

**“UPGRADED SUPPORT TOOL FOR INTEGRATION OF SMEs IN  
EUROPEAN AND GLOBAL VALUE CHAINS”**

**REPORT 10**

**FOREIGN TRADE OF WB6 MANUFACTURERS AND  
SERVICE PROVIDERS THAT ARE RELATED TO  
CONSTRUCTION INDUSTRY**



**Co-funded by  
the European Union**

## **Foreign trade exchange of goods and services in the construction sector in the Western Balkans**

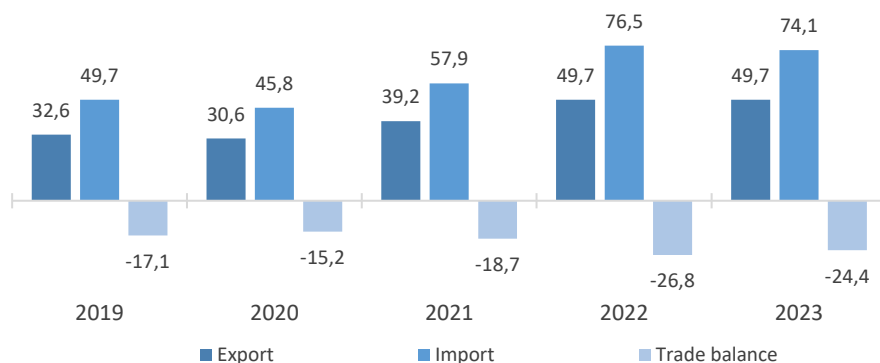
The Western Balkans region recorded an increase in economic activity, measured by a real GDP growth rate of 2.6% in 2023, which is a slight slowdown compared to the previous year (3.4%), primarily as a consequence of the slowdown in economic activity in the countries key partners within the EU. Despite this, at the end of last year, the total value of the nominal GDP that the Western Balkans created in aggregate exceeded the pre-pandemic levels, which can be marked as an exit from the crisis period. Serbia and Montenegro, where economic activity has increased above the regional average, have been identified as drivers of this result. Production-oriented countries such as Serbia, North Macedonia and Bosnia and Herzegovina were the most affected by the slowdown in economic activity in the EU, but the crisis period was overcome relatively quickly, compared to countries that are more dependent on tourism, such as Montenegro and Albania, where the normalization of economic activity was established only during 2023.

Judging by the volume of foreign trade exchange, this region went through some kind of crisis in 2023 when the total exchange reached 124 billion Euros, which is a decrease of 1.8% compared to the previous year. The total foreign trade exchange in the observed five-year period is developing in the direction of a significantly faster increase in total imports, which therefore contributes to an increase in the deficit of about 37% in 2023. The average annual growth of exports in the observed period (2019-2023) was 11.2%, compared to 10.5% of the average annual growth of imports.

The economies of the Western Balkans represent a type of subcontractor in the production processes that take place in the European Union, but also a significant agricultural producer in Europe. In this regard, a large number of foreign direct investments from this economic block are predominantly oriented towards the labor-intensive part of the production process, which has clearly positioned the Western Balkans on the market in recent years. Nevertheless, the long-term strategy of the region should develop in the direction of taking over processes with a higher degree of added value, as well as greater involvement in global supply chains. In terms of economic indicators, Serbia certainly dominates, as well as the largest economy in this region, both when it comes to exports and when it comes to the volume of foreign direct investments.

In the region of the Western Balkans, there is a big gap in public infrastructure, which represents the main obstacle to the faster development of these markets, economic prosperity and integration with the single European market. According to the IMF's assessment, the infrastructure in this region is about 50% lower than the EU average. The biggest problems of this sector are the inconsistency of the legal framework with the EU legislation, as well as the limited fiscal space that prevents larger public investments.

