dollars per barrel. In the period from 2019 to 2022, huge fluctuations were recorded, at first as a result of the effects of the coronavirus pandemic, and later due to the war in Ukraine. In April 2020, crude oil prices fell to only 18.4 dollars per barrel, representing the lowest value since 1999. After that, there was a growth trend, and in June 2022, the maximum price in the observed period was recorded in the amount of a high 122.7 dollars per barrel. From July 2022, the downward trend of crude oil prices has started again, and at the end of 2022 they amounted to 80.9 dollars per barrel.

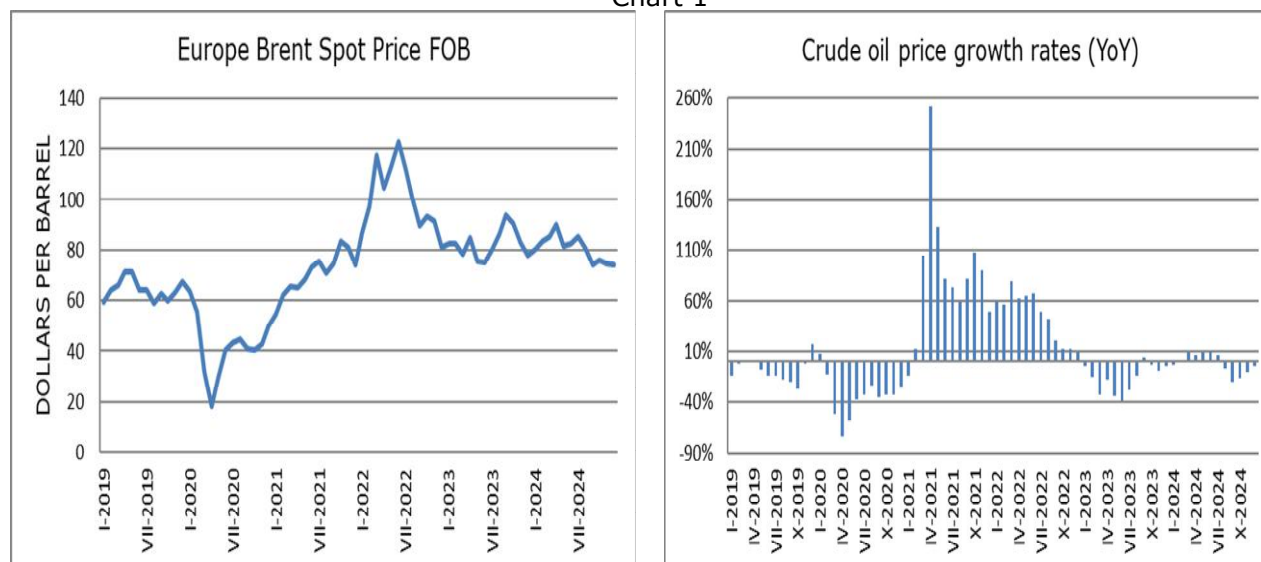
Compared to the previous period, which was very turbulent in terms of oil prices, there were no strong fluctuations in the period 2023-2024. Crude oil prices in 2024 ranged from 73.9 to 89.9 dollars per barrel. The monthly price range in 2024 was 16.1 dollars, which is slightly lower than the range in 2023 (18.9 dollars). When compared to the same month of the previous year (YoY), prices in 2024 were lower in January, and from July until the end of the year. The highest rates of decline were achieved in September and October 2024, resulting from both falling prices and the

¹³ U.S. Energy Information Administration

¹⁴ Europe Brent Spot Price FOB

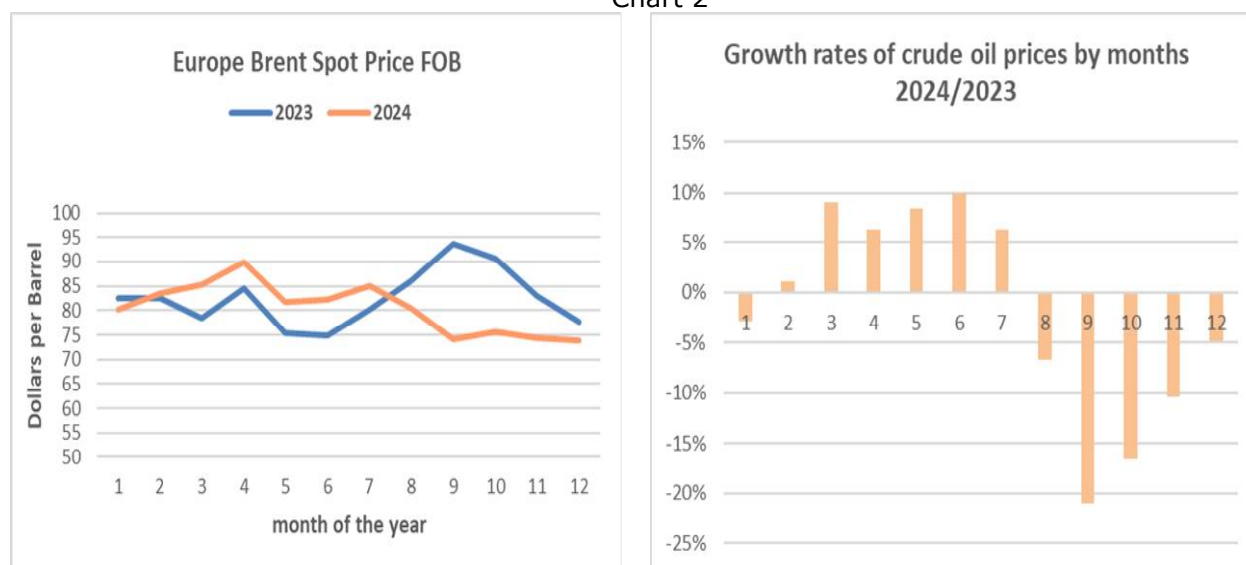
relatively high statistical base from the previous year. In the period from February to June 2024, crude oil prices were above last year's levels (Chart 2).

Chart 1



Source: Author's presentation based on data from the U.S. Energy Information Administration, www.eia.gov

Chart 2



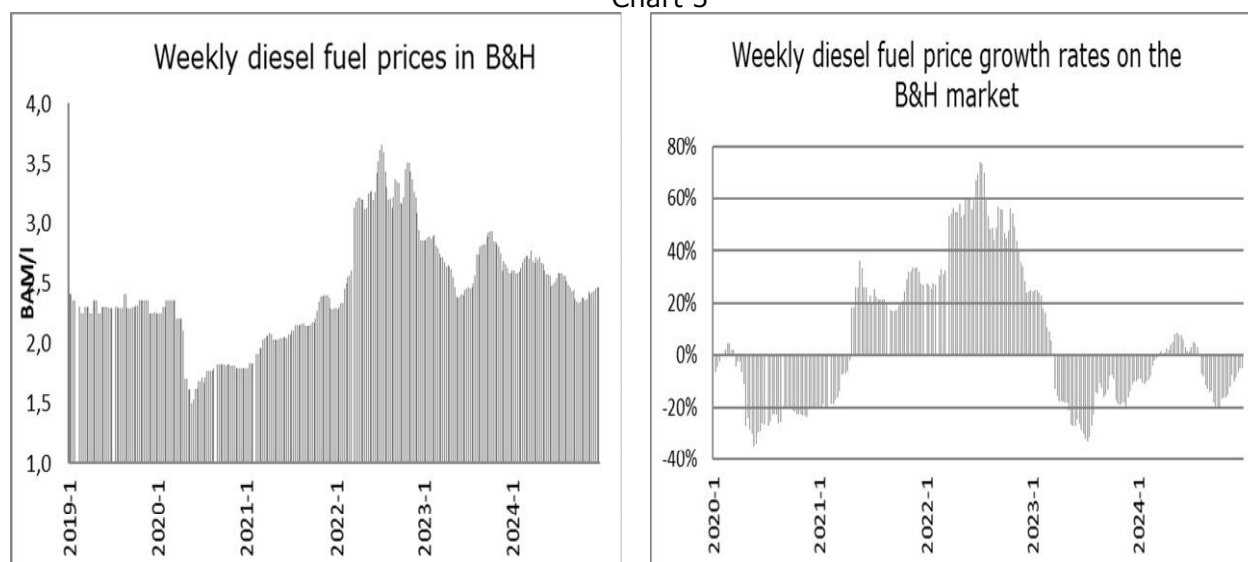
Source: Author's presentation based on data from the U.S. Energy Information Administration, www.eia.gov

