

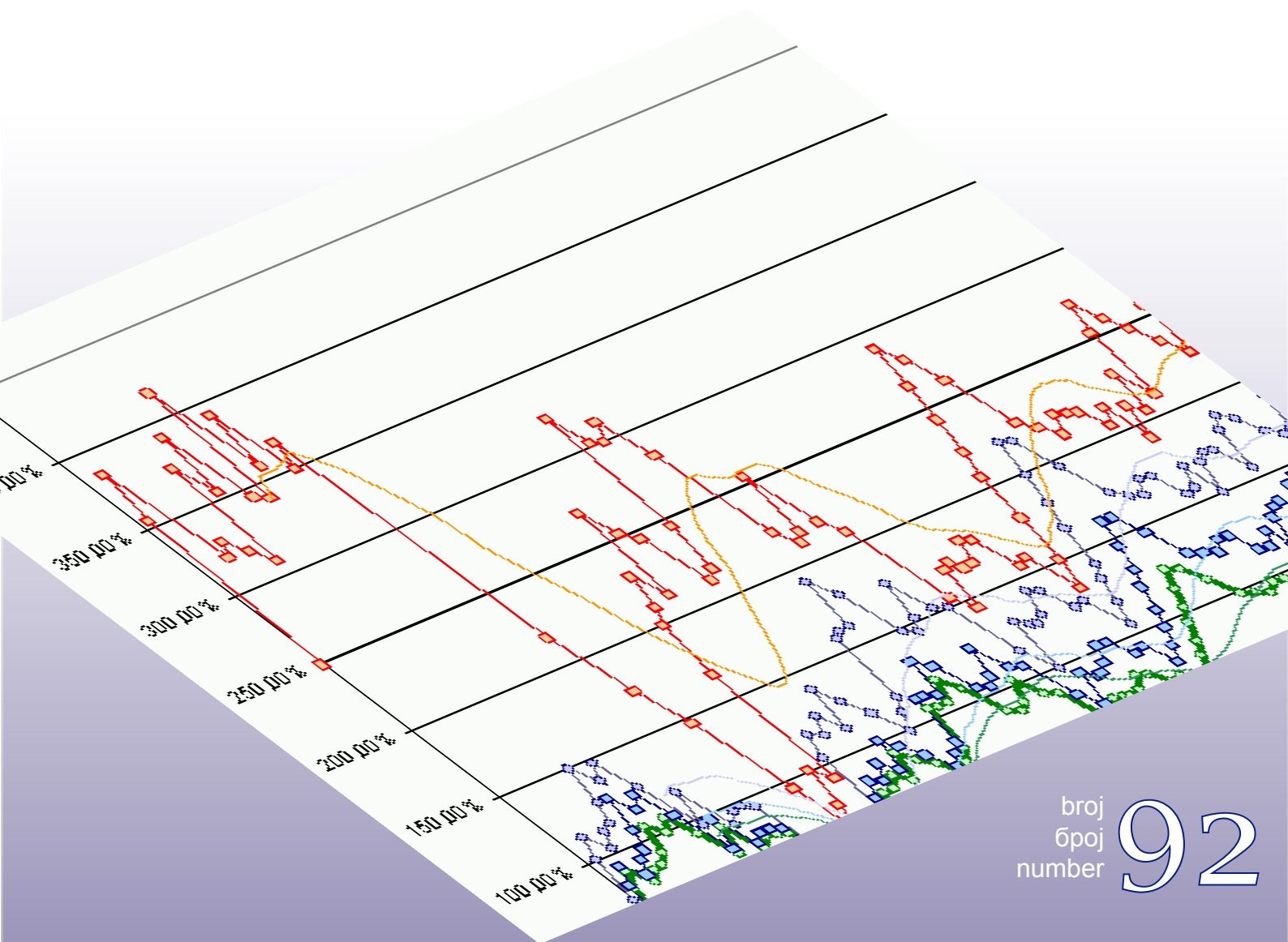
Bosna i Hercegovina  
Odjeljenje za makroekonomsku analizu  
Upravnog odbora Uprave za indirektno-  
neizravno oporezivanje



Босна и Херцеговина  
Одјељење за макроекономску анализу  
Управног одбора Управе за индиректно  
опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

# *Oma Bilten*



broj  
број  
number **92**

• Mart 2013 • Ožujak 2013 • Март 2013 • March 2013 •

## With this issue

According to the preliminary report, after deducting refunds ITA collected 322,4 mil KM of indirect taxes which is for 0,3% below the collection in the same month of 2012. The cumulative collection for the first two months is 2,7% higher than for the same period of 2012. Despite the increase of gross collection by 50 mil KM, the strong growth of refunds of indirect taxes reduced the nominal net increase to 18,9 million KM. Observed by groups of revenues, the nominal increase was achieved in VAT and customs revenues, while it was collected totally 5,5 mil KM less of the excises and road fees than in the same period of 2012. A positive trend in February had only excises on group excise products consisting of alcohol and alcoholic beverages, beer, wine and soft drinks, whose collection increased by 17%. All other types of revenues recorded a decrease in collection. The fall in collection of excise taxes and road fees has been expected due to suspension of Refinery production in December. The continuation of negative trend in excises on tobacco is disturbing. Since the adoption of the new Law on Excises, the usual weaker collection of excises on tobacco products at the beginning of the year has been a result of a higher withdrawal of excise stamps on cigarettes at the end of the previous year prior to the new increase of excise rate. The former pattern of withdrawal of excise stamps (and excise collection) was disrupted at the end of 2012, when 25% less of excise stamps has been taken over. The negative trend continued in the first two months of 2013, as a consequence of the growing legal and illegal substitution of cigarettes with cut tobacco. On the other hand, the weighted average retail selling price of cigarettes in the first two months was significantly higher than the required shifting of additional excise tax burden. This indicates a change in the structure of regular cigarette market in favor of more expensive cigarettes consumed by wealthy citizens, while the consumers of cheaper cigarettes switch to the consumption of cut tobacco. Bearing in mind the more intensified problem of allocation of indirect taxes between levels of government due to the pressure of the crisis, the growth of the fiscal deficit and debt it is obvious that fiscal authorities should focus all efforts towards preserving revenues. Regarding that, the urgent issues become a combat against tax frauds in imports and sales of tobacco products, as well as the change in Law on Excises in the area of taxing the other products and stronger sanctioning against abuses.

Dinka Antić, PhD  
Head of Unit

### Table of contents:

Monthly fluctuations of indirect taxes	2
Basic characteristics of foreign trade for the year 2012	10
Preliminary consolidated report: SA, B&H Institutions, entities	19

Technical design: Sulejman Hasanović, IT expert  
Reader/translator: Darija Komlenović, professor

## Monthly fluctuations of indirect taxes

(Author: Aleksandra Regoje)

### INTRODUCTION

Dynamics of budget inflows for government levels depends on the dynamics of revenue collection and its allocation. The prescribed deadlines for payment of certain types of taxes contribute to the much more pronounced fluctuations in monthly collection of direct than of indirect taxes. Although more pronounced, the dynamics of collection of direct taxes has no such strong impact on the inflows of budget levels as a dynamic in collection of indirect taxes. If we take into account the high share of indirect taxes in the financing of all budget units in B&H, then it will be clear how much the monthly fluctuations in the collection of those revenues have impact on the budget inflow dynamics. The share of indirect taxes in tax revenues<sup>1</sup> is the smallest in municipalities of the Federation, and has gradually increased from 55% to around 62% in the last five years. In all other budget units<sup>2</sup> this ratio exceeds two thirds. Moreover, indirect taxes make up almost the entire amount of tax revenue (over 95%) in the central government of FB&H, while it is the only source of tax revenue of the institutions of Bosnia and Herzegovina.

### SEASONAL PATTERN OF INDIRECT TAXES

Monthly fluctuations in revenues primarily depend upon seasonal factors. This is not only referred to the climatic conditions, but also to institutional factors.<sup>3</sup> Institutional factors include all calendar provisions that affect either the amount of consumption in a given period (holidays, vacations, etc.), or the time of payment of taxes (the prescribed deadlines for the payment of obligations).

