National Bank of Serbia

Press release on the publication of the *Annual Financial Stability Report for 2024*

NBS publishes Annual Financial Stability Report for 2024

The *Annual Financial Stability Report* gives a comprehensive overview of the situation and developments in the financial sector. It focuses on key challenges and risks from the domestic and international environment, and the regulatory measures taken to mitigate them and to preserve and strengthen financial stability. The *Report* presents developments in the banking and non-bank sectors, as well as trends in different financial market segments. The text boxes look into the most relevant financial stability and macroprudential policy topics globally and at home.

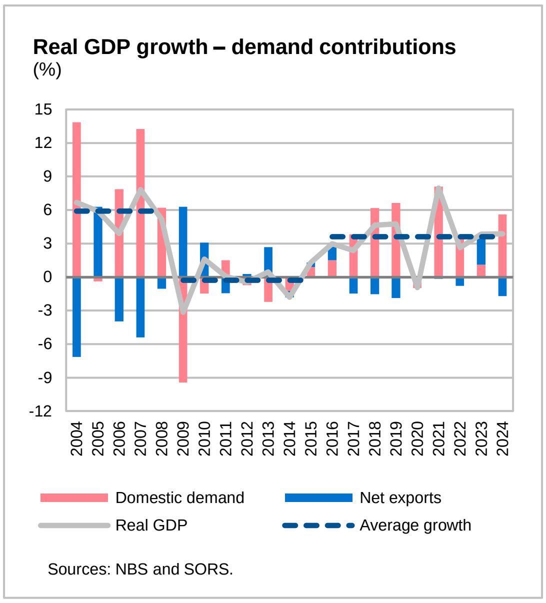
In 2024, the international environment was marked by pronounced geopolitical uncertainty, unpredictable macroeconomic developments and global market fragmentation. The global economy proved sufficiently resilient to the consequences of the multidimensional crisis, posting stable growth for most of 2024. Inflation fell from decades-high levels and gradually converged towards central banks' targets. Global growth measured 3.3% in 2024, slightly less than in 2023 (3.5%). Growth picked up slightly in advanced economies (from 1.7% in 2023 to 1.8% in 2024), and slowed somewhat in emerging economies (from 4.7% in 2023 to 4.3% in 2024).

Despite the multidimensional crisis, Serbia demonstrated extreme economic resilience, as confirmed by GDP growth which outstripped the pre-pandemic level by more than 18% at end-2024, as well as by high export growth, FDI inflow diversified by geography and sector, continued rise in private sector employment and wages, and FX reserves well exceeding reserve adequacy metrics.

- ✓ ***Macroeconomic stability has been successfully maintained and strengthened despite mounting geopolitical challenges.***

Serbia's real GDP growth measured 3.9% in 2024, receiving positive contributions from activity growth in industry, construction and service sectors. GDP is expected to grow by 3.5% in 2025. Economic activity growth in 2026 and 2027 is estimated in the range of 4.0–5.0%, possibly closer to the upper bound of the range in 2027 due to the hosting of "Expo 2027".

Economic growth in the current and the following years will be led by domestic demand, with private consumption expected to provide the highest contribution owing to employment and wage growth, as well as more favourable monetary conditions.



In 2024, Serbia became an investment-grade economy for the first time in its history. In October 2024, Standard & Poor's awarded Serbia an investment grade credit rating of BBB-. This decision is yet another confirmation of Serbia's achievements reflected in favourable and stable macroeconomic fundamentals, boosted resilience to external shocks and preserved financial stability. Attaining investment grade fulfilled one of the most important strategic objectives of the NBS and the Government of the Republic of Serbia. This achievement confirms the country's responsible economic policy pursuit, favourable macroeconomic indicators and preserved resilience to external shocks.

- ✓ ***Inflation was on a declining path in 2024, propped up by the effects of monetary policy measures and subdued imported inflation.***

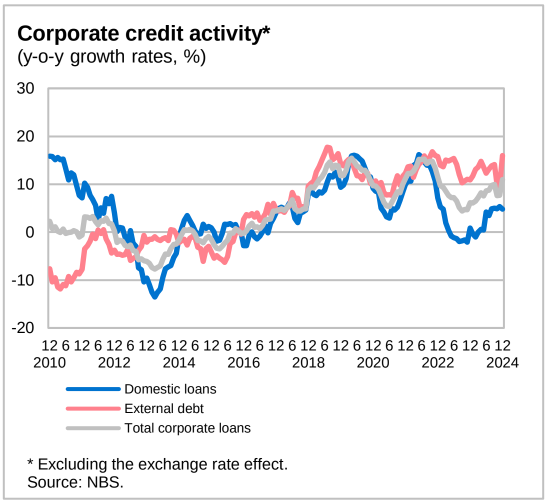
Average annual inflation in 2024 was 4.6%, and y-o-y inflation in December measured 4.3%, which is within the NBS target band of 3±1.5%. Inflation remained on a downward path in 2024 thanks primarily to slower food inflation, lower energy price growth and reduced core inflation. Since May 2024, core inflation has been higher than headline, a trend observed also in other countries in the region, including the euro area, hovering slightly above 5% y-o-y. Additionally, inflation's slowdown in 2024 was supported by the effects of monetary policy measures, subdued imported inflation, and a reduction in inflation expectations.

