



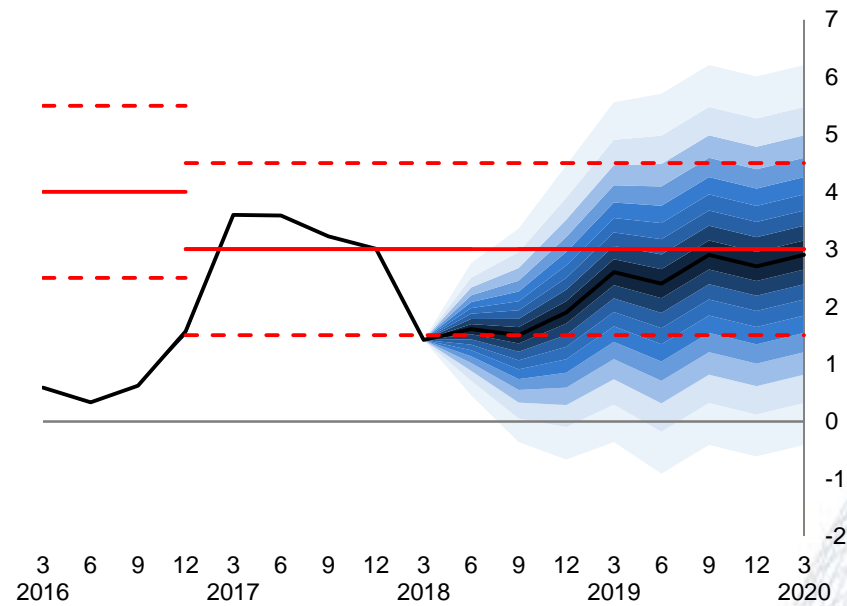
National Bank of Serbia

Inflation Report – May 2018

Belgrade, 17 May 2018

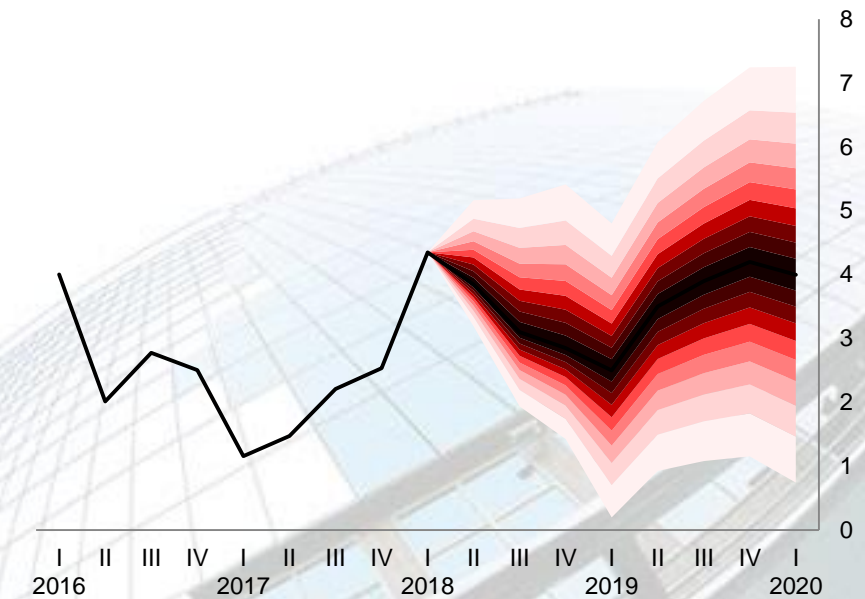
Inflationary pressures additionally lowered, coupled with higher than expected GDP growth

Chart 1 Inflation projection
(y-o-y rates, in %)



Source: NBS.