Given that almost two thirds of gross revenues from indirect taxes in Bosnia and Herzegovina is levied on imports, their seasonal scheme should not deviate significantly from the seasonal scheme of imports. Charts 1 and 2 show the average monthly shares of imports and of indirect taxes in the period 2006-2012, as well as their extreme values.<sup>4</sup>

It can be seen that there is no significant difference in the average monthly shares of the year except for the month of January, where the average share of revenue is significantly higher than of the value of import (1,1 pp). If we exclude from the analysis the year of the introduction of a VAT (2006), when there were no payments based on VAT returns in January, then that deviation is even greater (1,5 percentage points). The reason for this discrepancy is that such shares of domestic VAT payments are the most significant in January, due to the relatively high consumption in December and one month time lag for payment of obligations. On the other hand, the month of January is characterized by the lowest share of imports in the year, and hence the mentioned deviation appears. In the Chart 3 the seasonal scheme of domestic VAT (with and without the year of introduction) is given, and the deviation of seasonal schemes of total net revenue from indirect taxes from seasonal importation scheme, from which it could be seen that there is a significant degree of correlation between these two data series.

<sup>1</sup> Tax revenues do not include social contributions.

<sup>2</sup> Institutions of B&H, central entity governments, cantons, RS municipalities

<sup>3</sup> "Seasonal adjustment", Statistics Denmark, 2005

<sup>4</sup> Indirect taxes in this paper do not include the unadjusted revenues collected on the SA. ITA monthly reports on revenue collection have been used for the purpose of this article. The additional 36 million KM of revenue is adjusted in the final annual report for 2006, of which 35 million KM refers to VAT.

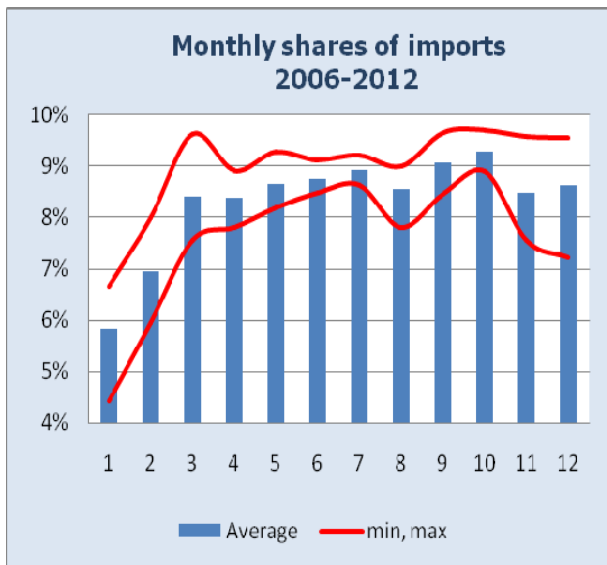


Chart 1

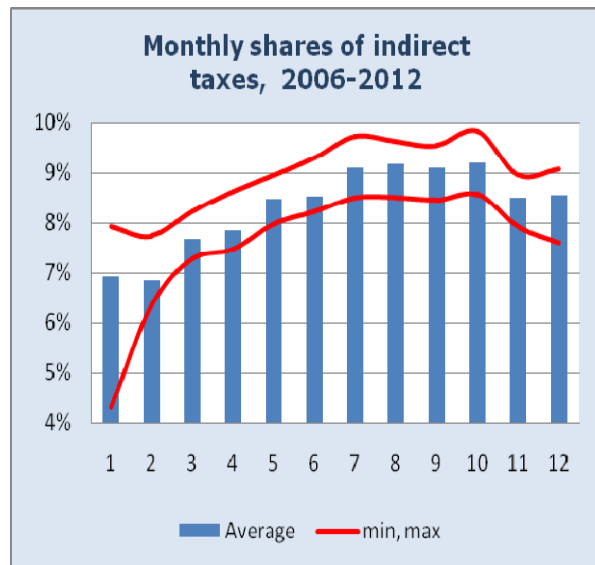


Chart 2

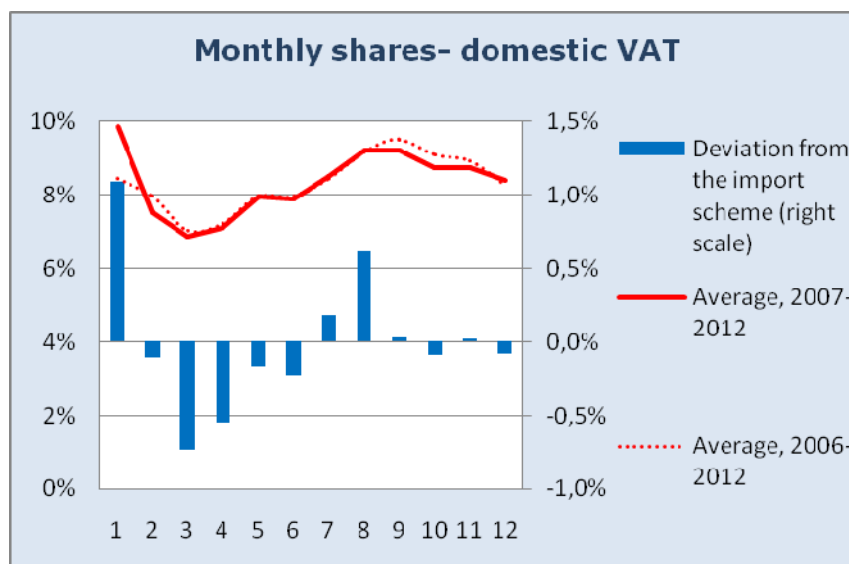


Chart 3

**DEVIATION FROM SEASONAL PATTERN**

Monthly dynamics of indirect taxes sometimes deviates significantly from the seasonal pattern. This behavior can cause a number of factors, the most important are: changes of regulations, economic flows, business policies of large companies, etc.

**Economic flows** are more manifested in long-term trends, but sometimes they can also influence the deviation of monthly revenues from their seasonal pattern. As an example we can indicate the end of 2008, when the first effects of the global economic crisis on revenues appeared. Chart 4 shows monthly shares of net indirect taxes in 2008, compared with the average shares for the

period 2006-2007 and 2010-2012.<sup>5</sup> Revenues from customs duties are excluded, since the implementation of the Stabilization and Association Agreement with the EU began in the middle of 2008, and so the gradual abolition of tariffs on imports originating from the EU.

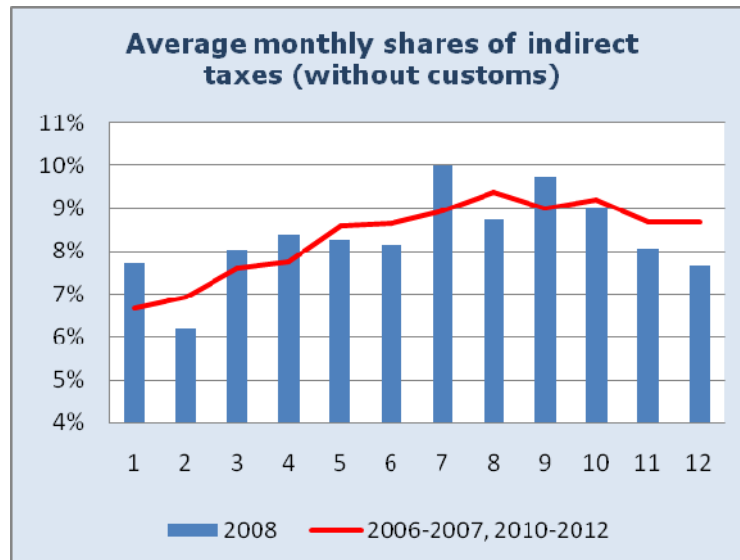


Chart 4

The same graph can be served as an example for showing, conditionally speaking, **technical factors**, which have been manifested because of the changes in regulations in the area of indirect taxes. It is apparent that, in addition to the last two months of 2008, January and February also deviate significantly from the seasonal revenue collection schemes. The main reason which led to this deviation are low refund payments in January (33 million KM), and their large payoff in the next month (119,6 million KM), which happened after adopting the new decision of the ITA Governing Board on the amount of reserves from SA ITA, because the previous limits of reserves showed to be insufficient.

**Changes in regulations** in the previous period have not treated only the rate for allocation of reserves in the ITA Single Account (SA). A number of legislative changes related to the rate of taxation, which have much more affected the monthly fluctuations of revenues. This will be more explained hereinafter, in the section that describes the dynamics by type of revenue.

In addition to these factors, we should mention the **policies of large companies**, such as tobacco and oil industry, whose business decisions may also affect the deviation of revenues from their seasonal pattern.<sup>6</sup> The **extreme climatic conditions** or inclement weather should not be ignored as well. Recall, for example, the strong snowfall in February last year, which is considered to be the cause of significant decline in revenue.

