



National Bank of Serbia

2026
February

INFLATION REPORT

Introductory note

The Agreement on Inflation Targeting between the Government of the Republic of Serbia and the National Bank of Serbia, effective as of 1 January 2009, marks a formal switch of the National Bank of Serbia to inflation targeting as a monetary policy regime. The main principles and operation of the new regime are defined by the Memorandum on Inflation Targeting as a Monetary Strategy.

Since one of the underlying principles of inflation targeting is strengthening the transparency of monetary policy and improving the efficiency of communication with the public, the National Bank of Serbia prepares and publishes quarterly *Inflation Reports* as its main communication tool. The *Inflation Report* provides key economic facts and figures that shape the Executive Board's decisions and underpin activities of the National Bank of Serbia.

The *Inflation Report* aims to cover information on the current and expected inflation movements and to provide an analysis of underlying macroeconomic developments. It also seeks to explain the reasoning behind the Executive Board's decisions and to provide an assessment of monetary policy effectiveness during the previous quarter. Also integral to this *Report* are the inflation projection for eight quarters ahead, assumptions on which the projection is based and an analysis of key risks to achieving the target.

The information contained in this *Report* will help raise public understanding of monetary policy implemented by the central bank and awareness of its commitment to achieving the inflation target. It will also play a role in containing inflation expectations, as well as in achieving and maintaining price stability, which is the main statutory task of the National Bank of Serbia.

The February *Inflation Report* was considered and adopted by the NBS Executive Board at its meeting of 12 February 2026.

Earlier issues of the *Inflation Report* are available on the National Bank of Serbia's website (<http://www.nbs.rs>).

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ABBREVIATIONS

bp – basis point
CPI – Consumer Price Index
EBRD – European Bank for Reconstruction and Development
ECB – European Central Bank
EIB – European Investment Bank
EMBI – Emerging Markets Bond Index
EU – European Union
FAO – UN Food and Agriculture Organization
FDI – foreign direct investment
Fed – Federal Reserve System
FOMC – Federal Open Market Committee
GDP – gross domestic product
GVA – gross value added
H – half-year
IFEM – Interbank Foreign Exchange Market
IMF – International Monetary Fund
LHS – left hand scale
mn – million
NAVA – non-agricultural value added
NPL – non-performing loan
OFO – other financial organisation
OPEC – Organization of the Petroleum Exporting Countries
pp – percentage point
Q – quarter
q-o-q – quarter-on-quarter
RHS – right hand scale
RMCP – real marginal cost of processed food production
s-a – seasonally-adjusted
SDR – Special Drawing Right
SORS – Statistical Office of the Republic of Serbia
y-o-y – year-on-year

Other generally accepted abbreviations are not cited.

Macroeconomic projections presented in the *Report* were concluded on 30 January.

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I Overview

Despite persistent global uncertainty stemming from trade and geopolitical tensions, the world economy continued to exhibit a significant degree of resilience. Relatively balanced global economic growth is expected this and the following year, despite the diverging underlying factors.

According to the IMF's estimate, global inflation will continue to slow down by the same dynamics as anticipated in the October projection – averaging 3.8% in this, and 3.4% in the following year.

Global commodity and financial market trends are still affected by trade policies of leading world economies and geopolitical developments.

In the period since the last Inflation Report, the NBS Executive Board did not change the key policy rate, keeping it at 5.75%.

According to the IMF's January estimate, **global economic growth** will amount to 3.3% this year, the same figure that was estimated for 2025, and slightly higher than anticipated in the October projection. A similar figure, 3.2%, is projected for 2027. The negative effects of trade tensions are moderated by increased investments in technology, larger than expected fiscal stimuli in some countries, eased financial conditions and better adaptability of the private sector to trade barriers. For the euro area, the IMF projects relatively balanced economic growth of close to 1.4% in this and the following year, the same turnout as in 2025. Risks to the projection of global economic growth remain tilted downward pertaining mainly to the persistent uncertainty due to geopolitical and trade tensions, lower than expected AI productivity gains, which could drag down investments and trigger sizeable adjustments in financial asset prices, as well as increased fiscal vulnerability in some countries and a potential rise in borrowing costs on that account.

Global inflation is projected to slow down further, while taking more time to return to the target in the USA than in other countries, due to the pass-through effect of the imposed tariffs. Speaking of monetary policy decisions of leading central banks, Fed's projections published after the December meeting indicate that continued lowering of the federal funds rate range could be expected this year, while the ECB will probably keep the current levels of its key interest rates for quite some time, as inflation is projected to hover around the 2% target in the coming period.

Indicators of **uncertainty in the international financial market** in Q4 were mostly on a declining path, but spiked in January, over the announcement of higher tariff rates for eight European countries due to the tightening of geopolitical tensions between the USA and the EU regarding the status of Greenland. The global oil price was also on a downward trajectory at end-2025 due to the supply significantly outstripping the demand, as well as prices of most other primary commodities, including agricultural produce. Nevertheless, due to the tightening of geopolitical tensions early this year, the prices of most energy and primary commodities went up, and volatility in the international precious metals market also soared considerably.

In making **monetary policy decisions**, the NBS Executive Board took into account that the slowing of y-o-y inflation to below the target midpoint since September 2025 largely reflected the capping of trade margins on food products, but that the adoption of systemic laws preventing unfair trade practices, hand in hand with a cautious monetary policy, will contribute to inflation's moving within the target bounds in the medium term. The NBS Executive Board also considered the still heightened geopolitical and trade tensions among the leading world economies, which may affect primary commodity prices, supply chains and

Reflecting more favourable terms of borrowing, y-o-y growth of lending to the non-monetary sector sped up to 15.4% in December.

On the fiscal front, 2025 saw a lower than projected fiscal deficit and a declining public debt-to-GDP ratio.

The share of the current account deficit in GDP in 2025 was in line with our previous projection and amounted to 4.8%, slightly higher than in 2024, when it stood at 4.5%.

capital flows toward emerging economies, including Serbia. The Executive Board also indicates that economic growth has been supported by the maintained relative stability of the exchange rate and the ensured more favourable terms of credit financing, which resulted in a further pick-up in lending to the non-monetary sector.

Private sector's borrowing terms in dinars were further eased during the last quarter of 2025, while the price of borrowing in euros was almost unchanged, probably reflecting market participants' assessments that the ECB's monetary policy accommodation is over. Interest rates on dinar cash household loans dropped to their historical minimum of 8.2% in December, which was prompted by more favourable lending to households with monthly incomes of up to RSD 100,000, consistent with the NBS's supervisory expectations. **Y-o-y lending growth** picked up to 15.4% in December, as corporate lending sped up to 11.3%, mostly on the back of working capital and investment loans, and household lending to 19.5%, reflecting robust growth of cash and household loans. Growth in lending, with the preserved quality of bank assets, pushed the share of NPLs in total loans to a new minimum of 2.11% in December. Taking into account the guidelines and recommendations of the European Systemic Risk Board, the NBS Executive Board made a decision at the December meeting to raise the countercyclical capital buffer rate to 0.5% of risk-weighted assets, mandating its application by banks as of 15 December this year. In this way the NBS acts proactively, aiming to reinforce financial stability, especially amid heightened global uncertainty, given that an additional buffer of Common Equity Tier I capital is created during credit growth cycles, which can be released should the systemic risks materialise.

The government sector deficit measured 2.4% of GDP in 2025, lower than planned (3%), with the primary budget deficit equalling 0.8% of GDP. More favourable than expected trends reflect lower expenditures for the purchase of goods and services, interest repayment expenses and capital expenditure, as well as higher revenue from income and profit tax and excises. At end-2025, **the public sector debt share in GDP** was 44.8%, down by 2.1 pp compared to end-2024. Despite the projected fiscal deficit of around 3% of GDP this and the following year, we expect the declining trajectory of the share of public debt in gross domestic product to continue, ensuring the sustainability of public finances. This will also be supported by the anticipated gradual reduction in the fiscal deficit in the medium term, together with the start of the application of the general fiscal rules in 2029.

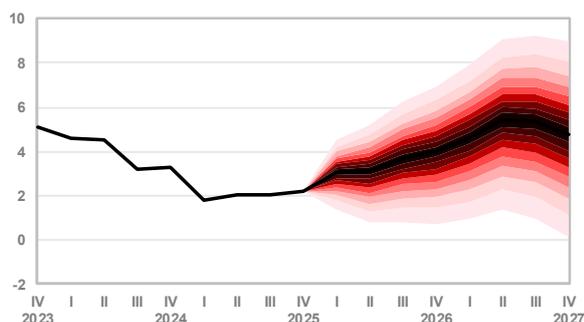
Despite still subdued external demand, goods exports in 2025 increased by 8.7%, driven by higher manufacturing exports, with 19 out of 23 branches recording growth, the strongest contribution coming from branches associated with the automotive industry. At the same time, goods imports grew somewhat more slowly than exports, at a rate of 6.3%, reflecting higher imports across all three categories – intermediate goods, consumer goods and equipment. A higher **current account deficit** compared with the previous year was primarily the result of a

Depreciation pressures prevailed during the last quarter of 2025 and early this year, with the NBS intervening in the FX market mainly on the sale side. Despite this, the country’s FX reserves were at a record high and well above adequacy standards.

According to the SORS estimate, real GDP growth amounted to 2.0% in 2025, almost fully in line with our November projection.

We project GDP growth at 3.5% in 2026 and its acceleration to around 5% in 2027, owing to the hosting of the specialised international exhibition “Expo”.

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



reduction in the surplus on trade in services, largely due to elevated net imports of tourism services, while exports of information and communication services continued to record double-digit growth rates. The largest inflow on the financial account came from FDI worth EUR 3.5 bn at year-level. Owing to increased residents’ investment abroad, the net inflow on this account amounted to EUR 2.3 bn.

During the last quarter of 2025 and early this year, depreciation pressures prevailed in the FX market, influenced not only by seasonal factors, such as energy imports and dividend payments by certain foreign-owned companies, but also by uncertainty related to the sanctions imposed on Naftna industrija Srbije (NIS). In nominal terms, the value of the dinar against the euro at end-December was 0.1% lower than at end-September and 0.2% lower than at end-2024. To maintain the relative stability of the dinar exchange rate against the euro, the NBS sold EUR 580 mn net in 2025, which was the first net annual sale since 2020. Nonetheless, the **country’s FX reserves** remained at a record high and at end-January this year amounted to EUR 29.4 bn, supported by the rise in the price of gold and the increase in its quantity in FX reserves.

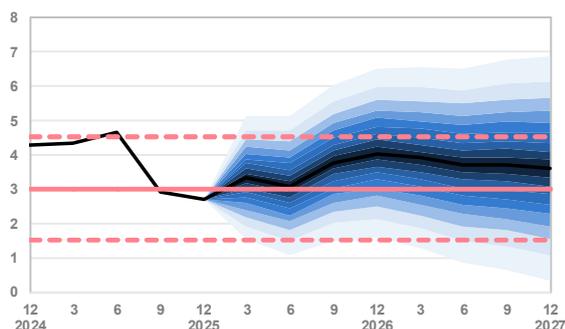
Prolonged global uncertainty, rising protectionism and pronounced geopolitical tensions, together with domestic social and political developments, caused **economic growth in 2025** to slow to 2.0%. Instead of accelerating more robustly in Q4, economic activity maintained a growth dynamic (2.2% y-o-y) similar to that in the earlier part of the year due to the enforcement of US sanctions on NIS in October and the consequent reduction in output across the manufacturing sector. At year-level, economic growth in 2025 was driven by the services sectors, followed by industry, primarily owing to increased production capacity in the automotive industry. A decline in activity was recorded in construction and, to a lesser extent, in agriculture, due to unfavourable weather conditions for the production of autumn crops and fruit.

We expect **GDP growth to accelerate to 3.5%** this year. It will be driven by domestic demand, with both consumption and fixed investment making a positive contribution. Consumption growth will be supported by higher disposable income resulting from wage and pension increases, as well as more favourable lending conditions, while the implementation of infrastructure projects planned under the “Leap into the Future – Serbia Expo 2027” programme will prop up investment growth. As imports are projected to grow faster than exports amid still subdued external demand and rising investment and disposable income, we expect net exports to make a negative contribution. A positive development is the preliminary agreement on the acquisition of a majority stake in NIS by the Hungarian company MOL, which should ensure the continuation of oil-industry production and reduce uncertainty regarding energy supply. We project GDP growth of around 5% in 2027, with the acceleration relative to 2026 driven by higher exports of

Y-o-y inflation in Q4 2025 continued to move slightly below the target midpoint of 3%.

Our new inflation projection is similar to that in November – we expect y-o-y inflation to remain around the target midpoint until September this year, and then, owing to the low base effect, primarily in food prices, to amount to around 4% at the end of this year and remain around that level during 2027.

*Inflation projection
(y-o-y rates, in %)*



The NBS will continue to pursue a cautious monetary policy, taking into account movements in all key economic indicators at home and abroad.

services as a result of hosting the specialised international exhibition “Expo”.

In line with our projection from the November *Inflation Report*, **y-o-y inflation** in Q4 2025 moved slightly below the target midpoint of 3%, falling to 2.7% in December. This inflation path was primarily influenced by food prices, which recorded negative y-o-y growth rates, largely reflecting the application of the government Decree on Special Conditions for Trade in Certain Types of Goods. Energy prices worked in the opposite direction, mainly due to the electricity price hike in October. Core inflation continued to move around 4% y-o-y, with around three-quarters of contribution coming from services prices.

According to our new central projection, **y-o-y inflation** will move around the target midpoint until September this year. Throughout the remainder of 2026 and in the medium term, it should continue to move within the target band of 3±1.5%, while the low base from September last year, resulting from the implementation of the Decree capping wholesale and retail trade margins at 20%, will cause end-2026 inflation to be around 4%. The expected expiry of the Decree will influence the inflation path. The adoption of an adequate legal framework to improve market regulation and prevent unfair trade practices should help ensure that trade margins do not return to pre-Decree levels. Wage growth, and the resulting increase in disposable income for consumption, should boost demand, but we do not expect any major inflationary pressures on these grounds either. Moreover, wage growth will largely be accompanied by productivity growth, so we do not anticipate significant inflationary pressures from labour costs either. On the other hand, we expect cost-push pressures from the international environment to remain low, and we assume that the new agricultural season will be better than last year’s, contributing to greater supply of unprocessed food. In 2027, we expect additional growth in demand owing to the hosting of “Expo”, and therefore project average inflation at 3.8%.

The NBS will continue to monitor inflation and its key underlying factors in the domestic and international environment and make **future monetary policy decisions** on a meeting-to-meeting basis. Delivering price and financial stability in the medium term will remain the monetary policy priority, including support to further economic growth and development, a rise in employment and the preservation of a favourable investment environment.

II Monetary policy since the November Report

In the period since the November Report, the NBS Executive Board has kept the key policy rate unchanged at 5.75%. In making its decision, the Executive Board took into account that the slowdown in y-o-y inflation since September to a level below the target midpoint is largely a result of the cap on trade margins, while the adoption of systemic laws aimed at preventing unfair trading practices will contribute to inflation moving within the target band over the medium term. The Executive Board also took into consideration that pronounced geopolitical and trade tensions among leading global economies remain present, which might reflect on the prices of primary commodities, supply chains and capital flows towards emerging markets, Serbia included.

The Executive Board underlines that the expected acceleration of economic growth is supported by the maintained macroeconomic stability and relative stability of the exchange rate and ensured more favourable credit financing conditions, which have resulted in a double-digit y-o-y rise in lending to corporates and households.

Rationale for December 2025 and January 2026 decisions

At its last meeting in 2025 and first meeting in 2026, the NBS Executive Board kept the key policy rate unchanged at 5.75%. The key policy rate has stood at that level since September 2024, when it was cut for the third time by 25 bp in the current cycle of monetary policy easing, which started in June 2024.

The basis for the Executive Board's decision in this period was the **November medium-term inflation projection**, which anticipated that y-o-y inflation would move around the target midpoint at end-2025 and in early 2026, owing to the Government Decree on Special Conditions for Trade in Certain Types of Goods, which limits wholesale and retail margins until March this year. Y-o-y inflation was expected to continue to move within the target tolerance band (3.0±1.5%) in the remainder of 2026, as well as over the medium term, with the low base from September 2025 pushing inflation to around 4% towards the end of 2026. In addition to the effects of the Decree and the adoption of an appropriate legal framework aimed at improving market regulation and preventing unfair trading practices in order to preserve price stability, further easing of cost-push pressures from the international environment will also contribute to inflation remaining within the target band. The onset of a new agricultural season should also produce disinflationary effects, provided the season proves better than the previous one, leading to lower prices of fruit and vegetables. Wage growth and therefore higher disposable income for consumption should act in the opposite direction. Nevertheless, no major inflationary pressures are

expected on this account either, as wage growth will largely be accompanied by productivity growth.

As expected by the Executive Board, **y-o-y inflation** in Q4 2025 moved slightly below the target midpoint (3%), declining to 2.7% in December. This was largely driven by the above-mentioned Decree, which limits wholesale and retail margins to 20%. The prices of food and non-alcoholic beverages have been decreasing on this account since September, and recorded a 0.9% y-o-y decline in December. **Core inflation** (CPI excluding food, energy, alcohol and cigarettes) moved around 4.0% y-o-y in Q4, the same as in December. Around three quarters of the realised increase in core inflation stemmed from the prices of services, which accelerated their y-o-y growth during Q4 due to an increase in real disposable income, while the prices of products within core inflation slightly slowed their y-o-y growth.

When deciding on monetary policy, the Executive Board also took into account that short- and medium-term **inflation expectations** of the financial sector continued to move within the target band in Q4, where they have been since early 2024, albeit above the target midpoint. One-year ahead inflation expectations of corporates increased temporarily in November, only to return to 5.0% in December, i.e. to the level recorded in the major part of the previous year, with expectations for two and three years ahead also at that level.

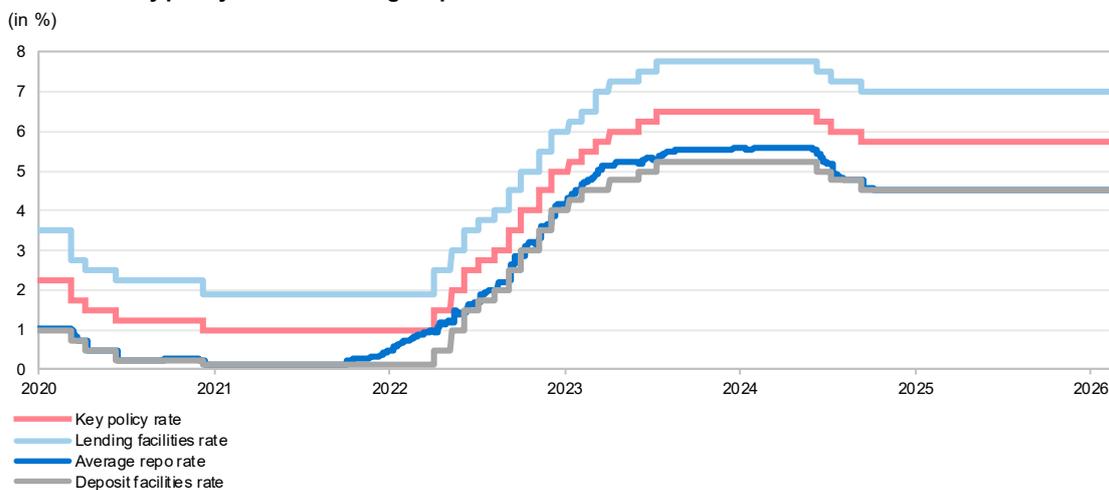
When assessing developments in the **real sector**, the Executive Board considered that global uncertainty and geopolitical tensions, along with socio-political developments at home weighed on Serbia's

economic growth in 2025, resulting in lower investment and consumption growth than expected early in the year. According to preliminary SORS data, real GDP growth in 2025 stood at 2.0%, which is almost fully consistent with the NBS November projection. Growth was driven by service sectors, as well as industry, despite disruptions in petroleum products production since October, primarily owing to increased production capacities in the automotive industry, which also resulted in acceleration of manufacturing exports growth. A decline was recorded in construction and, to a lesser extent, in agriculture. The rise in disposable income was driven primarily by **real growth in average wages**, followed by **pension increase**, including **more favourable credit financing conditions** and **double-digit growth in bank lending activity**, which reached 14% and 15.4% in November and December 2025, respectively. In addition to the effects of past monetary policy easing by the NBS and the ECB, strong growth in lending also reflects the easing of credit standards, increased loan demand by corporates and households, as well as the NBS and government measures enabling lending to young first-time home buyers and low-income citizens, and measures limiting interest rates for certain types of household loans, in line with the Law on the Protection of Financial Service Consumers. The Executive Board highlighted that GDP growth is expected to accelerate in 2026 and 2027, with positive contributions from both consumption and fixed investments, driven by the implementation of investments planned under the “Leap into the Future – Serbia Expo 2027” programme. In 2027, a positive contribution is also expected from net exports due to the hosting of the specialised “Expo” exhibition.

In its monetary policy decision-making, the Executive Board paid particular attention to

international developments, emphasizing the need for a continued cautious monetary policy stance, as **global uncertainty**, though lower than in H1, remained heightened in H2 2025. This is best illustrated by the **elevated demand for gold as a safe-haven asset**, its price hitting record highs in late 2025 and early 2026. **Geopolitical tensions** continue to pose an upside risk to **energy prices**. Although global crude oil inventories are increasing and suggest that a lower crude oil price in 2026 will be required to balance robust supply with solid demand (in order to slow the growth of non-OPEC supply), a cautious monetary policy stance remains necessary due to potential volatility in the global market arising from the persistently pronounced geopolitical tensions and heightened political instability in Iran and Venezuela, which are significant global oil producers. As regards the domestic oil and petroleum products market, conditions were stable. However, the NBS’s cautious and proactive approach in the FX market was still mandated, including exchange operations, bearing in mind a temporary but strong surge in demand for euros stemming from concerns among corporates and households that the US sanctions on NIS, imposed because of its majority Russian ownership, could lead to market disruptions and a crisis of broader proportions. Monetary policy caution was also warranted with respect to **food prices** due to the weak agricultural season last year, caused by adverse weather, and the still present effects of earlier increases in the prices of **certain food commodities in global exchanges** (cocoa and coffee). However, these effects are expected to dissipate, as the outlook for this year’s cocoa and coffee harvest has improved owing to favourable weather conditions in leading global producers.

Chart II.0.1 Key policy rate and average repo rate



Source: NBS.

In considering **external demand**, the Executive Board had in mind that the global economy is facing the risk of below-average growth in the period ahead. Despite eased tariff-related tensions and downward inflation, future trade and investment flows remain uncertain, while heightened geopolitical risks continue to weigh on global growth prospects. The global economy has undoubtedly experienced a slowdown since the pandemic and, should current projections materialise, the World Bank notes that this decade is likely to be marked by the weakest global economic growth since the 1960s. Although global trends pose challenges, Serbia has in recent years been working on diversifying its export supply, expanding the range of products and services placed in foreign markets. This diversification contributes to the resilience of Serbia's exports, reducing reliance on a limited number of markets or products and increasing the likelihood of stable export revenue growth even in conditions of subdued global economic activity.

In the **euro area**, our key trade partner, **y-o-y inflation** declined to the 2% target at end-2025, primarily owing to lower energy prices, as well as a mild slowdown in the growth of prices of services and industrial goods. The ECB's December inflation projection signals a further expected decline in inflation to 1.9% and 1.8% in this and the next year, respectively. The ECB expects moderate wage growth to continue this year, before stabilising at around 3%, alongside productivity growth of slightly below 1%. Meanwhile, euro area **economic activity** has proven more resilient than previously assessed, leading the ECB to revise up again its 2025 and 2026 growth projection in December by 0.2 pp relative to September to 1.4% and 1.2%, respectively. Domestic demand will continue to be the main driver of euro area economic growth, supported by rising real wages and higher employment, in an environment of a stable labour market with a record-low unemployment rate. The euro area economy is expected to be further supported by additional government spending on infrastructure and defence, particularly in Germany, as well as by improved financing conditions following the reduction in interest rates since June 2024. Exports are expected to recover in 2026, although challenges related to competitiveness, including structural factors, persist.

After cutting its key interest rates in June, the **ECB** did not proceed with monetary easing, and it appears that this process is nearing completion, particularly in view of assessment that the key policy rate is currently around its neutral level. On a parallel note,

the **ECB** continued to downsize its balance sheet according to plan, at a moderate pace. The **ECB** underlined that, in the period ahead, monetary policy decisions will continue to be based on inflation dynamics, the assessment of inflation outlook, and the strength of monetary policy transmission, not pre-committing to a particular rate path.

On the other hand, following the September rate cut, the **Fed** trimmed its federal funds rate range in October and December by 25 bp each, to 3.5–3.75%, the lowest level in the past three years. It also proceeded with the downsizing of its balance sheet assets at the previously defined pace. The **Fed** aims to achieve maximum employment and 2% inflation over the long term, but uncertainty regarding economic conditions remains elevated. The latest **Fed** projection from December signals only one additional federal funds rate range cut by 25 bp this year, as signalled in the September projections. Besides, the **Fed** expects y-o-y inflation in the US to slow down to around 2.4% by end-2026, while GDP growth is expected to accelerate to 2.3%, alongside a moderate unemployment rate of 4.4%, primarily owing to more favourable financing conditions and tax incentives.

Rationale for February 2026 decision

When deciding at its **February meeting to keep the key policy rate unchanged**, the Executive Board emphasized that it continues to pursue a cautious monetary policy stance, primarily due to the still pronounced global uncertainty stemming from geopolitical tensions and protectionism, which significantly affect international commodity and financial markets, as well as investment and consumer confidence. Consequently, heightened volatility in global prices of energy and other primary commodities, as well as precious metals and exchange rates, has been recorded over the past month. Taking these circumstances into account, the Executive Board assessed that maintaining the current level of the key policy rate is appropriate at this point.

The **NBS** will continue to monitor and analyse trends in the international commodity and financial markets and, based on this and an assessment of domestic factors and inflation movements, make monetary policy decisions on a meeting-to-meeting basis. The priority of monetary policy will remain to ensure price and financial stability in the medium term, while supporting further economic growth, employment and a favourable business and investment environment.

III Inflation movements

Y-o-y inflation moved slightly below the 3% target midpoint in Q4, slowing to 2.7% in December, in line with our expectations. This was mostly driven by a 0.9% y-o-y decline in food and non-alcoholic beverage prices in December, owing to the implementation of the Decree which caps wholesale and retail margins. Core inflation moved around 4% y-o-y in Q4, the same as in December, still driven by the increase in the prices of services, alongside a slower rise in the prices of industrial products.

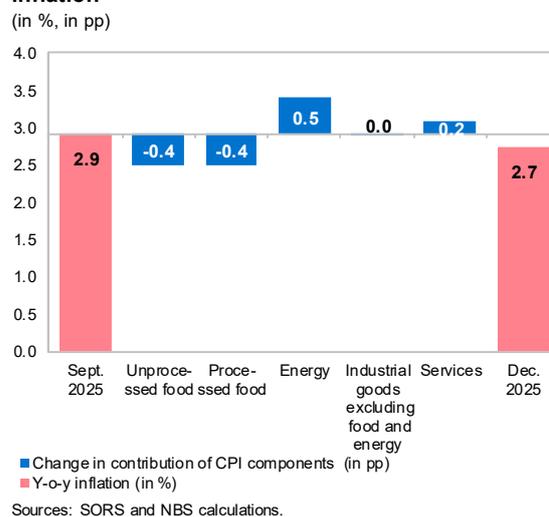
Throughout 2025, inflation expectations of the financial sector for one, two and three years ahead continued to move within the target tolerance band (3±1.5%), which serves as a confirmation of the preserved credibility of the NBS’s monetary policy.