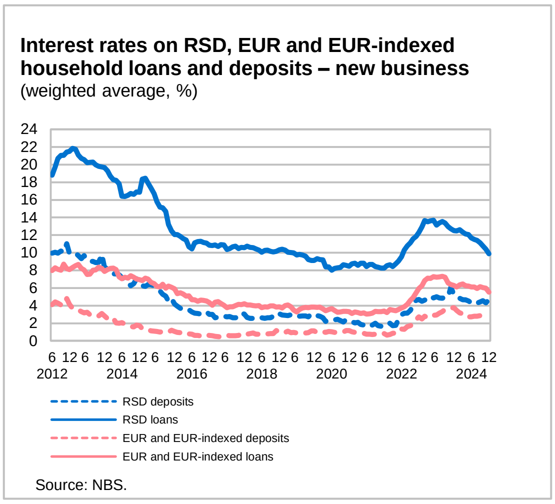
The NBS started trimming its key policy rate in view of inflation's downward trajectory established in April 2023 and its return within the target band in May 2024. During 2024, the NBS cut its key policy rate three times, by 25 bp each, bringing it down to 5.75% by the end of the year**.**

The relative stability of the dinar exchange rate against the euro was preserved in 2024, and appreciation pressures prevailed for most of the year. The dinar strengthened nominally against the euro by 0.1% in 2024, and weakened against the US dollar by 5.8%, as the dollar strengthened against the euro in the international financial market. In 2024, the NBS intervened by buying EUR 2,725 mn, net.

Domestic lending activity growth accelerated further in 2024. This was supported by the monetary policy easing of the NBS and the ECB, temporary caps on interest rates on loans, easing of banks' credit standards and reduced costs of funding. At end-2024, total domestic loans, excluding the exchange rate effect, gained 8.2% from end-2023. Loans to households contributed more (y-o-y growth of 10.4%) than corporate loans (y-o-y growth of 4.8%).

The increase in corporate loans in 2024 was led by investment loans, which suggests the strengthening of investment activity and is associated with the start of a new investment cycle. As the corporate sector preserved its loan servicing capacity, the share of NPLs declined further from end-2023 to 1.8% at end-2024.





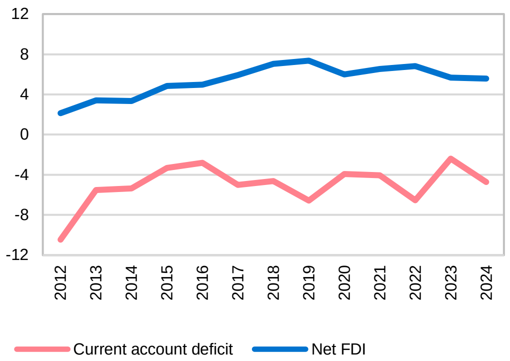
Household sector resilience was preserved thanks to favourable trends in the labour market, particularly the rise in net wages and employment, and the continued slide in the unemployment rate. An additional contribution came from the reduced cost of household borrowing from banks relative to a year earlier. In the 12 years of implementation of the Dinarisation Strategy by the NBS, resident savings in dinars rose as many as eleven times, to a then record-high of RSD 187.5 bn at end-2024, up by as much as RSD 51.0 bn from end-2023. Record-high growth in dinar savings confirms households' confidence in the stability of the domestic currency. FX resident savings also climbed to a record-high level of EUR 14.3 bn at end-2024. Measures taken by the NBS to facilitate the settlement of outstanding liabilities and access to new sources of financing to households, as well as to preserve their living standards, helped bring the share of NPLs in total household loans down to 3.4% at end-2024.

Despite global uncertainties, activity in the real estate market expanded in 2024, thanks to the resilience of the domestic economy, lower interest rates, favourable trends in the labour market and the easing of banks' credit standards. The rise in real estate prices continued, but at a more moderate pace. The use of loans to finance real estate purchases increased from a year earlier.