### Total foreign trade commodity exchange of the economies of the Western Balkans, in billions of Euros



*NOTE: Export, Import, Total*

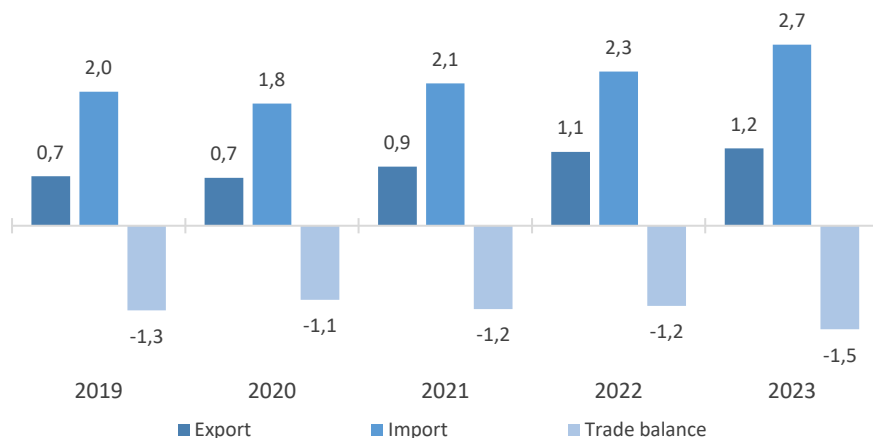
*Source: Trademap.*

The total export of construction products of the economies of the Western Balkans in 2023 amounted to 1.1 billion Euros, which is the smallest of all the previously mentioned industries. On the other hand, imports are significantly higher and amounted to 2.7 billion Euros, which is the highest value of imports in the observed time period. As a result, the realized deficit amounted to 1.5 billion Euros, which is also the highest value of the deficit in the last five years.

From the structure of the export of construction products, it can be concluded that the largest export construction product of this region is artificial aluminum for the construction industry, whose export value in 2023 was 133 million Euros, that is, 11.5% of the total annual export of the construction industry. The second largest export product of the region is reflectors and signs for lighting with 130 million Euros of annual export, that is, 11.3% of the total export of the region. The following can be singled out as the largest export construction products: prefabricated buildings (130 million Euros); Portland cement (111 million Euros); cement and concrete products (88 million Euros); glass fibers (70 million Euros), etc.

The largest import product that economic entities of the Western Balkans will import from abroad in 2023 are ceramic products, the import of which amounted to 386 million Euros and has increased by about 14% compared to 2022. It is worth highlighting the import of the following products: unglazed ceramic tiles (262 million Euros); binders for casting molds (247 million Euros); Portland cement (203 million Euros); reflectors and lighting signs (200 million Euros), etc.

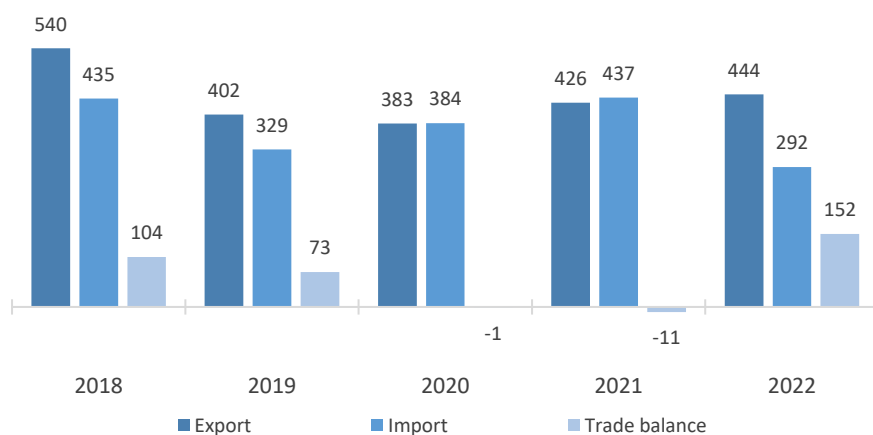
### Total foreign trade exchange of construction products of the economies of the Western Balkans, in billions of Euros



Source: Recalculation based on Trademap data.

The total foreign trade exchange of construction services of the Western Balkans with the world amounted to 736 million Euros in 2022, which is the second highest rental value in the observed five-year period. The total export of construction services amounted to 444 million Euros with a year-on-year growth of 4.2%, while the total import of construction services reached a value of 292 million Euros, which is a decrease of 33% compared to 2021. As can be seen from the graph, the foreign trade of construction services in the Western Balkans varies from year to year and is significantly more sensitive than the trade of construction services.