Chart 3 shows weekly prices of diesel fuel¹⁵ in Bosnia and Herzegovina in the period from 2019 to the end of 2024, which follow the dynamics of crude oil prices. After a period of extremely stable prices in 2019, the prices of oil derivatives on the B&H market fell sharply in the spring of 2020, as a result of the corona virus pandemic. In the 21st week of 2020, the price of diesel fuel was only 1.5 BAM/l. From the 22nd week of 2020 (end of May), the prices of derivatives have recorded a stable growth trend, which was maintained throughout 2021. At the end of 2021, the average

¹⁵ Only data for diesel fuel is shown because after the 19th week of 2022, the reporting of prices for fuel 95 BMB and 98 BMB on the website of the Foreign Trade Chamber of B&H with data from the International Road Transport Union was discontinued.

weekly price of diesel fuel was 2.3 BAM/l. The events in Ukraine influenced the intensification of the price growth trend in 2022. The average prices of diesel fuel reached their maximum of a high 3.7 BAM/l in the 28th week of 2022 (mid-July). After that, there was a downward trend in diesel fuel prices until the 21st week of 2023, when they amounted to 2.4 BAM/l. Then there was a rising trend in diesel fuel prices until the 41st week of 2023 (2.9 BAM/l), and a falling trend again until the end of the year (2.6 BAM/l in the last week of 2023).

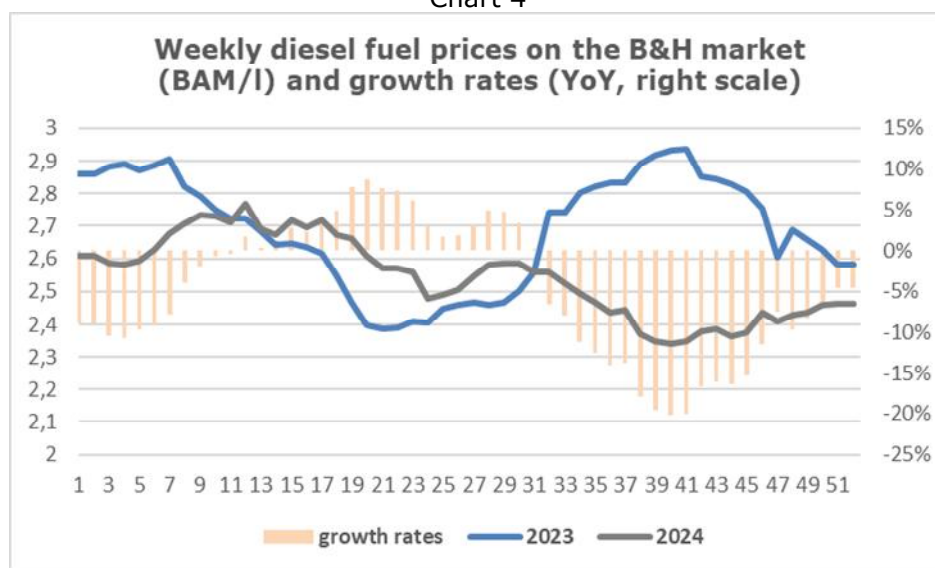
Chart 3



Source: Author's presentation based on the data from International Road Transport Union downloaded from the website of the Foreign Trade Chamber of Bosnia and Herzegovina

Weekly diesel prices in 2024 ranged between 2.3 BAM/l and 2.8 BAM/l. Compared to the same week of the previous year, diesel prices in 2024 were lower until the end of week 11 (mid-March). Weekly growth rates were positive from 12th week until the end of 31st week of 2024 (early August). From week 32 until the end of the year they were below the x-axis, i.e. negative (Chart 4).

Chart 4

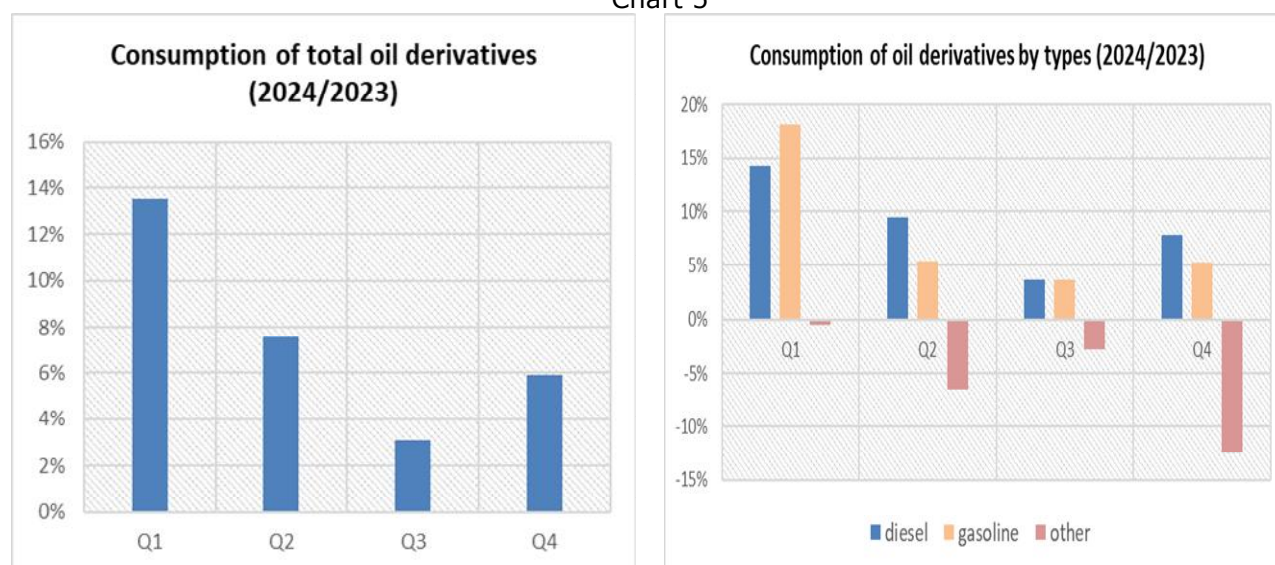


Source: Author's presentation based on the data from International Road Transport Union downloaded from the website of the Foreign Trade Chamber of Bosnia and Herzegovina

II Consumption of oil derivatives

The consumption of oil derivatives¹⁶ in 2024 reached around 1.9 billion liters and is 7.1% higher than in 2023. Observed by type of derivative, the consumption of diesel fuel is higher by 8.4%, gasoline by 7.2%, while the consumption of other derivatives (heating oil, kerosene, LPG) was lower by 5.6%. Observed by quarter, the highest growth in the consumption of total derivatives compared to the previous year was achieved in the first quarter (13.5%). In the second, third and fourth quarters, growth was achieved at rates of 7.6%, 3.1% and 5.9%, respectively. Given that the consumption of diesel fuel in 2024 had a share of over 80% in the consumption of total oil derivatives, its movement was largely determined by the movement of total quantities (Chart 5, right). Gasoline consumption had a weight of around 12.4%, while the consumption of all other derivatives accounted for only 7.2% and had no significant impact on the trend in total consumption of derivatives in B&H.