<sup>5</sup> The year 2009 is excluded, because of the change of excise and road fee rates on 1 July 2009, which significantly influenced revenues in the second half of the year.

<sup>6</sup> More about this subject can be found in Bulletin no. 91.

Banja Luka: Bana Lazarevića, 78 000 Banja Luka, Tel/fax: +387 51 335 350, E-mail: oma@uino.gov.ba  
Sarajevo: Đoke Mazalića 5, 71 000 Sarajevo, Tel:+387 33 279 553, Fax:+387 33 279 625, Web: www.oma.uino.gov.ba

## OVERVIEW OF FLUCTUATIONS BY TYPE OF REVENUE

### (i) VAT

The blue line on the Chart 5 shows the average of monthly net revenues from VAT. The red line shows the average absolute deviation of monthly figures from their mean. It can be seen that monthly fluctuations have been huge in the year of VAT introduction. It is visible from Chart 6 that there was no significant spread between 20th and 80th percentile in 2006, while the coefficient of variation (CV) of monthly data was the highest for the recent period. The cause of these trends has been the above mentioned extremely low collection in January.

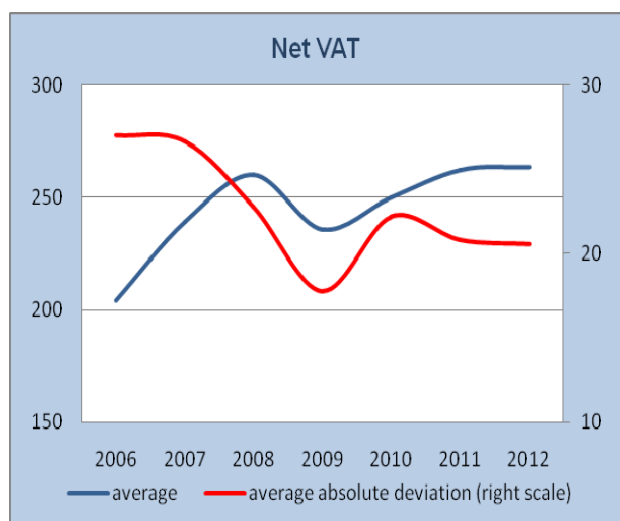


Chart 5

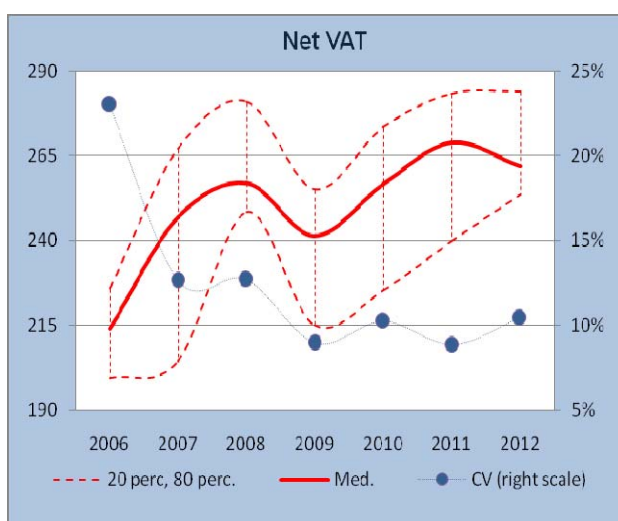


Chart 6

It should be mentioned that this year has been characterized by the suspension of refunds to the taxpayers who are not predominant exporters, as well as by the payments of refunds which started in March. Although it would be expected to contribute to a greater fluctuation of monthly revenues, in this case there was a reverse situation. Decrease or stagnation of imports was recorded in the first months of 2006, compared with the same months of previous year. If we take into account the huge increase in imports in December 2005 (about 60%), we can conclude that this is the result of accumulation of stocks before the introduction of VAT. It is already mentioned that there were no payments based on VAT returns in the first month after the introduction of VAT, because of the time lag. Therefore, the suspension of refunds to taxpayers who are not predominant exporters had a positive impact on "thin" revenues in the first months of the year, while the beginning of their payment at the end of the year reduced growth, which is normally seasonal characteristic of the year-end.<sup>7</sup> Thus, the coefficient of variation is even higher for gross than for net revenues (2,2 percentage points), despite the high volatility of refunds (table 1).

<sup>7</sup> For the purpose of more extensive analysis of monthly dynamics of indirect taxes it would be necessary to add lagging sales taxes on entity accounts to the VAT collection.

## Coefficients of variation of monthly data - VAT

VAT	Gross	Imports	Domestic	Net	Refunds
2006	25%	24%	34%	23%	72%
2007	11%	14%	10%	13%	17%
2008	9%	12%	11%	13%	30%
2009	6%	10%	14%	9%	21%
2010	10%	16%	11%	10%	13%
2011	8%	13%	11%	9%	12%
2012	9%	14%	11%	10%	7%

Table 1

In years after 2006, both gross and net VAT revenues had relatively lower fluctuations in comparison with other types of indirect taxes. The coefficient of variation of monthly gross revenues ranged between 6% and 11%. Net revenues have slightly more varied (CV 9-13%), due to the stronger fluctuations of refunds.

**(ii) Excises**

Average monthly revenue from excise taxes rose from 72 to 109 million KM (approx.) in the period from 2006 to 2012 (Chart 7). When analyzing the monthly variations of excise revenues attention should be paid to the excises on tobacco and oil, given that all other types of excises make up only about 10% of these revenues.<sup>8</sup> Although there were large fluctuations in other categories of excise duties, they could not strongly affect the dynamics of the total excises.

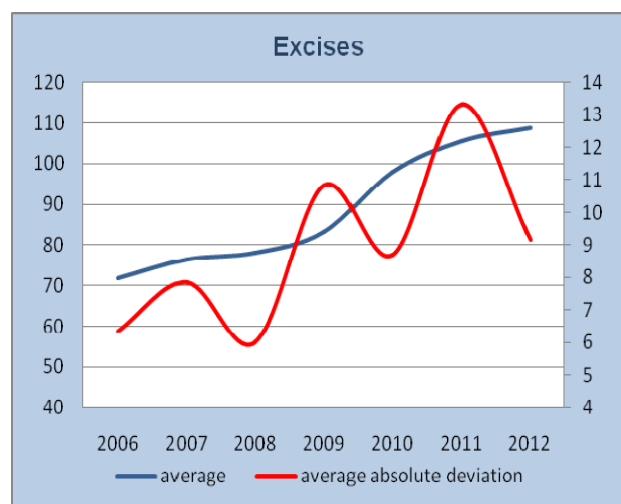


Chart 7

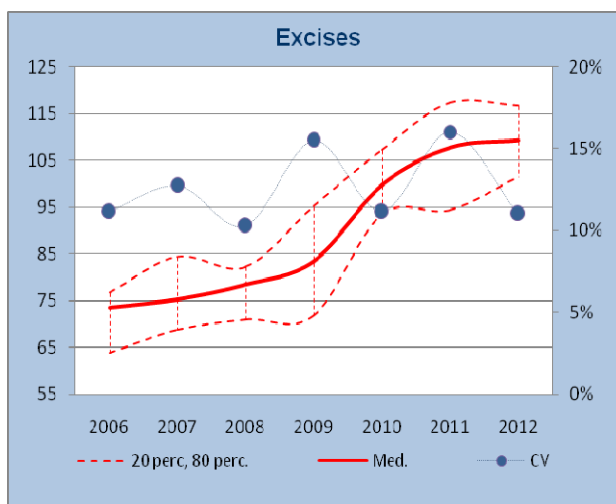


Chart 8

The coefficient of variation of the excise taxes ranged from 10-16% in the period 2006-2012. Its largest levels were in 2009 and 2011 (16%). The year 2009 is characterized by the adoption of the new Law on Excises with larger burden of tobacco, and given that its application started at the middle of the year, that explains the level of the coefficient. In Besides the large fluctuations of

<sup>8</sup> The share of other types of excise taxes has fallen from 14% to 10% in the period 2006-2012, primarily due to the growth in revenue from excises on tobacco.

excises on tobacco (CV 21%), in 2011 were also recorded the largest fluctuations of excises on oil in the observed period (CV 20%).