- ✓ ***Fiscal discipline and robust investment growth were preserved in 2024.***

The Serbian government continued to pursue an efficient and well-timed fiscal policy in 2024, contributing to the preservation of macroeconomic stability. With FDIs widely diversified by geography and sector, as well as intensive infrastructure building, the domestic economy successfully neutralised the effects of the multiyear global crisis. General government fiscal deficit amounted to RSD 191.9 bn, and its share in GDP declined to 2.0%. The trend of decline in the share of public debt in GDP continued. Central government public debt thus came at 47.2% of GDP at end-2024 and declined further to 44.0% of GDP in May 2025, confirming robust fiscal discipline.

Current account deficit and FDIs
(% of GDP)



Source: NBS.

External debt increased at end-2024 relative to end-2023 as a result of both public and private sector borrowing. The current account deficit widened to 4.7% of GDP in 2024, from a record low of 2.4% of GDP in 2023, as imports of goods and services rose faster than exports. Robust import growth (8.4%) slightly exceeded export growth (8.0%), reflecting investment cycle acceleration, particularly as part of the "Serbia Expo 2027" project, and higher disposable income of households. FDIs totalled a record-high of EUR 5.2 bn, fully covering the current account deficit for the tenth year in a row, which is an important pillar of the country's macroeconomic stability.

The successful completion of the stand-by arrangement with the IMF and the approval of a new three-year Policy Coordination Instrument intended for countries which pursue a credible economic policy further confirmed the high level of the domestic economy's resilience and commitment to reforms.

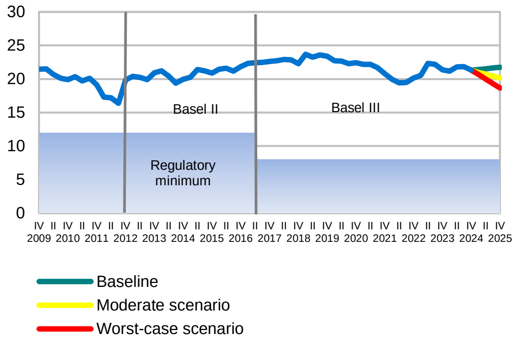
✓ ***High capital adequacy and liquidity of the Serbian banking sector are a key pillar of financial stability.***

Serbia's banking sector, accounting for around 91% of financial sector assets, remained stable in 2024 due to good capitalization, and robust liquidity and profitability indicators. Banking sector capitalisation at end-2024 was well above the prescribed minimums and the regional average. The liquidity of Serbia's banking sector was very high in 2024 as well, with liquidity ratios significantly topping the prescribed minimums.

Serbia's banking sector recorded a positive financial result in 2024, with ROA of 2.8% and ROE of 20.3%, mostly as a result of lending activity growth amid globally elevated interest rates.

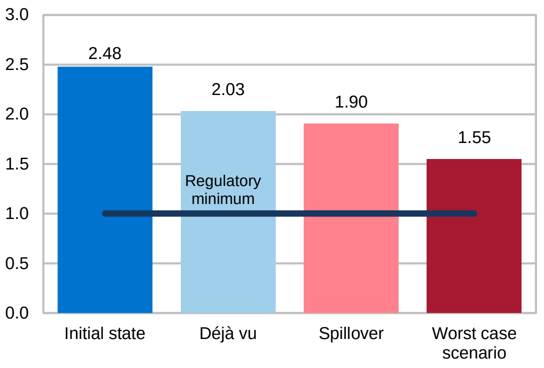
The results of the conducted macroprudential solvency and liquidity stress tests confirmed the resilience of the Serbian banking sector and the fact that it has sufficient capacities to mitigate the consequences of the financial risks to which it may be exposed, even in case of the most adverse developments and heightened geopolitical uncertainty.

CAR by stress scenario*
(%)



* NBS estimate.
Source: NBS.

