

IMPACT OF GLOBAL MOVEMENTS ON ECONOMIC GROWTH AND FISCAL STABILITY IN THE REPUBLIC OF SRPSKA

УТИЦАЈ ГЛОБАЛНИХ КРЕТАЊА НА ЕКОНОМСКИ РАСТ И ФИСКАЛНУ СТАБИЛНОСТ У РЕПУБЛИЦИ СРПСКОЈ

Biljana Srdić Gojković

Fiscal Council of the Republic of Srpska, Banja Luka, Republic of Srpska, BiH
biljana.gojkovic@fiskalnisavjetrs.net
ORCID: 0000-0003-3297-948X

Branko Krsmanović

University of East Sarajevo Faculty of Business Economics Bijeljina, Republic of Srpska, BiH
prof.krsmanovic@gmail.com
ORCID: 0009-0008-9653-1506

Milenko Krajišnik

University of Banja Luka, Faculty of Economics, Banja Luka, Republic of Srpska, BiH
milenko.krajsnik@ef.unibl.org
ORCID: 0000-0003-2673-1533

Paper presented at the 11th International Scientific Symposium „EkonBiz: Impact of geopolitical changes on the national economy“, Bijeljina, 22 – 23th June 2023.

Abstract: *The world economy has been exposed to intense cyclical movements since the beginning of the 21st century. After the global economic crisis of 2008, several years of stabilization and recovery followed. The last few years have seen global disruptions caused by various factors, such as: the migrant crisis, the crisis caused by the COVID-19 pandemic and the current crisis in Ukraine. This resulted in a disruption in the energy market, global inflation, disrupted supply chains and the growth of protectionism in international trade, with a strong impact on economic developments in the Republic of Srpska. Republika Srpska, as a small and open economy at a lower level of development, is highly exposed to movements on the global market, and especially to oscillations of economic activity in countries with which it has intensive economic relations. Exports in Republika Srpska are highly correlated with its economic growth and efficient use of available resources. But Republika Srpska is import dependent in many sectors. Monetary policy is based on the principle of the monetary board, and the economic development of Republika Srpska is directly conditioned by foreign direct investments.*

These facts are conditioned by the economic trends in the Republic of Srpska. The question is to what extent global disturbances affect economic developments in the Republic of Srpska and how these developments affect its fiscal stability? This paper provides a quantification of the impact of the economic trends of the most important foreign trade partners of Republika Srpska and the countries of the European Union on its economic growth. This analysis quantifies the impact of the economic development of Republika Srpska on fiscal stability. Based on the results of this analysis, the information is obtained as to show how dependent the economy of Republika Srpska is on external influences, and how fiscal stability is conditioned by its economic development.

Key words: *GDP, economic growth, fiscal stability and economic crisis.*

Анстракт: *Свјетска економија је од почетка XXI вијека изложена интензивним циклчним кретањима. Након свјетске екомске кризе 2008. године услједило је неколико година стабилизације и опоравка. Међутим,*

последњих неколико година наступају глобални поремећаји изазвани различитим факторима, као што су: мигрантска криза, криза изазвана пандејомом КОВИД-19 и актуелна криза у Украјини. Претходно наведено имало је за последицу поремећај на тржишту енергената, глобалну инфлацију, поремећене ланце снабдијевања и раст протекционизма у међународној трговини, са снажним утицајем на економска дешавања у Републици Српској. Република Српска као мала и отворена економија на нижем нивоу развоја високо је изложена кретањима на глобалном тржишту, а нарочито осцилацијама економске активности у земљама са којима има интензивне економске односе. Извоз Републике Српске је високо корелисан са њеним економским растом и ефикасним коришћењем расположивих ресурса. Република Српска је увозно зависна у многим секторима. Монетарна политика функционише на принципу монетарног одбора уз фиксни курс конвертибилне марке који је везан за евро као резервну валуту, а економски развој Републике Српске је директно условљен страним директним инвестицијама. Наведене чињенице условљавају економска кретања у Републици Српској. На основу тога, поставља се питање у којој мјери глобални поремећаји утичу на економска кретања у Републици Српској и на који начин таква кретања утичу на њену фискалну стабилност? Овај рад даје квантификацију утицаја економских кретања најважнијих спољнотрговинских партнера Републике Српске и земаља Европске уније на њен економски раст. Осим тога, анализа квантификује и утицај економског кретања Републике Српске на фискалну стабилност. Резултати показују колико је економија Републике Српске зависна од спољних утицаја, а колико је фискална стабилност условљена њеним економским развојем.