Coefficients of variation of monthly data - Excises

	Excises	Tobacco	Oil	Other
2006	11%	9%	13%	19%
2007	13%	13%	12%	22%
2008	10%	13%	9%	16%
2009	16%	28%	17%	16%
2010	11%	14%	13%	17%
2011	16%	21%	20%	18%
2012	11%	12%	11%	18%

Table 2

### (iii) Road fee

Average monthly revenue from road fees increased from 14,7 to 25,6 million KM in the period 2006-2010, and since then have been experiencing a gradual decline to 23,9 million KM (Chart 9).

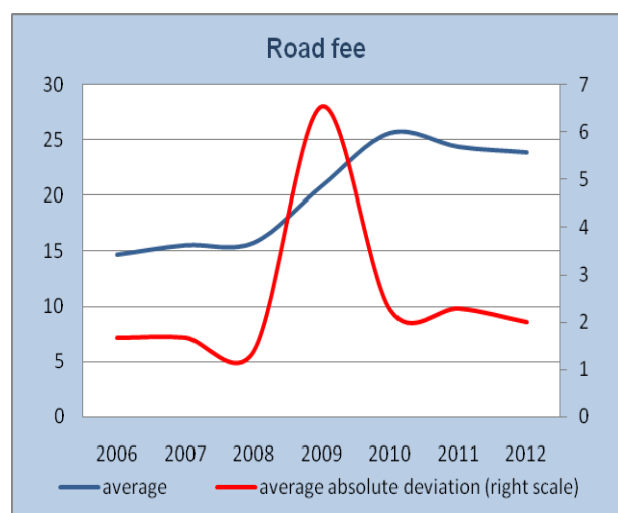


Chart 9

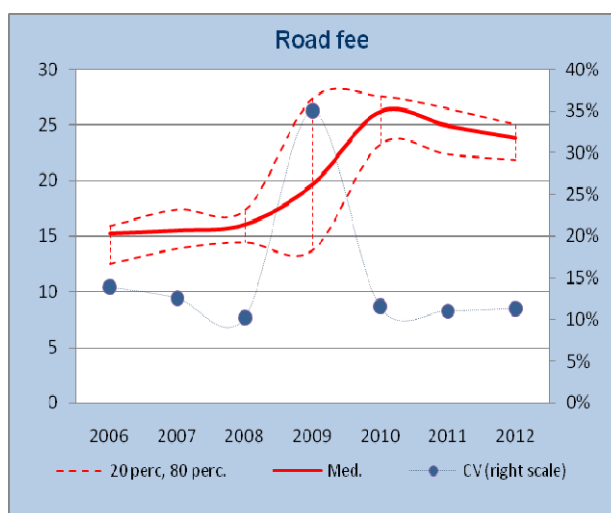


Chart 10

The biggest monthly fluctuations were recorded in 2009, since the road fee rate have been increased in the middle of the year. The coefficient of variation in that year amounted to almost 35%, all because of large difference in collection in the first and second half of the year. In the remaining years of the observed period there were no significant turbulences (CV 10%-14%).



**(iv) Customs**

Customs revenues have increased in 2007, and since then they have been recording a continuous decline. In the period 2007-2012, the average monthly revenue had fallen from around 55 to 19 million KM (Chart 11). Although the beginning of the implementation of the Stabilization and Association Agreement with the EU and the gradual elimination of tariffs on imports originating from the EU started in the middle of 2008, in that year there were no major fluctuations in monthly customs revenue. This is due to more significant monthly fluctuations of import in 2006 and 2007.<sup>9</sup> In the last two months of 2008 there has been a fall in the value of import compared with the same months of the previous year. Since the increase in the value of import at the end of the year compared to the beginning is its seasonal characteristic, it has, in some way, smoothed out the seasonal pattern of import<sup>10</sup> and contributed to the smaller annual fluctuations in customs.

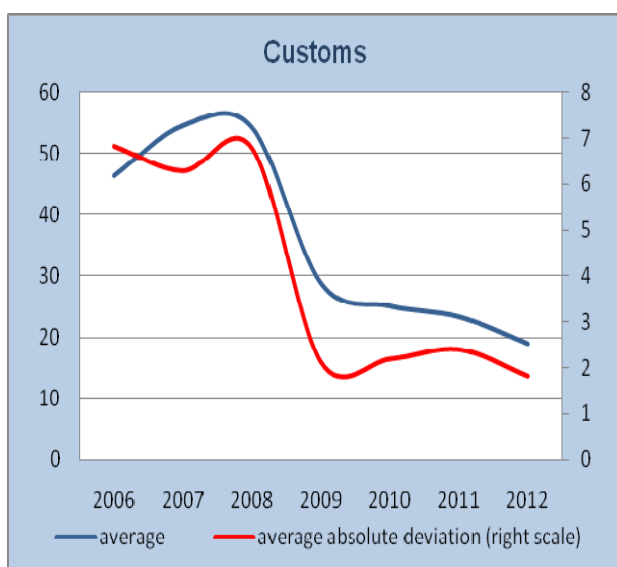


Chart 11

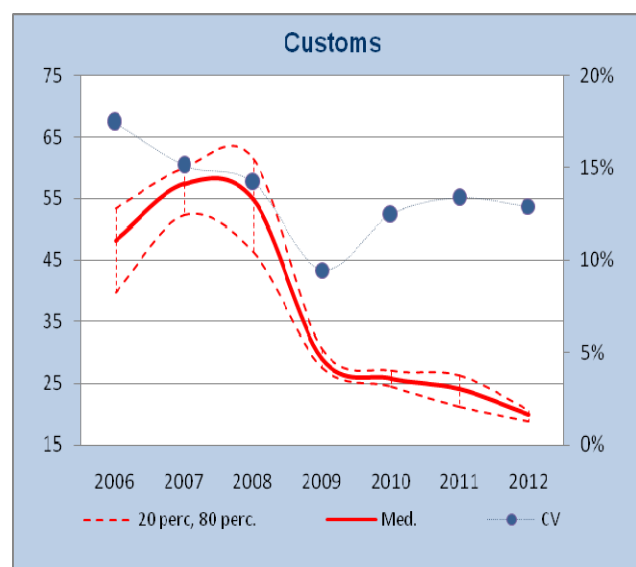


Chart 12

Since 2009, the average absolute deviation has been falling together with the fall in customs revenue, which is expected, considering that it is an absolute measure of dispersion. On the other hand, after decline in 2009 the coefficient of variation has been gradually growing, and reaches around 12-13% in the period 2010-2011. It is estimated that the abolition of customs records did not significantly affect the coefficient of variation in 2011, due to the volume of lost revenue and dynamics of imports at the end of the year.

<sup>9</sup> Business policies of companies prior to the introduction of VAT have contributed to monthly fluctuations of imports in 2006, which is further explained in the section about VAT.

<sup>10</sup> The coefficient of variation of monthly import data for 2008 was smaller than for the two previous years (7,9 p.p. compared to 2006, and 1,5 p.p. compared to 2007).

## INSTEAD OF CONCLUSION – FLUCTUATIONS IN TOTAL REVENUE

It can be concluded from this article that all types of revenue have reported higher monthly fluctuations in some years of the observed period. Fluctuations of VAT and customs were most pronounced in 2006, as a result of the time lag for payment of obligations for January (domestic VAT), or of the turbulences in imports as a response to the introduction of VAT (VAT on imports and customs). Oscillations in excises and road fees were strongly expressed in the year of adoption of the new Law on Excise Taxes (2009).

On the other hand, if we look at oscillations of total indirect tax revenues (net), we will see that they gradually lose its importance, both in absolute and relative terms (Charts 13 and 14).