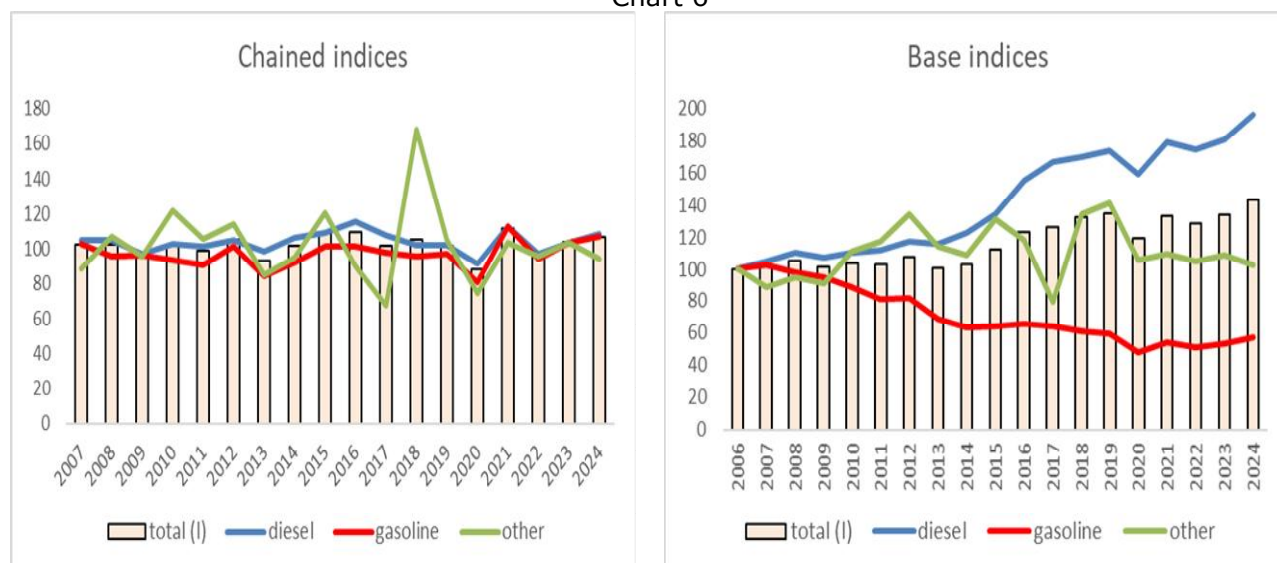
Chart 5



Source: Author's presentation based on the ITA data

¹⁶ The term „derivative consumption“ implies the amount of derivatives on which excise duties and road fees are paid (imports +Refinery).

Chart 6



Source: Author's presentation based on the ITA data

The share of diesel fuel in total derivative consumption has not always been so high. In 2006, it was around 59%. Based on the base indices (2006=100) shown in Chart 6, we can see a constant growth trend in diesel fuel consumption in the past period, while gasoline consumption has been declining. The consumption of other derivatives (heating oil, kerosene, LPG) increased by around 2.7% compared to the base year 2006, and given the low share in total consumption (6-13% per year, in the observed period), it did not have a significant effect on the trend in total derivative consumption. The consumption of total derivatives compared to 2006 was higher by around 43%.

III The elasticity of demand for oil derivatives in Bosnia and Herzegovina

The calculation of the elasticity of demand for oil derivatives in B&H, i.e. the demand for diesel and gasoline, is presented below. Since these are substitutes, the consumption of diesel fuel and gasoline was analyzed together. The following data were used for the calculation: the ITA data on the consumption of derivatives, the weighted average import prices that include weighted corresponding amount of excise and road fees, and data on gross domestic product in B&H in the specified period¹⁷. Annual data for the period from 2005 to 2024 were analyzed. A multiple regression model was created, where the dependent variable (y) is "diesel and gasoline consumption (in millions of liters)". The results of the regression analysis are shown in equation (1) in Table 1.

The coefficient of determination R^2 is significant and amounts 89.5%. It means that the variability of diesel and gasoline consumption explained by GDP and price dynamics in this regression model amount that percentage. The p-values of both variables are zero, which means that both independent variables are important for the model (both variables are significant at the 5% confidence level).¹⁸

¹⁷ Data from the Agency for Statistics of B&H for the period 2005-2023, and DEP projection for 2024 from September 2024.

¹⁸ The P-value is the lowest level of significance at which we can reject the null hypothesis. The null hypothesis is a supported hypothesis that is held to be true, as long as there is insufficient evidence to the contrary (in our case, the null hypothesis assumes that the independent variable has no effect on the dependent one).

Table 1.

Variable	
Intercept	982,77
GDP (in million BAM)	0,02378
weighted average import price that include weighted corresponding amount of excise and road fee (BAM/l)	-175,11
R^2	89,5%
R^2 adjusted	88,2%
Standard error	68,85
Observations	19
Significance level	0,05

Source: Author's calculation based on data from ITA, BHAS and DEP

Based on the results from the presented multiple regression model and the formula for calculating the elasticity of demand¹⁹, it can be calculated that the average elasticity of demand for oil derivatives (diesel and gasoline) in B&H in the period 2005-2024 was around -0,26314%. This means that a price increase of 10% would lead to a decrease in the consumption of diesel fuel and gasoline by about 2,6314%, with other factors unchanged.

Despite significant turbulences in the oil market in the recent period, caused by the events in Ukraine, the results of the analysis presented above do not deviate significantly from the elasticity analysis for the period 2005-2021, published in Bulletin No. 205/206 in 2022.

Chart 7 shows the chain and base (2005=100) indices of the dependent and independent variables from the regression model. Based on the chart, it can be concluded that GDP and consumption of derivatives (diesel + gasoline) have had a long-term stable growth, much more pronounced in GDP than in consumption of derivatives. On the other hand, weighted average prices recorded enormous turbulences in the analyzed period.

Chart 7



Source: Author's presentation based on the ITA data

¹⁹ Elasticity was calculated on the basis of the formula for calculating elasticity using a regression model (the ratio of average prices and quantities from the observed period multiplied by the coefficient for the variable "prices" from the regression model).

IV Revenues collected at the ITA SA based on oil derivatives

In 2024, 8% more revenue was collected from excise duties on oil derivatives and road fees (together) than in the previous year. Interestingly, growth rates varied strongly by month, from extremely high in the initial months of all quarters, to slightly negative in May, June and August.