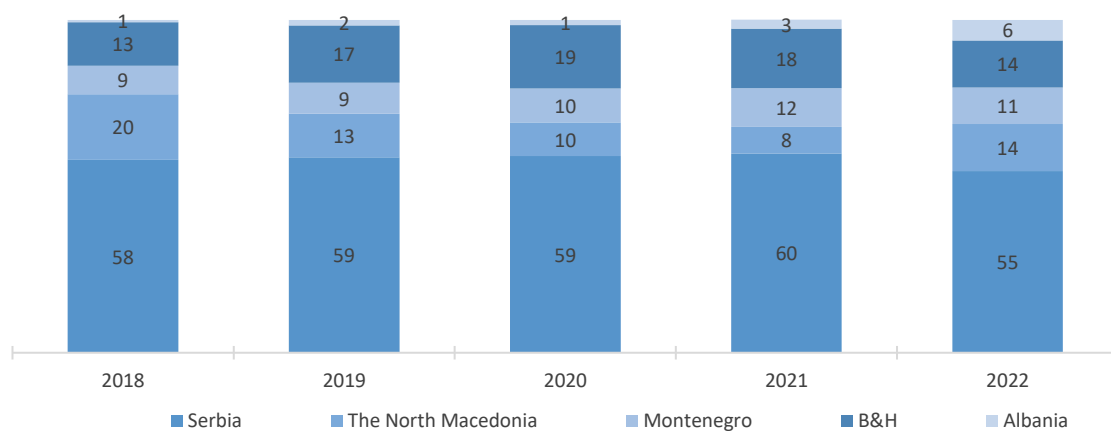
### Total foreign trade exchange of construction services of the economies of the Western Balkans, in millions of Euros



Source: Trademap.

If we look at the structure of exports by economy, it can be clearly seen from the attached graph that Serbia is a generator of placement of construction services abroad and that as such it accounts for 55-60% of the total exports of the entire region. The share of North Macedonia and Bosnia and Herzegovina in the export of construction services in 2022 was about 14% of both countries, while the share of Montenegro is practically 11%. As for the structure of exports and in the other years of the observed time series, no significant year-on-year changes can be observed.

### Structure of export of construction services by Western Balkan economies, in % of total export

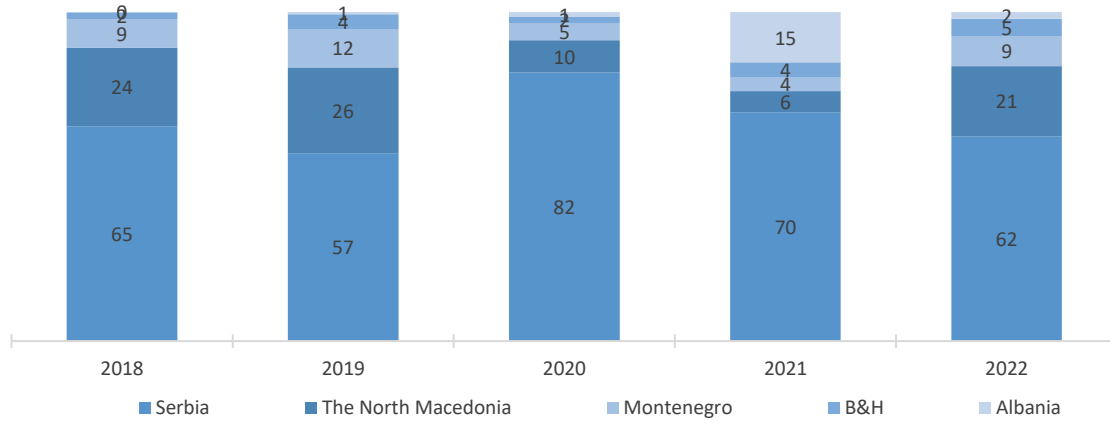


Source: Recalculation based on Trademap data.

NOTE: Serbia, North Macedonia, Montenegro, BIH, Albania

When it comes to the import of construction services from abroad, the total procurement of these services in 2022 reached 292 million Euros, of which almost 62% was realized by Serbia. This percentage is significantly higher in previous years, that is, Serbia annually imports a larger amount of construction services than all other economies combined (182 million Euros compared to 110 million Euros of imports from other countries). The structure of imports by year varies considerably more than exports, and the year 2021 can be presented as an exception, when Albania imported a total of 67 million Euros of construction services.

**Structure of construction services imports by Western Balkan economies, in % of total imports**



*Source: Recalculation based on Trademap data.*

*NOTE: Serbia, North Macedonia, Montenegro, BIH, Albania*

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Title: Upgraded support tool for integration of SMEs in European and Global Value Chains, Report 10  
– Foreign trade of WB6 manufacturers and service providers that are related to Construction Industry

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