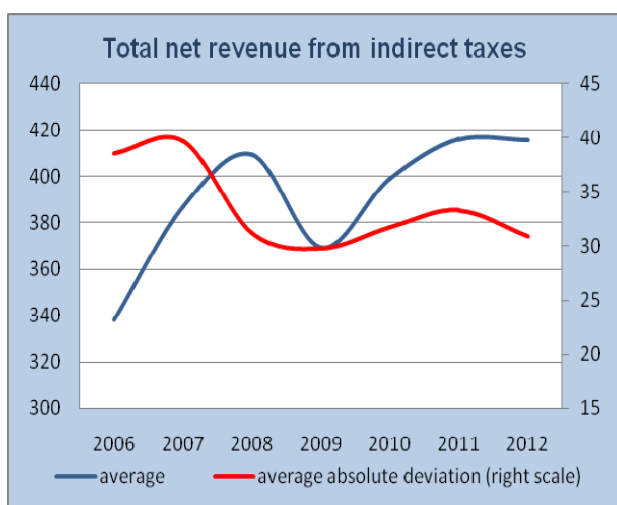


Chart 13

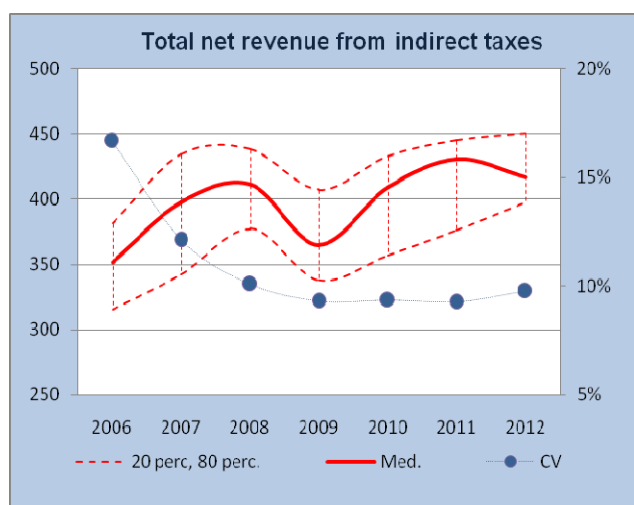


Chart 14

If we want to observe the dynamics of total revenues distributed to budget units, we should also take into account other factors that may have led to differences in net revenues collected and those distributed from SA. Recall the former blockades of distribution from SA which appeared as a result of conflicting opinions on distribution coefficients for entities. There is also a policy of creating reserves on SA at a fixed rate that was in effect until February 2008, and policy of reserves from revenue from additional road fees. Distribution to the certain level of government, which is affected by many other factors, is a separate topic which we have already written about many times in the previous issues of the Bulletin.

## Basic characteristics of foreign trade for the year 2012

(Author: Aleksandar Eskić)

### INTRODUCTION

In one of previous bulletin it was presented an analysis of trends in foreign trade for the first five months of previous year, while in this issue the focus is on trade which covers the whole 2012. It is important to note that as a source of data are used single administrative documents by the Agency for Statistics of BiH taken from the Indirect Taxation Authority for the purposes of monthly processing the data on foreign trade<sup>11</sup>.

According to the estimates by the International Monetary Fund from January 2013<sup>12</sup>, global growth should strengthen during the 2013 after the factors that cause the slowdown of global economic activities recovery change. Also, the recovery is projected to be more gradual compared with projections from October last year. The fact is that the adopted measures concerning various public policies reduce the risk of acute crisis in the euro zone and the U.S., while noting that the recovery in the euro zone, due to the extended contraction of economic activity, is still expected in the future.

According to the same document, the Gross Domestic Product in the euro zone fell by 0.4% during the year 2012, and the downward trend will continue in the year 2013 when the expected decline amount at 0.2%. When we talk about the European Union, the situation is somewhat different. Economic downturn in 2012 amounted to 0.2%, while in 2013 it can be expected a slight increase of 0.2%. Situation differs substantially in different countries. While Germany is facing a bit slow but positive growth (+0.9% in 2012, and +0.6% in 2013), Italy recorded a sharp fall in the observed period (-2.1% in 2012 and -1.0% in 2013). These two countries are singled out because of their role and importance in the foreign trade of Bosnia and Herzegovina.

Also, projections of international trade are very optimistic and positive so that the estimate of growth of international trade in 2012 accounts for 2.8% while in 2013 the growth was projected at 3.8%. In the same period, exports from advanced countries recorded stronger growth with respect to imports. At the same time, estimates suggest that, after the positive price growth rate of 1% of mineral oil during 2012 the price will start to decline at the rate of 5.1% in 2013 which will continue to deteriorate in 2014 (2.9%). This is very important for all economies that are net importers of these goods (such as BiH) and that on that basis recorded huge deficits, the size of which depends precisely on its price. According to another document that is more concerned with the medium-term projections of production volume and prices of mineral oil<sup>13</sup>, according to the baseline scenario the price of this good is expected to drop by 20% in the next five years so that the price could go to a level of \$ 80 per barrel. According to the alternative scenario, the price of these commodities could experience a sharp decline to below \$ 60 per barrel even during the year 2015 but then gradually will start to recover and finally reach \$ 80 per barrel in 2017.

Anyhow, the activities on the periphery of the euro zone are weaker than expected which in turn adversely affects the euro zone itself. Despite the progress in the field of harmonization and coordination of economic policy measures which represent response to the current crisis as well as

<sup>11</sup> Agency for statistics in BiH (2013, Feb 09). *Indices of importing and exporting prices in BiH – fourth quartal of 2012*. Information of the Agency for statistics. Sarajevo: Agency for statistics, 2013

<sup>12</sup> International Monetary Fund (2013, Jan 23). *World Economic Outlook – Gradual Upturn in Global Growth During 2013*. Washington: International Monetary Fund, 2013

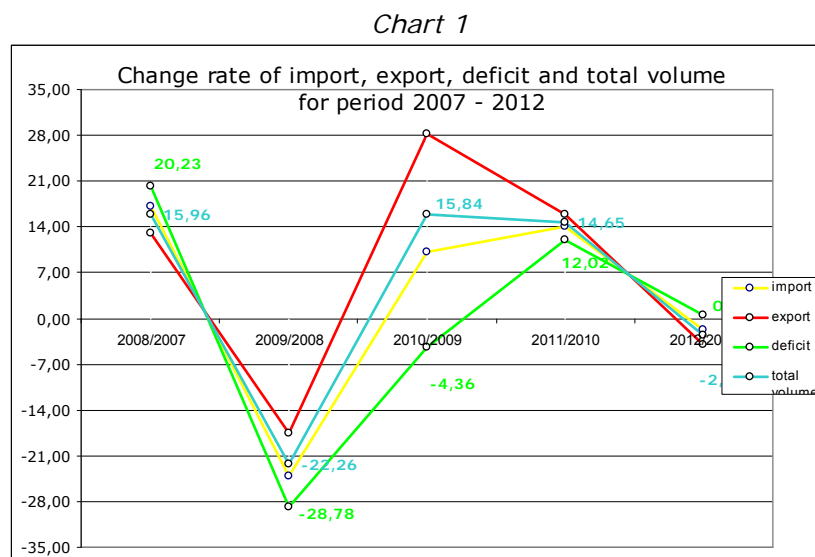
<sup>13</sup> International Monetary Fund (2012, Aug 24). *Macroeconomic policy framework for resource-rich developing countries – background paper 2*. Washington: International Monetary Fund, 2012

financially upgraded situation, forecasts indicate that there would be further contraction of economic activity in this area.

According to available data from Directorate for economic planning<sup>14</sup>, the economic system in BiH has recorded a real decline of 0.5% in 2012, while according to the forecasts of Research Department of Deutsche Bank the real GDP is expected to grow for about 1%<sup>15</sup> in 2013.

## TRENDS OF BASIC INDICATORS OF FOREIGN TRADE

During the analyzed period, the value of imports and exports has fluctuated quite significantly as it can be seen on Chart 1. The value of imports, after a sharp decline (-24.18%) in 2009, recorded positive growth rates over the next two years (10.26% in 2010 and 14.02% in 2011) but then fell by about 1.8% in 2012. The situation is very similar for the value of exports, except for the intensity. Following a sharp decline (-17.62%) in 2009, the value of exports grew at a rate of over 28% during 2010 and at about 16% in 2011 then recorded a decline of nearly 4% in 2012.



Source: Agency for Statistics, 2012 Foreign trade statistics, page. 2, www.bhas.ba

So the statistics say that the volume of foreign trade increased by 14.7% in 2011 recording a decline by about 2.5% in 2012. All this points to a dramatic change in the value of basic indicators of foreign trade; both volume-wise and price-wise of imported and export goods as well. At the same time, at first glance are noticeable large discrepancies in prices in comparison with other countries. The issue of 'transfer prices' and reporting the realistic value custom documents represents another particular topic of crucial importance.