Inflation movements in Q4

In line with our projection stated in the November *Inflation Report*, **y-o-y inflation** moved slightly below the 3% target midpoint in Q4, falling to 2.7% in December, predominantly as a result of the implementation of the Government Decree on Special Conditions for Trade in Certain Types of Goods.¹ Consequently, the prices of food and non-alcoholic beverages continued to slow their y-o-y growth in October, declining in the remainder of Q4. Relative to September, the y-o-y contribution of unprocessed and processed food prices declined further by 0.4 pp each in December. Vegetable prices were 13.6% y-o-y lower in December, while fruit prices further slowed their growth to 11.7% y-o-y. In contrast, energy prices increased their contribution to y-o-y inflation by 0.5 pp in the same period, primarily due to the October electricity price adjustment. Service prices also increased their contribution to y-o-y inflation by 0.2 pp, while the contribution of industrial product prices (excluding food and energy) stayed unchanged in December relative to September. According to SORS data, average inflation in 2025 equalled 3.8%, below the 2024 average of 4.6%.

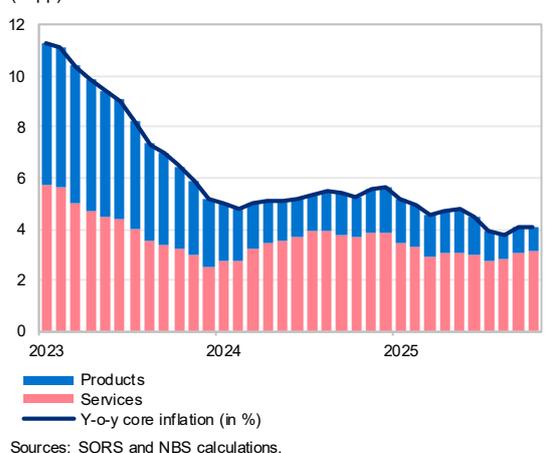
Core inflation (measured by the change in CPI excluding food, energy, alcohol and cigarettes) moved around 4% y-o-y in Q4, unchanged from December. Around three-quarters of the increase in core inflation stemmed from service prices, which accelerated their y-o-y growth in Q4 due to an increase in real disposable income, while the prices of products within core inflation slightly slowed their y-o-y growth. Similar conclusions are indicated by the additional measure of core inflation, which includes only **rigid goods and services prices**,² which has moved above core inflation for quite some time now. In addition, the **trimmed mean** measure of

Chart III.0.1 Y-o-y inflation and change in the contribution of main CPI components to y-o-y inflation



Sources: SORS and NBS calculations.

Chart III.0.2 Contribution of components to y-o-y core inflation



Sources: SORS and NBS calculations.

¹ Under the Decree, starting from 1 September, for a period of six months, trade margins are capped at 20% for 23 categories of products within food and household chemicals, which together account for around 35% of the CPI.

² For more details, see Text box 1, p. 18, which analyses price rigidity within core inflation in Serbia.

inflation (calculated upon exclusion of 15% of products and services from the consumer basket whose prices recorded major changes in both directions) has also moved below the target midpoint of 3.0% y-o-y since September, lower than headline inflation.

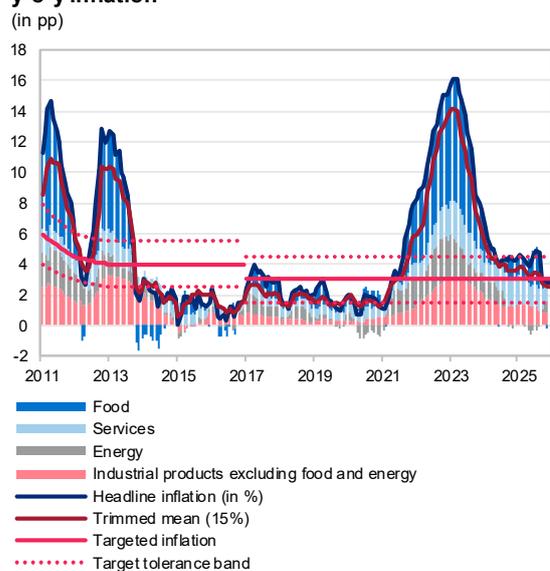
At quarterly level, after declining in Q3 mainly due to the initial effects of the implementation of the above-mentioned Decree, **consumer prices picked up by 0.8% in Q4**. This rise reflected the 4.4% hike in **energy** prices in the domestic market (contributing 0.7 pp to inflation), largely owing to the October adjustment of electricity prices (9.6%), and to a lesser extent due to higher heating prices (5.1%) and the seasonal increase in solid fuel prices (2.6%). Prices of petroleum products also recorded an increase in Q4 (0.7%), which was entirely registered in November, under the impact of higher procurement costs stemming from uncertainties over the operation of the Pančevo refinery. On the other hand, the **prices of food and non-alcoholic beverages** fell by 2.1% in Q4, with a negative 0.7 pp contribution to inflation. This fall was mostly driven by lower **prices of unprocessed food** by 4.2% due to the usual seasonal drop in the prices of fresh fruit (by 11.5%) and fresh meat (by 6.5%), while the prices of fresh vegetables increased (by 3.1%). The **prices of processed food** recorded a 1.0% decline in Q4, which was widely dispersed across categories owing to the implementation of the Decree and lower producer prices in food production. This also led to lower prices of bread and cereals in Q4, as well as a decline in the prices of processed meat products and confectionery, whose global counterparts went down as well.

Industrial product prices (excluding food and energy) increased by 1.5% in Q4, adding 0.4 pp to inflation, mainly as a result of the December cigarette prices adjustment (2.4%) and to a lesser extent the seasonal hike in clothing and footwear prices, as well as higher prices of computer equipment, medicines and alcoholic beverages.

Service prices increased by 1.6% in Q4, contributing 0.4 pp to inflation. The increase was widely dispersed across categories, with the greatest contribution coming from higher prices of utility and catering services and vehicle maintenance services, and to a lesser extent from higher medical and telephone services prices. The rise in service prices, along with higher prices of some industrial products, dictated the 1.4% growth in the **prices within core inflation** in Q4 (contributing 0.7 pp to inflation).

Administered prices, under direct or indirect regulation of the Government, grew by 4.5% in Q4 (contributing 0.8 pp to inflation), reflecting the aforementioned adjustments in electricity and cigarette prices, as well as higher utility services and medicine prices. This supported the acceleration of administered price growth to 7.0% y-o-y.

Chart III.0.3 Contribution of main CPI components to y-o-y inflation



Sources: SORS and NBS calculations.

Table III.0.1 Growth and contributions of CPI components to consumer price growth in Q4 2025

	Weights	Quarterly		Y-o-y in Dec.	
		Growth rates (in %)	Contributions (in pp)	Growth rates (in %)	Contributions (in pp)
Consumer prices (CPI)	100.0	0.8	0.8	2.7	2.7
Unprocessed food	10.7	-4.2	-0.5	-0.9	-0.1
Processed food	20.8	-1.0	-0.2	-0.9	-0.2
Industrial products excluding food and energy	28.2	1.5	0.4	3.1	0.9
Energy	15.7	4.4	0.7	4.6	0.7
Services	24.6	1.6	0.4	5.8	1.4
CPI excluding energy, food, alcohol and cigarettes	45.7	1.4	0.7	4.0	1.9
Administered prices	18.3	4.5	0.8	7.0	1.3

Sources: SORS and NBS calculations.

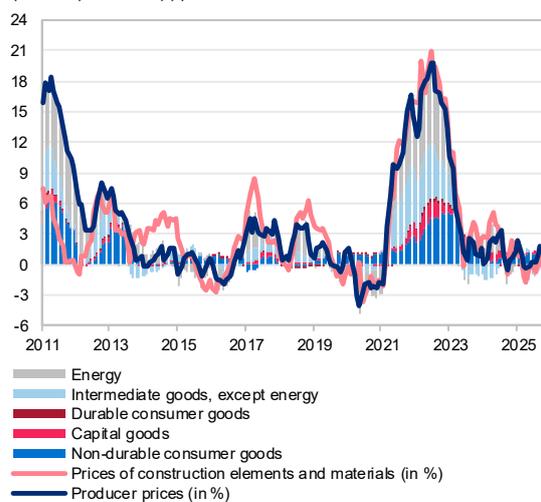
Producer and import prices in Q4

Industrial producer prices in the domestic market edged up by 0.9% in Q4 at quarterly level. These prices decelerated mildly to 1.7% y-o-y in December (from 1.8% in September), almost entirely as a result of lower contribution of the **prices of non-durable consumer goods**, primarily the prices in food production, which slowed down significantly – to 3.0% y-o-y in December (from 4.8% in September). The contribution of prices of other groups to y-o-y producer price growth in December was almost the same as in September, indicating the absence of major cost-push pressures across all industrial branches. Industrial producer prices in the domestic market recorded a 0.9% increase in 2025 (compared to 1.4% in 2024).

The **prices of construction elements and materials** increased by 1.0% y-o-y in December (compared to 0.9% y-o-y in September), while they rose mildly in Q4, by 0.1%, suggesting low cost-push pressures in the construction sector as well.

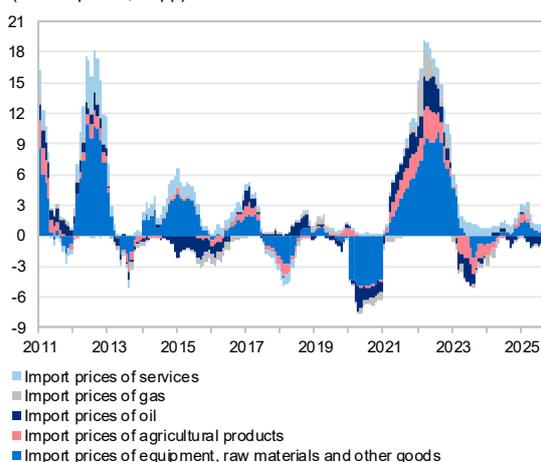
Almost all components of **import inflation expressed in dinars**³ provided a lower contribution to the y-o-y dynamics of import prices in December compared to September. Moreover, the negative contribution of global prices of oil and primary agricultural products, as well as imported gas prices, outweighed the positive contribution of imported service prices (approximated by euro area core inflation) and the prices of equipment, intermediate goods and other imported goods (approximated by Germany’s export prices). As a result, import prices recorded a 1.9% y-o-y decline in December, while in quarterly terms, they increased negligibly by 0.1% in Q4.

Chart III.0.4 Contribution by destination groups of consumption to y-o-y producer price dynamics* (end-of-period, in pp)



Sources: SORS and NBS calculations.
* Industrial producer prices for the domestic market.

Chart III.0.5 Contributions of selected components to the y-o-y dynamics of import prices in dinars (end-of-period, in pp)



Sources: Destatis, FAO, Bloomberg, Eurostat, SORS and NBS calculation.

³ Preliminary data. The base year is 2010. The weighted average of several elements is used as an indicator of import prices: the global Brent oil price index, import gas price, food price index (FAO index), consumer prices within euro area core inflation, and export prices of Germany, one of Serbia’s key trade partners. The fixed weights of the components are calculated according to the value of imported goods and services in 2025.

Text box 1: Analysis of price rigidity within core inflation in Serbia

The text box analyses the frequency and intensity of price adjustments within core inflation by COICOP/HCPI groups. The analysis places emphasis on the comparison of price movements in two periods – pre-crisis, i.e. from 2014 to 2019, and after the pandemic outbreak, i.e. from 2020 to 2025. Speaking of the analysis of frequency of price adjustments within core inflation, modelled after Höynck et al. (2025) and Gautier et al. (2022),¹ the median frequency of monthly price changes was calculated for 70 categories within core inflation, and these were subsequently classified into a **relatively rigid i.e. sticky price group** and a **relatively changeable i.e. flexible price group**. Prices were classified depending on whether the frequency of monthly price adjustments in a specific category of products and services was above or below the median, based on data for the period 2014–2019, when inflationary pressures were relatively low. In the sticky price group, accounting for around 38% of core inflation, **service prices dominate, while the group characterised by greater price flexibility, accounting for 62% of core inflation**, turned out to be **product-dominant**, corresponding with the above-mentioned analyses for the euro area. Based on this classification, we have constructed the **sticky price index** as a supplementary core inflation measure monitored by the NBS.

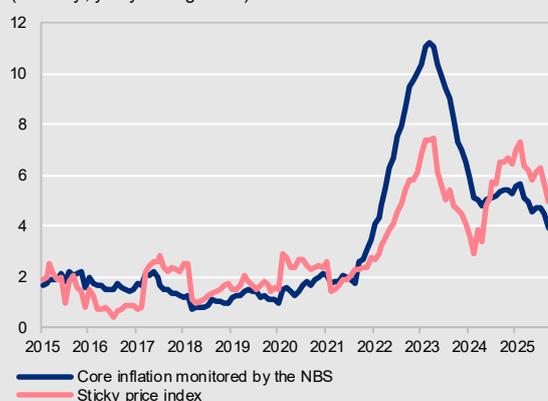
For most of the observed period, y-o-y growth rates of the sticky price index moved at a similar level as core inflation monitored by the NBS (Chart O.1.1). The largest deviation is observed in 2022 and early 2023, i.e. during most pronounced price pressures prevailing both in Serbia and globally. In that period, flexible prices of products and services were the predominant driver of acceleration in core inflation, consistent with their nature of responding more strongly and swiftly to market pressures and current movements. From mid-2024 to end-2025, the y-o-y growth in sticky inflation was higher than in the headline inflation, which can probably be attributed to a relatively high real growth in wages, mostly translating into the rise in service prices, primarily of labour-intensive services (personal, repair and catering services).

Comparing the frequency of price changes for 70 categories within core inflation in the two subperiods (2014–2019 and 2020–2025), price change frequency is higher in the period after the pandemic outbreak that witnessed unprecedented exogenous shocks and significant changes in global supply chains and consumer habits. By individual group, post-2020 years saw higher frequency of adjustment of administered service prices (primarily utilities) as well as medical product and service prices, with the expected persistence of high frequency of changes in the prices of clothing and footwear, household chemicals and appliances.

We have additionally examined the intensity of monthly price changes by individual product and service categories which the NBS classifies into core inflation (CPI excluding food, energy, alcohol and cigarettes). It can be observed that in the pre-crisis period, 2014–2019, product prices within core inflation stayed broadly unchanged on average (recording growth and decline in individual months, while remaining unchanged on average), while service prices rose at an average monthly rate of around 0.2% (Chart O.1.2). Almost identical dynamics persisted into 2020, after which the average monthly growth rates of product and service prices increased to 0.4% each in 2021.

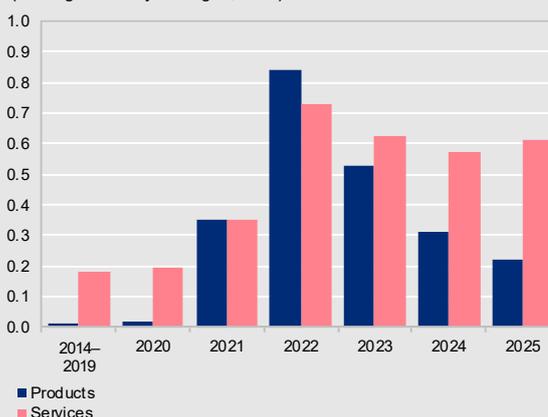
In 2022, the average monthly growth rates of product and service prices almost doubled, to 0.8% for products and 0.7% for services. Such monthly dynamics led to two-digit y-o-y growth rates in prices of products (12.0%) and services (11.0%) in Q1 2023. In the remainder of 2023, inflationary pressures started to lose steam, which was reflected mainly in the lower monthly growth rate of product prices (0.5% in 2023). The declining trend extended into the following two years (0.3% in 2024 and

Chart O.1.1 Core inflation in Serbia and its supplementary measures (monthly, y-o-y change in %)



Sources: Eurostat, SORS and NBS calculations.

Chart O.1.2 Dynamics of product and service prices within core inflation (average monthly changes, in %)



Sources: SORS and NBS calculations.

¹ Gautier, E., Conflitti, C., Faber, R. P., Fabo, B., Fadejeva, L., Jouvanceau, V., Menz, J.O., Messner, T., Petroulas, P., Roldan-Blanco, P. and Rumler, F. (2022). New facts on consumer price rigidity in the euro area, *Working Paper Series*, no. 2669. 1–115; Höynck, C., Wieland, E. & Gandur, L. M. Z. (2025). Not all prices disinflate alike: disentangling the dynamics of sticky and flexible-price items, *Economic Bulletin Boxes*, no. 7/2025, 67–71.

0.2% in 2025). In the same period, service prices recorded a relatively stable growth of around 0.6% on average, primarily under the impact of wage growth, translating into higher cost of labour, and higher final service prices on that account. In December 2025, service prices accounted for around 75% of the y-o-y core inflation, which measured 4.0%.

Based on the conducted analysis it can be concluded that the price adjustment frequency within Serbian core inflation has increased in the period after the pandemic outbreak. At the same time, the intensity of monthly price adjustments has considerably increased for products and services alike, driving the acceleration of core inflation. It was demonstrated that **flexible product and service prices played the key role in periods when core inflation gathered pace, while sticky prices, primarily of services, limited the rate of its deceleration over the past two years.** Similar conclusions were derived by the authors analysing euro area countries, indicating that the observed patterns of price adjustment within core inflation in Serbia are typical of other European countries as well. The analysis also suggests that for a more lasting stabilisation of inflation movements around the NBS's target midpoint of 3%, service price growth needs to slow down, which will likely happen in the medium term, as the real wage growth dynamics aligns with productivity growth in the overall economy.

Inflation expectations

Short- and medium-term inflation expectations of the financial sector continued to move within the target band since early 2026, where they have been since the start of 2024.

According to the **Ninamedia** survey results, **one-year ahead inflation expectations of the financial sector** declined to 3.1% in December, and further to 3.0% in January 2026, which is their lowest level since September 2021. All individual responses of financial institutions regarding expected inflation are within the NBS’s target band. According to **Bloomberg** survey data, one-year ahead inflation expectations of this sector temporarily increased to 4.0% in December, only to return to 3.8% in January 2026.

One-year ahead corporate inflation expectations rose temporarily to 5.8% in November, which can be explained by heightened concerns regarding availability of petroleum products in the domestic market and, consequently their prices. However, after assurances that sufficient stocks had been secured and that the issue of production and supply of petroleum products could be resolved within a relatively short period, they returned to 5.0% in December, and stayed there in January as well.

Most respondents expect the prices of inputs to rise and the prices of final products and services to stay unchanged in the next three months. Less than half of respondents expect an increase in input prices over the next twelve months, while around 59% of respondents expect an increase in prices of final products and services.

After rising to 18% in November, **short-term household inflation expectations** declined to 15% in December, where they stayed in January this year. According to the qualitative survey, households expect inflation in the next twelve months to be lower than last year. This is indicated by the index of expected inflation which stood at 35.2 points in January and was below the perceived inflation (55.8 points).

Medium-term inflation expectations of the financial sector have moved in the 3.0–3.5% range for two years in row, and stood at 3.1% for two years ahead and 3.0% for three years ahead in January 2026. According to the January survey, **medium-term inflation expectations of the corporate sector for two years ahead** are within the target band, having declined from 5.0% to 4.0%. Expectations of this sector **for three years ahead have also declined** and stand at 4.7%. **Household inflation expectations for two and three years ahead** decreased to 10% in January 2026.

Chart III.0.6 **Current inflation and one-year ahead inflation expectations**

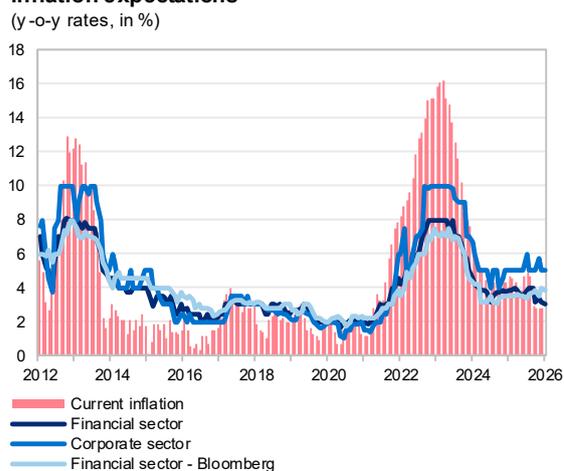
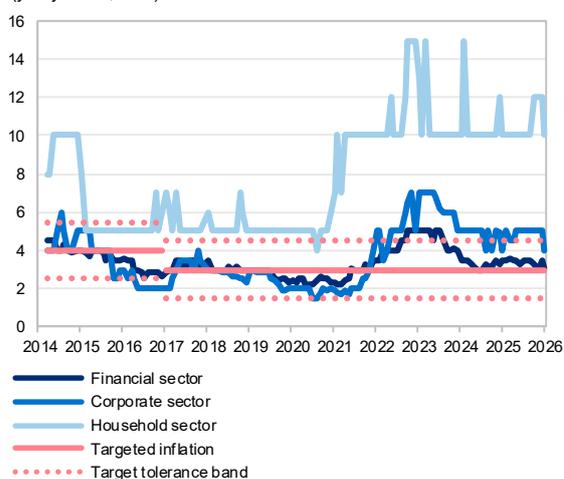


Chart III.0.7 **Household perceived and expected inflation**



Chart III.0.8 **Two-year ahead inflation expectations**



Text box 2: Analysis of the heterogenous impact of inflation on households in Serbia

Inflation is a phenomenon with a wide social impact, but price growth affects different population categories differently, as the consumer basket varies from one social stratum to another. When inflation pressures are strong, individuals' purchasing power is affected not only by their nominal income dynamics, but also by the movement in the prices of products and services they consume. This analysis aims to examine the redistribution effects of inflation on households, first through the **relative consumption channel**, based on the construction of special consumer price indices which take into account the specificities of consumption patterns of different population categories, and then also through the **income channel**, that is the impact on the real wage growth of different household categories grouped by income level. The analysis covers the period since the coronavirus pandemic.

In our analysis of the **relative consumption channel**, households were classified into five groups (quintiles) of the same size based on their consumption level (the 1st quintile representing households with the lowest consumption, and the 5th – households with the highest consumption). We applied the methodological approach presented in *Gautier and Montornès (2022)*.¹ In order to link the consumer price indices, only available for the overall population, with the structure of consumption by quintiles from the SORS Household Budget Survey, the weights of CPI product groups have been adjusted based on their relative shares in consumption by quintiles. Specifically, the weight of product group j for a specific quintile in year g ($w_{j,quintile}^g$) is obtained by adjusting the official CPI weight ($wCPI_j^g$) by the share of the product group in the consumption of the given quintile ($HBS_{j,quintile}^g$) and its share in total consumption ($HBS_{j,total}^g$), according to the Household Budget Survey:

$$w_{j,quintile}^g = wCPI_j^g * \frac{HBS_{j,quintile}^g}{HBS_{j,total}^g} \quad (1)$$

It is important to note that the structures of consumption obtained from the Household Budget Survey ($HBS_{j,total}^g$) and the weights used in CPI ($wCPI_j^g$) differ, sometimes by as much as several percentage points, despite the fact that the Household Budget Survey is the basis for determining the CPI weights. These differences can affect the level of inflation rates calculated by quintiles.

The quintile weights obtained in this way (equation 1) are used for calculating the contribution of growth in prices of individual COICOP groups ($pCPI_j^g$) to the total annual inflation rate of each quintile (equation 2). As weights in the CPI and the Household Budget Survey are updated once a year, to calculate y-o-y inflation we have applied a formula which captures changes of weights from one successive year to another, according to the OECD methodology for calculating the contribution of individual components to the annual inflation rate (*OECD, 2022*).² The overall inflation rate for a given quintile in the observed month m_t (3) is obtained as the sum of contributions of price growth of all product groups according to COICOP classification:

$$\begin{aligned} contribution_{j,quintile}^{g,m_t} = & \left[\left(\frac{pCPI_j^{g-1,m_{12}}}{pCPI_j^{g-1,m_t}} * w_{j,quintile}^{g-1} \right) * \left(\frac{pCPI_j^{g,m_t} - pCPI_j^{g-1,m_{12}}}{pCPI_j^{g-1,m_{12}}} \right) \right] \\ & + \left[\left(\frac{pCPI_j^{g-2,m_{12}}}{pCPI_j^{g-1,m_t}} * w_{j,quintile}^{g-2} \right) * \left(\frac{pCPI_j^{g-1,m_{12}} - pCPI_j^{g-1,m_t}}{pCPI_j^{g-2,m_{12}}} \right) \right] \quad (2) \end{aligned}$$

$$inflation_{quintile}^{g,m_t} = \sum_j contribution_{j,quintile}^{g,m_t} \quad (3)$$

Different inflation rates for different household categories can be examined by comparing inflation measures that account for the differences in the composition of household consumption.

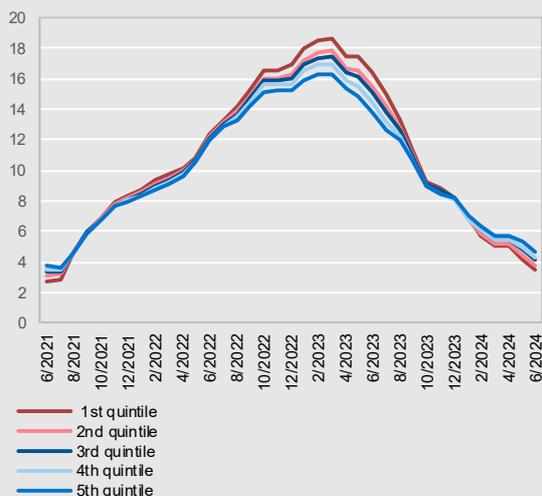
If we look at the period of the strongest inflationary pressures – between June 2021 and June 2024 – we can see that households with the lowest consumption were more powerfully affected by the inflationary shock. In other words, between September 2021 and end-2023, the y-o-y inflation rate was the lowest for the households with the highest consumption (5th quintile) and the highest for the households with the lowest consumption (1st quintile), due to particularly robust growth in food prices which have the largest share in the structure of consumption by households with the lowest consumption (Chart O.2.1).

The gap in the y-o-y price growth in the categories with the lowest and the highest consumption widened as inflation gained speed (since it was guided by growth in the prices of products which have the highest share in the consumption of the poorest population categories). Initially, the gap was moderate, only to intensify from August 2022 and peak in May and June 2023 at 2.6 pp (Chart O.2.2). Since early 2024, y-o-y consumer price growth was mostly lower for households with lower consumption,

¹ Gautier, E., Montornès, J. (2022). *The Heterogeneous Effects of Inflation in France and in the Eurozone*. INSEE Working Paper.

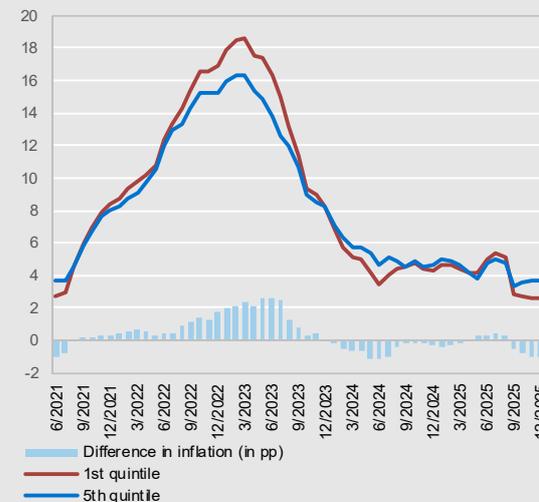
² OECD (2022). *Calculation of contributions to annual inflation*. OECD Statistics Working Methods.

Chart O.2.1 Inflation movements for different income categories of households
(y-o-y growth rates, in %)



Sources: SORS and NBS calculations.

Chart O.2.2 Inflation movements for the fifth of the population with the lowest and the highest income
(y-o-y growth rates, in %)



Sources: SORS and NBS calculations.