Chart 2 GDP growth projection
(y-o-y rates, in %)

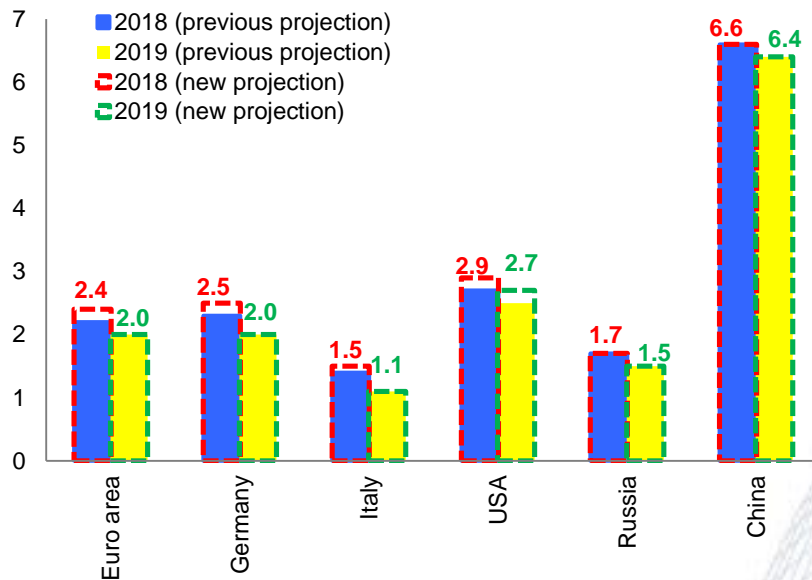


Source: NBS.

Global growth outlook additionally improved...

Chart 3 Revisions of real GDP growth forecasts for 2018 and 2019 by the IMF

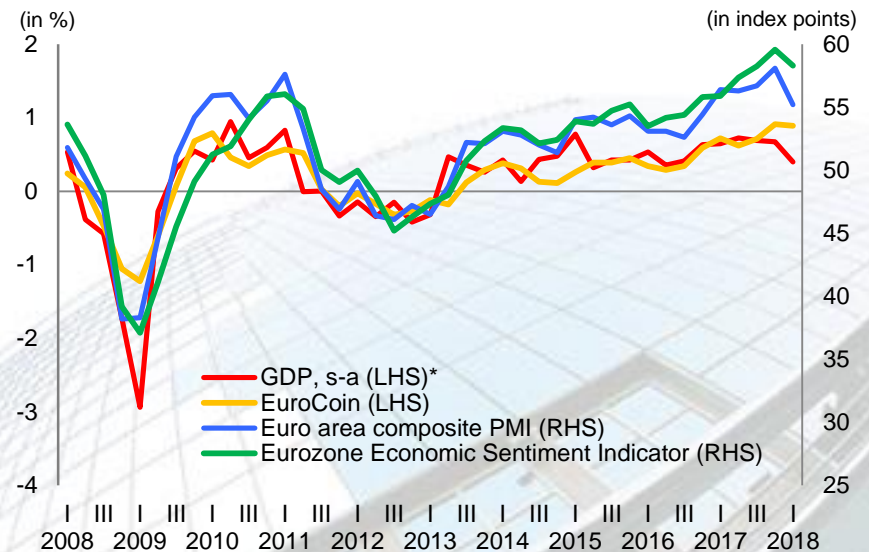
(in %)



Sources: IMF WEO Update (January 2018) and IMF WEO (April 2018).

Chart 4 Movements in GDP and economic activity indicators of the euro area

(quarterly rates)