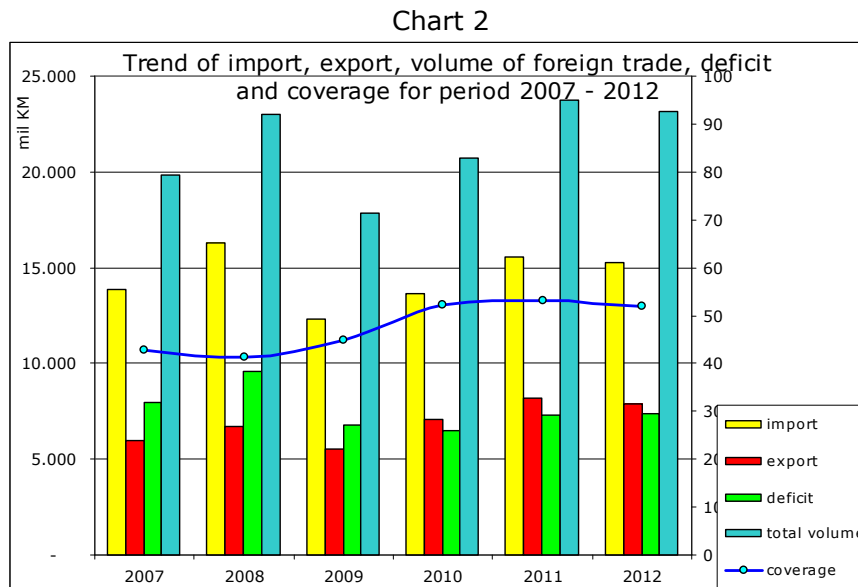
On Chart 2 are shown absolute values of the basic indicators of foreign trade in BiH for the period 2007 - 2012. The curve 'coverage' simply represents the percentage of coverage of value of imports by the values of exports (right scale).

<sup>14</sup> Information on macroeconomic trends for period January – December of 2012. Released during the February of 2013., and can be found on [http://www.dep.gov.ba/dokumenti\\_politika/Mjesecne\\_informacije/info2012/?id=1563](http://www.dep.gov.ba/dokumenti_politika/Mjesecne_informacije/info2012/?id=1563)

<sup>15</sup> Bosnia and Herzegovina – frontier country report. Released on April 25th, 2012, and can be found on [http://www.dbresearch.com/PROD/DBR\\_INTERNET\\_EN-PROD/PROD000000000288371/Bosnia+and+Herzegovina.PDF](http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000288371/Bosnia+and+Herzegovina.PDF)

Banja Luka: Bana Lazarevića, 78 000 Banja Luka, Tel/fax: +387 51 335 350, E-mail: [oma@uino.gov.ba](mailto:oma@uino.gov.ba)  
Sarajevo: Đoke Mazalića 5, 71 000 Sarajevo, Tel:+387 33 279 553, Fax:+387 33 279 625, Web: [www.oma.uino.gov.ba](http://www.oma.uino.gov.ba)

The value of the coefficient of imports coverage by exports fluctuated around an average level of just under 50% i.e. ranges between 42.7% in 2008 to nearly 53% in 2011, while its value is 51.5% for 2012. This indicator has reached its lowest level in March, when it stood at 46.3% and reached a peak in June when it amounted at 57.3%.



Source: Agency for Statistics, 2012 Foreign trade statistics, page. 2, www.bhas.ba

Another one of the most pressing problems of today's international economy is an increase in the world prices of basic commodities that are according to the composite index of the IMF (Fuel and Non-fuel Commodity Price Index) grew by 26.3% in 2011. Only crude oil type Brent recorded an increase of index of 32%, while the index of food and beverages increased by about 19.4%, and metals by about 13.5%<sup>16</sup>. The situation in 2012 was slightly different; overall index value is lower by 3.1%, primarily due to declining value of the metal index by 17%, food and beverages index by 3.7%, while the only crude oil grew by 1%. It is important to keep in mind that these indicators are calculated from the previous year, when the base was much higher in comparison with 2010, so we can conclude that the prices in 2012 were yet significantly higher compared to the level from 2010.

Simultaneously according to the data of the Agency for Statistics<sup>17</sup> it is noticeable increase of export prices by 9.3%, while import prices rose by 13.2%, with the largest increase was recorded in the sector of 'mineral fuels and lubricants' at the rate of 35.7%<sup>18</sup> while the total value of imports in this category was lower by 6.2% compared to the 2011.

## TRENDS OF IMPORT

On Chart 3 are shown values of imports on a quarterly basis for the period 2007 - 2012. It can be seen that the level of import as a rule is lowest during the first quarter of each year. The values of import in the third quarter and fourth quarter are the highest. The exception is 2012 when the value of import in the fourth quarter (Q4) was lower than the value of import in the second

<sup>16</sup> *Indices of Primary Commodity Prices 2003-2013*. Released on February 7<sup>th</sup>, 2013., and can be found on [www.imf.org](http://www.imf.org)

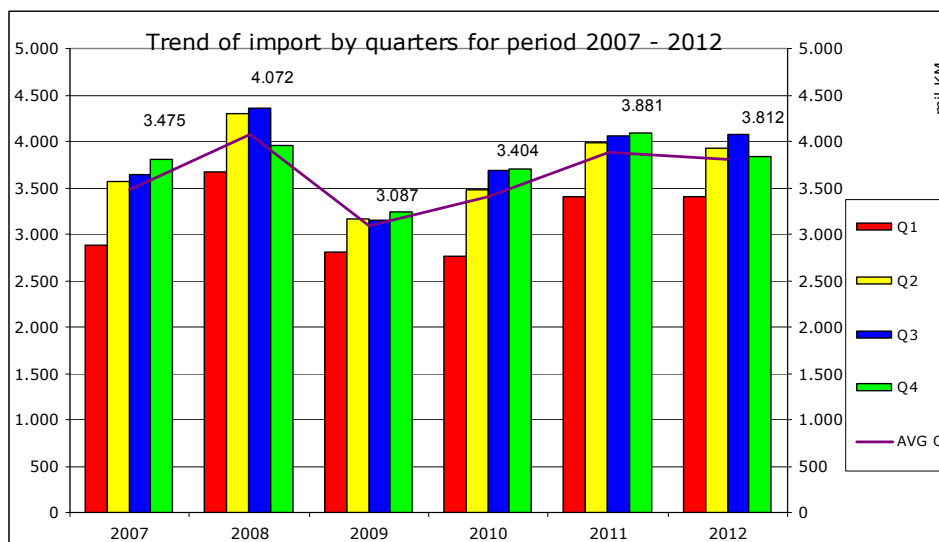
<sup>17</sup> Agency for statistics in BiH (2013, Feb 8). *Indices of importing and exporting prices in BiH*. Sarajevo: Agency for statistics in BiH, 2013

<sup>18</sup> Average price in local currency during 2012 while the base year is 2010

Banja Luka: Bana Lazarevića, 78 000 Banja Luka, Tel/fax: +387 51 335 350, E-mail: [oma@uino.gov.ba](mailto:oma@uino.gov.ba)  
Sarajevo: Đoke Mazalića 5, 71 000 Sarajevo, Tel:+387 33 279 553, Fax:+387 33 279 625, Web: [www.oma.uino.gov.ba](http://www.oma.uino.gov.ba)

quarter (Q2) which certainly reflected on the revenue collected on this basis. The average quarterly value of import (AVG Q - right scale), after a sharp decline in 2009, started rising steadily up to 2012 when, again, it recorded a slight decrease (about 70 million KM on average per quarter comparing with a year before).

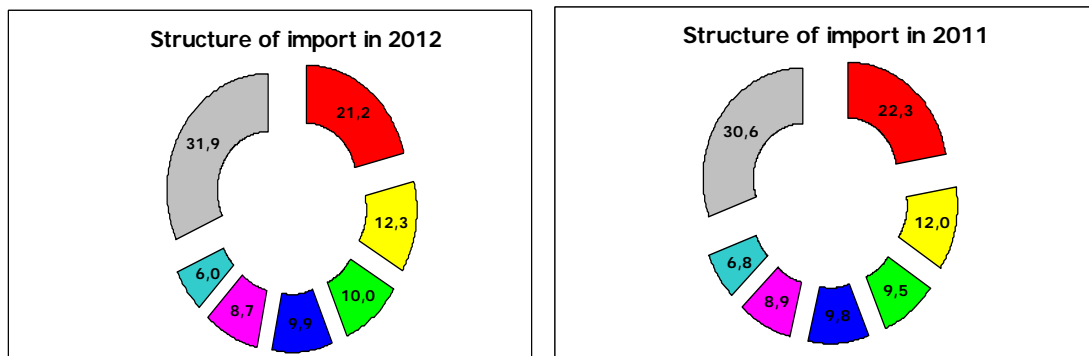
Chart 3

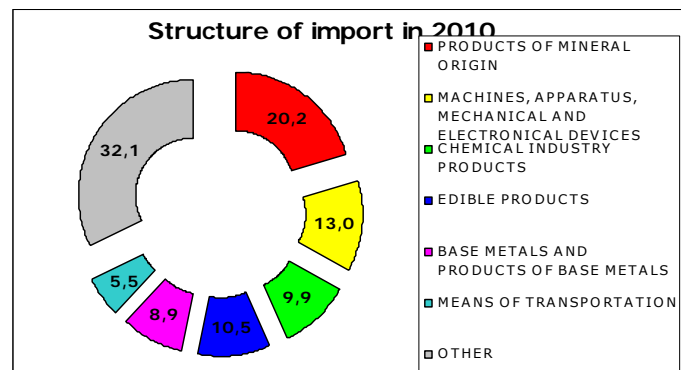


Source: Agency for Statistics, 2012 Foreign trade statistics, page. 2, www.bhas.ba

On Charts 4, 5 and 6 it is shown the structure of import in 2010, 2011 and 2012. The classification is in line with sections of the Harmonized System. The most important product group observed during the three years was mineral products. This includes mineral fuels, mineral oils and products of their distillation; electricity; bituminous substances and mineral waxes.