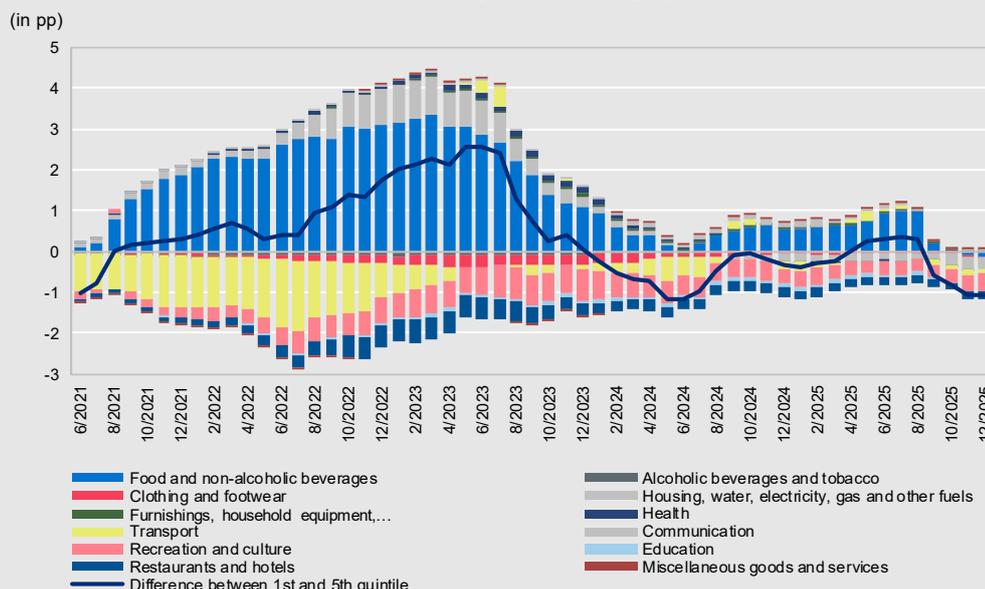
partly reflecting the high base effect from a year earlier and, since September 2025, the adoption of the decree capping retail and wholesale margins at 20%, which led to a decline in food prices. The only exception is the period between April and August 2025, i.e. immediately before the decree was adopted, when food prices rose more quickly than headline inflation due to adverse weather, resulting in higher y-o-y growth in consumer prices for households with lower consumption.

A decomposition of the gap in y-o-y consumer price growth rates in the categories with the lowest and the highest consumption by type of product clearly shows that the rise in food prices and utilities provided the dominant positive contribution to the gap during the observed period (housing, water, electricity and gas supply services according to COICOP classification). Transport prices worked in the opposite direction, especially until early-2023, as did the prices of catering and recreational services which affected higher-consumption population categories more (Chart O.2.3).

We used the inflation measures formed for population categories grouped by consumption level to deflate nominal wages by income group, in order to approximate the impact of inflation on the real income of different population categories. It should also be noted that nominal wage movements in the first and probably also the second quintile are largely determined by minimum wage dynamics.

The thus observed real wage growth of households grouped by consumption level was relatively balanced in the period of lower inflation, as evident from data for 2020 and 2021. Variations in the intensity and direction of movement of the real wage growth

Chart O.2.3 Difference in inflation for the 20% of the population with the lowest and the highest income and contributions to this difference by COICOP category

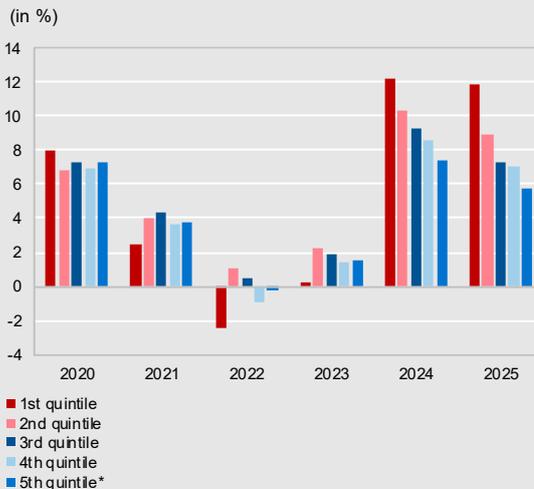


Sources: SORS and NBS calculations.

rate emerged as of 2022 (Chart O.2.4). In 2022, real wages of almost all five household categories recorded either a stagnation or a decline, which was the most pronounced in the case of the 20% of the lowest-income households. This group continued to lag behind in 2023 – their wages stagnated, while wages of other groups rose slightly in real terms. The distribution changed in 2024 and 2025 as wages rose more in real terms for the 40% of the lowest-income households. In these two years, in cumulative terms, real wage growth was around 25% for the 1st quintile and around 20% for the 2nd quintile, propped up by substantial minimum wage growth. Compared to 2019 (Chart O.2.5), the wages of households in the first two quintiles (40% of the lowest-income households) increased by over 35% in real terms by 2025, while those of the highest-income households rose by slightly less than 30%. Though real growth dynamics were more favourable for lower-income households, the absolute effects are lower due to the difference in wage levels among the groups. Still, if we look at the indicator of coverage of the minimum consumer basket with the minimum wage (the dynamics of which are very similar to the wages of the first quintile), it points to an improvement in the purchasing power of the lowest-income households. Specifically, this indicator rose from 77% in 2022 and 2023 to 88% in 2024 and 95% in the first eight months of 2025, reaching almost full coverage of the minimum consumer basket.

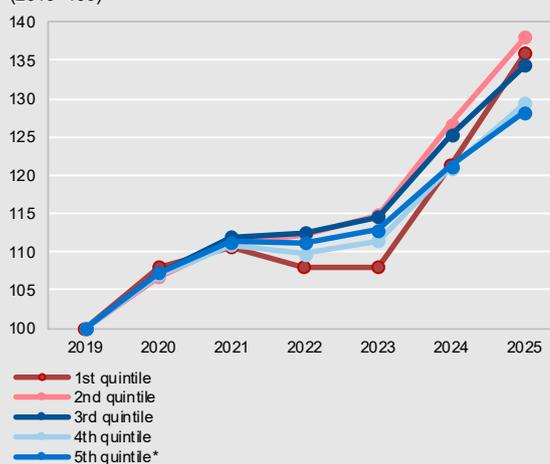
The analysis of the relative consumption channel has shown that the structure of inflationary pressures in 2022 and 2023 was such that it primarily affected households with lower consumption. However, based on the formed measure of inflation, the gap between the poorest and the richest population categories equalled 2.6 pp at its peak, which means that the difference was more moderate than often misrepresented in public when food prices alone were mistakenly taken into account for the population categories with lower consumption. Food prices slowed from 2024 onward, helped in Q4 2025 also by the decree on capping the margins. As a result, the inflation rate for categories with lower consumption was lower than for those with higher consumption. When it comes to the income channel, after the negative effect of robust inflationary pressures in 2022 and 2023, which affected real growth in wages of the lowest-income households the most, real wage growth accelerated in 2024 and 2025, reflecting slower inflation and increases in the statutory minimum wage. As a result, minimum wages came to almost fully cover the minimum consumer basket, signalling improvement in the purchasing power of this population category.

Chart O.2.4. Annual real wage growth of groups with different income levels



*Data on wages published on the SORS website refer to the 9th decile. Sources: SORS and NBS calculations.

Chart O.2.5 Cumulative real wage growth of groups with different income levels
(2019=100)



*Data on wages published on the SORS website refer to the 9th decile. Sources: SORS and NBS calculations.

IV Inflation determinants

1 Financial market trends

The interest rate on corporate dinar loans dropped slightly in Q4, while the rate on household dinar cash loans extended its decline, touching a historical low of 8.2%. Such trend resulted from the NBS’s supervisory expectations regarding more favourable lending to households with monthly incomes up to RSD 100,000. The price of euro borrowing remained broadly unchanged in Q4, consistent with the expectations about the ECB rounding off its monetary policy accommodation process.

Interest rates

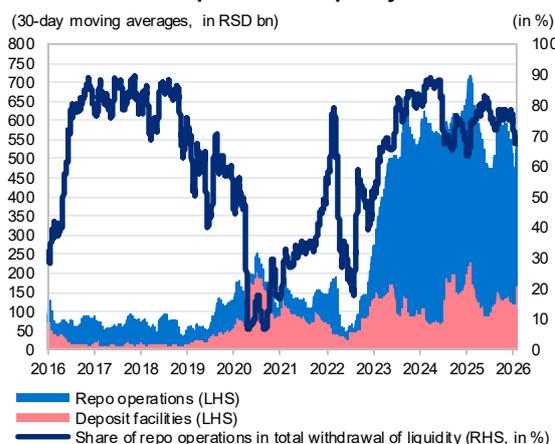
At NBS Executive Board meetings in Q4 the key policy rate and interest rates on lending and deposit facilities were kept at 5.75%, 7.00% and 4.50%, respectively, contributing to minimal oscillations of interest rates in the money market.

BEONIA, the interest rate in the **overnight interbank money market**, stayed broadly unchanged in Q4, measuring 4.42% at end-December. BELIBOR rates also displayed minimal oscillations, ranging from 4.51% for the shortest to 4.73% for the six-month maturity. Excess dinar liquidity of banks decreased in Q4, mainly owing to the NBS’s net FX sale in the domestic FX market, as well as thanks to accelerated bank lending. Consistently, the average stock of repo securities sold decreased relative to September by RSD 117.3 bn, to RSD 333.9 bn in December, while the average excess liquidity of banks deposited overnight with the NBS went down by RSD 10.7 bn, to RSD 124.5 bn.

In the **primary market of dinar government securities**, 10.5Y securities were auctioned in Q4, in the fourth reopening since January 2025. The sale reached RSD 6.0 bn nominally, at the effective rate of 5.10%, unchanged from the September reopening. The fifth auction reopening of 10.5Y securities in January 2026 resulted in the sale of the remaining RSD 11.6 bn at a slightly lower effective rate of 5.07%. This rounded off the planned issue size of RSD 180 bn, whereby these securities took the second largest share according to market capitalisation, right after 12.5Y securities. January also saw the first reopening of the 5Y securities auction from July 2025. The sale size was RSD 51.6 bn nominally (against RSD 60.2 bn demand), and the effective rate remained the same – 4.49%. Since previously issued 7Y securities nominally worth RSD 150.0 bn matured in January, the dinar securities portfolio shrank to RSD 766.8 bn at end-January.

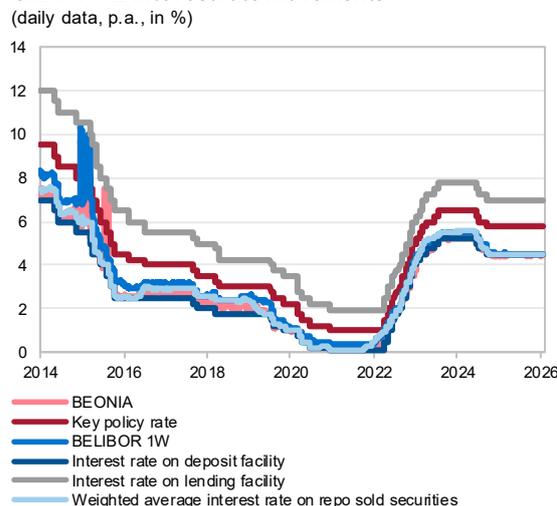
As for **government euro securities**, after the sale of the full stock of 12Y euro securities in July, the government organised an additional issue in December. Securities nominally worth EUR 200 mn were sold (the demand

Chart IV.1.1 NBS operations - liquidity withdrawal



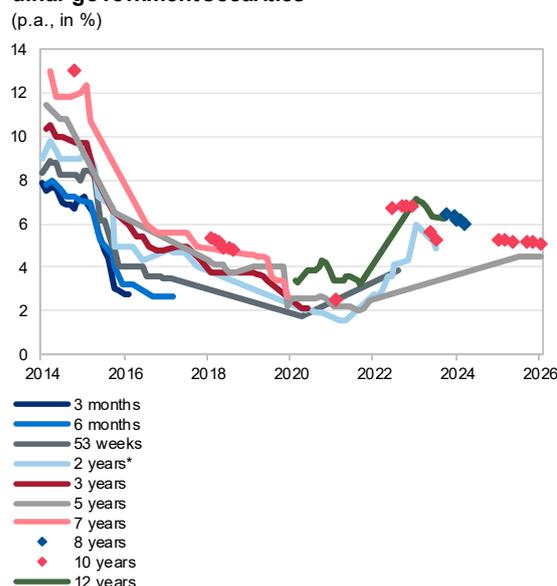
Source: NBS.

Chart IV.1.2 Interest rate movements



Sources: Thomson Reuters and NBS.

Chart IV.1.3 Interest rates in the primary market of dinar government securities



Source: Ministry of Finance.

* Excluding coupon securities with the rate linked to the NBS key policy rate.

was higher, at EUR 254.8 mn), at the almost identical effective rate of 4.97%. Given that there was no maturing of previously issued bonds in Q4, the euro securities portfolio mounted to EUR 1,791.2 mn at end-December and remained at the same level at end-January this year.

In Q4, the turnover in the **secondary dinar securities market** dropped by RSD 5.2 bn relative to Q3, coming to RSD 52.1 bn. Weighted average yields on bonds with the remaining maturities of up to three and up to six years edged up mildly, by 10 bp each, to 4.45% and 4.77%, respectively, while yields on remaining maturities of up to seven and up to 10 years dropped slightly, to 4.77% and 5.07%, respectively.

The interest rate on dinar corporate loans fell by 0.2 pp in Q4, to 6.2% in December, reflecting a decline in interest rates on working capital and investment loans, by around 0.2 pp, to 6.1% and 7.2%, respectively. **The interest rate on new dinar household loans** was reduced by 0.7 pp to 8.1%, predominantly driven by the same dynamics of the interest rate on cash loans, which dropped to its historical minimum of 8.2%. These movements reflected the NBS’s supervisory expectations from September 2025, inviting banks to enable access to more favourable loans for citizens with regular monthly incomes up to RSD 100,000, owing to which Q4 witnessed a record-high disbursement of cash loans.

In Q4, the interest rates on **new euro corporate loans rose mildly in December**, by 0.1 pp to 4.8%. The reason behind is the increase in the interest rate on other non-categorised loans by 0.5 pp to 5.1%, which was partially offset by the decline in the interest rate on investment loans, by 0.2 pp to 5.1%. Investment loans had record-high disbursement in December, making up almost a half of euro lending to corporates. Interest rates on **euro household loans remained unchanged in Q4**, because a mild rise in the interest rate on housing loans, by 0.1 pp to 4.5%, was offset by an equivalent decline in the interest rate on other non-categorised loans (to 5.7%).

Interest rates on credit card debt and current account overdrafts were reduced in December relative to September by 0.3 pp and 0.5 pp to 14.7% and 17.1%, respectively. Relative to end-2024, the interest rates on these, most expensive types of borrowing, dropped down significantly, by 7.7 pp and 10.8 pp, respectively, owing to the implementation of interest rate caps in accordance with the Law on the Protection Financial Service Consumers. This measure has boosted the disposable household income.

Interest rates on dinar and euro household savings edged up in Q4 by 0.4 pp and 0.6 pp, to 4.8% and 3.3%, respectively, which is typical for the season, given that November and December usually record a savings increase.

Table IV.1.1 Interest rates on new loans – by type and currency
(in %)

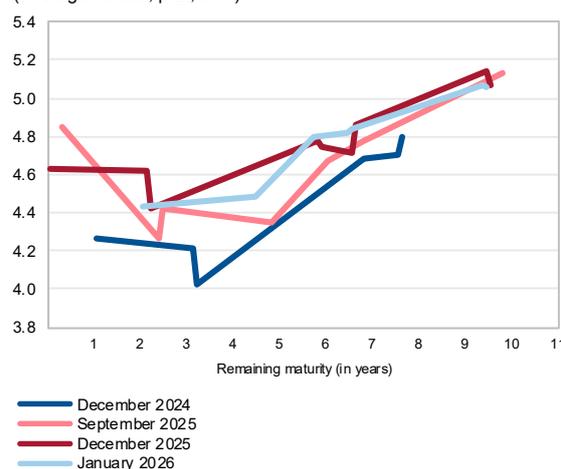
	Dinar			Euro and euro-indexed		
	2024	2025		2024	2025	
	Q4	Q3	Q4	Q4	Q3	Q4
Total household loans*	9.9	8.8	8.1	5.5	4.6	4.6
Cash loans	10.2	8.8	8.2	2.4	3.3	3.4
Housing loans	10.6	9.7	10.0	4.9	4.4	4.5
Consumer loans	2.5	2.4	2.0	6.2	5.5	5.5
Other loans	8.2	9.2	8.7	8.7	5.8	5.7
Total corporate loans*	6.9	6.4	6.2	5.6	4.7	4.8
Working capital loans	6.9	6.2	6.1	5.4	4.5	4.5
Investment loans	6.9	7.4	7.2	5.7	5.3	5.1
Other loans	7.0	6.5	6.1	5.8	4.6	5.1
Import loans	-	-	-	5.6	2.9	3.9

Source: NBS.

Note: Data relate to average values on the last day of the month in the quarter observed.

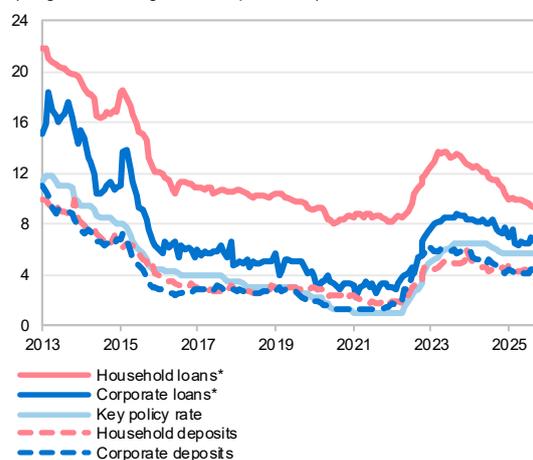
* Excluding revolving loans, current account overdrafts and credit card debt.

Chart IV.1.4 Yield curve in the secondary government securities market
(average values, p.a., in %)



Source: Central Securities Depository and Clearing House.

Chart IV.1.5 Interest rates on new dinar loans and deposits
(weighted average values, p.a., in %)



Source: NBS.

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

Risk premium

Global risk premium trended predominantly downward in Q4, primarily under the impact of the FED’s continued monetary accommodation and weaker US data. **EMBI Composite, a benchmark for US dollar-denominated emerging market debt**, equalled 231 bp at end-December, down by 27 bp relative to September. At the same time, Serbia’s EMBI gained 14 bp, coming at 131 bp at end-December, which can be associated with the elevated uncertainty after the enforcement of sanctions against NIS. Nevertheless, Serbia’s dollar risk premium remained considerably below the composite risk measure for emerging economies. In January, EMBI Composite edged down further, by 9 bp to 222 bp. As uncertainty eased after a preliminary agreement was reached on Hungarian MOL’s acquisition of majority stake in NIS, EMBI for Serbia also declined, by 16 bp to 115 bp at month end.

EURO EMBIG Composite fell by 11 bp in Q4 and by 9 bp in January, to 140 bp at month end. Conversely, **Serbia’s risk premium for euro debt edged up slightly** in Q4 (by 4 bp), to 159 bp at end-December, while decreasing in January to 145 bp at month end. Observing regional peers in Q4, a rise in the risk premium was seen in Hungary (by 7 bp), and the strongest decline was recorded in Turkey (by 56 bp) and Romania (by 38 bp).

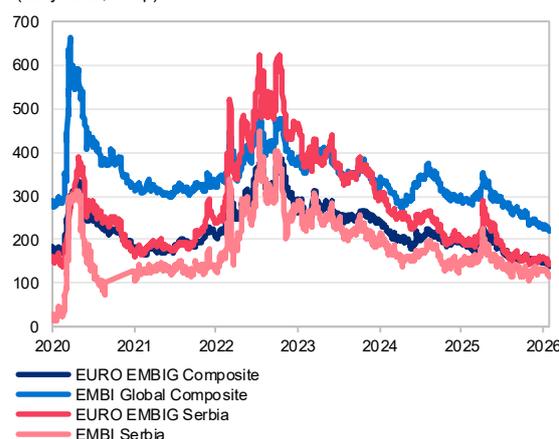
In January 2026, **Fitch** maintained Serbia’s credit rating at BB+, affirming a positive outlook. According to the agency’s assessment, the key factor behind this decision is a sound economic policy mix – primarily prudent fiscal management and high FX reserves, as well as a higher GDP per capita compared to the average for countries with the same credit rating. A positive rating outlook is underpinned by the expected investment-led economic growth in the context of “Leap into the Future – Serbia Expo 2027” programme, the continued declining path of public debt and strengthening of the country’s external position.

Foreign capital inflow

The major part of capital inflows to the balance of payment financial account in Q4 originated from financial loans and FDI. These inflows outstripped the outflows under trade loans, portfolio investment and rising balances in banks’ accounts abroad.

FDI inflow to Serbia came at EUR 898.1 mn in Q4, while, taking into account resident investments abroad, the net figure came to EUR 661.2 mn. For the whole of 2025, FDI inflow to Serbia equalled EUR 3.5 bn (3.9% of GDP). This is a 33.5% decrease from the record-high inflow in 2024, since the investment sentiment was affected by global trade tensions and social and political developments in Serbia. More than two-thirds of the inflow (around 70%) was in the form of equity capital and reinvested earnings, with FDI staying diversified by

Chart IV.1.6 Risk premium indicators (daily data, in bp)



Source: J.P. Morgan.

Table IV.1.2 Credit rating (change of rating and outlook)

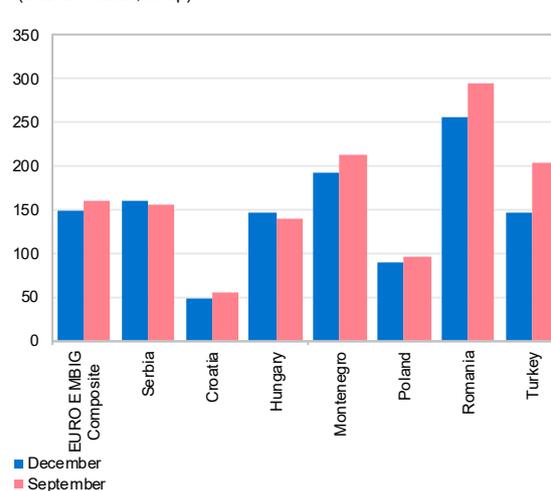
	2020	2021	2022	2024
S&P	BB+ /stable ³⁾	BB+ /positive ⁷⁾	BB+ /stable ⁴⁾	BB+ /positive ²⁾ BBB- /stable ⁶⁾
Fitch				BB+ /positive ⁵⁾
Moody's		Ba2 /stable ¹⁾		Ba2/positive ⁵⁾

Source: NBS.

¹⁾ March, ²⁾ April, ³⁾ May, ⁴⁾ June, ⁵⁾ August, ⁶⁾ October, ⁷⁾ December.

Note: There was no change in rating/outlook in 2023 and 2025.

Chart IV.1.7 EURO EMBIG for countries in the region (end-of-month, in bp)



Source: J.P. Morgan.

project and geography. Increased resident investments abroad (EUR 1.2 bn), mostly on account of one-off factors, led to a net FDI inflow of EUR 2.3 bn in 2025.

In Q4, non-residents invested in corporate bonds and government securities in the primary market, but those investments fell short of the securities sales in the secondary market. Residents also upped their investments in foreign securities, so that net capital outflow of EUR 157.0 mn was recorded under **portfolio investment**. Due to these same factors, along with the maturing of previously issued government securities, in 2025 as a whole portfolio investment saw a net capital outflow of around EUR 881 mn.

Financial loans provided a net inflow of EUR 1,252.9 mn in Q4, more than half of which referring to government net borrowing. Enterprises and banks also increased their foreign credit liabilities. On the other hand, **trade loans and advances** registered an outflow of EUR 784.8 mn. At the same time, rising balances of domestic banks abroad surpassed the increase in non-resident accounts with domestic banks, which resulted in an outflow of EUR 56.3 mn under **currency and deposits**. Other investments brought in EUR 1.7 bn during the year, with financial loans in the private sector being the strongest contributor.

Trends in the FX market and exchange rate

Although depreciation pressures prevailed in Q4, the dinar continued its relatively stable movement against the euro, supported by the NBS’s interventions in the IFEM. In nominal terms, the dinar’s value against the euro at end-December edged down by 0.1% relative to September, and by 0.2% relative to end-2024. End-of-Q4, the dinar’s value against the US dollar remained unchanged, while strengthening nominally by 12.5% in 2025, reflecting the euro’s appreciation against the dollar in the international market.

FX demand considerably outstripped the supply in Q4, on the back of both seasonal factors (such as energy imports and dividend payment by some foreign-owned banks and companies) and uncertainty surrounding the sanctions imposed on NIS. Such trends fuelled depreciation pressures, which were highly pronounced in December. FX demand was created by both residents and non-residents, and in November and, particularly, in December, net sale of foreign cash by banks also worked on the demand side. The rise in FX demand in Q4 was driven also by the shortening of banks’ FX position on account of payment cards, while net indexed bank assets⁴ contributed to the rise in FX supply, though still falling short of demand.

⁴ Aiming to balance their open long FX position and reduce exposure to FX risk, banks sell foreign currency, thus contributing to the strengthening of the dinar.

Chart IV.1.8 Current account deficit and net FDI inflow (in EUR bn)

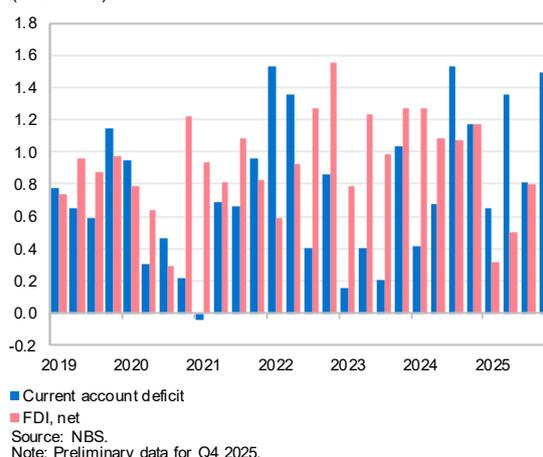


Chart IV.1.9 Structure of the financial account (in EUR bn)

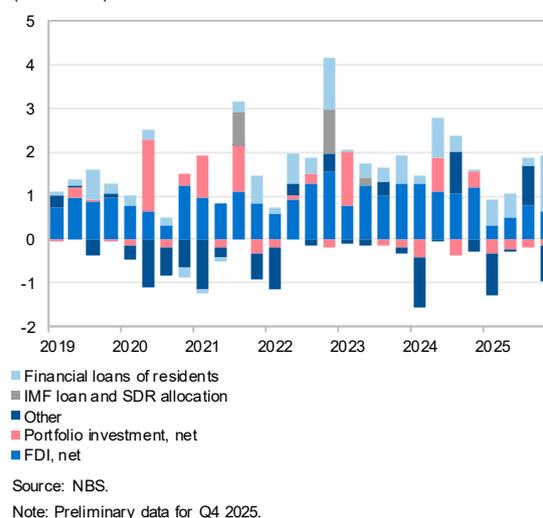
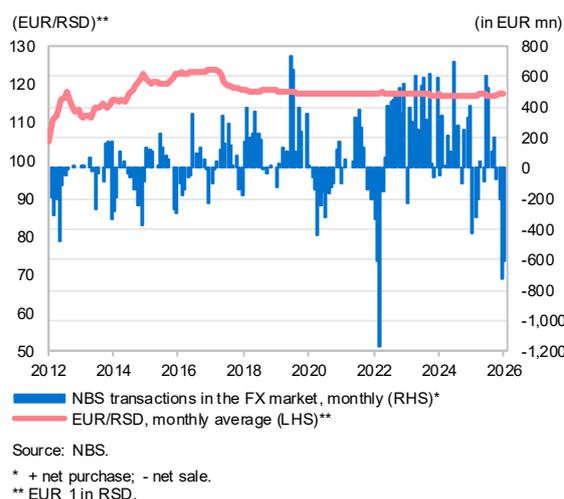


Chart IV.1.10 Dinar exchange rate and NBS transactions in the FX market



To ensure smooth functioning of the exchange market amid elevated demand for foreign cash, the NBS adopted temporary measures in December to facilitate the supply of foreign cash to authorised exchange dealers,⁵ and abolished, for an indefinite period, the charge of commission on exchange operations.

To maintain the relative stability of the dinar exchange rate against the euro, the NBS net sold EUR 1,010.0 mn in the IFEM in Q4, most of which (over 70%) referring to the net sale in December. As a result of such developments, in 2025 the NBS was the net seller of EUR 580.0 mn in the IFEM.