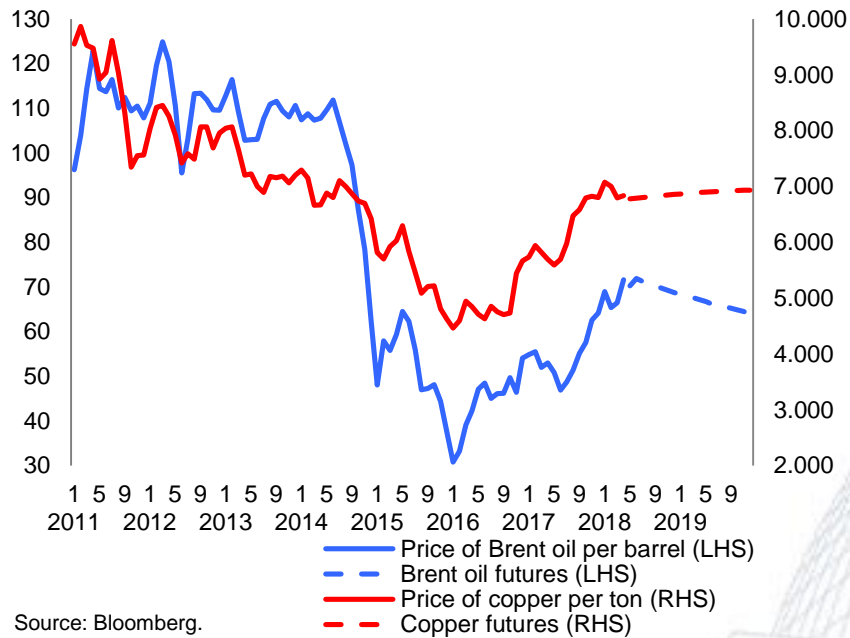


Sources: Eurostat, Markit Group, Banca d'Italia and European Commission.

* Eurostat preliminary estimate for Q1 2018.

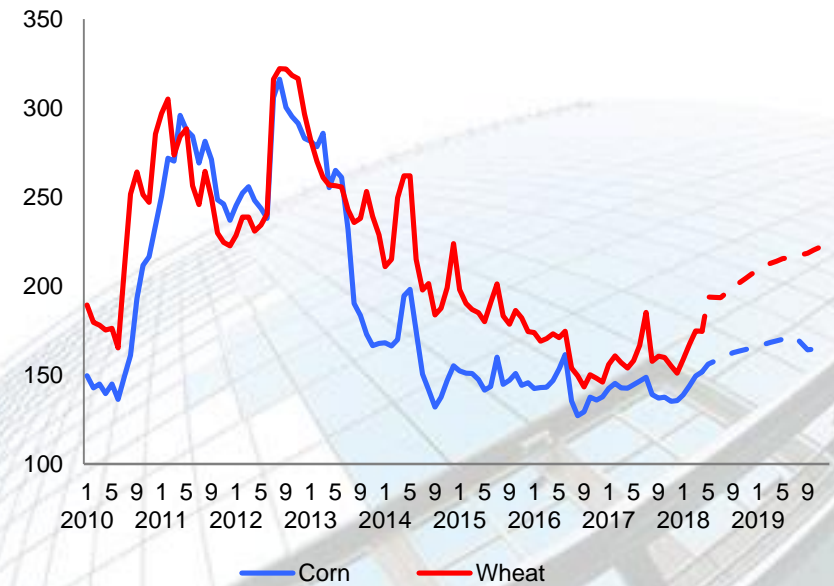
...with persistent uncertainty in the commodity and financial markets

Chart 5 **Oil and copper price movements**
(average monthly prices, in USD)



Source: Bloomberg.

Chart 6 **Prices of primary agricultural commodities and their futures**
(USD/t)



Source: CBOT - Chicago Board of Trade.

Narrowed internal and external imbalances are the best response to external challenges

Chart 7 Fiscal trends
(in % of GDP)