Кључне речи: БДП, економски раст, фискална стабилност и економска криза

JEL classification: E62, E66, F43, F44, F63, H62, H63

1. INTRODUCTION

Unstable economic conditions caused by multiple factors have influenced the reduction of economic growth in the developed countries of the world. Countries with a low level of development had much stronger negative effects, but especially those countries whose fiscal stability and economic growth is conditioned by the growth of other countries. This especially applies to small

open economies such as Republika Srpska. There is a lot of research on the connection between openness and growth. Many authors argue that there is a positive relationship between openness and growth. The countries that reduced tariffs the most in the process of globalization achieved the highest growth rates per inhabitant. (Dollar and Kraay, 2001). This is confirmed by OECD reports (1998), which state that more open economies always outperform countries with protectionist trade policies and restrictions on capital movements. However, there are also authors who challenge these claims, that is, question them due to the circumstances prevailing on the world market. Free trade and openness of the economy can reduce current income and even growth if there are market disturbances (Srinivasan and Bhagwati, 1999). In the conditions of global disturbances, openness brings many opportunities, but also threats. In such conditions, the reason for the unsustainability of economic growth lies precisely in the external shocks that come with the openness of the economy. Numerous analyzes were made about the negative impacts on the economic growth of the economy, which are conditioned by external influence, during the crisis caused by the corona virus. Slower growth and recession during the corona crisis in the Eurozone, the largest export market of Republika Srpska, contributed to a drop in exports and a decrease in industrial production. The effects of the world crisis on the small and open economy of Republika Srpska affected almost all sectors of the economy. The decrease in activities in the field of tourism and related activities, transport, trade, construction and other activities sharply reduced private consumption and investments, which led to a drop in GDP, because private consumption is still the main driver of the economy in Bosnia and Herzegovina (World Bank, 2020, p.). Analyzes show that new global flows are largely the result of changes in the political and economic power of individual countries, their economic structure and the structure of their foreign trade (Krajišnik, Gojković, 2021, p. 196.). The economy of Republika Srpska is under the influence of changes in the world market, that is, changes in the economy of its main foreign trade partners (Gojković, 2021, p. 1). Therefore, the results of the analysis show a significant decline, both in the global economy and, consequently, in the developing economy. For three years now, the largest number of countries in the world have been facing a large-scale crisis. For the current problems of inflation, broken supply chains and generally low economic growth, the most important thing is to define the problem. More precisely, it is necessary to quantify what it is that mostly threatens the economic growth of a particular

country and affects its fiscal stability. The importance of foreign trade for the functioning and development of every country in the world is unquestionable. But the level of that importance is not the same for different countries. It depends on the size of the country, i.e. its market, the variety and volume of resources available to the country, the level of economic development, the economic structure, as well as the economic policy implemented by the country, and trends in the world market (Krajišnik, Gojković, Josipović, Popović, 2020). Economic growth and development in a country is conditioned by various factors. Depending on the level of development, economic structure and size of the country, the stated degree of conditionality will also depend. In the Republika Srpska, it is evident that its economic growth is heavily dependent on external factors. Because the Republika Srpska is a small and open economy, it is necessary to quantify the influence of external factors on its economic growth. For stable public finances and fiscal stability, it is necessary to ensure the balancing of public finances and a sustainable level of public debt (Gojković, 2021, p. 98.). Therefore, it is necessary to provide an adequate selection of measures for overcoming economic oscillations by quantifying external influences. Based on the analysis of the connection, fiscal stability and GDP growth rate, it is evident that countries with a lower level of development, measured by GDP per capita, have a greater need for stable public finances (Gojković, 2021, p. 110).