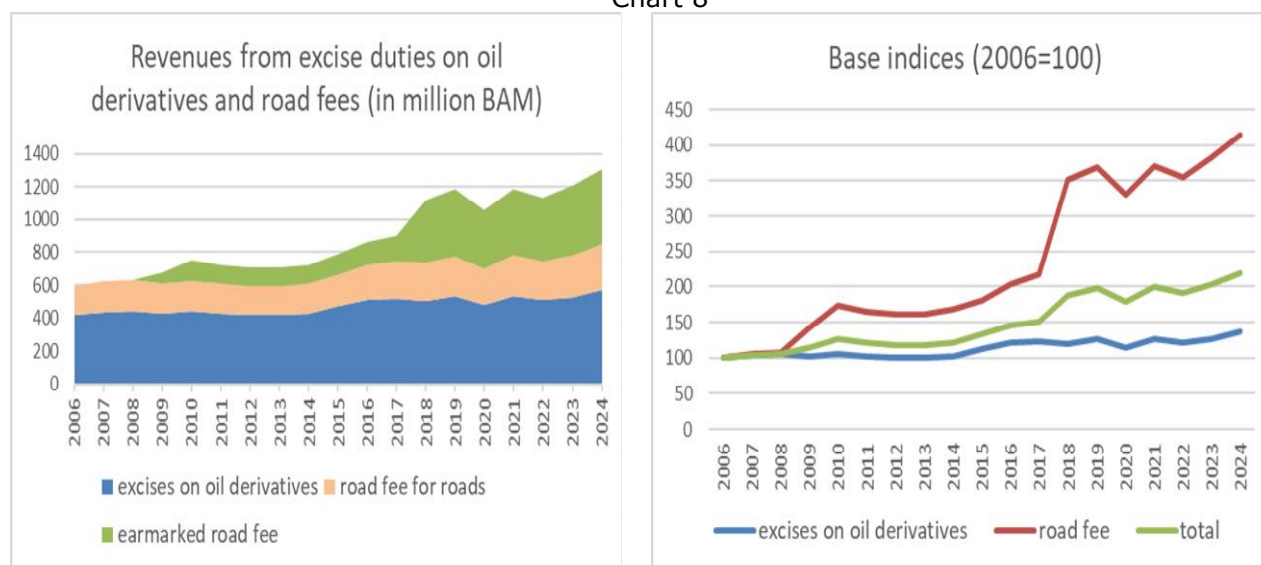
Gross revenues collected from excise duties on oil derivatives and road fees together reached a record amount of 1.3 billion BAM in 2024. Gross revenues from road fees amounted to 733 million BAM and were 8.2% higher than in the previous year. Of this, 274.9 million BAM refers to the road fees for road construction (0.15 BAM/l), and the remaining 458.1 million BAM to the earmarked road fee, i.e. the road fee for highway construction (0.25 BAM/l). Gross revenues from excise duties on oil derivatives amounted to 570.2 million BAM, and their growth rate compared to 2023 was 7.9%.

The long-term observation (Chart 8) indicates a strong growth in revenues from oil derivatives related to excise duty and road fee. Compared to 2006, total gross road fee revenues increased by a whopping 315.1%.²⁰

On the other hand, gross revenues from excises on oil derivatives increased by only 36.3% in the period. The growth rate is slightly lower than the growth rate of consumption of total derivatives (Part II) despite the increase in share of gasoline in total consumption, which is taxed at a higher excise rate than diesel (see Appendix). The reason is that the total consumption of derivatives analyzed in Part II, with the expansion of the taxable base for road fees, includes the consumption of liquid petroleum gas since 2018, the amounts of which are not negligible. The consumption of those oil derivatives that are included in the excise duty base grew at a rate that is lower than the growth rate of consumption of total derivatives.

Taken together, gross revenues from excise duties on oil derivatives and road fees increased by 119% in the period 2006-2024.

Chart 8



Source: Author's presentation based on the ITA data

²⁰ If we look at all types of gross revenues from indirect taxes, we can conclude that gross revenues from road fees recorded the highest growth in the period 2006-2024. This is followed by gross revenues from VAT with a rate of 193.7%.

Share of excise duties on oil derivatives and road fees in total indirect taxes on the ITA SA and in GDP

In order to understand the importance of revenues from excise duties on oil derivatives and road fees, it is necessary to analyze their share in total revenues collected at the ITA SA in the observed period 2006-2024, as well as their share in GDP.

The share of gross revenues from excise duties on oil derivatives and gross road fees in total gross revenues collected at the ITA SA ranged from 10.8% to 14.8%. Since refunds to taxpayers mainly relate to VAT revenues, it is more correct to observe the share of net revenues from excise duties on oil derivatives and road fees in total net indirect taxes at the ITA SA. The stated share is higher than when looking at gross revenues, and in the observed period it ranged from 12.8% to 18%, with jumps in the years of road fee rate growth (2009; 2018) and a downward trend in the last few years. In 2024, the share of net revenues from excise duties on oil derivatives and road fees in total net revenues from indirect taxes was 11.3%, which is close to the minimum level from the observed period. The explanation can be found in the fact that excise duties on derivatives and road fees are specific taxes, where the tax base is expressed in units of measurement (the amount of BAM per liter of derivatives or per kg in the case of road fees on liquid petroleum gas). Given the strong increase in prices in the past period, the growth of specific indirect taxes could not keep up with the growth of *ad valorem* indirect taxes that are calculated on value, and which have a much more significant share in indirect taxes in B&H.

When we analyze excise duties and road fees separately, we come to divergent trends. The share of net revenues from excise duties on oil derivatives in net indirect taxes on the ITA SA fell from 10.1% in 2006 to 6% in 2024. Excise duty rates on oil derivatives did not change during the observed period. The exceptions were the amendments to the Law from 2017 (applicable from February 2018) when the excise duty rate on heating oil was increased from 0.30 BAM/l to 0.45 BAM/l and when the excise duty rates for liquid petroleum gas for the propulsion of motor vehicles and biofuels and bio-liquids were set at 0.00 BAM/l and 0.30 BAM/l, respectively.

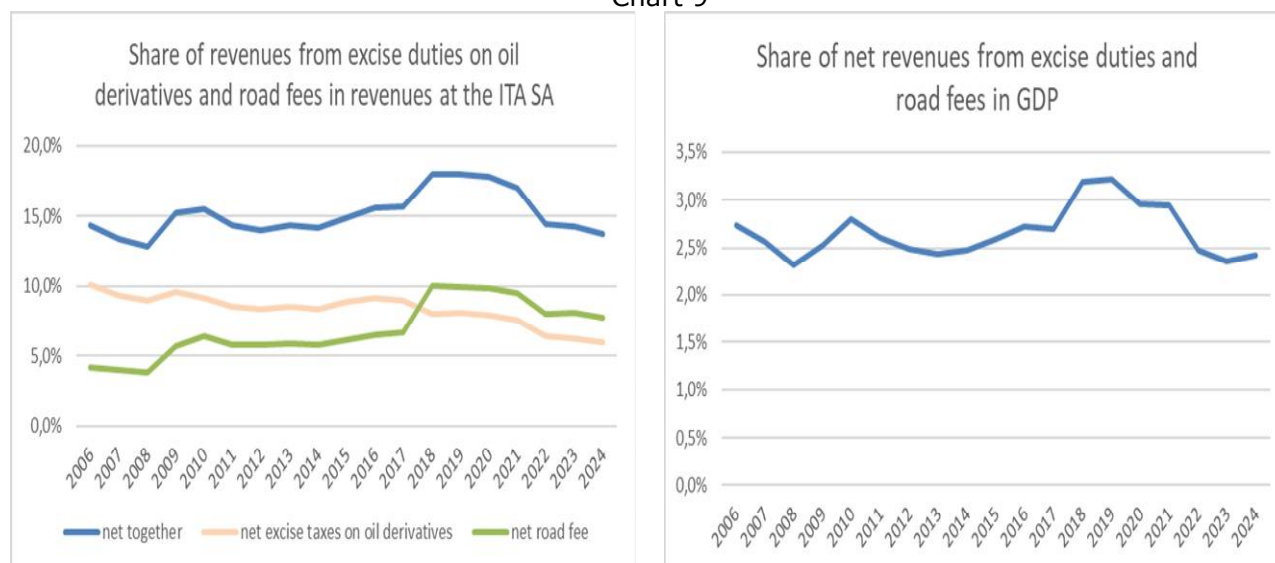
On the other hand, there have been significant changes in taxation policy in the area of road fees. In mid-2009, the new Law on Excise Taxes²¹ introduced an earmarked road fee for financing highways in the amount of 0.10 BAM/l. This increased the total road fee rate from 0.15 BAM/l to 0.25 BAM/l. With the amendments to the Law in 2017²² (applicable from February 2018), the article regulating the base²³ and amount of the road fee was changed. The earmarked road fee rate was increased from 0.10 BAM/l to 0.25 BAM/l, and it was divided into 0.20 BAM/l for the construction of highways and 0.05 BAM/l, for the construction and reconstruction of other roads. This increased the total road fee rate from 0.25 BAM/l to 0.40 BAM/l. As a result of raising the earmarked road fee rate, the share of net road fee in total net indirect taxes on the ITA SA increased from 4.2% in 2006 to 10% in 2018. Then it fell again and amounted to 7.8% in 2024 (Chart 9, left).