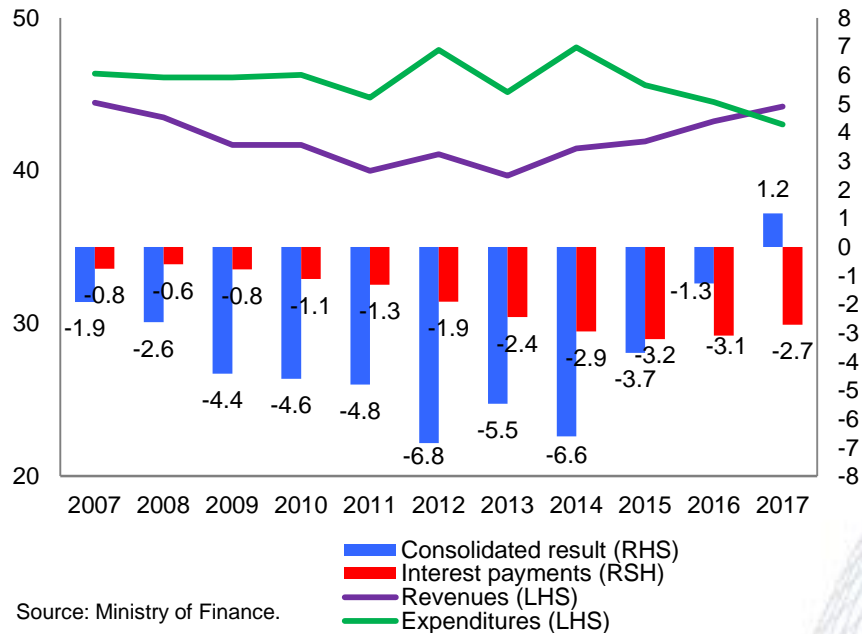
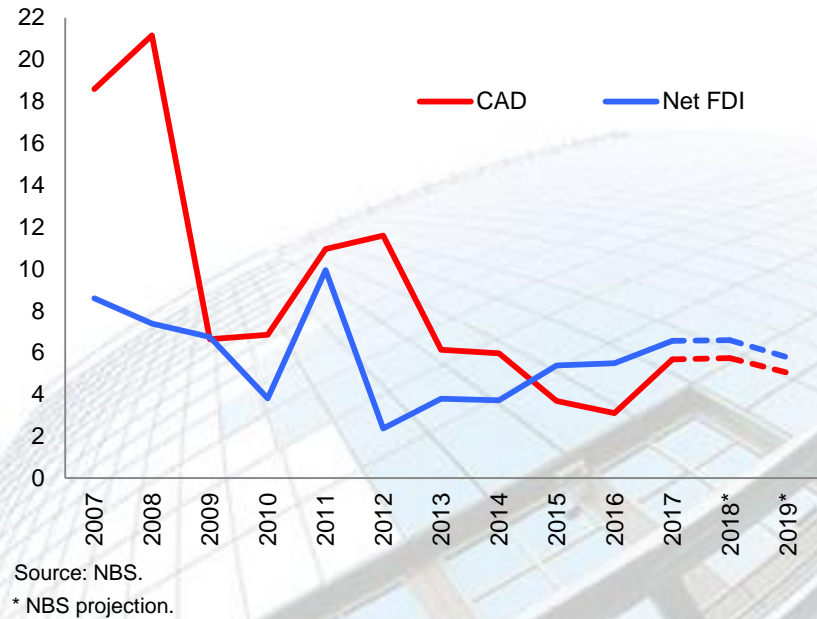