At end-2025, FX reserves amounted to EUR 29.0 bn, declining slightly from end-2024 (EUR 29.3 bn). End-2025 level of FX reserves was considerably above the adequacy standards, as they covered a little less than seven months' worth of goods and services imports and 156% of M1 money supply.

Depreciation pressures extended into January 2026, mostly reflecting elevated FX demand of residents, with the NBS selling EUR 610.0 mn in the IFEM.

The currencies of regional peers running the inflation targeting regime displayed divergent movements against the euro in Q4. The currencies gaining ground were the Czech koruna (0.4%), Polish zloty (1.0%) and Hungarian forint (1.5%), while the Romanian leu weakened (0.3%). Looking at 2025 as a whole, the Polish zloty strengthened by 1.1%, the Czech koruna by 3.9%, and the Hungarian forint by 6.4%, while the Romanian leu lost 2.4%.

Chart IV.1.11 Movements in USD/RSD and USD/EUR exchange rates

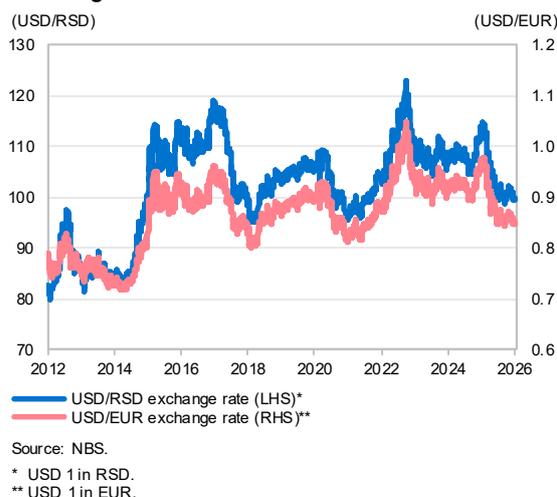
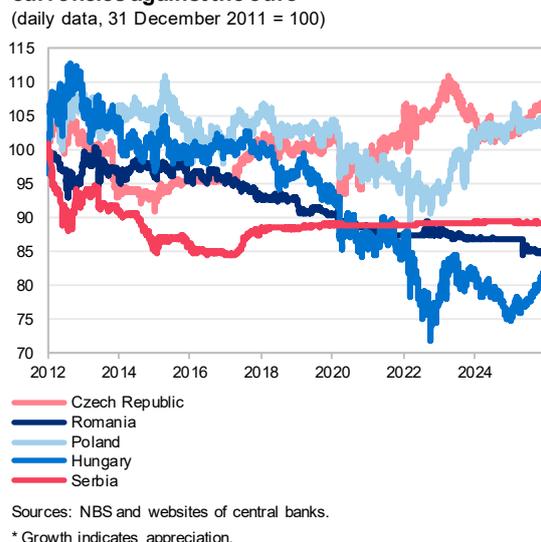


Chart IV.1.12 Exchange rates of selected national currencies against the euro*



⁵ The measure was adopted on 9 December 2025, allowing the authorised exchange dealers to return foreign cash purchased from banks within a period of 30 days, instead within seven days as previously defined. The effects of the implemented measures were visible already in late December. Out of precaution, the application of this measure was extended on 8 January 2026 by additional 30 days. The application was further extended in February, whereas in the period from 11 February to 15 March the exchange dealers will have the obligation to return foreign cash to banks within 15 days.

Text box 3: Specificities of factors affecting the FX market of the Republic of Serbia in 2025

The previous year, 2025, was in many ways specific for movements in the domestic FX market, and the factors influencing those movements (largely on the side of **FX demand**) recorded their highest amounts in the past several years. In 2025, the **FX demand exceeded the supply by EUR 405 mn**, which resulted in the **NBS being a net seller of foreign currency** at the annual level **for the first time since the pandemic year of 2020**, in the amount of **EUR 580 mn**. Since 2017, the NBS has faced largely appreciation pressures, i.e. pressures towards the strengthening of the domestic currency against the euro, and over the past nine years, only during two – 2020 and 2025 – did the NBS achieve a net sale of foreign currency, while in the other seven years it was a net buyer of foreign currency for dinars. **Over the nine years, net FX purchases amounted to EUR 11.3 bn.**

In terms of individual factors affecting movements in the domestic FX market, and despite the largest annual increase in banks' indexed assets (EUR 2.1 bn) ever recorded, as a specific factor on the FX supply side, other key elements had a depreciatory effect, contributing to strong FX demand. For the first time, foreign cash, which banks traditionally net purchase from authorised exchange offices and individuals, acted on the side of increased demand in 2025 – banks net sold foreign cash in 2025 in the amount of EUR 356.4 mn. **Residents** (domestic legal and natural persons) were **net buyers of foreign currency** in 2025 (EUR 1,088.7 mn) after two years of net sales, while **non-residents** (foreign persons) were, as is **traditional, on the side of FX demand**, but now with a net purchase of EUR 1,273 mn, which is **the largest amount since 2017**.

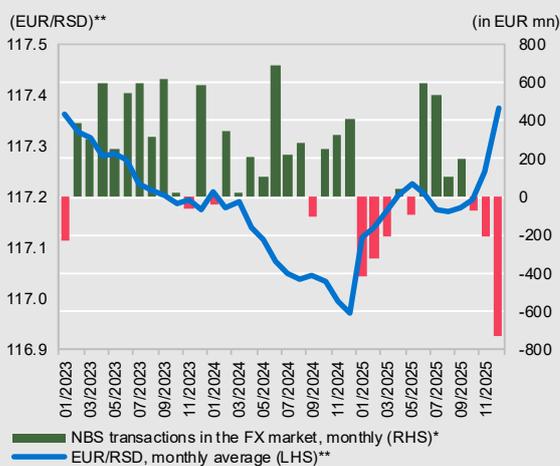
For the former, the usual net FX purchase by the largest energy importers (EUR 2,453.2 mn) did not deviate significantly from the amount for 2024 (EUR 2,524.1 mn). However, the **net sale of foreign currency by other residents** (EUR 1,364.8 mn) was **as much as 65% (or approximately EUR 2.5 bn) lower than the amount recorded in 2024**. This was largely contributed to by **strong FX demand from natural persons at the end of the year**. For both factors (residents and non-residents), the payout of profit from 2024 to foreign owners also contributed to increased FX demand, while non-residents also purchased foreign currency either upon exiting dinar-denominated bonds or to hedge their dinar investments against FX risk.

Still, developments in the domestic FX market during 2025 were not one-directional, but rather quite volatile.

The beginning of 2025 was marked by increased challenges for the Serbian economy. In January 2025, the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury added NIS to its sanctions list, as part of measures targeting the Russian company Gazpromneft and the Russian Federation. The sanctions did not take effect immediately but were postponed several times, until the beginning of October 2025, when OFAC did not renew NIS's operating license, thereby leading to the full application of sanctions on this company due to its majority Russian ownership. In such an environment, 2025 saw a shift in movements on the FX market. The new circumstances altered the trend that had been present since 2017, a period during which the NBS had predominantly purchased FX on the domestic market to prevent excessive strengthening of the dinar. **In 2023 and 2024 alone, the NBS net purchased EUR 6.7 bn**, with the **amounts of FX bought during these two years being respectively the first and second highest ever recorded**. The main drivers of such movements were improved macroeconomic indicators and favourable balance of payments developments, primarily record high FDI inflows, but also inflows from exports, remittances, and tourism. These factors, along with the country's improved resilience to shocks, were also the reason for receiving an investment-grade credit rating from Standard & Poor's in October 2024, and were recognised by other rating agencies and international institutions as well. Following such movements during 2023 and 2024, **the NBS was a net FX seller in 2025 for the first time since 2020, in the amount of EUR 580 mn, and the dinar nominally weakened by 0.2% against the euro**. Regarding the factors that influenced the domestic FX market and the dinar exchange rate in 2025, three sub-periods can be distinguished:

- January–May 2025:** The expected seasonal depreciation pressures due to elevated energy imports were intensified amid **news of sanctions being imposed on NIS at the beginning of the year**, coupled with additional growth in FX demand to build up energy reserves. During this period, FX supply from other domestic companies was also lower, partly as a consequence of reduced FDI inflows due to the situation concerning NIS, heightened global trade and geopolitical tensions, and weaker investment sentiment stemming from the socio-political situation in the country. This period also saw **increased FX demand from citizens**, as well as from non-residents (foreign banks and other financial institutions, companies).

Chart O.3.1 RSD/EUR exchange rate and FX interventions



Source: NBS.
 * + net purchase; - net sale.
 ** EUR 1 in RSD.

All these factors acted in synchrony, amplifying depreciation pressures, and the NBS played a more active role in the FX market, intervening with a net sale of EUR 1 bn on the domestic FX market during the first five months.

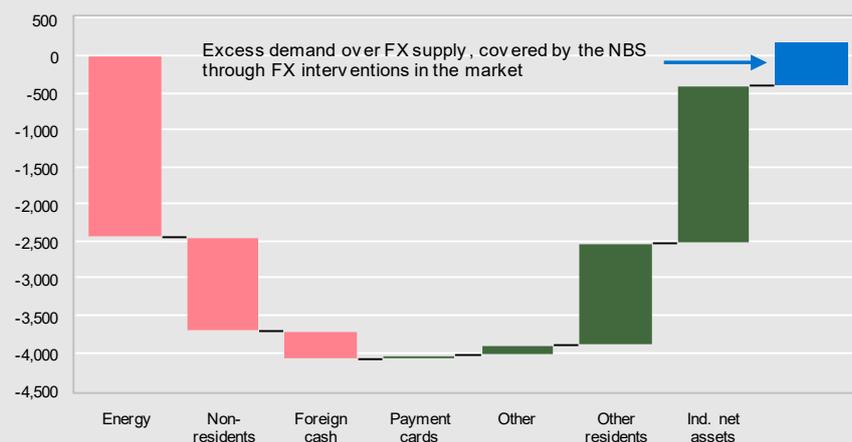
- **June–September 2025** – Pressures towards the strengthening of the dinar against the euro in this period arose primarily due to the **increased approval of euro-indexed loans to corporates and natural persons**, with a significant contribution from the subsidised housing loan programme for youth, as well as due to increased supply of foreign currency from domestic companies. This was also aided by the reduced FX demand from energy-importers. **By mid-July, i.e. within just a month and a half, the NBS offset the net sale of FX during the first five months of 2025 and switched to net FX purchases in the latter half of the month.** During this period, a net purchase of foreign cash by banks from natural persons and authorised exchange offices was also realised. **The NBS purchased EUR 1.43 bn net during these four months.**
- **Last quarter of 2025** – As OFAC did not approve the extension of NIS’s license, following 8 October the sanctions formally began to apply to NIS. This triggered a new wave of pressure on the FX market, primarily through the expectations channel, i.e. the effect of the psychological factor and the consequent stepped-up household FX demand, which also coincided with seasonal factors – the start of the heating season and increased energy import, as well as the pay-out of dividends by banks and foreign-owned companies. During the last quarter, all factors in the FX market acted on the side of FX demand, with the exception of the continued trend of stepped-up approval of euro-indexed loans to corporates and households.

From the final third of November, despite the reassurances and announcements by the NBS that it would not allow the situation the company NIS found itself in to threaten the country’s financial stability in any way, citizens resorted to panic-buying both FX and foreign cash from banks under a major influence of the psychological factor and to a large extent without rational cause. FX demand at exchange offices also increased considerably, intensifying depreciation pressures. **From end-November until end-2025, natural persons net purchased over EUR 660 mn. During this period, the NBS responded with a combination of market, regulatory, and operational measures and instruments to ensure the smooth functioning of the FX market.** Interventions involving the sale of FX on the interbank foreign exchange market to maintain the relative stability of the dinar exchange rate against the euro were accompanied by activities aimed at ensuring the uninterrupted functioning of the market’s foreign cash supply channel, as well as other measures to protect the interests of citizens and financial stability. This included changes to regulations defining the conditions and manner of conducting exchange operations to further facilitate the supply of cash to authorised exchange offices by banks, and the elimination of commission fees for exchange operations. **In Q4 2025, the NBS intervened with a net sale of EUR 1.01 bn on the FX market, thereby returning to the side of net FX sales on a cumulative basis since the start of the year. From mid-December to the end of the year, due to the measures taken, household demand for foreign currency and foreign cash significantly decreased, with a gradual return to normal flows.**

Movements in the FX market during 2025 (Chart O.3.2) were characterised by an imbalance between FX demand and supply factors, with certain traditional sources of supply weakened, and sources of demand more pronounced than in previous years.

The events during 2025, which were challenging for the domestic economy due to simultaneous pressures from the international environment and domestic factors, clearly demonstrated the degree of resilience of the domestic FX market, as well as the

Chart O.3.2 Factors in the FX market in 2025



Source: NBS.

effectiveness of economic policy conduct under conditions of elevated uncertainty. Thanks to timely and measured interventions in the FX market, along with a combination of regulatory and operational measures, the NBS succeeded in preserving the relative stability of the dinar exchange rate and mitigating pronounced depreciation pressures. This once again confirmed the role of the dinar exchange rate as a key anchor of financial stability in times of increased uncertainty, and consequently, its importance for overall macroeconomic stability and economic growth.

2 Money and loans

Total money supply M3 slowed down its y-o-y growth in Q4 amid a weaker increase in its most liquid component, dinar demand deposits. Resident dinar savings rose moderately, reaching a new record high of RSD 203.4 bn at end-2025.

Thanks to more favourable terms of borrowing and softened credit standards, lending growth sped up further y-o-y, to 15.4% in December. Given the preserved banking assets quality, this drove the NPL share in total loans down to the new minimum of 2.11% in December. Households and corporates relied more on dinar than on FX-indexed loans, which pushed the degree of dinarisation of receivables to 39.3% around year end. At the same time, deposits also recorded the highest degree of dinarisation – 46.9%.

Money

The broadest monetary aggregate M3, which in addition to dinar money also includes FX deposits of non-monetary sectors, increased by 3.0% in Q4, similarly as in the quarter before. Growth was mainly driven by the rise in the most liquid component, dinar demand deposits, while dinar time deposits and FX deposits gave almost equal, somewhat smaller, contributions.

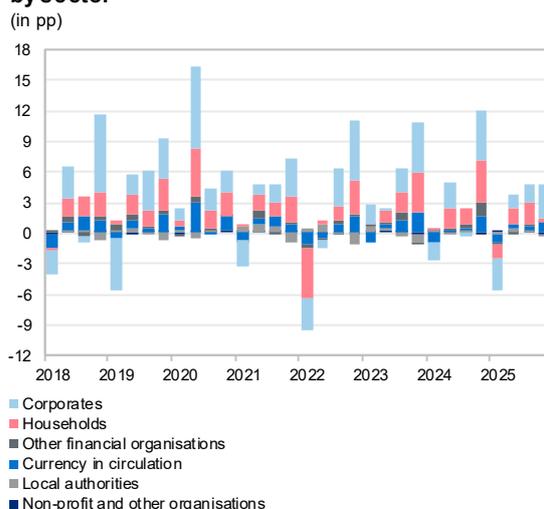
By individual category, dinar **demand deposits** gained RSD 53.6 bn in Q4, primarily owing to the rise in corporate transaction deposits (in construction and real estate sectors). Growth was also aided, though to a lesser degree, by higher balances in household current accounts. **Dinar time and savings deposits** added RSD 38.5 bn, on the back of corporate deposit increase (mostly in services and construction), with a lesser contribution of growing deposits of other financial organisations and a moderate increase in household savings. Household dinar savings reached a new record of RSD 203.4 bn⁶ at end-December.

FX deposits of non-monetary sectors went up by EUR 306.4 mn in Q4, partly because of a seasonal increase. Household FX savings rose by around EUR 284 mn (reaching a new, all-time high of EUR 15.4 bn), with a somewhat lower contribution of corporate deposit growth. Conversely, FX deposits of other sectors were on a decline.

The degree of dinarisation of corporate and household deposits in Q4 edged up by 0.6 pp, to the record high 46.9% in December, owing to a relatively faster growth in dinar (mostly corporate) deposits compared to FX deposits.

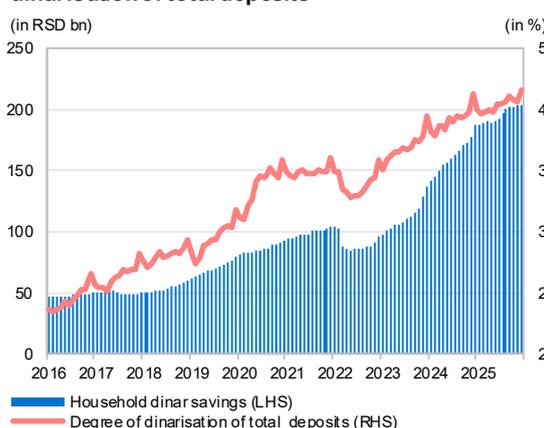
Y-o-y, money supply M3 decelerated its growth in Q4, to 6.5% in December, due to a moderate increase in the most liquid dinar component.

Chart IV.2.1 Contributions to quarterly growth in M2, by sector



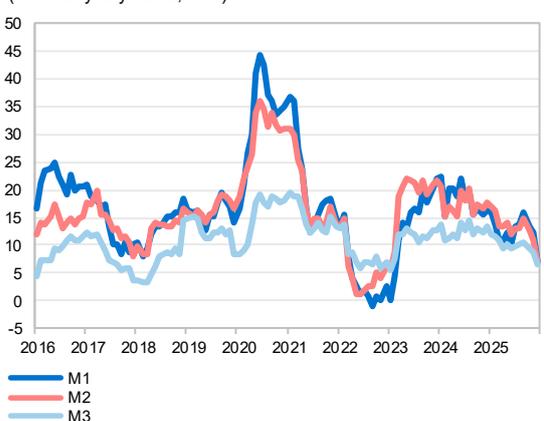
Source: NBS.

Chart IV.2.2 Dinar household savings and degree of dinarisation of total deposits



Source: NBS.

Chart IV.2.3 Monetary aggregate movements (nominal y-o-y rates, in %)



Source: NBS.

⁶ Including non-residents' assets, dinar savings stood at around RSD 206.2 bn at end-December, and FX savings at EUR 16.2 bn.

Loans

In Q4 2025, **total domestic loans to the non-monetary sector** stepped up further y-o-y, to 15.4% in December, excluding the exchange rate effect.⁷ This is the highest annual growth rate since 2008. The growth was led by **household lending**, going up by 19.5% in 2025, and **corporate lending**, which also recorded a double-digit growth (11.3%).

Corporate loans went up by RSD 46.8 bn in Q4, with more than four-fifths of this growth referring to company borrowing. Growth was predominantly led by investment loans (RSD 48.7 bn), while borrowing through export loans and current accounts also increased. On the other hand, corporate liabilities under liquidity and working capital loans decreased in quarterly terms owing to net debt repayments in October and November. Apart from this, liabilities under import loans and other non-categorised loans also went down. Such trends pushed the share of investment in total corporate loans up by 1.5 pp in Q4, to 43.4% in December, with the acceleration of y-o-y growth to 12.8%. At the same time, the share of liquidity and working capital loans contracted by 1.3 pp to 47.3%, while their y-o-y growth picked up to 11.8%.

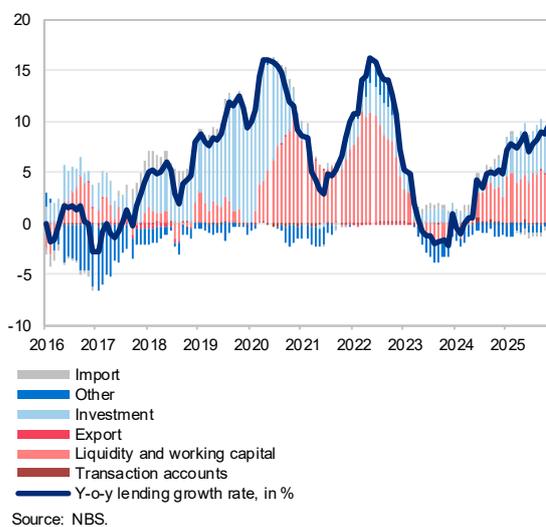
Sector-wise, companies in energy, real estate and construction borrowed the most in Q4, while those in transport and trade recorded the sharpest decline in borrowing. In Q4, the share of loans approved to the segment of micro, small and medium-sized enterprises in total corporate loans increased by 1.5 pp, coming at 60.6% in December, while their y-o-y growth sped up to 11.2%. Dinar loans accounted for somewhat more than one-third of the increase in Q4, which helped the **degree of dinarisation of corporate receivables** climb by 1.2 pp and reach 22.9% in December.

The volume of new corporate loans in Q4 equalled RSD 468.4 bn, up by 8.3% compared to the same period of 2024. Liquidity and working capital loans remained dominant, making up 56% of new corporate loans, with little more than a half being absorbed by the segment of micro, small and medium-sized enterprises. Investment loans accounted for 33% of new loans, with almost two-thirds being channelled to micro, small and medium-sized enterprises.

Household loans added RSD 94.1 bn in Q4, posting the strongest quarterly increase since Q3 2008. As before, this increase was led by cash loans (RSD 49.0 bn) and housing loans (RSD 36.2 bn) and was underpinned by measures envisaging favourable terms of borrowing for citizens with monthly income of up to RSD 100,000.⁸ Housing loan growth was further supported by the government programme of mortgage loans for youth,

Chart IV.2.4 Contributions to y-o-y corporate lending growth

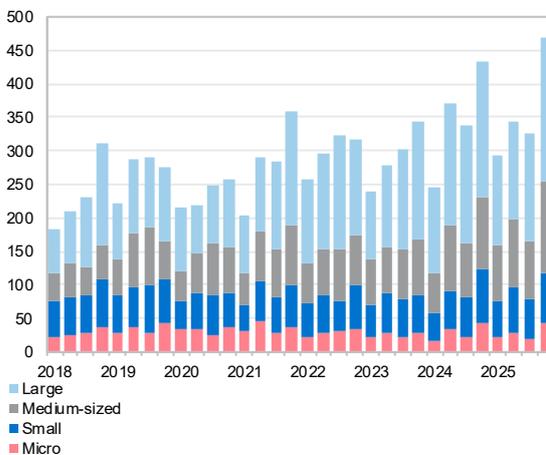
(in pp, excluding the exchange rate effect)



Source: NBS.

Chart IV.2.5 Structure of new corporate loans, by enterprise size

(in RSD bn)



Source: NBS.

⁷ Calculated by applying the new programme exchange rate as at 30 September 2024.

⁸ For a detailed account of measures for more favourable lending to lower-income citizens see *Inflation Report* – November 2025, Text box 3.

which accounted for 37% of the housing loan increase in Q4. Household borrowing under consumer loans and credit cards also went up, while borrowing under current accounts subsided. Such trends pushed the share of cash in total household loans up by 0.2 pp in Q4, to 47.4% in December, while the share of the next largest category, housing loans, remained unchanged (38.2%). At the same time, both these loan categories stepped up y-o-y – adding 22.3% and 19.0%, respectively, in 2025. Households continued to borrow chiefly in dinars, which contributed to the rise in **dinarisation of household receivables** by 0.2 pp in Q4, to 56.2% in December.

The volume of new household loans in Q4 came at RSD 334.3 bn, rising by 40.9% y-o-y, mostly owing to a higher volume of new cash and housing loans.

The results of the NBS bank lending survey carried out in January indicate that banks softened credit standards for both corporate and household sectors in Q4. In the corporate segment, standards were eased for long-term loans thanks to lower cost of financing and special campaigns by some banks of shortened underwriting procedures for small legal entities (covered under “other factors” in the survey). In the household segment, credit standards were additionally eased for all dinar loans, and FX-indexed housing loans, primarily owing to inter-bank competition. Banks assessed that corporate demand for dinar and long-term FX-indexed loans rose further in Q4, and that growth was more pronounced in the segment of small and medium-sized enterprises. As in two prior quarters, demand growth was driven by the need to finance working capital, followed by investment financing. In Q4, households upped their demand mainly for dinar cash loans and refinancing loans, and also for FX-indexed housing loans and dinar consumer loans. In banks’ view, this was prompted by the need to refinance the existing loans and purchase real estate, as well as by higher wages and purchase of durable consumer goods.

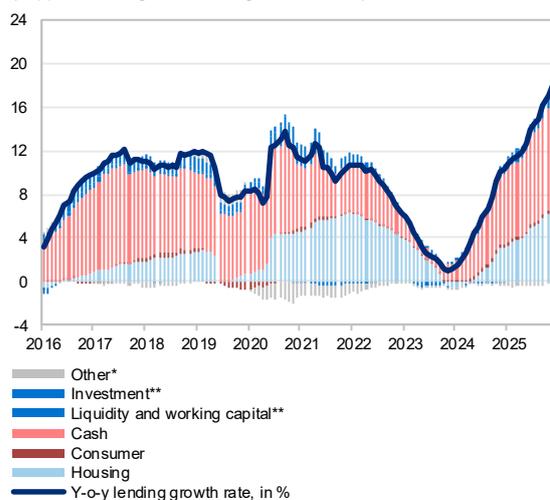
Gross NPL ratio dropped to a new low of 2.11% in December, down by 0.1 pp from September. Household NPL ratio decreased by the same degree,⁹ to 2.7%, while the ratio for the corporate sector¹⁰ edged down by 0.2 pp to 1.4%. NPL coverage remained high as allowances for impairment of total loans measured 114.2% of NPLs and allowances for impairment of NPLs – 61.6% of NPLs.

Capital adequacy ratio equalled 21.0% at end-Q3, indicating high capitalisation (regulatory minimum – 8.0%) and resilience of the banking sector to external and domestic risks.

In view of the fact that in Q3 2025 the share of total loans (domestic and cross-border) in GDP moved above the long-term trend and that the estimated value of the gap

Chart IV.2.6 Contributions to y-o-y household lending growth

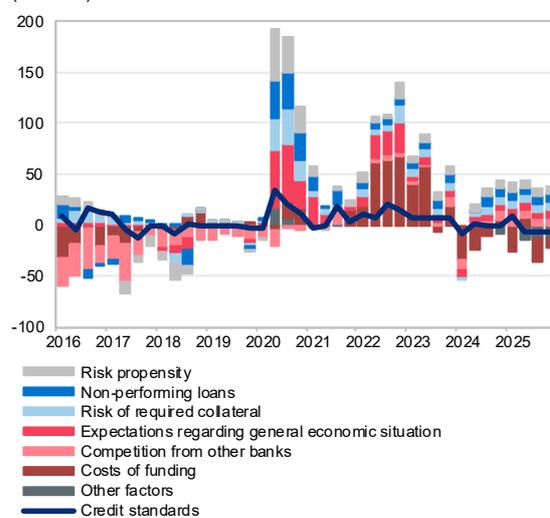
(in pp, excluding the exchange rate effect)



Source: NBS.
* Includes the contributions of receivables under transaction accounts, credit cards and other non-categorised loans.
** Loans extended to entrepreneurs.

Chart IV.2.7 Change in corporate credit standards and contributing factors

(in net %)



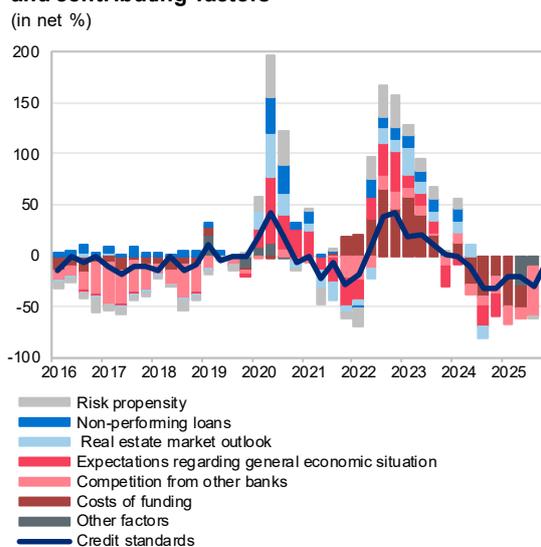
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

⁹ Includes natural persons, entrepreneurs and private households.