²¹"Official Gazette of B&H" No. 49/09

²²"Official Gazette of B&H" No. 91/17

²³ According to the amendments, the road fee base additionally includes biofuel and bio-liquids, as well as liquid petroleum gas for the propulsion of motor vehicles.

Chart 9



Source: Author's presentation based on the ITA data

In the observed period 2006-2024, the share of excise duties on oil derivatives and road fees (together) in GDP ranged from 2.3% to 3.2% (Chart 9, right). As in the case of the share in total indirect taxes, jumps can be noticed in the years of increase in the road fee rate as well as a downward trend in the last few years. It is estimated²⁴ that in 2024, the share was 2.4%, which is close to the minimum value in the observed period. The reasons for decline in the share of excise duties on oil derivatives and road fees in GDP are largely the same as in the case of the share in indirect taxes, because these are specific taxes that are levied on product quantities, while the comparison base (GDP) was influenced by price increases.

From all of the above, we can conclude that the following factors influenced the long-term growth of excise and road fee revenues (2006-2025)

1. Growth in the total base, i.e. the quantity of total taxable derivatives (Chart 6, right)
2. Growth in tax rates, which primarily refers to earmarked road fee (Appendix)
3. Reduction in the consumption of heating oil (which, despite the increase in the excise rate in 2018, is less taxed than other derivatives because it is not subject to road fee) through a reduction in frauds in using heating oil as a fuel.
4. Non-existence of realization of releases of diesel fuel used for the needs of mines, thermal power plants and railways in 2023 and 2024.

²⁴ This is an estimate, since the official BHAS data for 2024 GDP were not available at the time of writing this article. DEP's projections from September 2024 were used.

Appendix

Table 1 shows changes in excise duty rates in the 2017 Law compared to the old Law from 2009. Table 2 shows changes in road fee rates. Table 3 shows the aggregate excise duty and road fee rates under the current and old Law, and their differences.

Table 1.

EXCISES		rate (BAM/l)		
<i>Excise duty rates under the 2009 and 2017 Laws</i>		(1)	(2)	(3)=(2)-
	Base	2009 Law	Changes in the Law (2017)	difference
a)	diesel fuels and other gas oils	0,30	0,30	
b)	petroleum (kerosene)	0,30	0,30	
c)	motor petrol - unleaded	0,35	0,35	
d)	motor petrol	0,40	0,40	
e)	heating oil extra light and easy special	0,30	0,45	0,15
f)	liquid petroleum gas for the propulsion of motor vehicles		0,00	
g)	biofuels and bio-liquids		0,30	0,30

Table 2.

ROAD FEE		rate (BAM/l)		
<i>Road fee rates under the 2009 and 2017 Laws</i>		(1)	(2)	(3)=(2)-
	Base	2009 Law	Changes in the Law (2017)	difference
a)	diesel fuels and other gas oils	0,25	0,40	0,15
b)	petroleum (kerosene)			
c)	motor petrol - unleaded	0,25	0,40	0,15
d)	motor petrol	0,25	0,40	0,15
e)	heating oil extra light and easy special			
f)	liquid petroleum gas for the propulsion of motor vehicles		0,40	0,40
g)	biofuels and bio-liquids		0,40	0,40

* Road fee on liquid petroleum gas is expressed in BAM/kg

Table 3.

EXCISES AND ROAD FEE		aggregate rate (BAM/l)		
<i>Change in aggregate excise duty and road fee rate</i>		(1)	(2)	(3)=(2)-
	Base	2009 Law	Changes in the Law (2017)	difference
a)	diesel fuels and other gas oils	0,55	0,70	0,15
b)	petroleum (kerosene)	0,30	0,30	
c)	motor petrol - unleaded	0,60	0,75	0,15
d)	motor petrol	0,65	0,80	0,15
e)	heating oil extra light and easy special	0,30	0,45	0,15
f)	liquid petroleum gas for the propulsion of motor vehicles		0,40	0,40
g)	biofuels and bio-liquids		0,70	0,70

* Road fee on liquid petroleum gas is expressed in BAM/kg

Analysis of foreign trade exchange for 2024

(author: Mirjana Popović, Expert Advisor – Macroeconomist)

Summary

Foreign trade of Bosnia and Herzegovina (hereinafter: BiH) represents a key segment of the country's economic activity, reflecting its connection to the global market, the competitiveness of the domestic economy and economic policies that affect imports and exports. This analysis is a continuation of the analyses published in previous issues of the Unit's bulletin with a focus on the annual trend of imports and exports in BiH in 2024 compared to the previous three years: 2021, 2022 and 2023²⁵.

The analysis shows the annual trend in total foreign trade, the trend in trade by foreign trade regions divided into developed countries (EU²⁶, EFTA²⁷ and other developed countries²⁸) and developing countries (CEFTA²⁹, European developing countries, Asian developing countries and other developing countries³⁰), as well as trends in trade with the most important foreign trade partners and by type of product.

By analyzing the data, it is possible to see trends in the trade balance, the structure of the main export and import products, as well as economic factors that shape trade relations with key partners. The aim of the analysis is to provide insight into the latest data on BiH's foreign trade for 2024, identify trends and challenges, and enable a better understanding of the factors that influence the country's trade balance. The analysis helps decision-makers and economic analysts to see opportunities for improving foreign trade and create strategies that can contribute to strengthening economic stability and sustainable development of the country.

1. Annual trends in foreign trade exchange

Foreign trade exchange of BiH in 2024 recorded certain changes compared to the previous year. The trend, volume and structure of trade in goods depend on various factors. The key factors that influenced foreign trade exchange of BiH in 2024 were global economic trends, the world economic situation, inflation and recessionary pressures, which had a direct impact on demand for domestic products on the international market, while changes in the prices of energy, metals and raw materials directly reflected export-import flows.

Chart one shows the annual trend in BiH's foreign trade for the period 2021-2024. The values of imports, exports and the realized deficit are shown in millions of BAM (left vertical scale), as well as the share in the coverage of imports by exports (right vertical scale) for the specified period.

²⁵ Due to the emergence of the Covid-19 pandemic as well as the measures introduced to combat the spread of the virus, 2020 is not relevant for comparison.

²⁶ 27 member states of the European Union

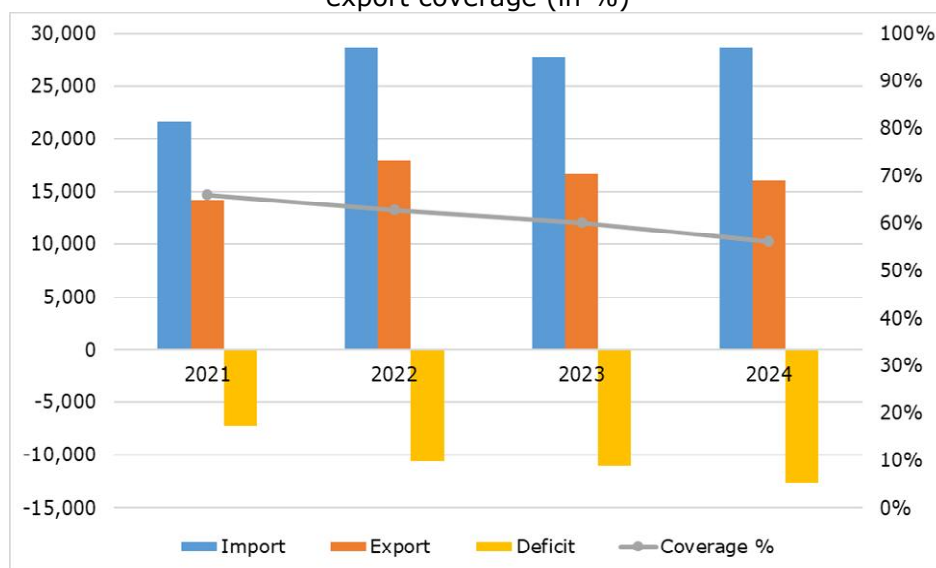
²⁷ Switzerland, Norway, Iceland and Liechtenstein (European Free Trade Association)

²⁸ Australia, Japan, Canada, USA, Turkey, United Kingdom and others.