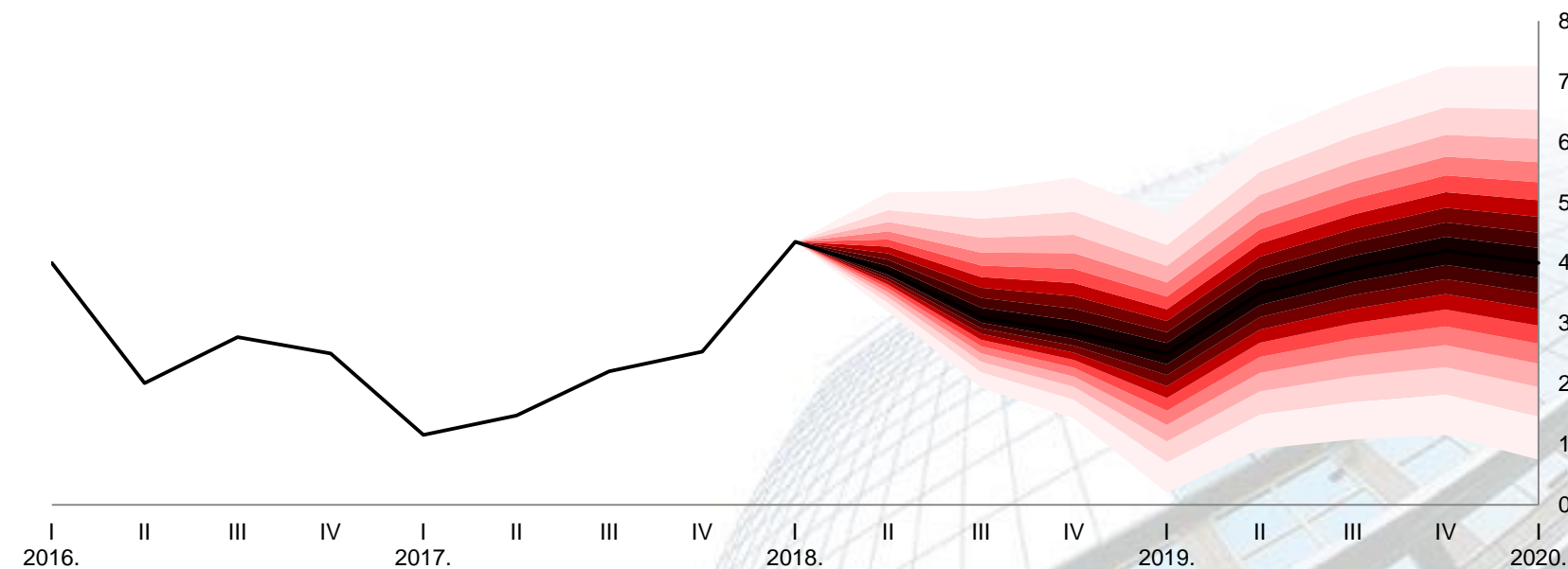
Chart 8 Current account deficit and net FDI inflow
(in % of GDP)



High and sustainable GDP growth supported by investment and exports is expected in the coming period

Chart 9 GDP growth projection

(y-o-y rates, in %)



Извор: НБС.

Inflationary pressures were additionally lowered in early 2018, as well as inflation expectations

National Bank of Serbia

Chart 10 Contribution of CPI components to y-o-y inflation (in pp)

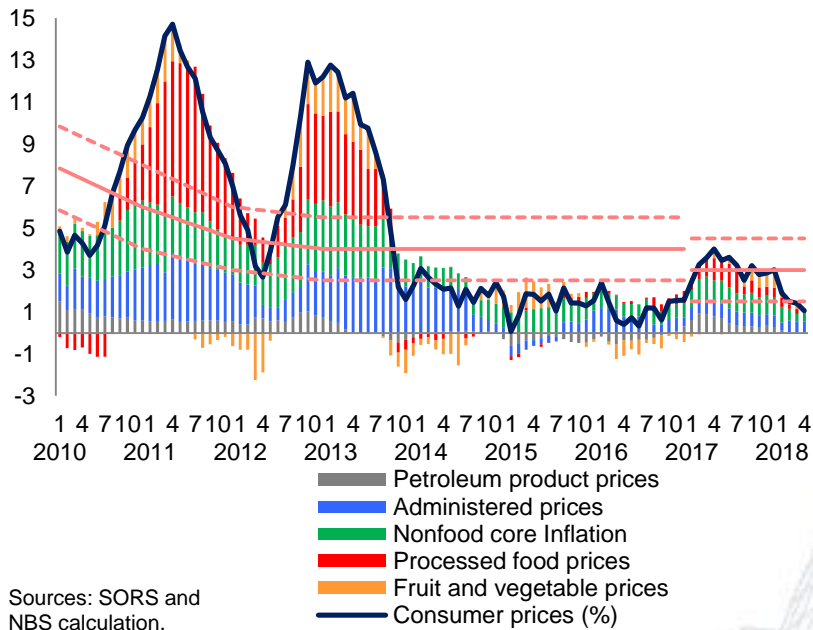
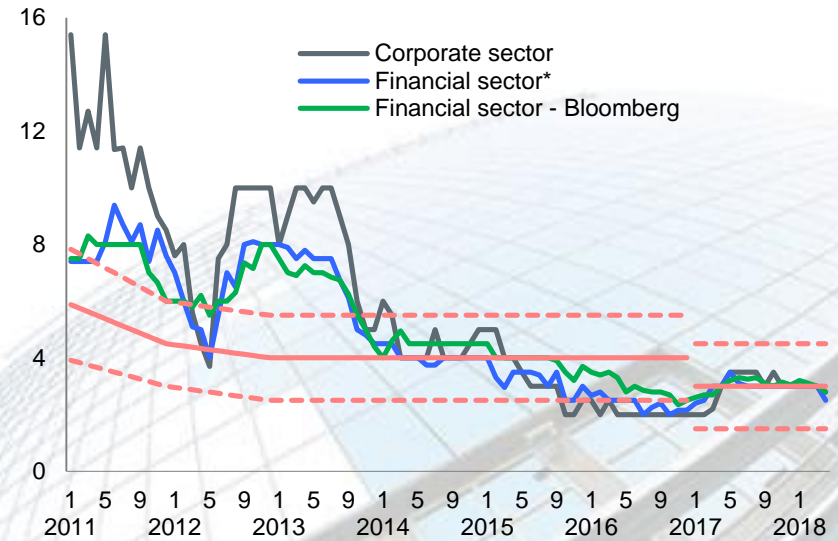