2. AIM AND METHOD OF RESEARCH

The following research analyzes the impact of the economic trends of the most important foreign

trade partners of Republika Srpska and the countries of the European Union on its economic growth. In addition, the focus is on the analysis of the impact of the economic growth of Republika Srpska on fiscal stability. Based on the above, it will be clear how dependent the economy of Republika Srpska is on external influences, and how much the primary balance is affected by its economic growth.

The statistical basis for the research is data from the IMF and data from the Ministry of Finance of the Republic of Srpska for the period from 2015-2022.

The first part of the paper analyzes the impact of the economic development of the main foreign trade partners of the Republic of Srpska (Serbia, Italy, Germany, Croatia, Slovenia, Austria, China, Hungary, Turkey and Poland) on the economic growth of the Republic of Srpska, measured through the height of the real GDP growth rate. In the second part of the paper, the impact of the economic growth of the European Union countries on the economic growth of the Republic of Srpska is analyzed in the same way.

In the third part of the research, the impact of real GDP growth on the fiscal stability of Republika Srpska is analyzed using the primary budget balance.

In this way, the level of influence of economic oscillations in the mentioned group of countries on the economic growth of the Republic of Srpska will be quantified.

The following table shows the basis of the data that will be used for the analysis in the statistical software Eviews 9

Table 1. Overview of data used for analysis in the statistical model

Year	Real growth rates			Primary balance as % RS GDP
	GDP of the main foreign trade partners of the RS	GDP EU	GDP RS	
2015	3,1	2,5	2,8	-0,7
2016	3,1	2	3,5	-1,2
2017	4,08	3	3,1	1,1
2018	3,72	2,3	3,9	-0,6
2019	3,04	2	2,5	-0,3
2020	-3,54	-5,6	-2,5	-5,7
2021	7,67	5,6	6,9	-0,8
2022	4,29	3,7	3,5	3,3

Source: Data from the IMF, the Republic Institute for Statistics of the Republic of Srpska and the Consolidated Report on the execution of the budget of the Republic of Srpska.

The establishment of mutual connections between two or more observed phenomena is the subject of regression and correlation analysis that will be used in this research as well. Using the regression equation, it will be possible to express the average and regular relationship of observed phenomena. Also, it is possible to express the degree and direction of their connection, if of course it exists. If we observe only two phenomena, then the analysis is reduced to a simple regression and correlation analysis (Komić, 2000), which will be used to draw conclusions. The relationship between the relative value of the change in the GDP of the Republic of Srpska with the relative value of the change in the GDP of the main foreign trade partners of the Republic of Srpska (MFTP RS) and the GDP of the countries of the European Union (EU) will be determined individually with the help of linear regression analysis. In this way, the relative influence of the GDP of Republika Srpska on its fiscal stability measured through the primary balance (PB) will be determined. In accordance with the previously mentioned GDP MFTP RS and EU GDP represent the explanatory variable, while RS GDP is the dependent variable in this part. In the third part of the research on the influence of economic activity in the Republika Srpska on its fiscal stability, the RS GDP represents the explanatory variable, and the primary balance represents the dependent variable.

$$Y = f(\text{GDP MFTP RS}, \text{GDP EU}, X) \quad (1)$$

$$Y = f(\text{GDP RS}, X) \quad (1)$$

To establish the average law-metric relationship between two observed phenomena, it is necessary to determine the parameters of a simple linear regression, which can be represented as follows:

$$Y_i = \beta_0 + \beta_1 x_i + \varepsilon_i \quad i = 1, 2, \dots, N \quad (2)$$

- Y_i : i - dependent variable, GDP RS and PB RS;
- x_i : i - independent variable, GDP RS, GDP EU and GDP RS;
- β_0 and β_1 - unknown constants - regression parameters;
- ε_i - stochastic term or statistical error;
- N – The size of the basic set.

Considering that the above analysis will be done on the sample, and not on the basic set, the estimated simple linear regression function will be used, based on the sample defined as:

$$\hat{Y}_i = b_0 + b_1 x_i \quad (3)$$

In the relationship marked with \hat{Y}_i is the value of the dependent variable that is exactly on the best-fit regression line, and b_0 and b_1 are the ratings of the regression parameters of the basic set.