Charts 4, 5 and 6





Source: Agency for Statistics, 2012 Foreign trade statistics, page. 9, www.bhas.ba

It can be seen that their share, following the growth in 2011 when it reached a value of 22.3%, again decreased and reached a value of 21.2% in 2012. If we compare the share of import of this product group in total export, it can be seen that it reaches a value of nearly 41% in 2012, which means that exactly the same part of export in BiH goes for import of this product group.

On second place value-wise is the product group; machines, appliances, mechanical and electrical equipment. Its share is constantly floating between 12% and 13% and reached 12.3% in 2012. If analyzed the structure of this group of products it can be seen that the machinery, appliances, mechanical equipment, boilers and parts accounted for about 60% while the electrical machinery and equipment and parts thereof; apparatus for recording or reproducing apparatus, apparatus for recording television or playback picture and sound, and parts and accessories for these products account for almost 40%.

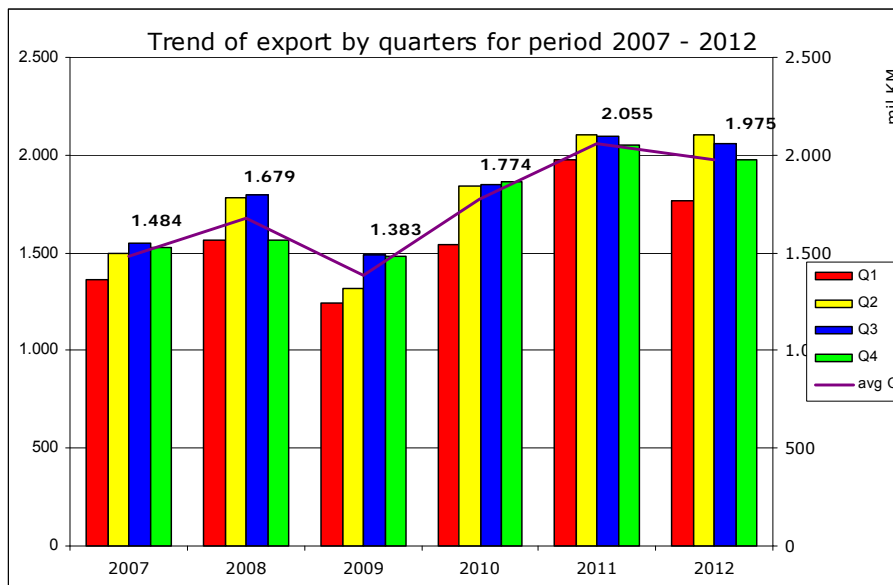
A third group of products by the significance are products of the chemical industry or related industries. Their participation is constantly moving around the level of 10%, and among them pharmaceutical and medical products are the most important (about 26%). Fourth group by the significance represent base metals and products of base metals. Among them are the most important iron and steel (34%), products of iron and steel (25%) as well as aluminum and aluminum products (16%).

## TRENDS OF EXPORT

On Chart 7 there are shown the values of exports on a quarterly basis for the period 2007 - 2012. It can be seen that the maximum value of export has been achieved in the second and third quarter of 2011 and in the second quarter of 2012 too. Also, it can be seen that, after a sharp decline in 2009, the export value began to grow strongly over the next two years (nearly 400 million KM quarterly in average in 2010 and about 280 million KM quarterly in average in 2011 respectively) which led to contraction in 2012 (80 million KM quarterly in average) due to the drop of demand for these products.

On Charts 8, 9 and 10 are presented the structure of export in 2010, 2011 and 2012. The classification is in line with sections of the Harmonized System. The most important product group observed during the three years is base metals and products of base metals. Their share has been growing constantly and this from the level of 22.7% in 2010 to a level of 24.1% in 2012. In its structure are leading iron and steel as well as aluminum and aluminum products with participation by approx. 33% and then followed by products of iron and steel amounted at more than 20%.

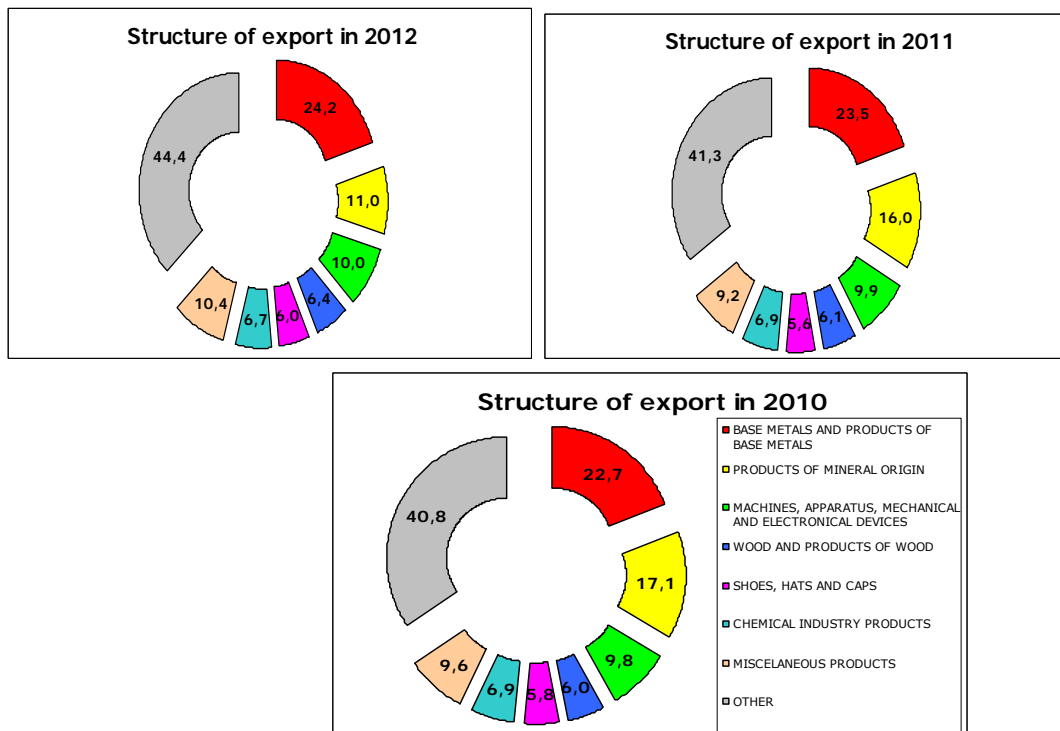
Chart 7



Source: Agency for Statistics, 2012 Foreign trade statistics, page. 2, www.bhas.ba

Second the most significant group is mineral products. This includes mineral fuels, mineral oils and products of their distillation; electricity; bituminous substances and mineral waxes. It can be seen that it has been steadily declining and that from the level of 17.1% in 2010 to the level of 11.0% in 2012. One of the important, if not the most important reason for this is the decline in the value of export of electricity for about 60% in 2012 in relation to 2011.