¹⁰ Includes companies and public enterprises. Looking at companies only, the share of NPLs in total loans also edged down, by 0.2 pp to 1.6% in December.

exceeded 2 pp, which is a threshold value for introduction of the countercyclical capital buffer rate, the NBS made a decision in December to raise this rate to 0.5% (from 0%) of bank’s risk-weighted assets, mandating its application by banks as of 15 December 2026. Although Serbia’s banking sector is well capitalised, highly liquid and profitable, by raising this rate, the NBS acts proactively, aiming to strengthen financial stability, especially in conditions of heightened global uncertainty.

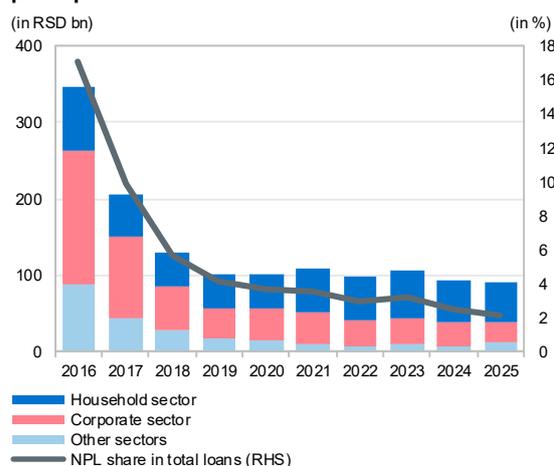
Chart IV.2.8 Change in household credits standards and contributing factors



Source: NBS.

Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Chart IV.2.9 NPL level and share in total loans, gross principle



Source: NBS.

Text box 4: Increased rate of the countercyclical capital buffer for strengthening banking sector

The countercyclical capital buffer (CCyB) is a macroprudential instrument for strengthening banking sector resilience during a period of stronger credit growth. It is an instrument through which regulators act proactively, by influencing the creation of an additional layer of Common Equity Tier 1 capital during periods of heightened credit growth, which can be released should systemic risks materialise. The manner of determining the CCyB rate for the Republic of Serbia is fully aligned with the recommendations of the European Systemic Risk Board (ESRB 2014/1), according to which credit growth can be assessed as accelerated if the share of total loans in GDP is at least 2 pp above its long-term trend. The NBS determines the CCyB rate for Serbia at a quarterly level, taking into account the values of the deviation of the share of total real credit in real GDP from its long-term trend,¹ while also using other indicators relevant for monitoring the cyclical dimension of systemic risk. **At the session held on 11 December 2025, the NBS Executive Board decided to set the CCyB rate for Serbia at 0.5% bearing in mind that according to data for Q3 2025, the credit-to-GDP ratio was estimated to be above its long-term trend by more than the threshold of 2 pp.**

After a period of expansionary credit activity between 2000 and 2008, at end-2009 the identified deviation of the credit-to-GDP ratio² from its long-term trend entered the negative zone, i.e. the credit gap was negative. As of 2014, credit growth resumed, pushing the credit-to-GDP ratio close to its long-term trend, while the acceleration recorded since the start of 2024 helped the ratio go beyond its long-term trend, i.e. the credit gap was positive. **According to data for September 2025, the share of total credit in GDP was 75.9%, while the estimated value of the deviation of the credit-to-GDP ratio from its long-term trend was 2.5 pp, or 3.9 pp higher than in the same period in 2024.**

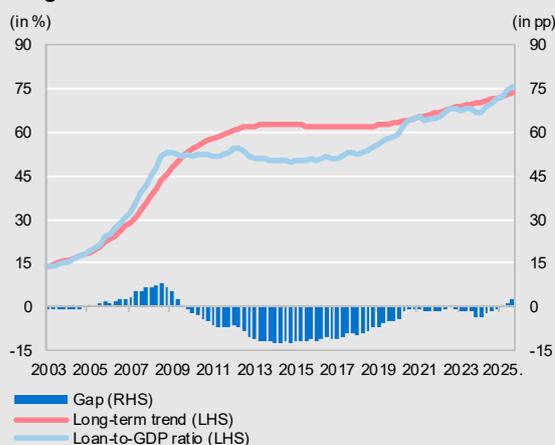
In terms of the credit activity in the household sector, in Q3 2025 these credits were below their long-term trend, with the gap recorded at -0.9 pp, which is 1.6 pp higher than in the corresponding period a year ago.

Since Q2 2022, the corporate sector mostly recorded a positive credit-to-GDP gap, measuring 3.2 pp at end-Q3 2025. In y-o-y terms, the value of the corporate credit-to-GDP gap rose by 2.3 pp.

To determine the CCyB rate for Serbia, in addition to the deviation of the total credit-to-GDP ratio from its long-term trend, additional optional indicators relating to the real estate market, external imbalances and developments in the banking sector were also taken into account, as well as a composite systemic stress indicator constructed to identify crisis periods of the financial cycle. This indicator is used to analyse the accumulation of risks in different segments of the financial system, and assess the overall level of systemic stress.³ At end-Q3 2025, the systemic stress indicator recorded a very low level, indicating the absence of materialised systemic risks. Therefore, under such conditions, the CCyB rate can be used flexibly to preemptively strengthen banks' capital base.

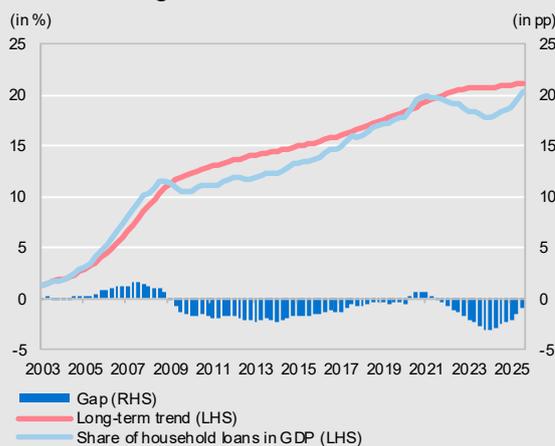
When calibrating the CCyB rate, special attention was paid to the need to ensure the timely strengthening of banks' capital, while simultaneously preserving the banking sector's ability to support economic activity on sound grounds.

Chart O.4.1 Share of total loans in GDP and estimated long-term trend



Source: NBS.

Chart O.4.2 Share of household loans in GDP and estimated long-term trend



Source: NBS.

¹ Estimated based on the one-sided HP filter (lambda = 400,000).

² Total credit represents the aggregate real credit to the non-government sector, which include credits extended by domestic banks to the non-government sector (excluding credits to local levels of government and subsidised credits) and cross-border credits approved to the domestic private sector from abroad.

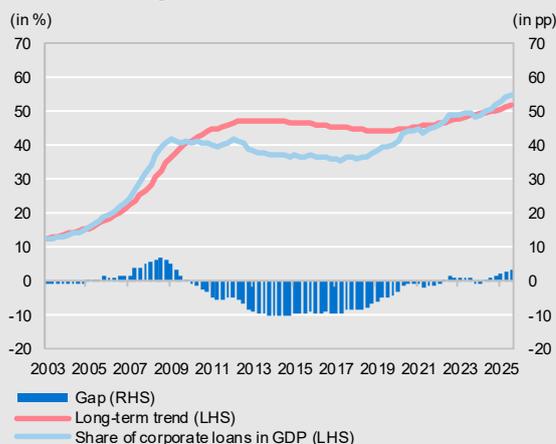
³ For more information about the movements of these optional indicators and the systemic stress indicator, see Explanation for the Countercyclical Capital Buffer for the Republic of Serbia from 11 December 2025 (https://nbs.rs/en/ciljevi-i-funkcije/finansijska-stabilnost/zastitni_slojevi_kapitala/kontraciklicni/).

Favourable macroeconomic developments in the country, as well as the continuous improvement of the regulatory framework, have helped maintain the Serbian banking sector stable. **Serbia’s banking sector is well-capitalised, highly liquid and profitable, with asset quality preserved despite a global tightening of financial conditions and the multidimensional crisis that has characterised the international environment in recent years.** At end-Q3 2025, the banking sector’s capital adequacy ratio stood at 21.0%, significantly above the regulatory minimum (8%). The share of non-performing loans in total banking sector loans in November 2025 was 2.1%, i.e. a record low level. In the real estate market, moderate y-o-y growth in flat prices continued, accompanied by increased transaction volume and a higher share of credit-financed purchases. The sustainability of the external position is supported by the current account deficit that, as a share of GDP, is around the average equilibrium value, a high inflow of FDIs and FX reserves assessed to be at an adequate level.

The established CCyB rate of 0.5% will apply from 15 December of this year, and banks will be required to maintain additional Tier 1 capital above the prescribed regulatory minimums, in an amount equal to the product of their risk-weighted assets and the specific CCyB rate.⁴ In this way, a capital reserve is created that can be released in the event of the materialisation of systemic risks, thereby ensuring uninterrupted lending to the real sector. **By utilising this instrument, the NBS further strengthens the resilience of the financial system to potential shocks from the global environment, while retaining the flexibility to adjust the countercyclical capital buffer rate to future phases of the credit cycle.**

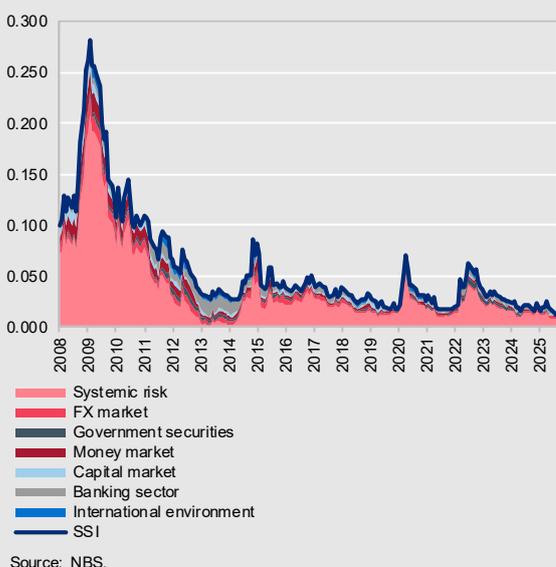
According to ESRB data, since the beginning of 2026, 25 of the 30 European countries have applied a CCyB rate higher than zero, indicating that the use of this macroprudential instrument under conditions of heightened cyclical risks is widely prevalent in the European practice.

Chart O.4.3 Share of corporate loans in GDP and estimated long-term trend



Source: NBS.

Chart O.4.4 SSI movements and the contribution of key risk factors to the SSI, with identification of financial stress regime



Source: NBS.

⁴ The specific countercyclical capital buffer rate is calculated as the weighted average of the countercyclical capital buffer rates for the Republic of Serbia and other countries in which a bank has relevant credit exposures, in accordance with Section 443 of the Decision on Capital Adequacy of Banks (RS Official Gazette, Nos 103/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020, 59/2021, 67/2022, 137/2022, 48/2023, 110/2023, 102/2024, 41/2025, 70/2025, 101/2025 and 104/2025).

3 Aggregate demand

In Q4, GDP growth amounted to 2.2% y-o-y and was driven, in our estimate, by domestic demand, primarily personal consumption. On the other hand, a negative contribution stemmed from net exports due to a faster real growth in the import than in the export of goods and services.

Domestic demand

We estimate that a rise in **household consumption** accelerated in Q4, to 4.0% y-o-y, providing a 2.5 pp contribution to GDP growth. A further increase in private consumption is indicated primarily by the data on retail trade and tourism turnover given the growth recorded in Q4. Though at a slower pace than in the previous part of the year, the import of consumer goods kept rising in Q4. On the other hand, the number of domestic tourist arrivals and overnight stays continued down compared to the same period last year.

Looking at the sources of personal consumption, as in the previous period, the wage bill, as its main source, continued to record double-digit nominal y-o-y growth (11.1% in October–November), while the real wage bill growth came at 8.2% y-o-y. At the same time, in Q4, pensions grew by 11.3% in nominal and 8.5% y-o-y in real terms. More favourable borrowing terms – resulting from the past NBS and ECB monetary policy easing, and since September 2025 also supervisory measures aimed at providing more favourable borrowing terms for population groups with lower income – provided additional support to household consumption through the rise in loans intended for consumption as their y-o-y growth accelerated to a double-digit level. Further, having fallen in H1, household remittances recovered since early H2, and continued rising in Q4, posting a y-o-y increase of 26.2%.

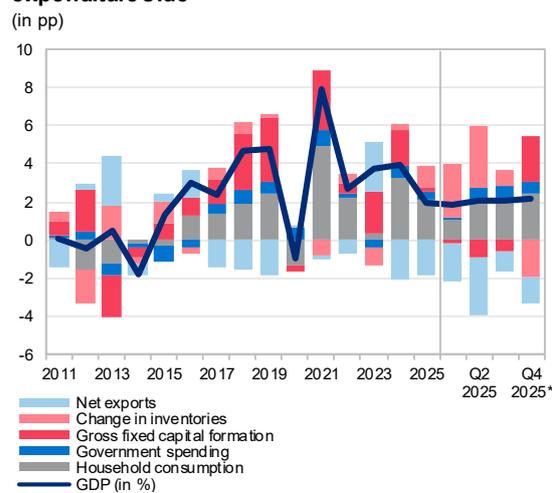
In our estimate, **government consumption** edged up by 3.2% y-o-y in Q4, continuing to positively contribute to GDP growth (0.6 pp in Q4), driven by higher expenditures for public sector employees and the procurement of goods and services. As a result, **total consumption** increased by 3.8% y-o-y in Q4.

Bearing in mind the available SORS data, i.e. flash estimate of the 2025 GDP growth, we estimate that total investments rose by 1.5% y-o-y in Q4, adding 0.4 pp to GDP growth in Q4.

Continued implementation of significant government infrastructure projects along with a rise in private investments generated a positive contribution of fixed investments to economic growth in Q4. On the other hand, lower inventories acted as a drag.

Observing investment indicators in Q4 we can conclude that a recovery of investment activity is indicated by the increase in the production and import of capital goods, as well as a rise in the import of construction materials.

Chart IV.3.1 Contributions to y-o-y GDP growth rate, expenditure side



Sources: SORS and NBS calculations.

* NBS estimate.

Table IV.3.1 Movement in key indicators and sources of household consumption

(real y-o-y growth rates, in %)

	2025			
	Q1	Q2	Q3	Q4
Household consumption	1.8	3.1	3.4	4.0*
Indicators				
Retail trade	14	3.8	3.2	8.0
Catering turnover	-8.8	2.4	4.8	3.7**
Number of domestic tourists	-3.7	-5.7	0.1	-0.2
Number of overnight stays of domestic tourists	-8.4	-8.7	-10	-4.5
Consumer goods import (BEC classification), nominal	17.6	9.3	9.1	17
Sources				
Total wage bill, nominal	114	10.9	115	11.1**
Net remittances inflow, nominal	-8.0	-6.5	25.9	26.2
Stock of loans intended for consumption, nominal	14.7	15.8	18.2	21.0

Sources: SORS and NBS calculations.

* NBS estimate.

** October–November.

Table IV.3.2 Investment indicators

	2025			
	Q1	Q2	Q3	Q4
Real y-o-y growth rates (in %)				
Total investment (national accounts)	9.7	10.3	10	15*
Construction (national accounts)	-5.3	-15.8	-11.7	10.6*
Government investment	-3.7	23.4	-11.0	-0.5
Number of issued construction permits	-2.7	-7.9	-0.8	-3.0**
Production of construction material	19	0.8	2.3	-3.4
Value of works performed	-5.3	-16.1	-12.3	10.6
Equipment imports, nominal	-2.3	-6.9	4.4	15.3
Production of domestic machinery and equipment	-11.4	-16.9	-15.3	0.5

Sources: SORS and NBS calculation.

* NBS estimate.

** October–November.

At the same time, the construction data suggest a return to the positive territory since the value of executed works in Q4 recorded growth of 10.6% y-o-y.

As for the sources of investment financing, we estimate that the bulk of private investments was financed from own sources owing to high corporate profitability in previous years (RSD 866 bn in 2024). Also, Q4 saw an FDI inflow of almost EUR 900 mn, while investment loans recorded a y-o-y rise of 13.2%. Government capital expenditures fell by 0.5% y-o-y in nominal terms, but continued to hold a relatively high share in GDP.

Net external demand

In our estimate, **real growth of goods and services exports** measured 4.2% y-o-y in Q4, keeping the dynamic from the quarter before, while the rise in **imports picked up** to 5.6%. As a result, **net exports** provided a negative contribution to GDP growth (-1.3 pp).

Goods exports in euro terms went up by 5.9% y-o-y in Q4. Export growth mainly stemmed from higher **manufacturing exports** (6.0% y-o-y), in 14 out of 23 branches, thanks to diversification by product and geography and past investments. Exports of motor vehicles and rubber and plastic products stood out in particular, reflecting stronger investments in the automotive industry and the beginning of serial production of electric automobiles and automobile tyres. Mining exports expanded as well (59.9% y-o-y). On the other hand, last year’s drought weighed down on inventories and led to a 32.9% y-o-y fall in agricultural exports in Q4. Electricity exports also recorded a fall (10.0 y-o-y).

Goods imports in euro terms gained 3.5% y-o-y in Q4, mainly owing to higher imports of equipment and intermediate goods.

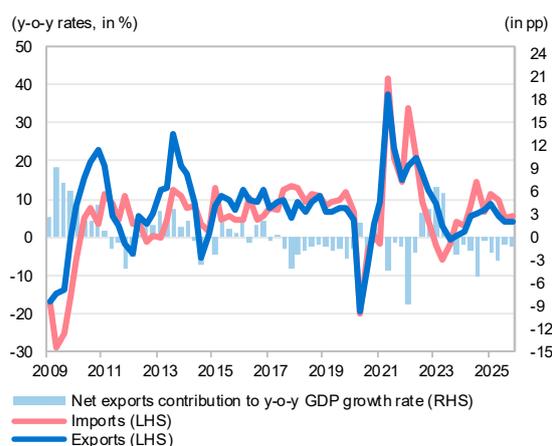
Foreign services trade maintained the positive dynamic in Q4, generating a surplus of EUR 864 mn, despite the strong growth of tourist services imports. Services exports picked up in Q4, by 6.8% y-o-y, while services imports increased by 12.7% y-o-y, primarily on the back of tourist services.

Commodity export/import coverage ratio increased by 0.4 pp in Q4, measuring 83.5% in December¹¹ (with services included, the value of the ratio in December stood at 92.1%, up by 0.1 pp from end-Q3).

¹¹ Measured by the 12-month moving average.

Chart IV.3.2 Exports and imports of goods and services

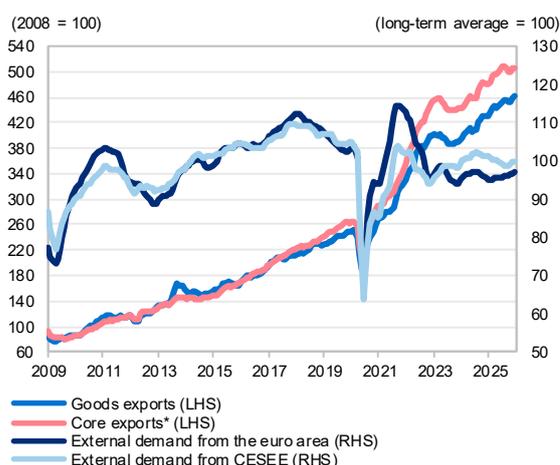
(in previous-year constant prices, ref. 2021)



Sources: SORS and NBS calculations.
Note: NBS estimate for Q4 2025.

Chart IV.3.3 Movement in external demand indicators for Serbian exports

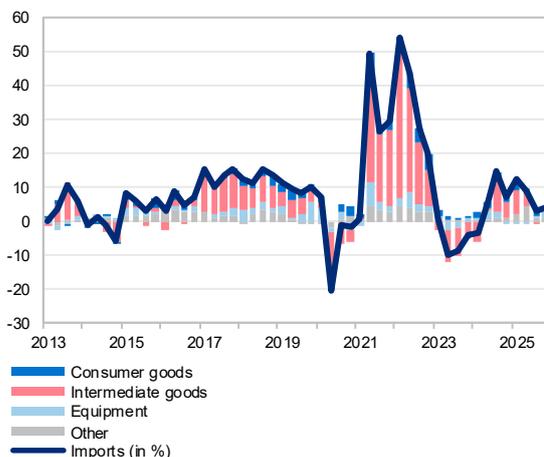
(3M moving average, s-a)



Sources: European Commission, SORS and NBS.
* Core exports are total exports excluding the export of agricultural products, base metals, motor vehicles, petroleum products and electricity.

Chart IV.3.4 Movement of key import components

(contributions to y-o-y growth, in pp)



Sources: SORS and NBS calculations.

4 Economic activity

According to the SORS estimate, economic activity accelerated slightly relative to the previous part of the year, recording a 2.2% y-o-y growth in Q4. Growth was driven by services, with the positive contribution also coming from construction. Agriculture exerted a neutral influence on economic activity, while industry dropped mostly as a consequence of problems in oil industry caused by the sanctions imposed on NIS.

In our estimate, **services**, collectively, accelerated to 3.9% y-o-y in Q4 (from 3.1% in Q3), contributing 2.2 pp to GDP growth. This is confirmed primarily by trade and catering data given the rise in turnover in Q4. At the same time, a stable and vibrant activity in the ICT sector is indicated by a further double-digit rise in its exports in Q4, despite a very high last year’s base. On the other hand, data on tourism turnover show that the number of tourist arrivals and overnight stays also dropped, by around 3% and 4% y-o-y, respectively.

We estimate that **industrial production** declined by 3.8% y-o-y in Q4, providing a negative, 0.7 pp contribution to GDP growth. Lower activity mostly reflects the problems in the refining segment of oil industry due to the sanctions imposed on NIS because of its majority Russian ownership. Given the above, the volume of **manufacturing** output declined by 4.1% in Q4 compared to the same period last year. Production declined in 15 out of 24 branches of manufacturing, with the most significant negative contribution coming from coke and petroleum products, followed by clothing and chemical products. On the other hand, robust y-o-y growth was recorded in the production of motor vehicles (by 65.3% in Q4), and rubber and plastic products (8.9%), which can be associated with the acceleration of the serial production of electric vehicles in Kragujevac and automobile tyres, as well as in the production of other transport equipment (16.1%). **Electricity production** also declined (by 5.9%). On the other hand, in Q4, the volume of production in **mining** increased by 4.3% owing to the metal ore exploitation.

We estimate that **construction** provided a positive contribution (0.5 pp) to economic activity in Q4. This is primarily indicated by the value of executed works, which went up by 10.6% y-o-y in Q4. Also, the import of construction materials increased by 4.8% y-o-y in Q4. In addition, since early 2025, inventories of construction materials, capital goods, and gravel, sand and stone have been increasing, which suggests an expected further recovery of construction activity in the coming period. On the other hand, the production of construction materials dropped by 3.4% y-o-y in Q4, as did the “other mining” covering gravel, sand and stone extraction. The number of issued construction permits has been on the decline for almost an entire year, extending into November, but the value of envisaged works under those permits has grown relative to November 2024.

Table IV.4.1 Contributions to y-o-y GDP growth (in pp)

	2024	2025			
	Q4	Q1	Q2	Q3	Q4*
GDP (in %, y-o-y)	3.5	1.8	2.0	2.0	2.2
Agriculture	-0.3	0.0	0.0	0.0	0.0
Industry	0.9	0.4	0.6	0.5	-0.7
Construction	-0.2	-0.3	-0.8	-0.6	0.5
Services	2.4	1.0	1.6	1.7	2.2
Net taxes	0.7	0.3	0.6	0.5	0.3

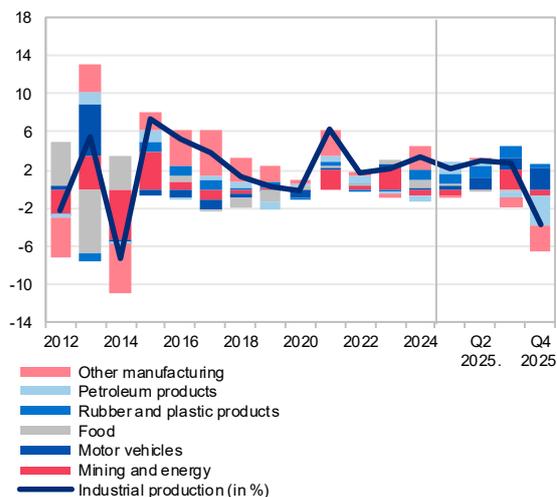
Sources: SORS and NBS calculations.
* NBS estimate.

Chart IV.4.1 Service sector indicators (s-a, 2019 = 100)



Sources: SORS and NBS calculations.

Chart IV.4.2 Contributions to y-o-y industry growth rate (in pp)



Sources: SORS and NBS calculations.

In our estimate, **net taxes** went up by 2.3% y-o-y in Q4, adding 0.3 pp to GDP growth as a result of a rise in consumption and better tax collection.

As for **agriculture**, SORS preliminary estimate of GDP growth in 2025 indicates a mild decline in agricultural output at the level of the year (-0.3%) bearing in mind that the production of most autumn crops and fruits was lower than the year before. Accordingly, we assessed that agricultural production stagnated in Q4.

5 Labour market developments

The labour market was relatively stable in Q4, recording a mild y-o-y employment decrease and a decline in registered unemployment, along with a continued rise in the average and minimum wage.

Wages

The average nominal net wage in the October–November period amounted to RSD 111,329 (EUR 950), its y-o-y growth accelerating to 11.7% from 11.4% in Q3. In real terms, the average net wage growth picked up to 8.8% from 6.9% in Q3. At the same time, median net wage increased by 12.1% y-o-y, to RSD 86,699. When the minimum labour cost was raised to RSD 337 per hour, the minimum wage in October amounted to around RSD 62,000, exceeding for the first time the level of EUR 500. Speaking in favour of improved living standards is also a higher coverage of the average consumer basket with the average wage and a higher coverage of the minimum basket with the minimum wage, which in the first eight months of 2025 (the latest available data on the consumer basket) stood at 99.6% and 95.3%, respectively.

The rise in the average nominal net wages was more pronounced in **the public** (14.8% y-o-y) than in **the private sector** (10.5% y-o-y). The double-digit growth was recorded in most **economic branches**. The highest y-o-y growth was posted by education, catering, water supply, manufacturing and health sectors, ranging between 14.1% and 22.1%.

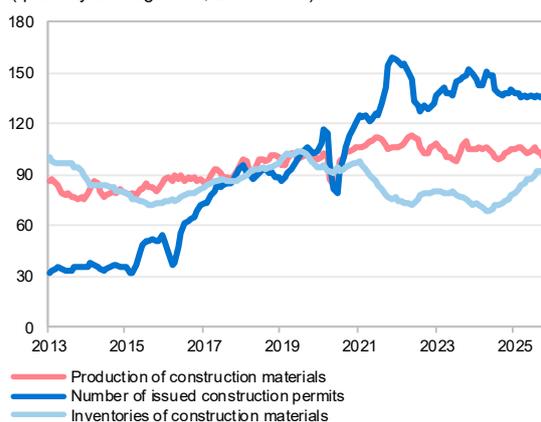
In the October–November period, the nominal net wage bill, as the main source of consumer demand, increased by 11.1% y-o-y, entirely on account of a continued rise in wages.

According to preliminary data, the **overall economic productivity** rose by 3.1% y-o-y in Q4 primarily as a result of economic growth amid somewhat lower employment.

Employment

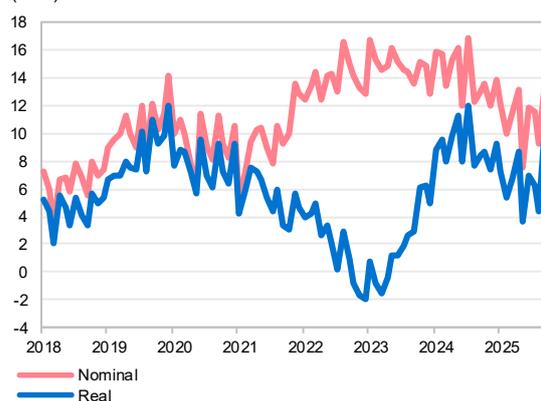
According to SORS data, **total formal employment** in Q4 averaged around 2.36 mn, down by 0.9% from the same period last year (following the stagnation in Q3). In

Chart IV.4.3 **Construction activity indicators**
(quarterly averages s-a, 2019 = 100)



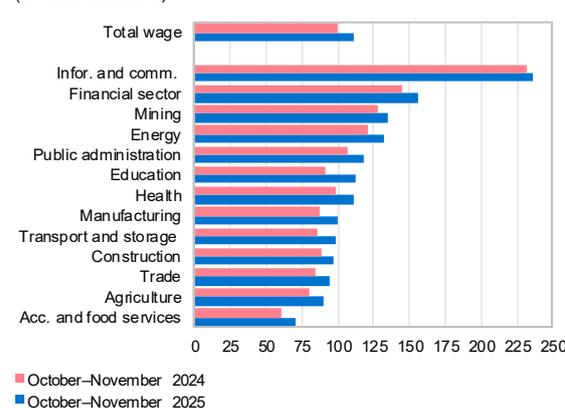
Sources: SORS and NBS calculations.