²⁹ Albania, Montenegro, North Macedonia, Moldova, Serbia, UNMIK/Kosovo (Agreement on free trade of the countries of Central Europe which also includes Bosnia and Herzegovina)

³⁰ African and American developing countries

Chart 1. Foreign trade exchange of BiH for the period 2021-2024 (in millions of BAM) and import-export coverage (in %)



Source: Agency for Statistics of BiH, MAU review

During 2024, exports decreased by 3.7% and imports increased by 3.2% compared to the previous year, which led to an increase in the foreign trade deficit by 13.7%. The annual import-export coverage in 2024 is 56.1% and is lower by 4.0 p.p.

In 2024, imports remained at the level of imports from 2022, while exports significantly decreased by 10.6%.

Compared to 2021, imports in 2024 are 32.7% higher and exports are 12.6% higher, however, the foreign trade deficit in 2024 is much larger. Given that 2021 is a year of recovery after the outbreak of the Covid-19 pandemic, the results of foreign trade in 2024 would have been significantly better if additional shocks had not occurred that negatively affected imports and exports this year. Also, the constant increase in prices, i.e. high inflation rates, caused an increase in the volume of trade. The level of growth in the volume of trade should be linked to the increase in prices, and not to an increase in physical exports and imports.

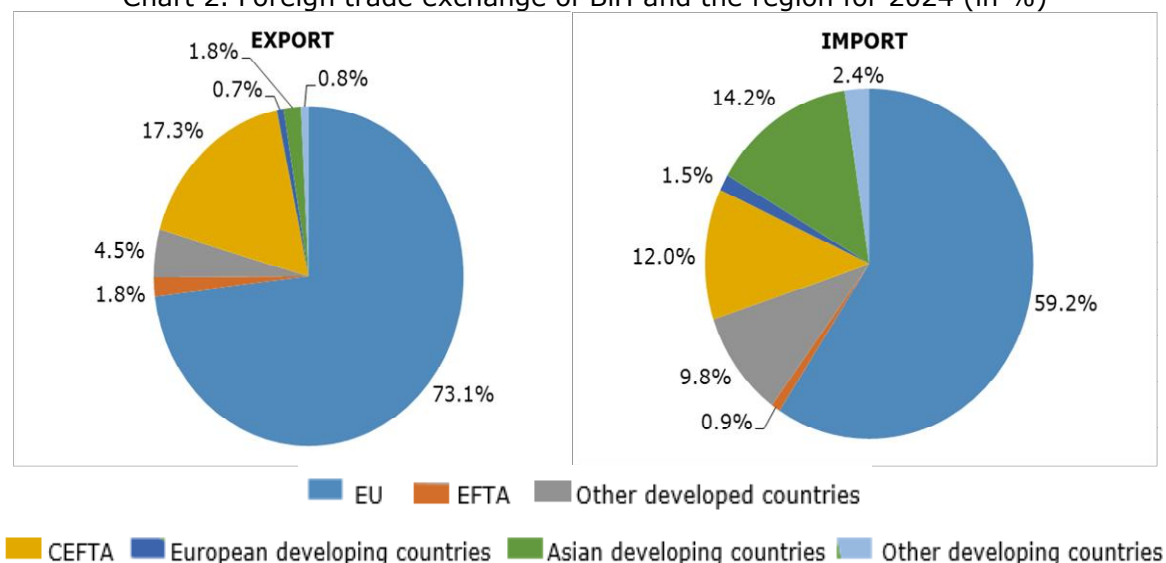
The data indicate the need for further diversification of exports and reduction of import dependence in key sectors in order to improve the country's foreign trade balance. It also indicates the need for further monitoring and analysis of foreign trade flows, as well as the implementation of strategies that could contribute to reducing the trade deficit and strengthening the export sector of BiH.

2. Foreign trade exchange of BiH according to the main regions

Bosnia and Herzegovina, as a small and open economy, is largely dependent on trade with the European Union and countries in the region. Exchange rate stability, customs policies, trade agreements and global economic conditions directly affect the volume and dynamics of foreign trade flows.

Chart two shows the percentage of participation of the main regions in foreign trade with BiH in 2024.

Chart 2. Foreign trade exchange of BiH and the region for 2024 (in %)



Source: Agency for Statistics of BiH, MAU review

Foreign trade exchange of BiH and developed countries:

- The EU, as BiH's main partner in foreign trade, participates with 73.1% of exports and 59.2% of imports in 2024. Exports to EU countries in 2024 are lower by 3.6%, while imports from these countries are higher by 3.5% compared to 2023. The coverage of imports by exports in 2024 is 69.3%, which is by 5.1 p.p. lower compared to the coverage of imports by exports in 2023. Trade in goods with EU countries has decreased due to the decline in economic activities in the EU, i.e. reduced demand and economic slowdowns within the EU, as well as a decrease in exports from BiH as a result of reduced demand for certain products from BiH on the EU market. Compared to 2022, exports are by 11.1% lower and imports by 4.0% higher, while compared to 2021, exports to EU countries are by 13.1% higher and imports by 33.1% higher.
- In 2024, EFTA countries participate in trade with BiH with 1.8% of exports and 0.9% of imports. Exports in 2024 are higher by 0.8% and imports are higher by 28.1% compared with 2023. The coverage of imports by exports is 116.5%, which is by 31.6 p.p. lower than the coverage of imports by exports in the previous year. Compared to 2022, exports to EFTA countries are for 5.3% lower and imports for 31.9% higher. Compared to 2021, in 2024, exports from BiH to these countries are for 21.9% lower and imports for 48.0% higher.
- Other developed countries that are not EU member states and EFTA member states in trade with BiH in 2024 participate with 4.5% of exports and 9.8% of imports. Exports from BiH to other developed countries in 2024 are by 16.9% higher than in 2023, while imports from these countries to BiH in the same year are by 1.6% lower than in the previous year. The coverage of exports by imports in 2024 is 25.7%, which is for 4.1 p.p. higher than in the previous year. Compared to 2022, exports were by 17.1% higher, while imports by 8.1% lower. Exports from BiH to other developed countries in 2024 are by 12.0% higher than in 2021, and imports from these countries to BiH higher by 26.3%.

Foreign trade exchange of BiH and developing countries:

- CEFTA countries, of which Serbia, Montenegro and North Macedonia have the largest participation in trade with BiH, participate with 17.3% of exports and 12.0% of imports in 2024. Exports are by 10.8% lower than in 2023, while imports are by 6.5% higher, and the export-import ratio is 80.7%, which is for 15.6 p.p. lower than in 2023. Compared to 2022, exports are by 15.7% lower in 2024, and imports by 1.9%, while compared to 2021, exports to CEFTA countries are by 15.7% higher, and imports from these countries by 24.8%.
- In 2024, BiH participated with other European developing countries, of which the largest foreign trade exchange relates to trade in goods with Russia (84.4% of exports and 76.1% of imports of the total exchange with this group of countries), with 0.7% of exports and 1.5% of imports. Exports from BiH to other European developing countries are lower by 8.4%, and imports by 20.0% compared to 2023, the coverage of imports by exports is 25.3%, which is for 3.2 p.p. higher compared to the coverage of imports by exports in 2023. Compared to 2022, exports to these countries are lower by 9.1%, and imports by 46.8%, while compared to 2021, exports are lower by 9.5%, and imports by 37.9%.
- In trade with the group of developing Asian countries, of which China is the largest participant in trade, BiH achieved 1.8% of exports and 14.2% of imports in 2024. Of the total imports from this group of countries, 67.9% refers to imports from China. Exports in 2024 increased by 20.1%, and imports by 4.1%, the coverage of imports by exports is 7.0%, which is for 0.9 p.p. higher than the coverage of imports by exports in 2023. Compared to 2022, exports increased by 15.4%, and imports by 1.2%, while compared to 2021, exports increased by 62.5%, and imports by 56.3%.
- Other African and American developing countries participate in trade with BiH with 0.8% of exports and 2.4% of imports. Exports to these countries are for 1.4% higher and imports for 6.4% compared to 2023. The coverage of imports by exports is 18.2% and is for 0.9 p.p. lower compared to 2023. Compared to 2022, exports to these countries in 2024 are by 14.8% lower and imports by 6.0%, while compared to 2021, exports are by 17.9% lower and imports from other African and American developing countries by 72.6% higher.