Chart 11 One-year ahead inflation expectations (y-o-y rates, in %)

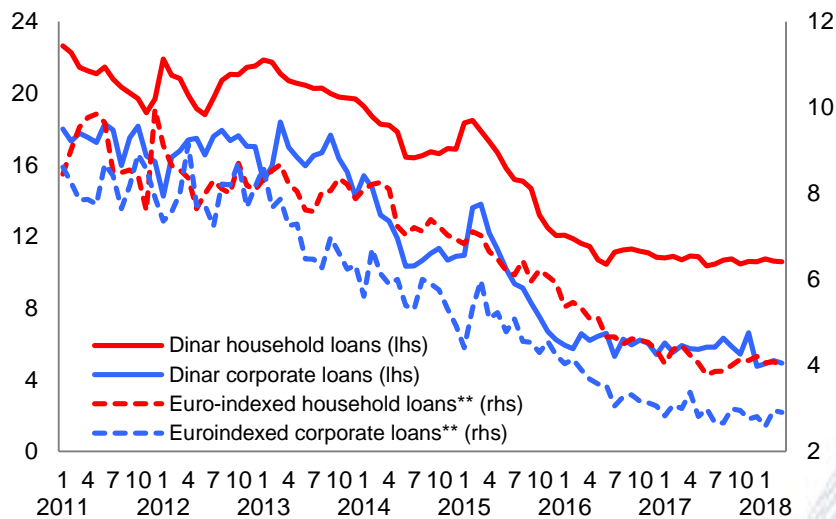


Source: Gallup, Ipsos/Ninamedia, Bloomberg and NBS.
 * Ipsos and Gallup agencies until December 2014, Ninamedia agency since December 2014, and Ipsos agency since January 2018.

Acceleration of lending and economic activity supported by monetary policy easing

Chart 12 Interest rates on new dinar and euro-indexed loans to corporates and households*

(weighted average values, p.a., in %)