Chart IV.5.1 **Y-o-y growth rates of average net wage**
(in %)



Source: SORS.

Chart IV.5.2 **Nominal net wage by economic sector**
(in RSD thousand)



Source: SORS.

Q4, employment with entrepreneurs increased, while the number of registered farmers and employment with legal persons dropped.

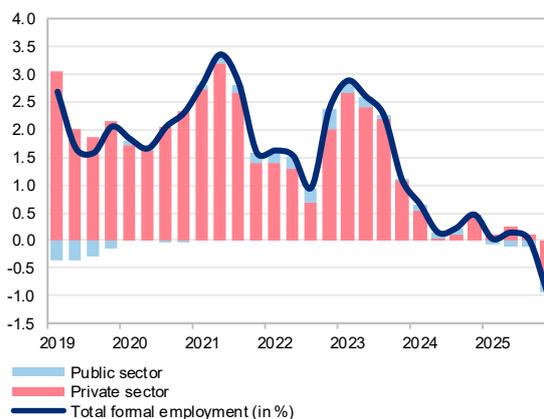
Private sector formal employment averaged 1.75 mn persons in Q4. In y-o-y terms, it went down by 0.9% (following a 0.1% y-o-y rise in Q3). **Public sector formal employment declined** (by 1.1% y-o-y), following a 0.4% decrease in Q3, primarily as a result of public administration employment cuts. Observing dominantly private sector activities in Q4, registered employment rose the most in administrative and auxiliary services, as well as ICT services, while decreasing the most in manufacturing, professional, scientific, innovation and technical services, as well as trade.

According to the National Employment Service records, **registered unemployment** came at 339,512 in December, with around 14 thousand unemployed people less than in the same period last year.

According to the LFS data, covering both **formal and informal labour market segments**, the participation rate of the working age population (15–64) stood at 73.1% in Q3, while the activity rate (15+) measured 55.9%. Though unemployment dropped in y-o-y terms, the unemployment rate went slightly up in Q3, by 0.1 pp y-o-y, to 8.2%, due to a faster decline in active population. At the same time, the employment rate decreased by 0.6 pp, to 51.3%.

Chart IV.5.3 Structure of y-o-y growth in total formal employment

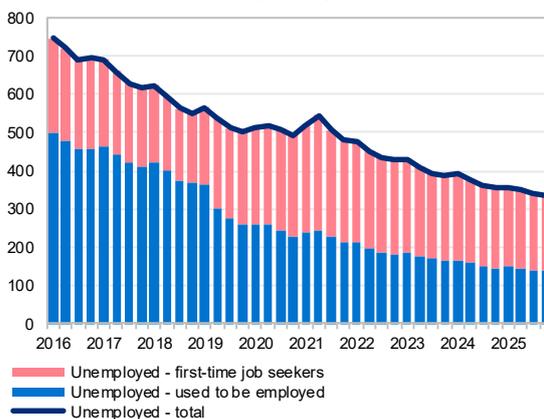
(in pp, quarterly average)



Sources: SORS and NBS calculations.

Chart IV.5.4 Movement of registered unemployment

(in thousand persons, quarterly average)



Source: National Employment Service.

Text box 5: Assessment of labour market conditions in Serbia using a composite indicator

Sustained macroeconomic stability over the past decade, together with a markedly improved investment and business environment and robust FDI inflows, has had a favourable impact on the domestic labour market. This is evidenced by rising employment and a simultaneous decline in unemployment to a record low level. According to the latest available data for Q4 2025, formal employment has increased by around 363,000 persons on average in the past decade (Q4 2015), while registered unemployment has fallen by around 383,000 on average over the same period. As these employment and unemployment indicators capture the state and dynamics only within specific segments, using the principal component analysis method, we constructed the **Composite Labor Market Indicator (CLMI)**¹ to provide a **more comprehensive view of overall labour market conditions**. In line with comparable studies conducted by central banks², the construction of the CLMI focuses on labour force utilisation and availability, which is why categories related to employees’ incomes are excluded.

For Serbia, the first main component of the obtained CLMI explains 46.2% of total variance, while the first two components together account for 75.6%. Including the third component raises the explained variance to 91.0%, confirming a high degree of common dynamics among the selected labour market indicators. The calculated correlation coefficients between each of the 14 individual indicators and the CLMI exhibit the expected signs (Table O.5.1). Positive **CLMI values indicate tight labour market conditions** (high employment and low unemployment), whereas **negative values signal an easing of conditions**. Tight labour market conditions reflect a higher degree of labour utilisation driven by stronger economic activity and, consequently, intensify cost-push pressures. Conversely, looser conditions, associated with greater labour availability, work in the opposite direction.

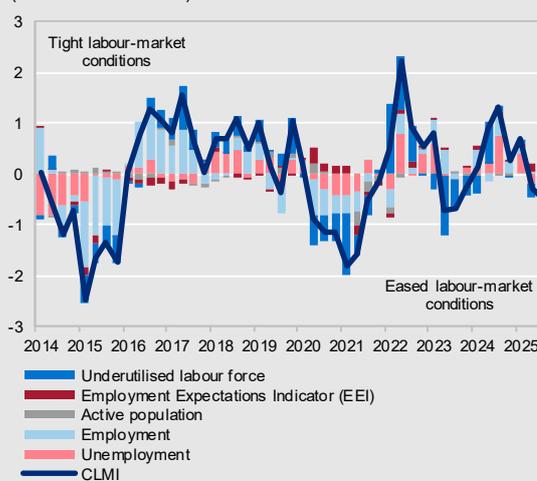
Serbia’s case shows that the obtained CLMI adequately captures the dominant labour market trends throughout the period observed (Chart O.5.1). High unemployment and a smaller number of employed persons kept the indicator in negative territory at the beginning of the period. Subsequently, the effects of substantial changes in the institutional framework became evident, primarily following amendments to the Labour Law in 2014. Together with accelerating economic activity, these changes supported an increase in the CLMI. From early 2016, the CLMI returned to positive territory, where it remained until early 2020 (with the exception of a brief dip slightly below zero in mid-2019). Following the outbreak of the Covid-19 pandemic, business activity contracted sharply, leading to weaker demand for labour, and the CLMI remained in negative territory from Q2 2020 until end-2021. From Q2 2021 onwards, the indicator embarked on an upward trajectory amid strong economic recovery, reaching a peak in Q2 2022. Elevated labour demand and labour shortages in some occupational groups fuelled wage growth, which, among other factors, generated some inflationary pressures, particularly in the services sector, where labour costs account for a larger share of total costs. Gradual normalisation of economic activity and the rebalancing of labour supply and demand reduced labour market tightness during 2023. In 2024, conditions were less tight than in 2022, and from Q2 2025 they eased further (Chart O.5.1), largely owing to a marked slowdown of growth in employment, which in Q3 virtually stagnated.

Table O.5.1 Correlation between selected labour market indicators and CLMI

Labour market indicators	Coefficient of correlation with CLMI
Employed (15+)	0.40
Employment rate (15+)	0.35
Active (15+)	0.43
Activity rate (15+)	0.35
Unemployed (15+)	-0.28
Unemployment rate (15+)	-0.31
Youth unemployment rate (15-24)	-0.38
Registered unemployment	-0.23
Employment Expectations Indicator (EEI)	0.47
Combined rate of unemployment and potential labour force	-0.34
Average weekly hours worked	-0.23
Underutilised labour force	-0.31
Long-term unemployment rate	-0.29
Formal employment	0.18

Note: Correlation coefficients refer to the period Q1 2014 – Q3 2025. A negative coefficient for weekly hours worked implies that longer working hours reduce demand for labour, thereby reducing the degree of labour-market tightness.
Source: NBS calculations.

Chart O.5.1 CLMI dynamics and contributions by group (standardised values)



Sources: SORS and NBS calculations.

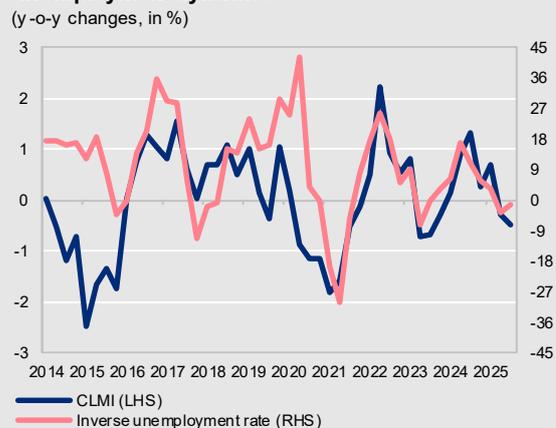
¹ To construct the CLMI, quarterly data of the Serbian Statistical Office, National Employment Service, International Labour Organization (ILO), Eurostat, and European Commission were used for 14 individual labour market indicators over the period Q1 2014 – Q3 2025.

² Central Bank of the Republic of Türkiye (CBRT) (2025), “Composite Labor Market Conditions Index (CLMI)” (Box 2.3), Inflation Report 2025-III: Economic Outlook, 1–5. Hakkio, C. S., & Willis, J. L. (2013), “Assessing Labor Market Conditions: The level of activity and the speed of improvement”, Macro Bulletin, 1–2; Hakkio, C. S., & Willis, J. L. (2014), “Kansas City Fed’s Labor Market Conditions Indicators (LMCI)”, Macro Bulletin, 1–2.

The CLMI dynamics are aligned with business cycle phases and labour market trends. This is attested by the strong positive correlation between the CLMI and the inverse series of registered unemployment (Chart O.5.2). With a lag, the **CLMI also closely mirrors movements in overall economic activity, as reflected in its relationship with real GDP dynamics** (Chart O.5.3).

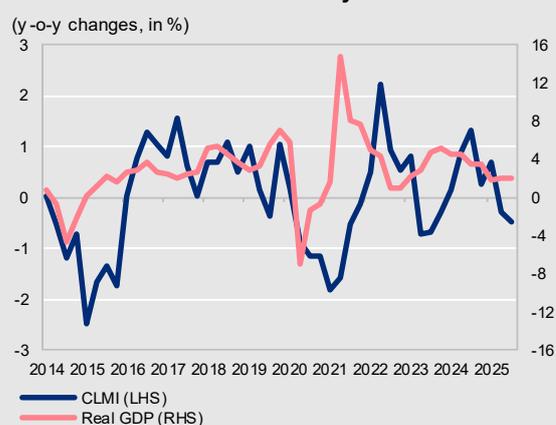
To obtain a more detailed insight into the factors shaping labour market conditions in Serbia, the **CLMI was decomposed into several key components:** employment, unemployment, active labour force, labour underutilisation, and companies' hiring expectations (Chart O.5.1). Prior to the outbreak of the pandemic, CLMI movements were driven primarily by the employed and unemployed cohorts, with employment rising steadily and unemployment declining throughout the pre-crisis period. Following the onset of the pandemic, **timely economic measures helped avoid a sharper contraction in employment and a surge in unemployment;** however, weaker economic activity increased labour underutilisation, which subsequently became the dominant contributor to the CLMI. **From mid-2024 onwards, labour utilisation increased** owing to more intensive use of the existing workforce. Slower growth in total employment, combined with the unemployment rate remaining close to its record low in Q3, led to an easing of labour market conditions during most of 2025, a trend also reflected in the CLMI. **Looser conditions point to a moderation of cost-push pressures stemming from labour market factors.**

Chart O.5.2 CLMI and inverse registered unemployment dynamics



Sources: SORS and NBS calculations.

Chart O.5.3 CLMI and real GDP dynamics



Sources: SORS and NBS calculations.

V Projection

Our new GDP growth projection for 2026 is the same as in November and measures 3.5%. GDP is projected to accelerate further to 5.0% in 2027. Domestic demand will be the key driver of economic activity growth. A positive contribution will come from both consumption and fixed investment, reflecting higher disposable income amid growth in wages and pensions and more favourable financing conditions, as well as the implementation of infrastructure projects under the “Leap into the Future – Serbia Expo 2027” programme. We expect net exports to provide a negative contribution in 2026 as imports are projected to rise faster than exports due to the still subdued external demand and the rise in investment and consumption. Growth acceleration in 2027 will, on the other hand, also be supported by the positive contribution of net exports as services exports go up due to the hosting of “Expo”.

Under our new central projection, y-o-y inflation will continue to move around the target midpoint until September. It will remain within the target band of $3\pm 1.5\%$ thereafter, and in the medium term as well, though it will shift to the level of around 4% in late 2026 due to the low base from September last year as a result of implementation of the decree capping retail and wholesale margins at 20%. Such inflation trajectory will be underpinned by the anticipated expiration of the decree, though margins are not expected to return to their pre-decree levels as the adoption of an appropriate legal framework will improve market regulation and prevent unfair trade practices. Wage growth and the resulting rise in income disposable for consumption should drive up demand, but not to an extent that would cause stronger inflationary pressures. Moreover, wage growth will mostly go hand in hand with productivity gains, so no major inflationary pressures are expected on account of labour costs either. By contrast, in addition to the still tight monetary policy, we expect cost-push pressures from the international environment to stay low and we have assumed the new agricultural season to be better than last year, boosting the supply of agricultural products. In 2027, we expect demand to rise further due to the hosting of “Expo” and we therefore project average inflation at around 4%.

The risks to our new inflation and GDP projections remain associated with sharp geopolitical tensions among leading global economies, rising protectionism and uncertain trade policies, which could negatively affect world prices of energy and primary commodities, as well as value chains. Risks also refer to volatile movements in the global financial market and capital flows to emerging economies. Global prices of primary agricultural commodities and other inputs in food production will also depend on the character of the global agricultural season. At home, important risks include the speed of domestic demand growth and the character of the domestic agricultural season.

External assumptions

In January, the IMF projected global economic growth of 3.3% in 2026 (at the level of the estimated growth rate in 2025) and of 3.2% in 2027. Relative to October, the January forecast for 2026 has been slightly revised up (by 0.2 pp), primarily in view of the rosier prospects for China and the US, while the forecast for 2027 has not been changed. The IMF estimates that the rising global investments in technology, including AI – especially in North America and Asia – as well as fiscal and monetary incentives, favourable financial conditions and the private sector’s adaptability to trade barriers are offsetting the consequences of changing trade policies, which are expected to dissipate gradually during 2026 and 2027. However, **risks to the projection remained skewed to the downside in January**, mostly owing to the prolonged geopolitical and trade tensions, as well as the potentially lower effects of investments in AI on productivity than initially expected.

In Q3, the euro area economy posted growth of 0.3% s-a (i.e. 1.3% y-o-y) thanks to increased domestic demand,

Table V.0.1 Real GDP growth projections
(in %)

	2025	2026		2027	
	January estimate	January projection	Departure from October	January projection	Departure from October
World	3.3	3.3	↑ 0.2	3.2	⇒ 0.0
Advanced economies	1.7	1.8	↑ 0.2	1.7	⇒ 0.0
Euro area	1.4	1.3	↑ 0.1	1.4	⇒ 0.0
USA	2.1	2.4	↑ 0.3	2.0	↓ -0.1
Emerging and developing economies	4.4	4.2	↑ 0.2	4.1	⇒ 0.0
Russia	0.6	0.8	↓ -0.2	1.0	↓ -0.1
China	5.0	4.5	↑ 0.3	4.0	↓ -0.2

Source: IMF WEO (October 2025 and January 2026).

while net exports contracted as import growth outpaced exports. Exports recovered in Q3, notably export activity of the chemical industry. Even so, services were the main driver of economic activity in Q3, primarily the IT sector, while activity in the construction and industry stagnated. As for our key trade partners within the euro area, **German economy** stagnated in Q3, while **Italian economy** rose slightly, by 0.1% s-a. According to the Eurostat’s preliminary flash estimate, the euro area’s GDP picked up in Q4 in s-a terms, to 0.3%, the same as growth recorded in Germany and Italy.

As the results achieved were better than anticipated for the greater part of 2025 and in view of subdued uncertainty in global trade, as well as lower prices of primary commodities, in December the **ECB raised its September GDP growth projection for the euro area in 2025 and 2026** – by 0.2 pp each, to **1.4% and 1.2%**, respectively. GDP growth is forecast at 1.4% each in 2027 and 2028. Risks to the downside arise from the possible escalation of geopolitical tensions and exacerbation of global financial conditions, while risks to the upside pertain to extensive fiscal expenditures in the EU and the burgeoning consumer confidence. A **stable labour market** continued to support the euro area’s economic activity, as attested to by the record low unemployment rate of 6.2% in December and the 0.2% s-a increase in employment numbers in Q3.

According to **Consensus Economics’** December estimate, the euro area GDP rose 1.4% in 2025, whereby the euro area economy demonstrated much higher resilience than expected. Of the leading euro area economies, Spain and Ireland posted strong GDP growth in 2025, while economic activity in Italy and Germany rose slightly. In January, Consensus Economics projected the euro area’s GDP growth of 1.1% in 2026 (0.1 pp higher than in October) and of 1.4% in 2027. Analysts estimate that economic prospects in the euro area are largely dependent on fiscal incentives in Germany. Despite trade barriers, the manufacturing industry in Germany could rebound this year, dominantly as a result of investments in defence and transport infrastructure, which is having a positive effect on other European economies. In contrast, the trade agreement between the EU and the Mercosur union of South American countries, reached after 25 years of negotiations, has given European food producers grounds for concern over increased import of agricultural commodities to the European market.

In the **Central and Southeast European region**, GDP rose 0.5% s-a in Q3 (2.5% y-o-y), dominantly as a result of stepped-up investments in fixed assets, and somewhat less due to increased government and household consumption, while a contraction in net exports worked in the opposite direction. According to Consensus Economics’ January estimate, at the level of 2025, GDP growth of 2.5% was recorded in the group of Central European countries, and of 1.9% in the group of

Chart V.0.1 Contribution of components to the real GDP growth rate in the euro area

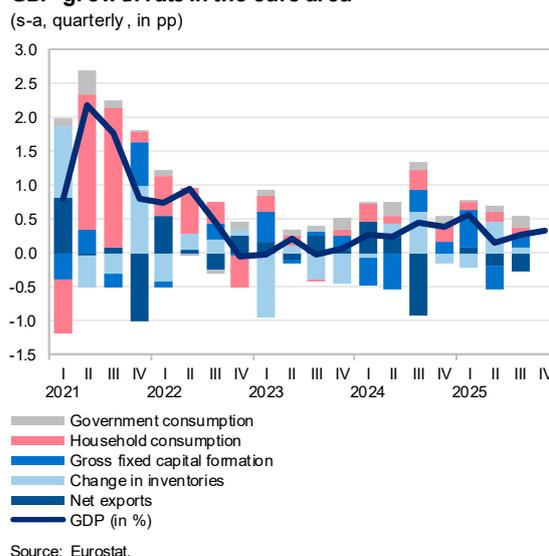


Chart V.0.2 Euro area GDP growth projection

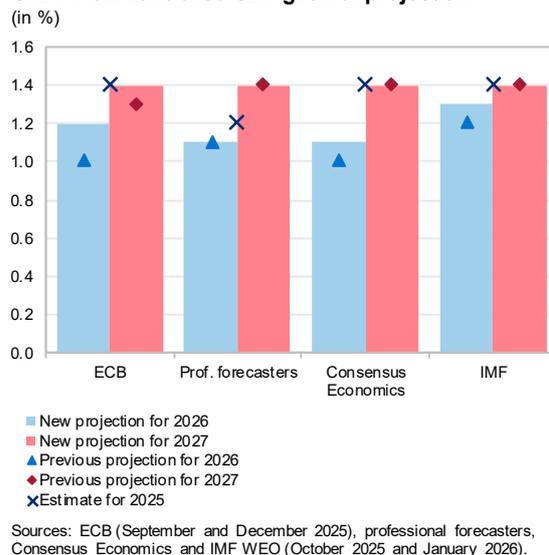
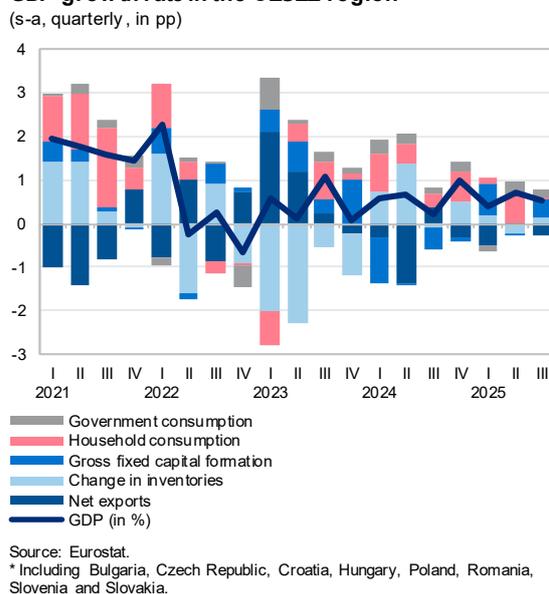


Chart V.0.3 Contribution of components to the real GDP growth rate in the CESEE region*



Southeast European countries. For 2026, January projection of Central European growth was slightly raised, by 0.1 pp to 2.9%, while for Southeast European countries it was revised slightly down from October, by 0.2 pp to 2.2%. Key downside risks to anticipated economic growth in countries of the region pertain to the continuation of geopolitical conflicts, notably in Ukraine, as well as the ongoing tensions between the US and the EU over Greenland. Economic prospects for the majority of economies in the region in 2026 will largely depend on the pace of the recovery of the euro area’s external demand, and partly on the ability of countries to secure access to funding from EU funds, which should foster personal consumption and private investments in 2027, along with the stimulus in the form of economic measures.

In January the World Bank projected economic growth in the Central European region of 2.6% in both this and the following year (similarly to the June projection), while in the **Western Balkan region** GDP growth was forecast at 3.1% in 2026 and 3.3% in 2027, each figure 0.4 pp lower relative to the June projection. The still elevated uncertainty surrounding the way in which leading economies pursue their trade policies, together with the subdued import demand from the euro area, is estimated as having a restrictive effect on export in these two regions, especially in terms of the automobile industry. Although direct exposure to the tariffs imposed by the US is relatively low, there is still a risk of indirect transfer of negative effects given that both regions are integrated in European supply chains.

In Q3, the **US economy** recorded growth of 1.1% s-a (4.4% annualised), with a positive contribution of almost all GDP components, notably household consumption and net exports, while only the fall in goods inventories acted in the opposite direction. In December, the **Fed** estimated that the US economy recorded moderate growth for the majority of 2025, anticipating that the federal government shutdown will shrink GDP growth in Q4 by an entire percentage point. In December, the Fed estimated that GDP rose by 1.7% in 2025, while in 2026 it is projected at 2.3% (0.5 pp above the September projection). Growth forecasts for 2027 and 2028 have been revised up by 0.1 pp each, to 2.0% and 1.9%, respectively. Risks to the December projection remain skewed to the downside due to elevated uncertainty and mitigated conditions in the labour market. The unemployment rate in the US in December remained at the September level of 4.4%, which is higher than the level recorded at the end of the previous three years.

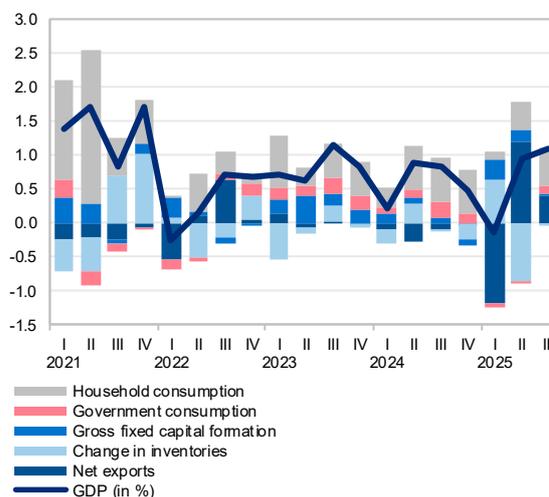
In January, the IMF raised its October estimate of **China’s economic growth** by 0.2 pp, to 5.0% in 2025, based on additional bank loans for investments and the Chinese government’s incentives. Together with lower effective tariffs which the US applies to the import of Chinese goods, this led to an increase in the projection of China’s GDP growth in 2026, by 0.3 pp to 4.5%. The

Table V.0.2 Real GDP growth projections across CESEE countries (in %)

	2025	2026		2027	
	January estimate	January projection	Departure from October	January projection	Departure from October
Poland	3.4	3.6	↑ 0.3	3.1	-
Czech Rep.	2.5	2.4	↓ 0.3	2.6	-
Hungary	0.4	2.2	↓ -0.4	2.6	-
Romania	1.1	1.4	↓ -0.2	2.4	-
Slovakia	0.8	1.4	⇒ 0.0	2.0	-
Slovenia	0.9	2.2	⇒ 0.0	2.2	-
Croatia	3.0	2.8	↑ 0.1	2.6	-
Bulgaria	3.2	2.9	⇒ 0.0	2.8	-

Source: Consensus Economics (October 2025 and January 2026).

Chart V.0.4 Contribution of components to the real GDP growth rate in the USA (s-a, quarterly, in pp)



Sources: U.S. BEA and NBS calculations.

projection for 2027 was revised down by 0.2 pp to 4.0%, under the impact of structural issues in the Chinese economy.

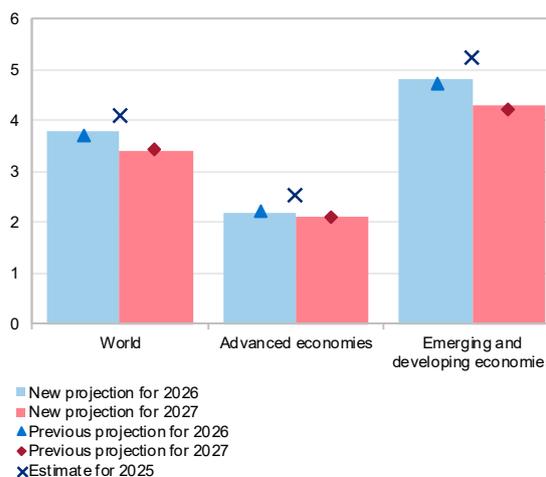
Inflation

According to the IMF’s January projection, **global inflation should decelerate to 3.8% in 2026** (from 4.1% in 2025) and **then to 3.4% in 2027**, which is almost unchanged relative to the October projection and is mainly the result of contracted global demand and lower energy prices. The IMF estimated that the inflation dynamics is still significantly divergent across countries. In the US, inflation is approaching the target 2.0% much more slowly compared to other large economies due to the gradual pass-through of effects of elevated tariffs to consumer prices, while in the euro area inflation is expected to continue hovering around the 2.0% target this and the following year.

Y-o-y inflation in the euro area during Q4 continued to trend around the 2.0% target level, where it arrived in December. This was dominantly under the impact of the continued y-o-y decline in energy prices, and to a lesser extent the lower y-o-y contribution of prices of food and industrial products (excluding food and energy). In contrast, services prices remained elevated y-o-y amid rising wages. Euro area core inflation in December measured 2.3% y-o-y, slightly below the September level. Measured as the change in harmonised CPI, **inflation in Germany** was at the 2.0% target in y-o-y terms in December, on account of slower growth in food prices and continued fall in administered energy prices, which also dictated the slowdown of **inflation in Italy**, to 1.2% y-o-y. At the level of 2025, in December the ECB estimated the average euro area inflation at 2.1%. According to Eurostat’s preliminary data,¹² y-o-y inflation in January equalled 1.7% in the euro area, 2.1% in Germany and 1.0% in Italy.