3. Foreign trade exchange of BiH according to the most important partners

Given that BiH is a small open economy whose economy largely depends on foreign trade with key trading partners, the country's trade in goods with its largest trading partners is presented below.

Table one shows the share of exports to the ten most important export partners of BiH in the four years under review. The table also shows the percentage increase/decrease in exports in 2024, compared to the previous three years.

Table 1. BiH exports by partners for the period 2021-2024 (in %)

BH EXPORT (% of participation)								
No.	Country	2024	2023	2022	2021	change in relation to 2023 (%)	change in relation to 2022 (%)	change in relation to 2021 (%)
1	Croatia	16.1	15.3	14.9	13.1	1.8	-3.1	39.1
2	Germany	15.3	16.1	14.8	15.0	-8.3	-7.8	14.9
3	Serbia	11.4	12.5	13.1	12.1	-11.9	-22.2	6.8
4	Austria	9.8	10.3	9.5	9.0	-8.2	-7.9	22.6
5	Slovenia	8.2	8.1	7.9	8.5	-2.3	-6.8	8.7
6	Italy	7.9	8.7	11.1	11.3	-12.5	-36.3	-21.2
7	Montenegro	3.7	4.1	3.2	2.8	-13.6	3.4	51.1
8	the Netherlands	2.6	2.5	2.3	2.5	0.8	-0.4	16.8
9	France	2.3	2.0	2.2	2.3	7.5	-7.1	8.3
10	Czech Republic	2.0	1.4	1.2	1.2	42.1	53.3	89.8
	other countries	20.6	19.1	19.7	22.3	3.9	-6.5	4.3
	total	100.0	100.0	100.0	100.0			

Source: Agency for Statistics of BiH, MAU review

The most important export partner of BiH, or the country to which BiH exported the most in 2024, is Croatia 16.1%, which is also the largest export partner in the EU region, followed by exports to Germany 15.3% and Austria 9.8% of the country's total exports. From the group of member countries of the CEFTA region, BiH exported the most to Serbia 11.4%, while the countries of the EFTA region are not among the ten largest BiH exporters in 2024.

In addition to the share of countries to which BiH exported the most in the four observed years, table one also shows the percentage of increase/decrease in exports in 2024 compared to 2023, 2022 and 2021. The indicators shown in the table mainly indicate a decrease in exports to the markets of BiH's main trading partners in 2024 compared to 2023 and 2022, while compared to 2021, the country recorded an increase in exports to a larger number of the most important export partners, except for exports to Italy, which decreased by -21.2%.

Compared to 2023, exports to Montenegro decreased the most -13.6%, Italy -12.5% and Serbia -11.9%, while on the other hand, the only significant export growth was recorded in the Czech Republic by 42.1%.

Compared to 2022, exports to the Czech Republic increased by 53.3%, while exports to other major export partners decreased in 2024.

Compared to 2021, BiH achieved the highest growth in exports to the Czech Republic by 89.8%, Montenegro by 51.1%, Croatia by 39.1%, Austria by 22.6% and other main export partner countries, while on the other hand, exports to Italy were significantly decreased by 21.2%.

Table two shows the share of imports by the ten most important import partners of BiH in the four years observed. The table also shows the percentage increase/decrease in imports in 2024, compared to the previous three years.

Table 2. BiH imports by partners for the period 2021-2024 (in %)

BH IMPORT (% of participation)								
No.	Country	2024	2023	2022	2021	change in relation to 2023 (%)	change in relation to 2022 (%)	change in relation to 2021 (%)
1	Italy	12.9	13.9	12.4	12.0	-4.3	4.7	42.5
2	Germany	11.8	12.0	10.5	11.9	1.3	11.5	31.7
3	Serbia	10.3	10.2	10.7	11.2	4.4	-7.4	21.7
4	China	9.6	9.5	8.1	7.9	5.0	13.0	62.1
5	Croatia	7.5	7.5	9.9	8.9	2.1	-26.4	11.2
6	Turkey	5.8	5.5	5.8	5.9	8.0	-8.0	31.1
7	Slovenia	3.8	3.9	3.9	4.6	0.9	-3.5	10.1
8	Austria	3.5	3.6	3.5	3.8	1.6	-0.6	23.0
9	Poland	3.3	3.1	2.7	2.9	8.6	10.7	53.5
10	Hungary	2.4	2.2	2.4	2.7	11.4	-9.9	20.9
	other countries	29.0	28.4	30.0	28.3	5.3	-8.2	36.1
	total	100.0	100.0	100.0	100.0			

Source: Agency for Statistics of BiH, MAU review

The most important import partners of BiH in 2024 are Italy, which participates with 12.9% of total imports, and Germany, which participates with 11.8%, and they are also BiH's largest import partners from the EU. In the same period, among partners from the CEFTA region, BiH imported the most from Serbia 10.3%, while among developing Asian countries, the largest import was recorded from China, which participates with 9.6% of total imports.

In addition to the participation of the countries from which BiH imported the most in the observed four years, table two also shows the percentage of increase/decrease in imports in 2024 compared to 2023, 2022 and 2021. The largest increase in imports in 2024 compared to the previous year was recorded from Hungary 11.4%, Poland 8.6% and Turkey 8.0%. The reason for importing an increasing number of products of Hungarian and Polish origin in BiH in recent years is the price competitiveness of products that meet the quality standards demanded by consumers, as well as the proximity of these markets, which reduces costs and delivery time, making imports from these countries more attractive.

Compared to the same year, a decrease in imports was recorded from Italy by 4.3%, while the largest decrease in imports was recorded from Croatia by 26.4% compared to 2022. The country recorded an increase in imports from China by 13.0%, Germany by 11.5%, Poland by 10.7% and Italy by 4.7% compared to 2022.

If we compare data on imports into BiH in 2024 compared to 2021, it is evident that import growth was recorded from all of the country's main import partners. The largest growth was recorded in imports from China 62.1%, Poland 53.5%, Italy 42.5%, Germany 31.7% and Turkey 31.1%.

Given that BiH is a market with limited purchasing power that requires cheaper alternatives, economic viability and more favorable prices are increasing imports from countries with lower production costs such as Poland, Hungary, China or Turkey, while imports from developed European countries are decreasing.

4. Foreign trade exchange of BiH according to the type of product

In 2024, BiH's foreign trade showed certain changes in volume and structure. A detailed analysis by product type shows that the energy sector, metal industry, food industry and automotive sector are of particular importance in the country's trade, accounting for a significant share of exports and imports.

Table three shows the share of exports by the ten most important product groups in the observed four years. The table also shows the percentage increase/decrease in exports of certain types of goods in 2024 compared to the previous three years.