Estimates of the parameters in the regression equation are obtained based on the method of least squares, which assumes the minimization of the square of the vertical linear deviations of the original data from the regression line. In this way, a system of original data is obtained from the regression line (Lovrić et al. 2006), and the solution of the mentioned system of equations enables the direct calculation of the values of the parameters in the regression equation:

$$b_1 = \frac{n \sum xy - \sum x \sum y}{n \sum x^2 - (\sum x)^2} \quad (4) \quad i$$

$$b_0 = \bar{y} - b_1 \bar{x}. \quad (5)$$

The parameter b_0 the expected value of the dependent variable Y , if the independent variable X has a value of 0, while the parameter b_1 shows the average change of the dependent variable, with a unit increase of the independently applicable.

For this type of analysis, applying the method of least squares, the econometric program Eviews 9 was used. This method is simple and reliable since it mutually excludes positive and negative errors. In addition, this analysis includes the standard deviation, mean, maximum and minimum values, skewness of the distribution, and a measure of the tendency of the serial distribution. The results of the regression analysis give an estimate of the significance of the following variables: probability (p), t -statistics, standard error of estimation and coefficient of determination r^2 .

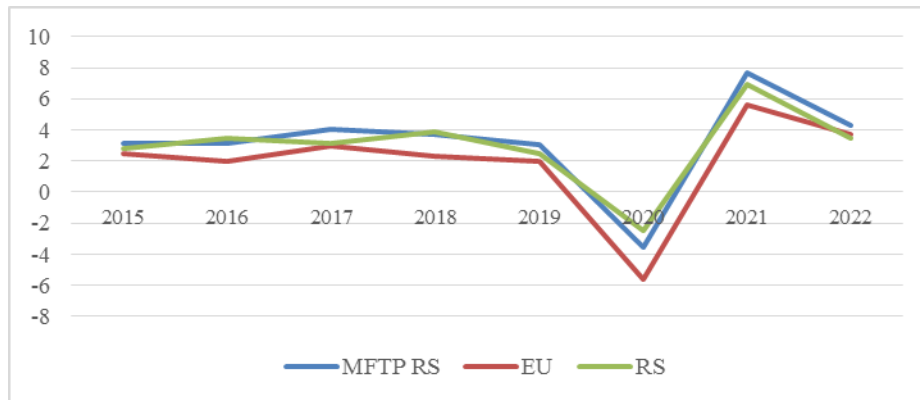
3. ANALYSIS OF THE IMPACT OF GLOBAL TRENDS ON ECONOMIC GROWTH AND FISCAL STABILITY IN THE REPUBLIC OF SRPSKA

The impact of global trends on the economic growth of small economies like Republika Srpska is unquestionable. But, in order to further overcome the problems caused by global movements, it is necessary to measure the level of the same. According to the trend lines of the realization of GDP in the following graph, it will

be assumed that economic growth and the provision of fiscal stability in Republika Srpska are mostly influenced by economic trends on

which Republika Srpska has no direct influence. The basis for the aforementioned assumptions can also be found in the trend lines on the next chart.

Chart 1. Trend of GDP realization in MFTP RS, EU and RS from 2015-2022. years



Source: Data from the IMF and the Republic Institute for Statistics of the Republic of Srpska

To determine the level of influence, a regression analysis was performed through influence:

1. Economic trends of the most important foreign trade partners of the Republic of Srpska on its economic growth,
2. The economic trends of the European Union on the economic growth of the Republic of Srpska and
3. The economic development of the Republic of Srpska on its fiscal stability

3.1. Analysis of the impact of the economic trends of the main foreign trade partners of the Republic of Srpska on its economic growth

During the observed period, the impact of the crisis was evident, which was reflected at the very

beginning of 2020 due to rapidly growing inflation and the sudden interruption of supply chains. Then there is a negative growth rate for almost all foreign trade partners of Republika Srpska. So, for example In Austria, from a positive growth rate of 1.5% in 2019, a negative growth rate of -6.5% is evident in 2020. In the same year, the biggest decline was evident in Italy and Croatia.

However, the only two countries that did not have a negative rate of economic activity are China and Turkey, but Republika Srpska does not achieve a high level of foreign trade with these two countries.

The following table shows the real % of GDP growth of the main foreign trade partners of the Republic of Srpska (MFTP RS).