Charts 8, 9 and 10



Source: Agency for Statistics, 2012 Foreign trade statistics, page. 9, www.bhas.ba



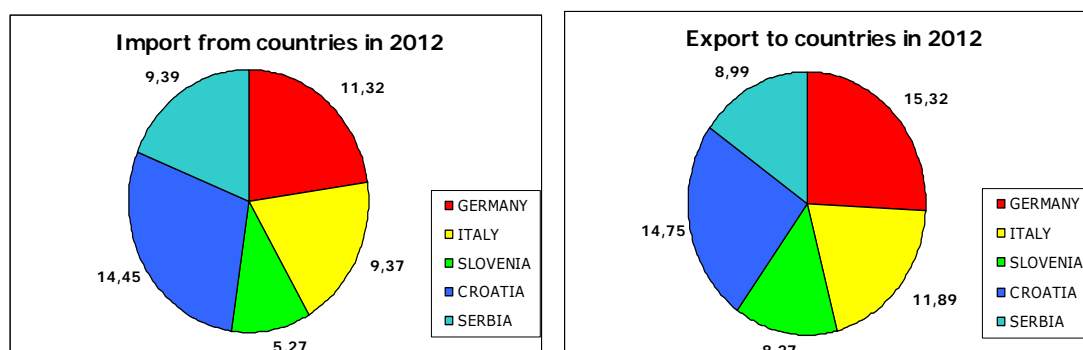
In the third place value-wise is the product group machine, appliances, mechanical and electrical equipment. Its share reached a maximum in 2012 and accounted for 10.0% of the total export value. If observed the structure of this group of products it can be seen that the machinery, appliances, mechanical equipment, boilers and parts accounted for more than 2/3, while the electrical machinery and equipment and parts thereof; apparatus for recording or reproducing apparatus, apparatus for recording television or reproduction of sound and pictures, and parts and accessories for these products account for almost 1/3.

### THE MOST IMPORTANT PARTNERS IN FOREIGN TRADE IN 2012

On Charts 11 and 12 are shown the most important trade partners of Bosnia and Herzegovina in 2012. It can be clearly seen that most goods were imported from Croatia - 14.45% of the total value of import in the period. Then followed by Germany with 11.32%, Serbia with 9.39%, Italy with 9.37% and Slovenia with 5.27%.

As for the value of export, Germany has absorbed 15.32% of the total export, followed by Croatia with 14.75%, Italy with 11.89%, Serbia with 8.99% and Slovenia with 8.27%. The trade deficit with Croatia and Serbia is around 50% in 2012. It is important to note that the increase in import and export (excluding export to Serbia) with these two countries decreased by a few percent compared to last year, while only export to Serbia dropped by about 30%. With Germany, Italy and Slovenia Bosnia has a trade deficit, which is about 1/3 while an upward trend in import and downward in export to these countries is recorded.

Charts 11 and 12



Source: Agency for Statistics, 2012 Foreign trade statistics, page. 3-5, www.bhas.ba

It is interesting that Bosnia and Herzegovina had a trade surplus with Austria at the amount of about 100 million KM, just as with Switzerland and Norway. A large deficit of about 1/4 Bosnia had with Hungary, the United Kingdom and Poland, while with Greece this indicator is 90%. Bosnia had the largest deficit with China (99%) and U.S. (92%).

### CONCLUSION

Here it is necessary to point out on a few key tendencies demonstrated in foreign trade with other countries as well as with the challenges that Bosnia will face in the near future. According to the data that were analyzed, it can be seen that the value of import amounted to just over 30% of GDP and had been decreased by 1.8% in 2012 after several years of strong growth. Unlike export, the share of imports in GDP is about 60% and had been decreased by almost 4%. The dominant role in the structure of import is mineral products.

Will the recent trend continue it depends primarily on the needs of the BiH economy and the price of crude oil (petroleum) at the international market? If above mentioned forecasts related to the change of prices of these goods come true, it can be expected increased demand and consumption of these types of goods as well as higher revenues from excise duties that apply to this group of products. At the same time, now it can be surely argued that a direct correlation of the amount of consumption of these goods and excise duties collected becomes weaker. Also significant is the fact that about 21% of total imports related to this product group, and that, viewed isolate, Bosnia recorded deficit of 2.5 billion KM only for this group of products. A large deficit is pronounced with products in food processing, beverages, tobacco and alcohol, where the deficit is about 1.2 billion. Bosnia has a huge trade deficit with plastics and products made of plastics, of over half a billion KM, perfume and toilet water of about 300 million, leather and fur over 200 million, pulp, paper and cardboard around 125 million KM, etc. It is important to reiterate that the Bosnia achieved only a slight surplus in terms of value of imports and exports of electricity in 2012 with the proviso that the value of export fell by about 60% while the value of import rose by about 20% compared to the year before.

Also, due to a stronger decline in export compared to import, the deficit continues to grow but at a much slower pace than the previous year. Measures that would help to reduce the deficit that is growing demand for export products of Bosnia are in the hands of both national and European decision-makers<sup>19</sup>. Timely measures of foreign trade and fiscal policy could increase the volume of trade, improving the terms of trade and a much-needed reduction in trade deficit. Within relevant ministries various measures are under preparation or implementation, but it remains to be seen what effect they will have on the foreign trade position of Bosnia in the future.

In addition, when analyzed in detail the structure of import by separate areas and types of goods and the resulting size of the deficit as well, which, to varying degrees, is repeated every year, it becomes questionable basic assumption of the model of rational consumer behavior in Bosnia. A proof of this assumption is the fact that about 4% of the total trade deficit realizes only on the balance item of perfumes and toilet water (which in turn is approximately 1.2% of GDP) as well as 5% of the total trade deficit on a position of beverages and tobacco (approximately 1.6% of the GDP). This leads to rethinking the role of government in Bosnia in terms of its active performing its allocative function and involvement in the function of preserving and improving the overall level of utility from consumption of the whole society. Modern economic science and practice recognizes this pattern of behavior that is a consequence of the bounded rationality<sup>20</sup> of individuals when spending disposable income, which in the long run leads to overall lower degree of utility and bad emotions caused by such decision making errors. Adoption and effective implementation of measures that would eventually lead to a reduction of these anomalies, it would certainly be a positive influence on the financial position of the entire society.

---

<sup>19</sup> During 2012 Bosnia executed 46,9% of its imports and 57,6% of its exports at the EU market

<sup>20</sup> Rubenstein, A. (1998). Modeling bounded rationality. <http://arielrubinstein.tau.ac.il/br/br.pdf>  
Banja Luka: Bana Lazarevića, 78 000 Banja Luka, Tel/fax: +387 51 335 350, E-mail: oma@uino.gov.ba  
Sarajevo: Đoke Mazalića 5, 71 000 Sarajevo, Tel:+387 33 279 553, Fax:+387 33 279 625, Web: www.oma.uino.gov.ba

**Consolidated reports**

(Author: Aleksandra Regoje)

**Table 1 (Consolidated report: B&H institutions, entities, SA)**

The preliminary consolidated report includes

- revenues from indirect taxes collected by the Indirect Tax Authority on the Single Account,
- transfers from the ITA Single Account,
- revenues and expenditures of the institutions of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the Republika Srpska.\*

Report doesn't include unadjusted revenues collected on ITA SA.

*\*Includes: (A) Budget of the Republic and extra-budgetary funds recorded in Treasury General Ledger of the RS, (B) total foreign debt for the projects realized through municipalities and companies, and (C) Budget users who have their own bank accounts (including some foreign project implementation units established by ministries)*

**Preliminary consolidated report: SA, B&H Institutions, Entities (2013)**

	I
<b>Revenue</b>	<b>434,2</b>
Taxes	409,4
Direct taxes	22,7
Taxes on income, profits and capital gains	22,0
Taxes on property	0,6
Indirect taxes (net)	386,7
VAT	240,7
Excises	112,0
Road fee	20,3
Customs	12,6
Other indirect taxes	1,0
Other taxes	0,0
Social security contributions	0,0
Foreign grants	1,4
Other (non-tax) revenue	23,5
Transfers from other general government units	0,0
<b>Expenditure</b>	<b>409,1</b>
Expense	404,9
Compensation of employees	123,7
Use of goods and services	12,3
Social benefits	52,6
Interest	4,2
Interest payments to non-residents	2,3
Interest payments to residents	2,0
Subsidies	2,2
Grants (to non-residents)	0,0
Transfers to other general government units	40,1
Transfers from SA (BD, cantons, municipalities, funds, road funds)	164,7
Other expense	5,1
Net acquisition of nonfinancial assets	4,2
Acquisition of nonfinancial assets	4,4
Disposal of nonfinancial assets	0,2
<b>Gross/Net operating balance (revenue minus expense)</b>	<b>29,3</b>
<b>Net lending /borrowing (revenue minus expenditures)</b>	<b>25,1</b>
<b>Net financing = (Minus) Net lending /borrowing</b>	<b>-25,1</b>

Table 1.