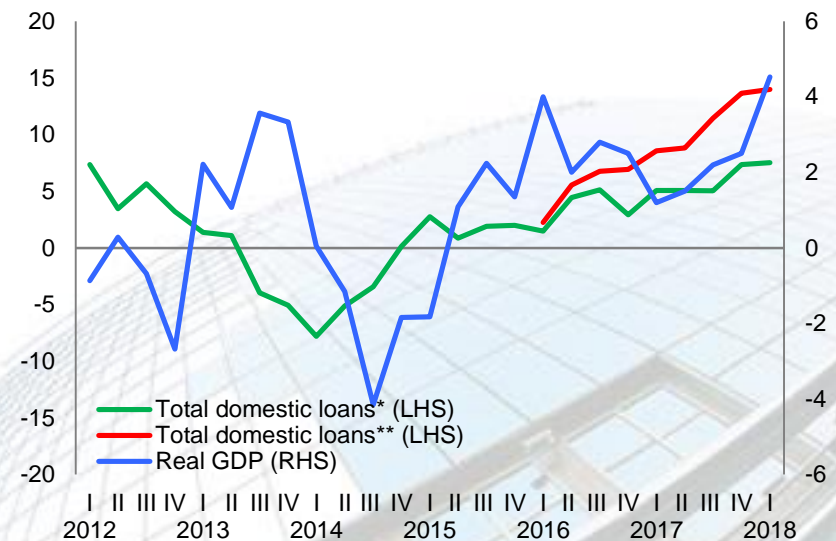


Source: NBS.

* Excluding revolving loans, current account overdrafts and credit card debt.

Chart 13 Lending activity and GDP

(y-o-y rates, in %)



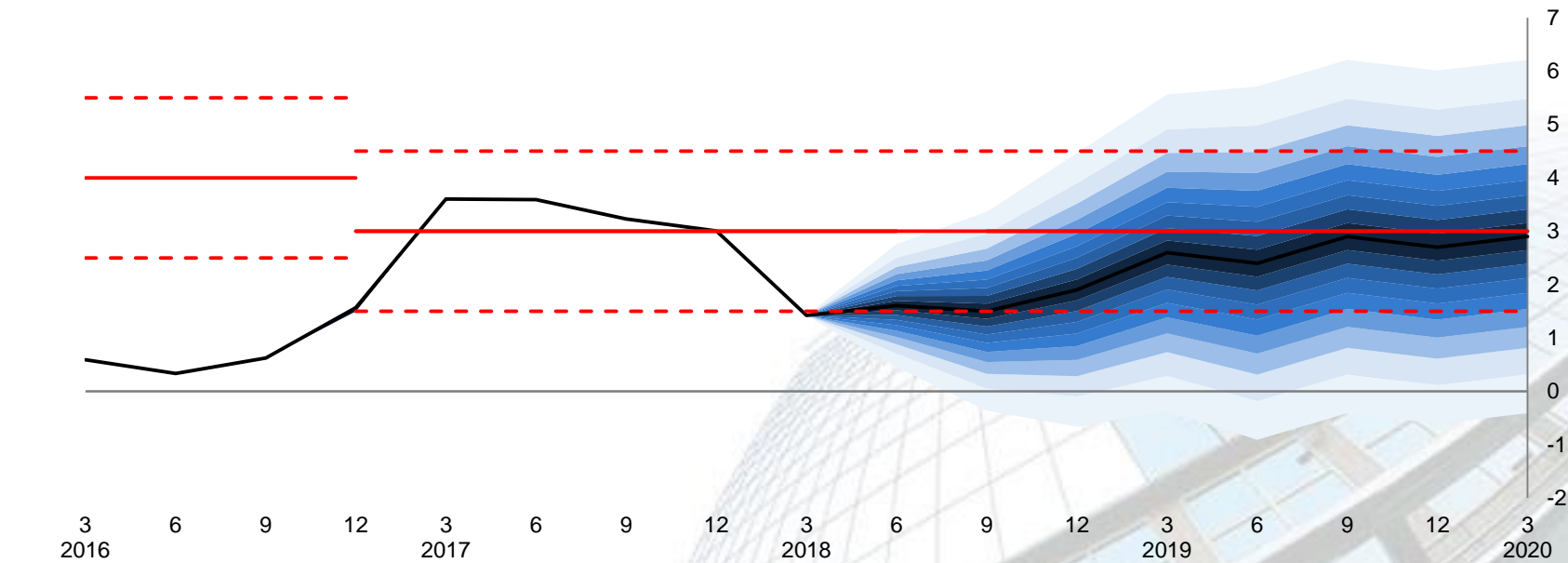
Sources: NBS and SORS.

* Excluding the exchange rate effect.

** Excluding the effect of NPL write-off in the past year.

Price stability will also be preserved in the medium term

Chart 14 Inflation projection
(y-o-y rates, in %)



Source: NBS.