Table 2. Real % GDP growth, MFTP RS

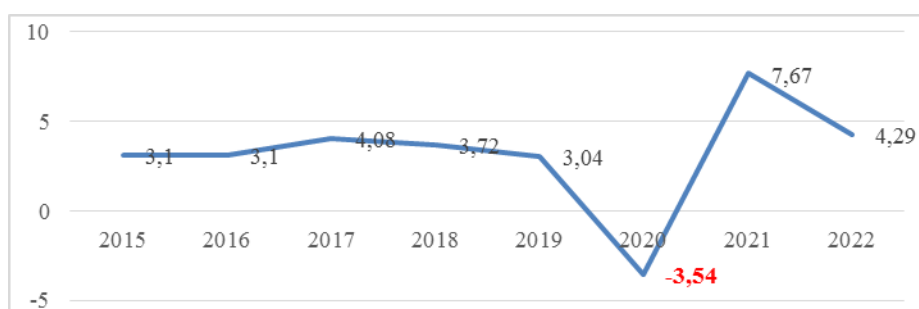
Real % of GDP growth main foreign trade partners of the RS	2015	2016	2017	2018	2019	2020	2021	2022
Serbia	1,8	3,3	2,1	4,5	4,3	-0,9	7,5	2,3
Italy	0,8	1,3	1,7	0,9	0,5	-9	7	3,7
Germany	1,5	2,2	2,7	1	1,1	-3,7	2,6	1,8
Croatia	2,5	3,6	3,4	2,8	3,4	-8,6	13,1	6,3
Alovenia	2,2	3,2	4,8	4,5	3,5	-4,3	8,2	5,4
Austria	1	2	2,3	2,4	1,5	-6,5	4,6	5
China	7	6,9	6,9	6,8	6	2,2	8,4	3
Hungary	3,7	2,2	4,3	5,4	4,9	-4,5	7,1	4,9
Turkey	6,1	3,3	7,5	3	0,8	1,9	11,4	5,6
Poland	4,4	3	5,1	5,9	4,4	-2	6,8	4,9

Source: IMF data, May 20223

The impact of the Covid-19 crisis and the sharp decline in economic activity can also be seen in the following graph, where the average GDP growth

rate of the main foreign trade partners of the Republic of Srpska from 2015-2022 is given.

Chart 2. Average GDP growth rate of MFTP RS from 2015-2022. years



Source: IMF data, May 2023 and author's calculation.

In the following analysis, it can be seen to what extent the aforementioned trend had an impact on the level of GDP in the Republic of Srpska.

there is an evident correlation between the realization of the GDP of

The regression analysis of the main foreign trade partners of the Republic of Srpska and the impact on the GDP of the Republic of Srpska shows that

MFTP RS and the realization of the GDP of the Republic of Srpska, since the correlation coefficient is $r=0.986$.

Table 3. Regression analysis of GDP MFTP RS and GDP RS

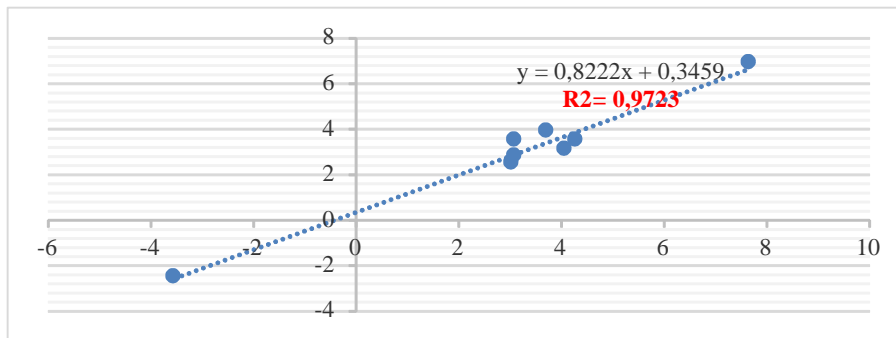
Dependent Variable: GDP RS				
Method. Least Squares				
Date: 05/15/23 Time: 12:15				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.345918	0.244459	1.415.036	0.2068
MFTP RS	0.822178	0.056700	1.450.061	0.0000
R-squared	0.972257	Mean dependent var		2.962.500
Adjusted R-squared	0.967633	S.D. dependent var		2.592.813
S.E. of regression	0.466471	Akaike info criterion		1.525.076
Sum squared resid	1.305.570	Schwarz criterion		1.544.936
Log likelihood	-4.100.302	Hannan-Quinn criter.		1.391.125
F-statistic	2.102.676	Durbin-Watson		3.400.417
Prob(F-statistic)	0.000007			

Source: Author Calculation, Statistical Software EViews 9.