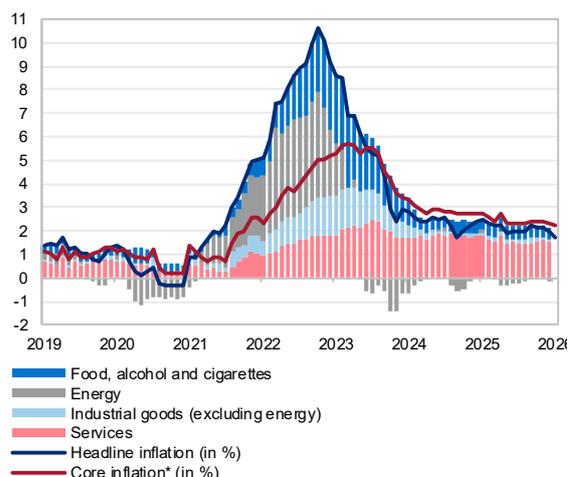
The **ECB** believes that the continued downward trajectory of headline inflation at the start of 2026 is attributable to lower energy prices, where the base effect has played out, as well as to the slowdown in the y-o-y increase of other components of HICP. Food inflation should significantly decelerate, concurrently with the waning effects of the previous increase in global food prices and adverse weather conditions last summer, and by the end of 2025 it should stabilise at slightly above 2.0% y-o-y. **In December, the ECB projected inflation in 2026 at 1.9%**, which is 0.2 pp above the September projection, primarily due to the further growth in wages and the consequently higher services prices. The projection for 2027 was slightly revised down, by 0.1 pp to 1.8%, due to the anticipated lower energy contribution, as the implementation of the Emissions Trading System (ETS2) has been postponed for 2028. Core inflation

Chart V.0.5 Projections of headline inflation across regions
(in %)



Source: IMF WEO (October 2025 and January 2026).

Chart V.0.6 Contributions of HICP components to y-o-y inflation in the euro area
(in pp)



Sources: Eurostat and NBS calculations.
* HICP excluding energy, food, alcohol and cigarettes.

¹² As of 4 February 2026, Eurostat has implemented several methodological changes in the calculation of the HICP. The index is now compiled according to the new ECOICOP classification (version 2), which is aligned with the UN’s 2018 COICOP classification.

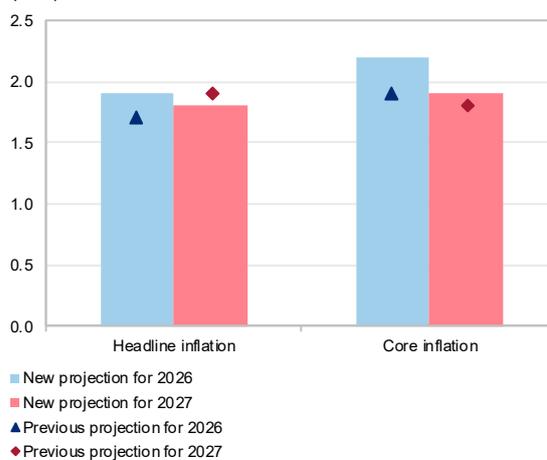
projection in the euro area in 2026 was raised by 0.3 pp to 2.2%, and in 2027 by 0.1 pp to 1.9%, while the projection for 2028 is 2.0% (the same as the headline inflation projection). The prospects for the materialisation of the December projection are accompanied by a higher level of uncertainty than before, which is mostly attributable to the unstable international environment.

In all inflation targeting countries of the **Central and Southeast European region**, y-o-y inflation in December was lower than in September. In December, y-o-y inflation in the **Czech Republic** and **Poland** slowed to 2.1% and 2.4%, respectively, coming close to the level targeted by these countries’ central banks, which can be ascribed to the slower growth in food prices, as well as the fall in the prices of clothing and footwear, and petroleum products. Y-o-y inflation in **Hungary** slowed to 3.8% in December, based on the contracting prices of food and energy, while in **Romania** it retreated to 9.7%, dominantly due to the slower growth in the prices of non-food products. Consensus Economics estimated that despite the slowdown, last year’s headline inflation in countries across the region was higher than expected. At the level of 2025, average inflation in January was estimated at 3.5% in the group of Central European countries, or 5.6% in the group of Southeast European countries. At the level of 2026, in January average inflation was projected to slow in both regions, to 2.7% and 4.9%, respectively, and additionally to 2.8% and 3.2%, respectively, in 2027.

In the **Western Balkan region**, inflation recorded diverging movements across countries during Q4. Relative to September, y-o-y inflation in December was lower in Albania (2.3%), Montenegro (4.0%) and Bosnia and Herzegovina (4.1%), while in North Macedonia it was slightly higher (4.1%). In January Consensus Economics did not make any major changes to the October forecast for 2026 for all countries of the region.

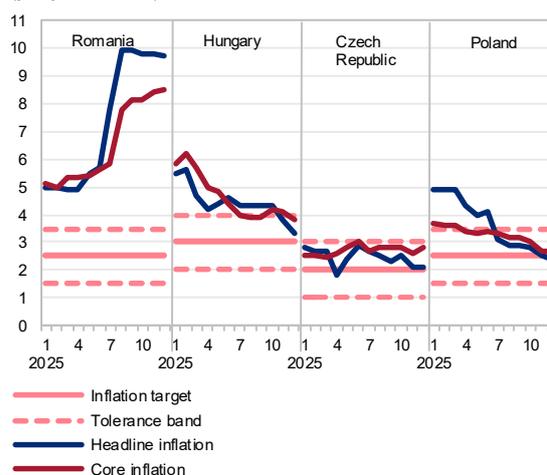
Measured as the change in CPI, **headline inflation in the US** slowed to 2.7% y-o-y in December, thanks to the contracted prices of petroleum products, notably petrol, where the base effect played out, as well as to the slower growth in used and new vehicles. In addition, y-o-y growth in services prices also slowed in December, dictating the retreat of core inflation in the US to 2.6% y-o-y, its lowest level since March 2021. On the other hand, food inflation in December was kept at the September level of 3.1% y-o-y. In December, the **Fed** trimmed down its September projection of average annual growth rates of personal consumption expenditures price index (total and excluding food and energy) in 2025, each by 0.1 pp, to 2.9% and 3.0%, respectively. In 2026, they are expected to slow additionally, to 2.4% and 2.5%, respectively, and in 2027 and 2028 to come close to the 2.0% target. Even so, risks to the inflation projection in December were estimated as skewed to the upside.

Chart V.0.7 Projections of headline and core inflation in the euro area (in %)



Source: ECB (September and December 2025).

Chart V.0.8 Y-o-y inflation in selected CESEE countries in the previous year (until December 2025) (y-o-y rates, in %)



Sources: Central banks of selected countries.

Table V.0.3 Inflation projections across CESEE countries (in %)

	2025	2026		2027	
	Outturn	January projection	Departure from October	January projection	Departure from October
Poland	3.6	2.6	-0.3	2.8	-
Czech Rep	2.5	2.0	-0.2	2.4	-
Hungary	4.4	3.5	-0.4	3.7	-
Romania	7.3	6.5	0.2	3.4	-
Slovakia	4.0	3.5	0.2	2.7	-
Slovenia	2.4	2.2	0.2	2.1	-
Croatia	3.7	3.1	0.2	2.6	-
Bulgaria	4.6	3.5	0.3	3.0	-

Source: Consensus Economics (October 2025 and January 2026).

Monetary policy

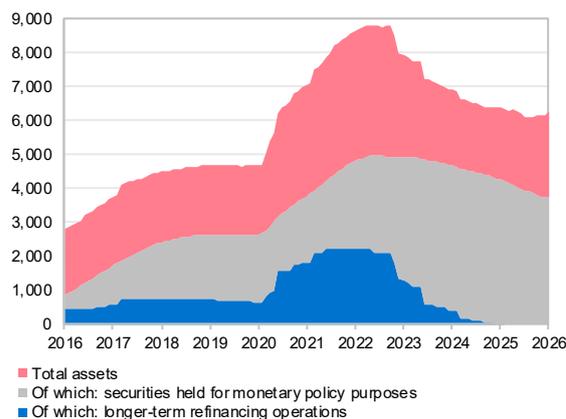
Having trimmed the main interest rates in June 2025, the **ECB** kept the rates unchanged, hence the deposit facility, main refinancing operations and lending facility rates measured 2.0%, 2.15% and 2.4%, respectively. In conditions of gradual disinflation and moderate economic growth, the ECB estimated that the rates are still aligned with the 2% medium-term inflation target.

Inflationary pressures are expected to continue to wane gradually, with average inflation trending slightly below 2%. Concurrently, economic growth is expected to be somewhat above 1% annually, with domestic demand as the main driver. The ECB underlined the importance of preserving financial stability bearing in mind geopolitical uncertainty and the possibility of sudden changes in global financial markets. Macroprudential policy remains the first line of defence against the accumulation of weakness in the banking sector, enabling the ECB to maintain price stability and the smooth functioning of the monetary policy transmission in the euro area.

As before, the ECB stressed that it would make monetary policy decisions on a meeting-by-meeting basis in order to avoid taking steps imposed in advance and ensure that each interest rate decision is aimed solely at achieving the 2% medium-term inflation target. Changes in main interest rates in the euro area are currently not on the horizon given that they are either in the neutral territory or close to it. In the event inflation undershoots the target significantly, there could be one or two additional cuts in the interest rates in H1 2026. Reasons for this could be the delayed effects of US tariffs, the stronger euro, a delay in Germany’s fiscal incentive and the possible postponement of the implementation of the Emissions Trading System (ETS2). In contrast, some members of the ECB Governing Council believe that the next move should be to raise the interest rates, bearing in mind the increasingly greater and faster acceptance of artificial intelligence, as well as public investments, which is driving the neutral interest rate up, therefore monetary policy becomes more expansionary even without a change in interest rates.

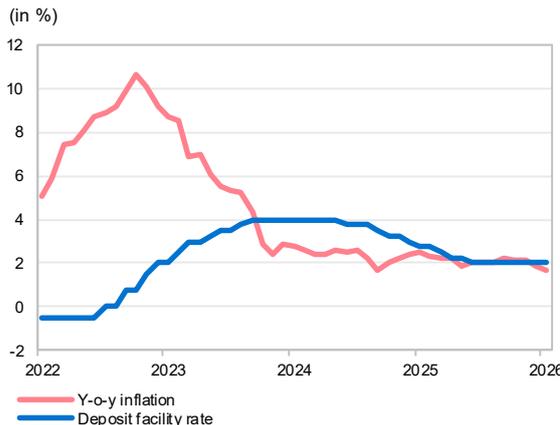
Unlike the ECB, the **Fed** narrowed its federal funds rate range by 25 bp in December for the third consecutive time, to 3.50–3.75%. The Fed opted for monetary policy accommodation in line with expectations, though FOMC members have differing stances on risk when it comes to higher inflation and unemployment – namely, some believe that higher costs of lending are needed to stabilise inflation at a lower level, while others think that lower rates are needed to mitigate the signs of a slowdown in the labour market. FOMC members are more optimistic as to economic growth, notably because the short-term effect of increased tariffs turned out to be lower than anticipated. In the January meeting, the Fed kept its federal funds rate range unchanged.

Chart V.0.9 Consolidated Eurosystem balance sheet (end-of-month, in EUR bn)



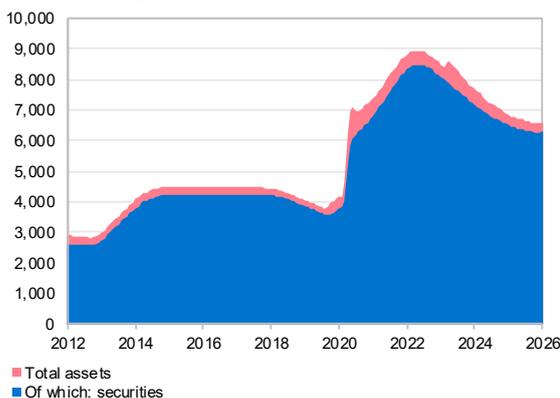
Source: ECB.

Chart V.0.10 Deposit facility rate and inflation in the euro area (in %)



Sources: ECB and Eurostat.

Chart V.0.11 Fed’s total assets (monthly average, in USD bn)



Source: Fed.

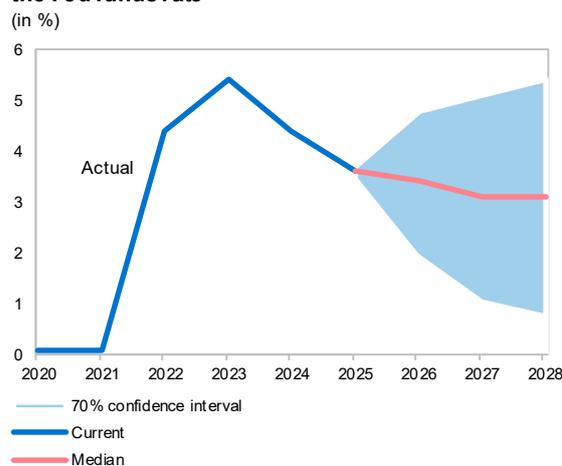
New projections published after the December meeting indicate that the majority of FOMC members anticipate only one more 25 bp cut in 2026, the same as had been expected according to September projections.

As in the prior period, most inflation targeting central banks in the **Central and Southeast European region** continued to pursue a cautious monetary policy, keeping the policy rates on hold. Only the **central bank of Poland** continued to trim its policy rate in November and December, each time by 25 bp, to 4.0%, taking a break from cuts in January and February. Inflation in Poland slowed to 2.4% in December, slightly undershooting the target midpoint (2.5%±1 pp). The central bank underlined that it remains to be seen whether the inflation fall is sustainable in the long term. In line with expectations, the central banks of the **Czech Republic, Hungary and Romania** did not change their policy rates. In the **Czech Republic** the rate has measured 3.5% since last May, in conditions of inflation retreating to 2.1% in December and the anticipated further disinflation. Romania and Hungary have had policy rates of 6.5% since August and September 2024, respectively. In **Hungary** inflation returned within the bounds of the target tolerance band late last year (3%±1 pp), and inflation projection for 2026 was trimmed to 3.2% (from 3.8%), therefore the central bank signalled that monetary policy accommodation could be considered should economic developments in the coming period allow it. Inflation in **Romania** is still relatively high, and core inflation continues up. Fiscal consolidation, structural reforms, the absorption of European funds and the weakening global inflationary pressures are expected to help return inflation within the bounds of the target tolerance band (2.5%±1 pp). Only then could changes in monetary policy be considered.

Financial and commodity markets

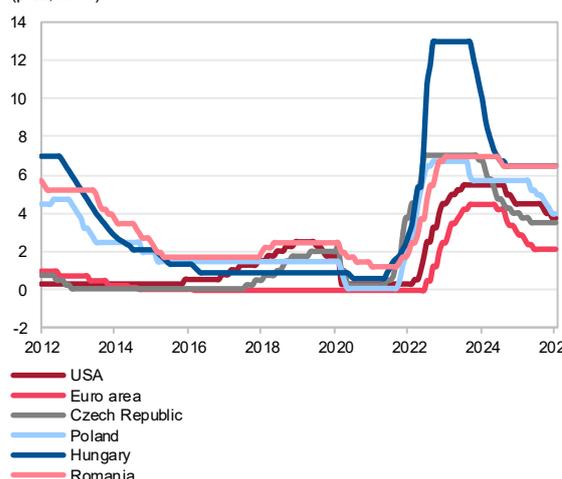
Yields on ten-year government bonds of advanced European countries edged up slightly during Q4 (on average by around 6 bp), reflecting the general consensus of market participants that the ECB’s monetary accommodation cycle has ended. Yield growth in Germany was more pronounced (14 bp), which can be associated with expectations of increased issuance of government bonds in line with the announced fiscal package for supporting economic recovery. **Yields on ten-year US Treasuries** at end-Q4 were at a slightly lower level, with pronounced volatility during the period due to the uncertainty of market participants as to the further direction of the Fed’s monetary policy. On the one hand, inflation was persistent, but on the other, the US labour market showed signs of cooling, which reflected on the somewhat more cautious and less clearly directed communication of Fed officials. The assessment of future economic developments was additionally hampered by delays in the publication of macroeconomic data due to the federal government shutdown. Differences in expectations in terms of future monetary policy conduct

Chart V.0.12 Uncertainty and risks to the projection of the Fed funds rate



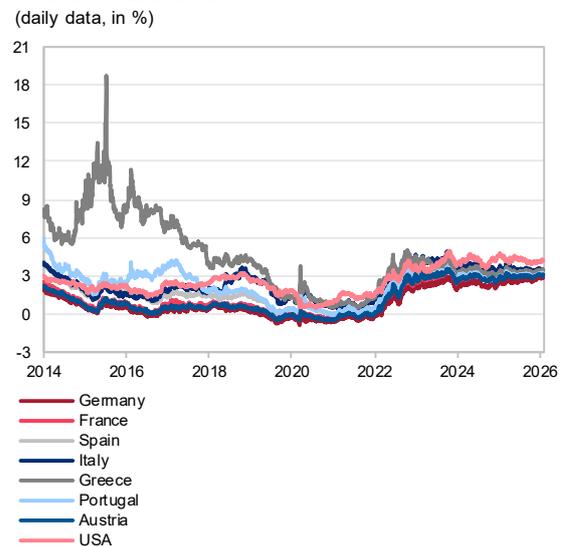
Source: Fed, Summary of Economic Projections (December 2025).

Chart V.0.13 Policy rates across selected countries (p.a., in %)



Sources: Central banks of selected countries.

Chart V.0.14 Yields on ten-year bonds of euro area countries and the USA



Source: Bloomberg.

by the Fed and the ECB were mirrored by the **euro’s mild strengthening against the dollar** during Q4.

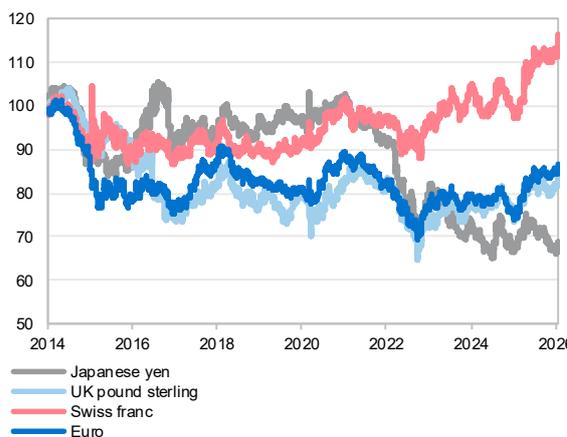
At end-Q4, the **implicit measure of financial market volatility (VIX)** was mildly lower than in September, after a period of short hikes. The first hike occurred in October, amid tension in the US–China trade relations, while the second hike was the result of altered expectations that the Fed would not change the federal funds rate in December. This was followed by the investor run from the market of leading AI companies’ shares. Threats of new US customs tariffs in early October reflected on the Trade Policy Uncertainty Index (TPU),¹³ though at end-Q4 it was nevertheless at a much lower level than in Q3. In contrast, both indicators rose in January following the announcement of higher customs tariffs for eight European countries, due to the escalation of geopolitical tensions between the US and the EU over Greenland.

Under the impact of stepped-up demand for safe assets against the backdrop of elevated global tensions, the Fed’s monetary accommodation and the dollar weakening against other important global currencies, **the global price of gold** continued on the upward path during Q4 2025, averaging around USD 4,285 per fine ounce in December, 62.1% more than in the corresponding period a year ago. The rise in gold prices continued in January, surpassing the level of USD 5,400 per fine ounce, before ultimately recording a sharp decline at the end of the month.

The global Brent oil price continued to trend dominantly down during Q4 amid excessive global supply, notably in view of the increased production of OPEC+ countries and the US, while at the same time demand decelerated, as did growth in global inventories. In Q4, the oil price averaged around USD 64 per barrel, i.e. 14.7% lower than in Q4 last year. In contrast, the oil price rose in January to around USD 67 per barrel on average, largely amid elevated geopolitical tensions. According to estimates of relevant institutions, short of major shocks, the price of oil will trend down going forward in view of the expectations of record oil supply in 2026. Consensus Economics expects the oil price to descend to around USD 61 per barrel by end-2026, and then to gradually edge up to around USD 64 per barrel by end-2027 as global demand rebounds. According to our projection, which is based on market futures, the global oil price will average around USD 64 per barrel at end-2026, trending at a similar level during 2027 as well.

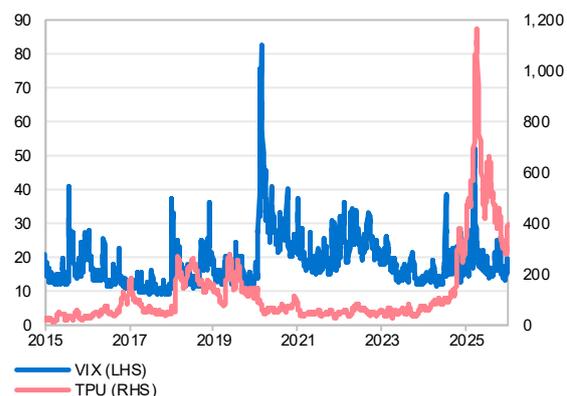
Despite the start of the heating season, **the benchmark price of natural gas for Europe (Dutch TTF hub)** trended down in Q4 under the impact of increased supply from the US and Norway, and the stepped-up talks on

Chart V.0.15 Exchange rates of selected national currencies against the dollar* (daily data, 31 December 2013 = 100)



Source: IMF.
* Growth indicates appreciation.

Chart V.0.16 Measures of volatility and uncertainty in the international financial market*



Sources: Bloomberg, Caldara et al. (2022).
* VIX (Chicago Board Options Exchange Market Volatility Index) is a measure of implicit volatility of a S&P 500 stock option; TPU – Trade Policy Uncertainty Index) is the index of trade policy uncertainty.

Chart V.0.17 Assumption for Brent oil prices (USD/barrel)



Source: Bloomberg.

¹³ Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), “The Economic Effects of Trade Policy Uncertainty”, *Journal of Monetary Economics*, 109, pp. 38–59.

ending the Ukraine conflict, averaging around 30.0% lower than in the same period a year ago. Due to colder weather, the low level of EU inventories and the exacerbated geopolitical tension, the price of natural gas climbed to around EUR 35 per MWh on average in January, though it was still 28.3% lower than in the same period a year ago. Gas price movements in the coming period will mostly be impacted by seasonal oscillations. According to market futures, the prices will retreat to around EUR 29 per MWh by end-2026. Consensus Economics also expects natural gas prices to decrease to around EUR 30 per MWh by end-2026.

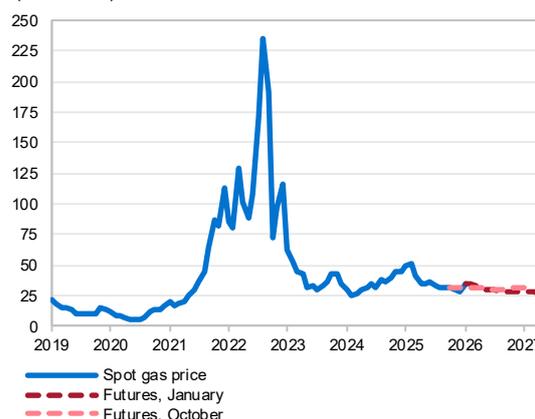
The benchmark price of electricity for Europe (German stock exchange) moved dominantly up during Q4 and in January amid elevated demand, subdued production from renewable sources and higher costs of licences for carbon-dioxide emission. The price declined at end-2025, reflecting the seasonally usual dampened demand over the holiday season. The price of electricity in the German stock exchange in January trended at around EUR 115 per MWh on average, which is 11.7% lower than in the same period a year ago. The price of electricity in the Hungarian stock exchange had a similar trajectory, though at a higher level, therefore in January it averaged around EUR 153 per MWh. According to market futures, the price of electricity in the German stock exchange will trend at a similar level going forward, with some seasonal oscillations.

After an increase in October and November, due to the effect of caps on production in China, rising demand in Asia and subdued export from Australia and Indonesia, the **thermal coal price** trended down until end-Q4 primarily amid weakened demand, ample supply and various fundamental factors having a dampening effect on market sentiment. In December 2025, the thermal coal price averaged around USD 108 per tonne, 17.1% lower than in the same period a year before. Going forward, Consensus Economics does not anticipate significant changes in the price of coal, which should remain stable until end-2027, measuring close to its current levels.

Global mineral fertilizer prices edged down during Q4, standing 11.1% lower than in September, due to lower input prices, notably of natural gas, while in y-o-y terms they rose the same. The higher prices of natural gas gave a mild push to the prices of mineral fertilisers in January.

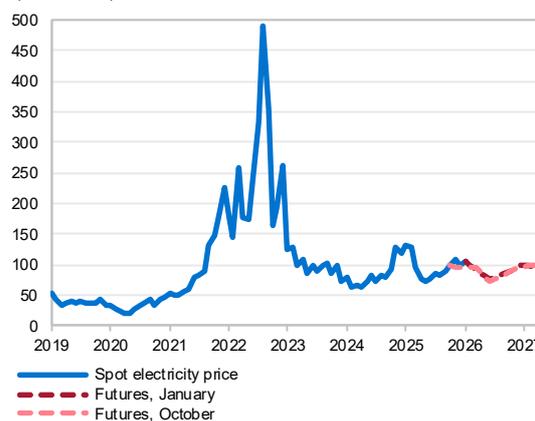
The global prices of most metals and minerals trended up in Q4, primarily reflecting the dissipating global trade uncertainties, with the **price of copper** rising the most and averaging USD 11,785 per tonne in December, its highest level on record. Metals prices continued up in January as well, and Consensus Economics expects the trend to be sustained until end-Q1, thereafter taking a slight downward turn. The index of global prices of basic

Chart V.0.18 **European price of natural gas** (EUR/MWh)



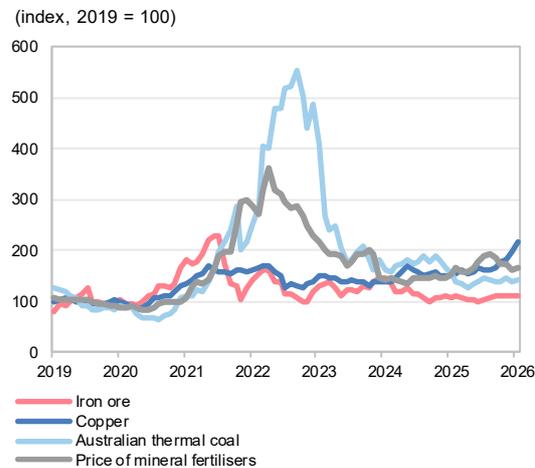
Source: Refinitiv.

Chart V.0.19 **European price of electricity** (EUR/MWh)



Source: Refinitiv.

Chart V.0.20 **Selected commodity prices in the global market** (index, 2019 = 100)



Source: Commodity Prices, World Bank.

metals¹⁴ will be 1.8% lower at end-2026 relative to end-2025, and 1.7% lower in December 2027 than at end-2026.

The global food prices, measured by the FAO index, decreased moderately in Q4, and were 3.3% lower in December than in September, while in y-o-y terms they were 2.3% lower. During Q4 the prices of dairy decreased the most, followed by the prices of sugar, meat and plant oils. In contrast, cereal prices were 2.2% higher in December relative to September. Global prices of food remained in the downward path in January, notably due to the lower prices of dairy products. Also, in Q4 and in January the **world coffee prices trended down**, with the composite indicator price of coffee, published by the International Coffee Organisation, measuring 6.7% lower than at end-September. The **global price of cocoa** moved down until end-2025 and in January, having dropped to around USD 4,249 per tonne at the end of the month, which is 37.2% lower than at end-September.

Global prices of primary agricultural commodities (wheat, corn and soybean) trended up in Q4 under the impact of subdued global trade uncertainty and the weakening dollar, while in January they were relatively stable. According to our projection, based on market futures, after the anticipated fall in Q1, the prices of primary agricultural commodities will rebound slightly in the coming period, therefore at end-2026 they should be 3.5% higher than at end-2025, and then climb by 4.6% during 2027.