Liquidity ratio for the banking sector by stress scenario*



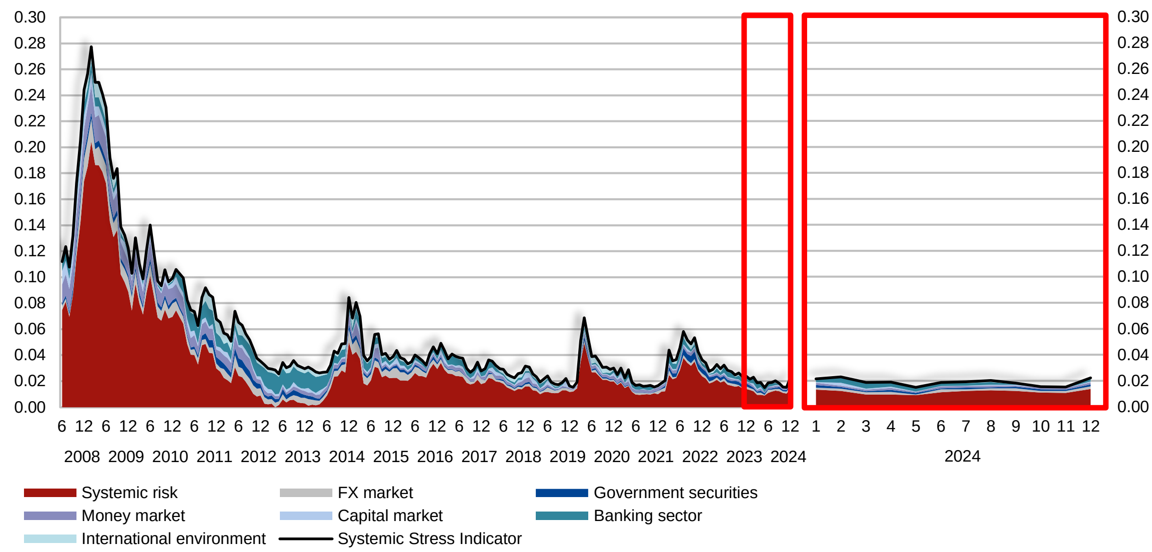
* NBS estimate.
Source: NBS.

The share of NPLs in total loans continued down to a new historical low of 2.3% in April 2025, confirming that higher costs of loan repayment in the prior period did not worsen the quality of banks' assets and that the NBS's measures, taken to support corporates and households, were well-timed and adequate. Financial stability was preserved and strengthened despite all the challenges in the prior period.

In March 2025, the Law on Amendments and Supplements to the Law on Banks was adopted, further enhancing the regulatory and supervisory framework for banks operating in Serbia. Among other things, these amendments upgraded the legal framework for bank resolution and envisaged the setting up of the Bank Resolution Fund, reducing the risk of using taxpayers' money for these purposes and thereby contributing to banking sector stability.

The stability of the non-bank sector was preserved as well in 2024, with positive trends recorded by key performance indicators. The insurance sector is solvent and profitable, with total assets, technical provisions, capital and premium recording growth. The return on investment of VPF assets went up, encouraging a substantial rise in net VPF assets. The financial leasing sector continued to post positive results. The sector's balance sheet assets increased further and their quality was preserved. The Law on Amendments and Supplements to the Law on Payment Services was adopted, encouraging further innovation in the market and ensuring greater competition and transparency in the area of payment services provision, as well as enhanced consumer protection and payment security.

Systemic Stress Indicator dynamics



Source: NBS.

The systemic stress indicator for 2024 suggests a period of low risk, with a low and stable systemic component. The average value of this indicator for 2024 was lower than in 2023. The low value of the systemic stress indicator implies that domestic financial markets continued to contribute to the preservation and strengthening of overall financial system stability even amid heightened global uncertainty.

- ✓ ***Serbia became a member of the SEPA area in May 2025.***

By joining the SEPA area in May 2025, the Republic of Serbia made an important step towards economic and financial integration with the EU. This will produce concrete benefits in the form of faster and cheaper payments, encouraging modernisation through digitalisation, spread of electronic commerce and improved consumer protection. SEPA is therefore not only a technical platform, but also a symbol of Serbia's integration in modern European economic flows.

- ✓ ***The NBS continued to take measures and decisions aimed at mitigating the consequences of the multidimensional global crisis and strengthening the financial system's resilience, in order to preserve and strengthen financial stability.***

In 2024, the NBS, in coordination with the Serbian government, continued to develop and implement the activities and measures coming within its remit to preserve and further strengthen financial system stability amid heightened geopolitical uncertainty, high costs of loan repayment and global growth slowdown.

The Decision on Temporary Measures for Banks Relating to Natural Persons' Housing Loans introduced temporary caps on housing loan interest rates in 2024. After this decision ceased to be valid, in December 2024 the NBS adopted the Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers, ensuring a gradual switch to a market interest rate. This measure was temporary as well and continued to apply until the adoption of the new Law on the Protection of Financial Service Consumers in March 2025. This law systemically regulated interest rate caps on all credit products for the purpose of protecting the interests of financial service consumers, maintaining households' living standards, and preserving and strengthening financial system stability.

In late 2024, the NBS set up the regulatory framework for implementing the government housing loans programme for young people. This programme provides incentives both for the borrowers (the loan-to-mortgage ratio can be up to 99%, which means that the customer's down payment may equal 1%) and for the banks, as they can calculate a lower risk weight for the housing loans included in the programme.

The NBS will continue to implement well-timed and targeted measures in order to protect the interests of financial service consumers and maintain households' living standards, while at the same time preserving and strengthening financial system stability.