The results of the analysis show that the MFTP RS determination coefficient, $r^2 = 0.97$, is more precisely that changes in GDP RS are determined by MFTP RS GDP movement variations with 97%.

Thus, the results of the analysis show that there is a significant and direct connection between GDP MFTP RS and RS GDP, more precisely that economic development is highly dependent on MFTP RS development. The positive impact of the MFTP RS on RS is evident in the next chart:

Graph 3. Graph Regression GDP MFTP RS and GDP RS



Source: Author's calculation

Based on the previous analysis, it can be concluded that the economy of the Republika Srpska is very dependent on global influences. More precisely, the economy of Republika Srpska largely depends on the economic oscillations of countries with which there are a high degree of foreign trade.

3.2. Analysis of the impact of economic movements of the European Union to the economic growth of the Republika Srpska

Due to the high influence of global movements and crises, which in the previous period had a significant impact on European Union integration, it is necessary to test or quantify the influence of economic movements of European Union countries on the economy of Republika Srpska.

In this regard, the regression analysis of the above impact was given below.

Table 4. Analysis of GDP regression EU RS and GDP RS

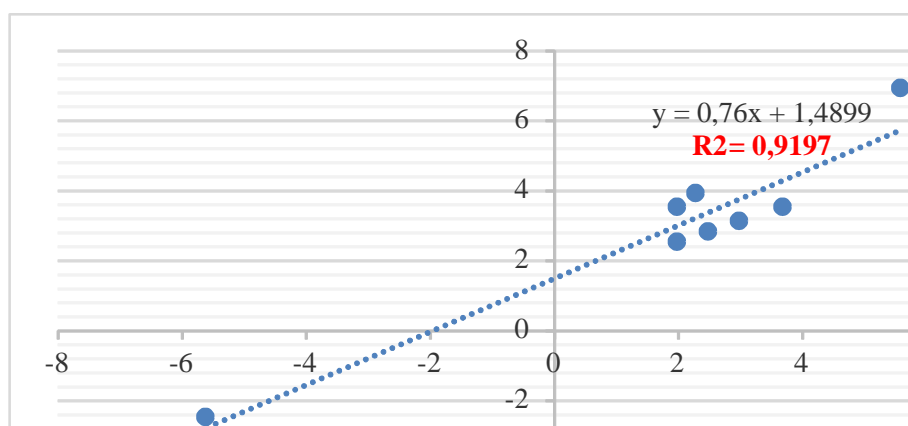
Dependent Variable: GDP RS				
Method: Least Squares				
Date: 05/16/23 Time: 13:25				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.489.922	0.332189	4.485.162	0.0042
GDP EU	0.760040	0.091715	8.286.996	0.0002
R-squared	0.919651	Mean dependent var		2.962.500
Adjusted R-squared	0.906260	S.D. dependent var		2.592.813
S.E. of regression	0.793843	Akaike info criterion		2.588.456
Sum squared resid	3.781.120	Schwarz criterion		2.608.316
Log likelihood	-8.353.823	Hannan-Quinn criter.		2.454.505
F-statistic	6.867.431	Durbin-Watson stat		2.876.403
Prob(F-statistic)	0.000167			

Source: Author Calculation, Statistical Software EViews 9.

The regression analysis of European Union countries and the impact of GDP Republika Srpska shows a high correlation $r = 0.959$ results of regression analysis, based on the ratement of $R^2 = 0.92$, indicating that GDP RS is determined by variations of movement EU GDP with 92%. Based on this, it can be concluded that there is a

significant and direct connection between GDP and the realization of GDP RS, ie that the economic growth of the Republika Srpska in a high extent was determined by economic movements in the European Union. These conclusions can be clearly seen on the next regression chart.