Table 3. BiH exports by product groups for the period 2021-2024 (in %)

BH EXPORT (% of participation)							change in relation to 2023 (%)	change in relation to 2022 (%)	change in relation to 2021 (%)
No.	code	Code description	2024	2023	2022	2021			
1	85	Electrical machinery and equipment and parts thereof; sound recording or reproducing apparatus; television sets, etc.	9.3	8.5	7.3	7.6	5.5	15.1	38.0
2	84	Nuclear reactors, boilers, machinery, apparatus and mechanical appliances; their parts	7.8	7.9	6.6	6.7	-5.0	6.0	31.0
3	94	Furniture; bed equipment and like products; lamps and other lighting fixtures	7.4	7.8	7.8	8.8	-9.3	-15.3	-5.1
4	73	Iron and steel products	7.0	7.3	7.5	7.2	-8.6	-16.6	8.8
5	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	6.5	9.5	9.9	8.6	-34.3	-41.3	-14.6
6	44	Wood and wood products; charcoal	5.7	5.9	6.5	6.8	-6.0	-21.7	-5.2
7	76	Aluminum and aluminum products	5.4	5.1	8.8	6.6	0.8	-45.2	-8.1
8	28	Inorganic chemical products; organic and inorganic compounds of precious metals, radioactive elements, etc.	4.9	5.0	5.4	4.6	-5.8	-19.0	20.4
9	39	Plastics and plastic products	4.8	4.7	4.5	4.6	-1.6	-5.1	17.7
10	64	Footwear, slippers and the like; parts of these products	4.3	4.9	4.7	4.9	-16.1	-18.7	-1.8
I		Total (1 to 10)	63.0	66.7	68.9	66.3	-9.0	-18.2	7.1
II		Other products	37.0	33.3	31.1	33.7	6.8	6.5	23.5
		TOTAL (I + II)	100.0	100.0	100.0	100.0			

Source: Agency for Statistics of BiH, MAU review

The manufacturing sector continues to dominate in exports, especially metal products, machinery and equipment, and wood products. Although the value of agricultural and food products is not large enough to be included in the ten product groups shown in the table, they also account for a significant share of exports, with a particular emphasis on meat and dairy exports.

Among the ten most important export product groups in 2024, only two product groups achieved an increase in exports compared to the previous year: the product group with code 85 - Electrical machinery, equipment, etc. achieved 5.5% higher exports, while the product group with code 76 - Aluminum and aluminum products achieved 0.8% higher exports.

The largest decrease in exports in 2024 compared to exports in 2023 was recorded in product group 27 - Mineral fuels, mineral oils and products of their distillation -34.3%, group 64 -

Footwear, slippers and similar products -16.1%, while the decrease in exports in the remaining product groups was somewhat smaller but also significant.

Compared to export data from 2022, only two product groups achieved an increase in exports in 2024, product group 85 - Electrical machinery, equipment, etc. 15.1% and product group 84 - Nuclear reactors, boilers, machinery and devices 6.0%. A large decrease in exports was recorded in the exports of products with code 76 - Aluminium and aluminium products -45.2%, 27 - Mineral fuels, mineral oils and products of their distillation -41.3%, as well as other product groups shown in the table.

Compared to 2021, export growth was recorded for a larger number of product groups, such as the growth in exports of products with code 85 - Electrical machinery, equipment, etc. 38.0%, 84 - Nuclear reactors, boilers, machines and devices 31.0%, 28 - Inorganic chemical products 20.4%, 39 - Plastics and plastic products 17.7% and 73 - Iron and steel products 8.8%, while exports of the remaining product groups decreased compared to exports in 2024.

Table four shows the share of imports by the ten most important product groups in the four years observed. The table also shows the percentage increase/decrease in imports of certain types of goods in 2024 compared to the previous three years.

Table 4. BiH imports by product groups for the period 2021-2024 (in %)

BH IMPORT (% of participation)							change in relation to 2023 (%)	change in relation to 2022 (%)	change in relation to 2021 (%)
No.	code	Code description	2024	2023	2022	2021			
1	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	12.2	13.2	16.6	11.9	-4.8	-26.3	35.6
2	84	Nuclear reactors, boilers, machinery, apparatus and mechanical appliances; their parts	8.7	8.6	7.2	7.8	4.0	21.1	46.9
3	87	Vehicles other than railway or tramway rolling-stock and parts and accessories thereof	7.8	7.5	5.4	6.2	7.3	43.4	66.3
4	85	Electrical machinery and equipment and parts thereof; sound recording or reproducing apparatus; television sets, etc.	6.6	6.9	5.8	5.9	-2.0	13.8	47.6
5	39	Plastics and plastic products	5.2	5.2	5.6	6.2	4.7	-6.1	11.5
6	72	Iron and steel	3.8	3.8	4.6	4.5	2.6	-17.5	12.0
7	30	Pharmaceutical products	3.3	3.1	2.7	3.6	10.1	21.7	21.5
8	73	Iron and steel products	2.6	2.9	2.7	3.0	-5.1	-1.6	14.3
9	76	Aluminum and aluminum products	2.6	3.2	5.4	3.9	-15.2	-52.1	-12.6
10	74	Copper and copper products	2.2	2.0	1.7	1.9	14.5	31.4	58.8
I		Total (1 to 10)	55.1	56.4	57.7	55.1	0.8	-4.4	32.5
II		Other products	44.9	43.6	42.3	44.9	6.3	6.2	32.8
		TOTAL (I + II)	100.0	100.0	100.0	100.0			

Source: Agency for Statistics of BiH, MAU review

Energy products, especially oil and gas, account for the largest share of imports, which is a consequence of global prices and the needs of the domestic economy. Machinery and transport equipment, as well as chemical products, also includes a large part of imports, indicating the country's dependence on imports in these sectors.

Among the ten most important import product groups shown in table four, the largest import growth in 2024 compared to the previous year was achieved in the product group code 74 - Copper and copper products 14.5% and product group 30 - Pharmaceutical products 10.1%, while the largest import decrease of -15.2% was recorded in the import of products code 76 - Aluminum and aluminum products.

The largest decrease in imports compared to 2022 was also recorded in the product group code 76 - Aluminum and aluminum products -52.1%, while compared to the same period, the largest increase in imports was achieved by product group 87 - Vehicles, except railway and tramway vehicles and parts thereof 43.4%.

Compared to 2021, all product groups shown in the table, except for product group code 76 - Aluminum and aluminum products, which decreased by -12.6%, achieved an increase in imports. The largest increase in imports was achieved in the import of product group 87 - Vehicles, except railway and tramway vehicles and parts thereof 66.3%, followed by imports of products code 85 - Electrical machinery, equipment, etc. 47.6%, 84 - Nuclear reactors, boilers, machines and devices 46.9% and other product groups.

5. Conclusion

In 2024, foreign trade of BiH faced challenges that resulted in an increase in the trade deficit. The continuation of long-standing challenges in the trade balance was recorded, but also certain structural changes in terms of exports and imports. The data show a slight decline in total trade, a significant decline in exports and an increase in imports, which further increased the country's trade deficit.

These trends indicate the need for strategic measures to boost exports and reduce import dependence. The focus should be on diversifying exports, improving the competitiveness of domestic products, and exploring new markets. It is also important to work on reducing import dependence through support for domestic production and more efficient use of resources. Improving the foreign trade balance requires coordinated efforts by all relevant institutions and economic entities in the country.

The analysis shows that the country still faces structural challenges, although there are positive trends, such as diversification of trading partners and growth of certain sectors. Significant efforts are needed to strengthen domestic production, increase competitiveness and find new markets. Without strategic economic reforms and support for domestic producers, BiH will remain in an unenviable position in global trade, with a constantly growing trade deficit and reduced economic stability. If concrete steps are not taken, the country will face even greater economic challenges in the coming years, with further stagnation of exports and increased external dependence. The Unit will continue to monitor foreign trade in the coming period, which will be the subject of analyses, published in future bulletins.

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