Graph 4. Graph regression of GDP EU and GDP RS



Source: Author Calculation

Finally, the results and these regression analysis show significant conditionality, ie a high level of correlation of the analyzed indicators.

ased on the analysis of the MFTP RS and the EU, the EU is concluded in the position of the research, that the Republika Srpska is very dependent on the impact of external factors and that COVID 19 crisis on the Ukraine - Russia's route influenced the significant decline in the economy in Republika Srpska.

For adequate access to the measurement of previously analyzed impacts, it is very important

to measure economic activity, which is a result of economic activity in Republika Srpska, measured through the amount of primary balance, affects fiscal stability in Republika Srpska. Previously, we will also prove through the regression equation.

3.3. The impact of the economic movements of the Republika Srpska on its fiscal stability

Compared to the previous results, in this part of the analysis the results are different. The correlation coefficient is $r=0.628$.

Table 5. Regression analysis of EU RS GDP and RS GDP

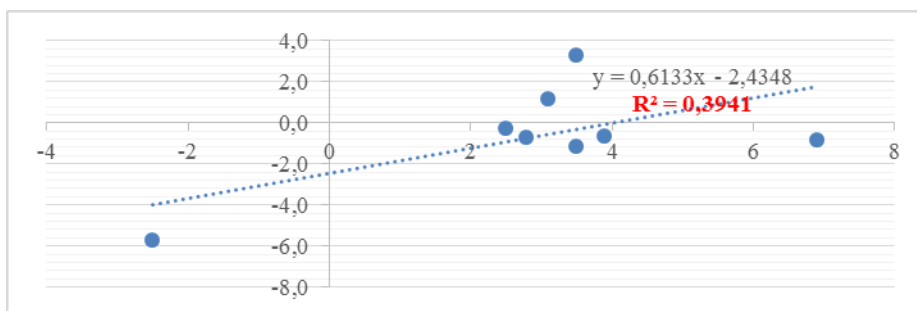
Primary balance				
Method: Least Squares				
Date: 05/17/23 Time: 14:29				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.434753	1188557	-2.048.495	0.0864
БДП РС	0.613269	0.310436	1.975.511	0.0956
R-squared	0.394101	Mean dependent var		-
Adjusted R-squared	0.293118	S.D. dependent var		2.532.902
S.E. of regression	2129570	Akaike info criterion		4.562.035
Sum squared resid	2.721.041	Schwarz criterion		4.581.895
Log likelihood	-1.624.814	Hannan-Quinn criter.		4.428.085
F-statistic	3.902.643	Durbin-Watson stat		2.176.743
Prob(F-statistic)	0.095617			

Source: Author Calculation, Statistical Software EViews 9.

The results show that there is a significant conditionality of the RS GDP movement with fiscal stability. The results of the regression

analysis, based on the coefficient of determination $r^2 = 0.394$, show that 40% of economic activity has an impact on fiscal stability.

Chart 4. Regression chart of RS GDP and RS GDP



Source: Author Calculation

CONCLUSION

The impact of global market movements on small and open economies is not disputed. That influence can be positive, but also negative. The analysis shows that the economy of Republika Srpska is under the enormous influence of the world market, i.e. changes in the economy of its main foreign trade partners. The results of the analysis show that there is a significant and direct connection between the economic trends of the countries with which Republika Srpska has the largest foreign trade exchange and the GDP of Republika Srpska. Therefore, the economic growth of Republika Srpska is highly determined by the economic growth of the previously mentioned countries. Considering that most of the foreign trade exchange of Republika Srpska takes place with the member countries of the European Union and that most of the foreign investments also come from the area of EU integration, the economic growth of Republika Srpska is largely determined by economic trends in the European Union. The results of the regression analysis show that the coefficient of determination of the GDP growth of Republika Srpska is significantly conditioned by the GDP growth of the European Union. In addition, its own level of economic activity is very important for the fiscal stability of Republika Srpska. Although fiscal stability is largely conditioned by the country's fiscal and monetary policy decisions, based on the analysis it can be concluded that Republika Srpska is very susceptible to external influence and market movements of the countries with which it has the largest foreign trade exchange. Based on that, it can also be concluded that global oscillations, which were the basic premise for this analysis, represent the basic determinant of the fiscal stability of small and open economies such as Republika Srpska. Considering the size and openness of the Republika Srpska economy, it can

be concluded that its economic activity is more influenced by external factors than internal economic growth. It is clear that by increasing economic activity, that level can be mitigated, but based on the results, it is concluded that there is a high impact of global events on economies with a low level of development, such as Republika Srpska.

REFERENCES

- [1] [Carmen M. Reinhart and Kenneth S. Rogoff (2010): Growth in a Time of Debt. American Economic Review: Papers & Proceedings 100. 573–578,
- [2] Dollar, D. and Kraay, A., (2001): Trade, Growth and Poverty. Washington: The World Bank, Development Research Group.
- [3] Gojković, B., (2021). Fiscal stability of the local government units in the Republic of Srpska. Economic themes 59(1): 109-132. Ekonomski fakultet, Univerziteta u Nišu.
- [4] Gojković, B., (2021). Interdependence of Fiscal consolidation and economic growth in EU countries with different levels of development. Acta Economica. XIX, No. 35. Ekonomski fakultet Univerziteta u Banja Luci.
- [5] Gojković, B., (2022). The impact of the Covid 19 crisis on the Fiscal stability of Republic of Srpska. Volume 10, No. 1, 2022, Economics Bijeljina.
- [6] Lovrić, M., Komić, J., Stević, S (2006). Statistical analysis: Methods and applications. Banja Luka. Faculty of Economics.
- [7] Консолидовани извјештај о извршењу Бюџета Републике Српске за период 01.01.-31.12.2021. године.
- [8] Крајишник, М., Гојковић, Б. (2021). Глобални изазови и свјетска економија.

Бања Лука: Економски факултет Универзитета у Бања Луци.

- [9] Крајишник, М., Гојковић, Б., Јосиповић, С., Поповић, С. (2020). Утицај извоза на економски раст у Босни и Херцеговини, *Акта Економіса*. XVIII, број 32. Економски факултет Универзитета у Бања Луци.
- [10] Krugman, P., Obstfeld, M., Melitz, M. (2018). *International Finance: Theory and Policy*, Pearson Education Limited.
- [11] OECD, (1998). *Open Markets Matter: The Benefits of Trade and Investment Liberalisation*. Paris: OECD.
- [12] Srinivasan, T. N. and Bhagwati, J., (1999): *Outward Orientation and Development: Are Revisionist Right?* New York: Columbia University.
- [13] Западни балкан редовни економски извјештај (2020). Економски и социјални утицај ЦОВИД-19. Свјетска банка, бр. 17.

Using regression analysis, the level of influence of economic trends was quantified:

1. The most important foreign trade partners of the Republic of Srpska on its economic growth,
2. The economic trends of the European Union on the economic growth of the Republic of Srpska i
3. The economic development of the Republic of Srpska on its fiscal stability, that is, on its primary balance.

The results of the research confirm that there is a significant correlation of economic trends between the main foreign trade partners, European Union countries, and economic growth in the Republic of Srpska. It is concluded that, in addition to the aforementioned influences, fiscal stability in the Republic of Srpska is largely determined by the level of its economic activity.

SUMMARY

In the paper entitled the impact of global trends on economic growth and fiscal stability in the Republic of Srpska, the level of influence of global trends on small and open economies is analyzed, with a focus on the Republic of Srpska.

Therefore, it is assumed that the economy of the Republic is largely dependent on this influence and that in order to preserve fiscal stability and economic growth, it is necessary to quantify the level of this influence.

That quantification basically provides a good starting point for an adequate selection of measures and instruments to overcome the problems caused by developments on the global market.

In the introductory part of the paper, previous researches related to the connection between the openness of economies and their economic growth and the impact of that growth on fiscal stability are presented.

In addition, an analysis of the impact of the economic trends of the countries with which the Republika Srpska has the largest foreign trade exchange, European Union countries, on the economic growth of the Republika Srpska was made. Also, an analysis of the influence of the GDP of Republika Srpska on its fiscal stability was done.

The statistical method of regression and correlation was used in the analysis, applying the method of least squares with EViews 9 statistical software.