Internal assumptions

Like in our previous projection, we have assumed that this year’s **domestic agricultural season** will be better than the preceding two, below-average seasons. The production and supply of fruits and vegetables will be important for inflation, and cereal yields – for GDP. Climate factors will remain the key challenge going forward. Namely, recent years saw frequent frosts without the snow cover, while summers were marked by extremely high temperatures and droughts. To counter this, consistent measures should be applied over a longer time period in order to slow these changes, but also to adapt economic activity, particularly in agriculture, to a new climate pattern. In that sense, it is important for our country to develop a long-term strategy of response to climate changes in all areas that are or could be affected. This would provide a basis for drawing up a new strategy of agricultural and rural development, and defining the right mix of long-, medium- and short-term measures to ensure food stability of the country.

After rising by 7.0% in 2025, **administered prices** are estimated to slow to 5.9% this year. This is slightly higher

Chart V.0.21 **World Food Price Index**
(in nominal terms, 2014–2016 = 100)

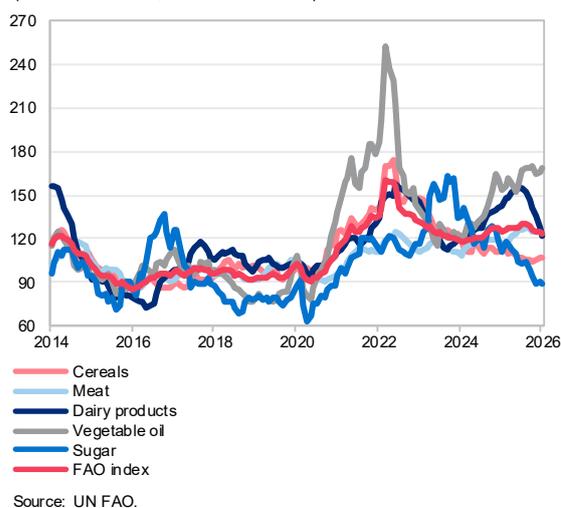
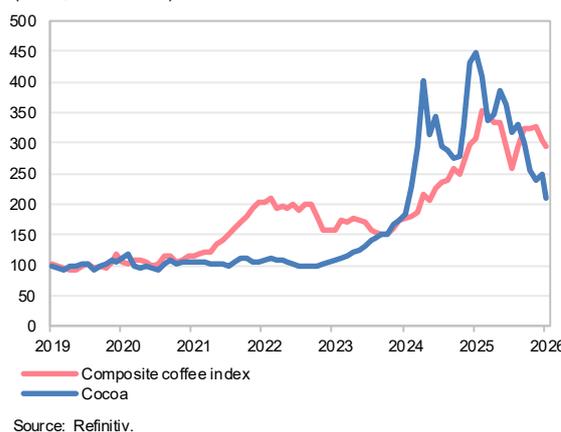


Chart V.0.22 **Coffee and cocoa prices in the global market**
(index, 2019 = 100)



¹⁴ This index has been calculated by The Economist, and the shares of individual metals reflect their respective shares in world metal trade: iron ore (49.3%), copper (21.7%), aluminium (14.8%), silver (6.4%), zinc (3.4%), nickel (2.9%), and lead (1.5%).

than we assumed in our previous projection (5.4%) and reflects a higher-than-anticipated rise in utilities prices early this year. Prices of utilities, electricity and cigarettes will be the key drivers of administered price growth in 2026. Next year, administered prices will slow further to 5.0%.

As for the factors influencing **domestic consumption**, we expect **wages** to remain a key source of consumer demand, given the increase in the minimum labour cost by 9.4% in October last and by 10% in January this year. The increase in the minimum labour cost is expected to produce some wage-growth pressures in the coming period. As inflationary pressures gradually recede, however, real wage growth should slow during the projection horizon, approaching productivity growth. Specifically, we assume that, after measuring 7% last year, average real wage growth will slow to 6.1% in 2026 and 5.2% in 2027.

Consumer demand will also be propped up by rising **pensions**, though their share in GDP should stay within the 10–10.6% range, as well as by **foreign remittances**, projected at over EUR 5 bn in 2026 and 2027. The rise in income disposable for consumption will also be supported by **continued growth in lending**, reflecting more favourable borrowing conditions and eased credit standards.

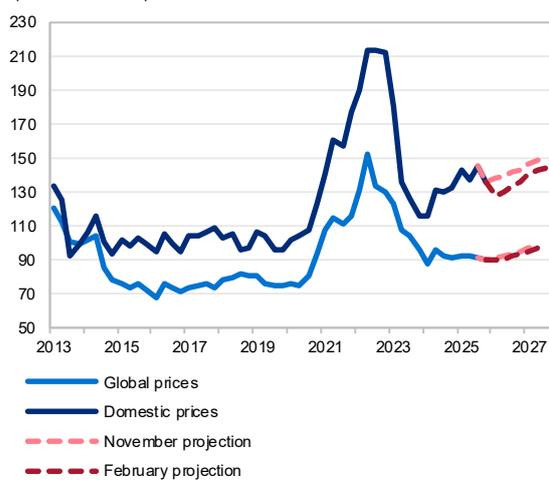
With regard to the **US sanctions on NIS**, imposed because of its majority Russian ownership on 8 October last year after several postponements, like in our previous projection, we have assumed that the final agreement will be reached shortly, involving no major disruptions to the production and regular supply of petroleum products to the market. Our assumption is based on the fact that the Hungarian energy company MOL Group signed a preliminary agreement on the acquisition of 56.15% of the Russian stake in NIS, and that the US Office of Foreign Assets Control (OFAC) extended the operating licence for NIS until end-February.

The **production of base metals** might face challenges as well, **as the European Commission has announced that it will halve its quotas for tariff-free steel imports** from non-EU countries, and raise the tariffs for steel imports exceeding these quotas from 25% to 50% in order to protect the EU steel industry. However, as this is only a proposal of the European Commission and negotiations will take place to avoid changes to quotas and tariffs, our baseline scenario assumes that base metals production will not be exposed to major difficulties on this account.

The **Carbon Border Adjustment Mechanism (CBAM)** entered into force on 1 January 2026. Its application next year could push up production and export costs in the sectors to which the mechanism applies (iron and steel, aluminium, cement, fertilisers, hydrogen and electricity). These industrial products accounted for 13.4% of total

Chart V.0.23 Assumption for prices of primary agricultural commodities*

(Q4 2013 = 100)



Sources: Novi Sad Commodity Exchange, CBOT, Euronext and NBS calculations.

* Measured by the composite index of wheat, corn and soybean prices.

goods exports to the EU in 2024, with the largest share held by iron and steel (slightly over 5%) and electricity (around 5%). It is therefore likely that the price competitiveness of these sectors could diminish as of next year. In response to the introduction of the CBAM tax, the Republic of Serbia adopted the Law on the Greenhouse Gas Emissions Tax, taxing carbon emissions in the above sectors. This has made it possible to reduce domestic producers' expenses through lower tariffs, mitigating negative effects on exports. In addition, taxes collected in this respect will remain in Serbia's budget, bolstering support to domestic demand.

The **government fiscal deficit** measured 2.4% of GDP in 2025 (which is lower than the planned 3.0% of GDP), while the primary balance deficit was 0.8% of GDP. This is the result of lower-than-planned outlays for goods and services, interest repayments and capital expenditure, and higher-than-expected revenue from income and profit tax and from excises.

Public revenue gained 4.0% in real terms in 2025, guided by higher personal income tax amid continued real wage growth, partly propped up by the rise in public sector wages and in the minimum wage. The increase in fiscal revenue was also supported by one-off non-tax revenues, such as the payment of the NBS's profit for 2024, and the proceeds from 5G licence auctions, as well as VAT and excise revenue. **Public expenditure** rose 5.0% in real terms, mostly driven by higher pensions and public sector wages, as well as outlays for goods and services.

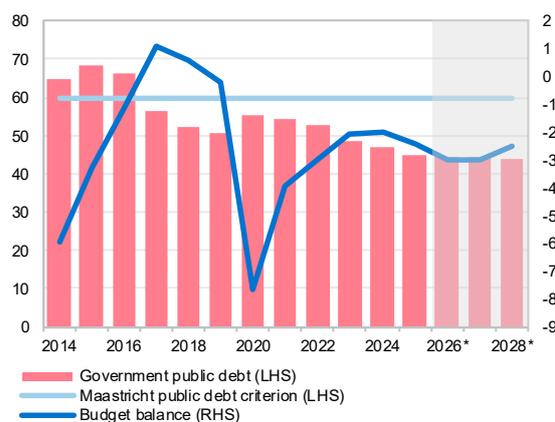
According to the **medium-term fiscal framework** set out in the Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028, and in accordance with the Budget for 2026, the fiscal policy stance will be moderately expansionary in this year. The deficit has been projected at around 3% of GDP this year and the next. After this period, it will gradually align with the fiscal rule to be applied as of 2029. Capital expenditure has been projected to remain relatively high due to the implementation of investments under the "Leap into the Future – Serbia Expo 2027" programme, and to be in the range of 6–7% of GDP annually. **The share of government public debt in GDP** was 44.8% in December 2025. According to the fiscal framework, it will be stable in the coming period, subsiding to 44.1% by end-2028.

GDP projection

Our new GDP projection for 2026 and 2027 is unchanged from November, measuring 3.5% for 2026. We expect growth to accelerate to 5% in 2027 due to the hosting of "Expo". In the medium term, we anticipate stable economic growth around its potential level in the range of 3.5–4% per annum.

Chart V.0.24 **Budget balance and government public debt**

(in % of GDP)



Source: Ministry of Finance.

** Projection from the Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028.

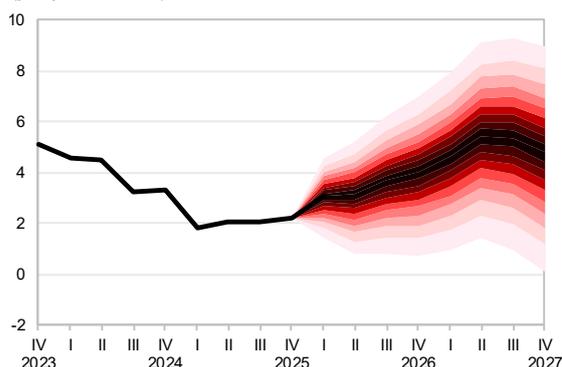
Domestic demand will continue to be the key driver of economic activity growth. Within domestic demand, the strongest positive impulse is expected from household consumption. The contribution of government consumption will also be positive. After a modest contribution in 2025, gross fixed investment should provide a significant impulse to GDP growth thanks to the implementation of infrastructure projects planned under the “Leap into the Future – Serbia Expo 2027” programme. We expect real imports to rise faster than exports in the current year, as personal consumption and corporate demand for imported goods go up and external demand stays subdued. As a result, **net exports** will provide a negative contribution to GDP growth. In 2027, the contribution of net exports is expected to be positive thanks to a faster rise in exports, especially of tourism and business services, on account of the hosting of “Expo”.

In terms of individual components, under the February projection the strongest positive impulse of 2.7 pp in 2026 and 3.2 pp in 2027 is expected to come from **private consumption**, which makes up the most of GDP. Private consumption growth will be supported by higher disposable income reflecting positive trends in the labour market, including the anticipated further rise in wages and employment, as well as in pensions in line with the fiscal rules. It is important to note that we expect no major inflationary pressures from the wage growth anticipated in the medium term, as it will largely result from increased labour productivity. At the same time, the real disposable income will be supported by more favourable lending conditions and further lending growth, thanks to the effects of monetary policy easing by the NBS and the ECB so far.

Under the February projection as well, **government consumption** will continue to provide a positive contribution of 0.5 pp to GDP growth this year. Its contribution will dip to 0.3 pp in 2027. The projection of government consumption growth takes into account the planned wage expenditures and rising outlays for goods and services for the purpose of implementing the “Expo 2027” programme.

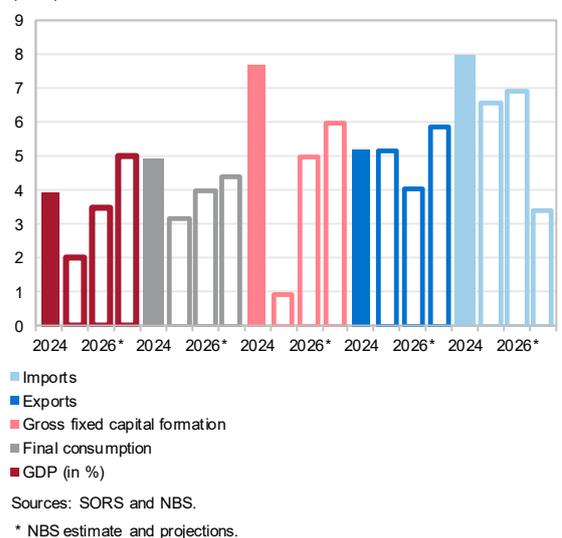
The February projection assumes a recovery in investment activity in this year and the next. After the slowdown recorded last year amid internal and external factors and the generally heightened uncertainty, we expect **private investment** to rise by 6.0% in 2026 (1.0 pp contribution to GDP growth) and by 7.2% in 2027 (1.3 pp contribution), also supported by the expected rallying of construction. Further private investment growth will also be sustained by preserved corporate profitability from earlier years (RSD 866 bn in 2024), the anticipated continuation of FDI inflows and more favourable terms of borrowing thanks to past monetary policy easing by the NBS and the ECB and the resulting growth in lending.

Chart V.0.25 GDP growth projection (y-o-y rates, in %)



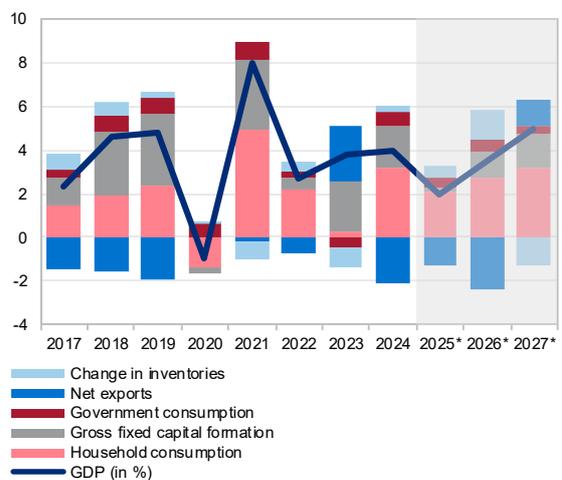
Source: NBS.

Chart V.0.26 Real growth in GDP and its components, expenditure side (in %)



Sources: SORS and NBS.
* NBS estimate and projections.

Chart V.0.27 Contributions to real GDP growth (in pp)



Sources: SORS and NBS.
* NBS estimate.

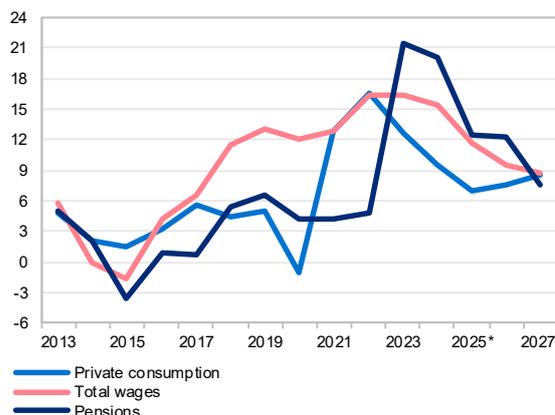
Our new GDP projection also assumes a reduced positive contribution of **government investment** to economic activity growth (0.2 pp contribution is expected in both 2026 and 2027). The projection takes into account the government capital expenditure planned in the Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028, and the anticipated implementation of infrastructure projects under the “Leap into the Future – Serbia Expo 2027” programme.

The February projection assumes a further rise in **inventories** in 2026, given the still relatively low external demand and the need to ensure energy security until majority ownership in NIS is acquired. We expect inventories to deplete in 2027 as external demand rallies and uncertainty diminishes.

The new projection also assumes continued growth in **exports of goods and services** in 2026 at the same relatively stable pace as in earlier years, thanks primarily to growth in manufacturing industry exports propped up by the start of serial production in the automotive industry and associated branches. It is important to note that exports continued up despite persistently low external demand and unfavourable global trends, signalling that the domestic export sector is resilient because it is diversified by geography and product. Growth in exports of goods and services is also supported by the effects of past investment in export-oriented sectors and the hosting of “Expo”, which is why we project it to accelerate to 6% in 2027. A significant impulse to this will also come from positive trends in foreign trade in services which we expect to continue in 2026 and beyond, backed in particular by the exports of ICT and business services, tourism and air transport services (despite the anticipated increase in the imports of, primarily, tourism services amid rising personal consumption). Taking into account the investment activities planned for the coming period and private consumption growth, we projected **real imports of goods and services** to rise faster than exports in 2026. All of the above ought to result in a negative contribution of **net exports** this year (-2.3 pp). The contribution of net

Chart V.0.28 Rate of growth in private consumption and its sources

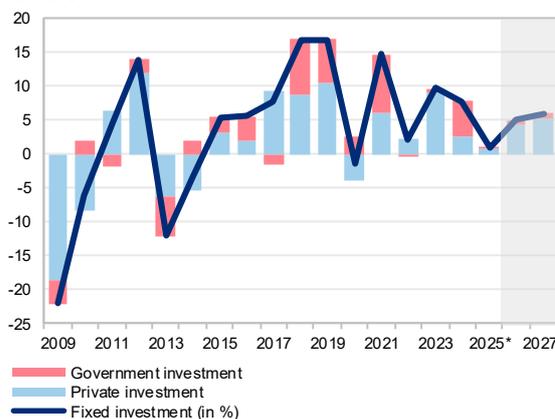
(nominal y-o-y rates, in %)



Sources: SORS and NBS calculations.
* NBS estimate.

Chart V.0.29 Fixed investment

(y-o-y growth, in pp)



Sources: SORS and NBS calculations.
* NBS estimate.

Table V.0.4 Planned capital projects within the "Leap into the Future – Serbia Expo 2027" programme (in EUR mn)

Project	Until 2024	2025	2026	2027	2028	After 2028	Total value
1. Expo	401	326	363	123	0	0	1,214
2. Transport infrastructure; construction of highways, expressways, bridges, tunnels, etc.	4,635	1,442	1,006	620	439	1,387	9,529
3. Railway infrastructure; Hungarian-Serbian railway project, reconstruction and modernisation of the Belgrade-Niš railway, etc.	1,461	396	579	498	335	1,529	4,799
4. Air and water transport and hydro power; Đerdap 1 and 2, "Arije" dam, construction of a new port in Belgrade, extension of capacity of the existing ports, etc.	121	77	22	66	46	195	529
5. Utility infrastructure	426	143	86	68	51	2,729	3,504
6. Other projects; modernisation of public sector infrastructure, education, science, health, sport, etc.	764	280	447	329	183	41	2,044
TOTAL	7,810	2,665	2,503	1,705	1,053	5,882	21,618

Source: Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028.

exports is expected to be positive in 2027 (1.2 pp), aided, among other things, by a large number of visitors to “Expo”.

On the production side, the February projection assumes that GDP growth in 2026 and 2027 will be guided by the **service sectors**. Private consumption growth, propped up by favourable trends in the labour market, higher disposable income and more affordable loans, will represent an important bulwark of economic activity. Moreover, the expected arrival of numerous visitors to “Expo” will further spur activity growth in the service sectors. We therefore expect the contribution of the service sectors to overall economic activity to go up from 2.3 pp in 2026 to 3.5 pp in 2027. Also, in line with consumption and service sector growth, which will also improve tax revenue collection, the projection assumes that **net taxes** will provide a positive contribution of around 0.6 pp per annum to GDP growth on average.

Growth in the production sectors has been projected as well. Under the February projection, their combined contribution to GDP growth will be 0.7 pp in 2026, and 0.8 pp in 2027. The projection takes into account the preliminary agreement reached on the acquisition of majority ownership in NIS by the Hungarian oil company MOL. This should ensure continued production by the oil industry and ease uncertainties regarding the supply of energy products. Additionally, we have assumed that the announced tariffs on our steel exports to the EU will not be applied in full. In line with this, the greatest positive contribution in the production sector is still expected to come from **manufacturing** (around 0.3 pp per annum on average), where we expect the activation of new and expansion of existing capacities in the automobile industry with the start of serial production of electric vehicles in Kragujevac and of car tyres. **Mining** is also anticipated to provide a positive impulse (0.1 pp) thanks to greater exploitation of coal and metal ore (particularly copper). Some growth is expected in the **energy sector** as a result of the planned structural reforms in line with the IMF arrangement, the launch of a new unit in the Kostolac thermal power plant and the opening of new renewable energy capacities.

After dipping by over 8% in 2025, **construction** is expected to provide a positive contribution (0.2 pp each in this year and the next), supported by the implementation of infrastructure projects in transport, energy and utility infrastructure, and the implementation of the “Leap into the Future – Serbia Expo 2027” programme.

We expect **agriculture** to provide a mildly positive impulse, assuming this year’s season is at the level of the five-year average which takes into account the negative effects of climate factors on agricultural production in the preceding years. A long-term strategy of response to climate change should help boost agricultural production in the coming years.

Chart V.0.30 Real export and import growth

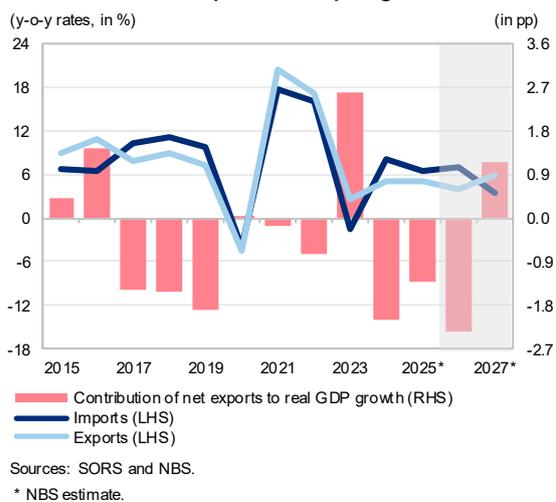
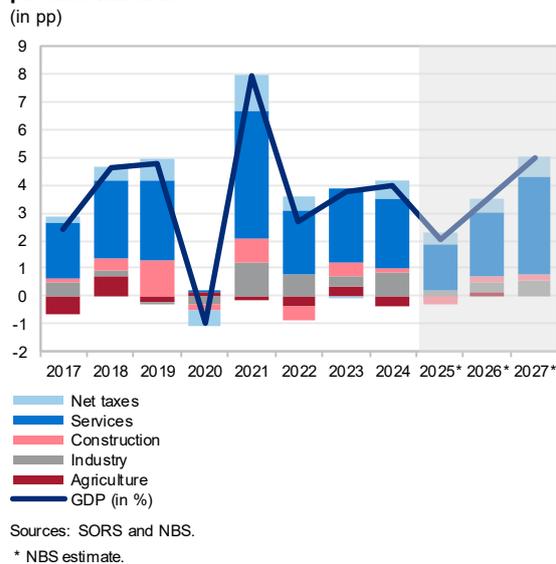


Chart V.0.31 Contributions to real GDP growth, production side



Projection of Serbia’s external position

The current account deficit in 2025 measured 4.8% of GDP, which is close to its average equilibrium rate. Taking into account the expected acceleration of imports of goods and services (chiefly reflecting greater imports of equipment for the purpose of investment cycle continuation, higher government expenditure for implementing “Expo 2027” and rising imports of tourism services propped up by increased disposable income of households), we expect the **current account deficit** to measure 5.4% of GDP this year and subside to below 4% in 2027 reflecting higher services exports due to the hosting of “Expo”. Our projection takes into account the expected further rise in exports of goods and services in the coming years, propped up by past investment in export-oriented sectors and the activation of new capacities in the automobile industry, but also by a gradual rallying of external demand.

As for other current account components, the projection assumes that the secondary income surplus will be slightly below 6% of GDP, entirely offsetting the deficit in income from factors of production (primarily income from FDI and labour) estimated at around 5.7% in 2026 and 5.2% in 2027. **FDI inflows** are expected to stay highly diversified by geography and project and channelled mainly to export-oriented sectors, moving at around 4% of GDP in the coming years.

Inflation projection

Similarly as in November, our new February projection assumes that **y-o-y inflation will continue to move within the target band of 3±1.5% throughout the projection horizon**. Inflation will first move around target midpoint of 3% until September this year, shifting to around 4% until the end of the year largely due to the low base effect. **Such inflation trajectory will be propped up by the still tight monetary policy, but also by several other factors, especially the decree capping trade margins from September last year**. This led to a decline in inflation, primarily for food prices, and the creation of a low base for calculating inflation a year later. We have also assumed that the decree will not be extended, but that the adoption of an appropriate legal framework would improve market regulation and prevent unfair trade practices. For this reason, we do not expect margins to return to their pre-decree level. Also, wage growth and the resulting rise in income disposable for consumption should drive up demand, though we expect no major inflationary pressures on these grounds either as wage growth will mostly go hand in hand with productivity gains. On the other hand, we expect cost-push pressures from the international environment to stay low, and we have assumed the new agricultural season to be better than last year, boosting supply in the domestic market. In 2027, we expect demand to rise further due to the hosting of “Expo”, and we therefore project average inflation at 3.8%.

Chart V.0.32 Current account and FDI projection (in % of GDP)

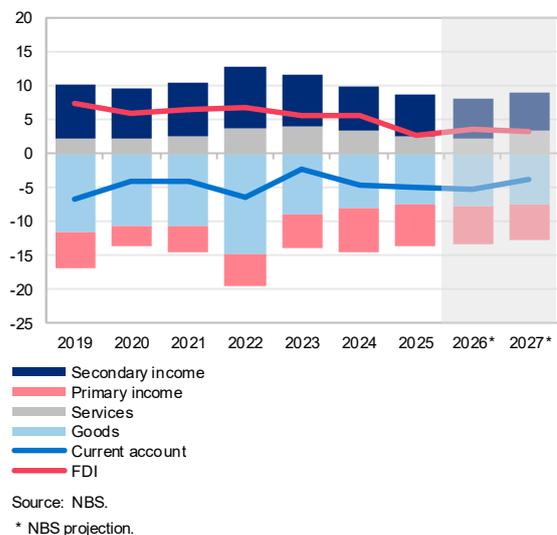
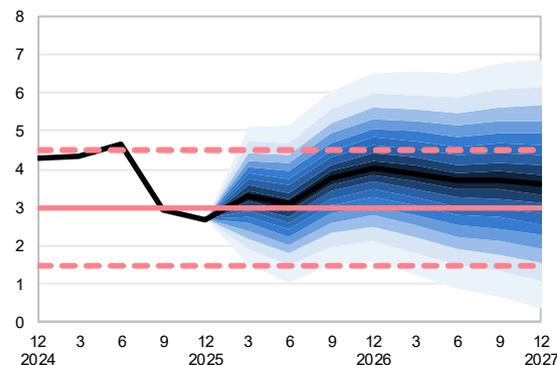


Table V.0.5 Key projection assumptions

	2026		2027	
	Nov.	Feb.	Nov.	Feb.
External assumptions				
Euro area GDP growth	10%	12%	13%	14%
Euro area inflation (average)	19%	18%	19%	19%
3M EURIBOR (December)	19%	2.1%	2.1%	2.3%
International prices of primary agricult. commodities (Q4 to Q4)*	6.0%	3.5%	2.7%	4.6%
Brent oil price per barrel (end of year, USD)	63	64	64	64
Internal assumptions				
Administered prices (Dec. to Dec.)	5.4%	5.9%	5.0%	5.0%

* Composite index of soybean, wheat and corn prices.
Sources: ECB, Consensus Economics, Euro next, CBOT, Bloomberg and NBS.

Chart V.0.33 Inflation projection (y-o-y rates, in %)



Source: NBS.
The fan chart depicts the probability of various inflation outcomes in the next eight quarters. The central projection is within the darkest central band and the probability that inflation would lie in it is 10%. Each following shade includes 10% probability, which means that outcomes of inflation somewhere within the entire fan chart are expected with probability of 90%. In other words, the probability that inflation in the next eight quarters would lie somewhere outside the band in the chart is 10%.

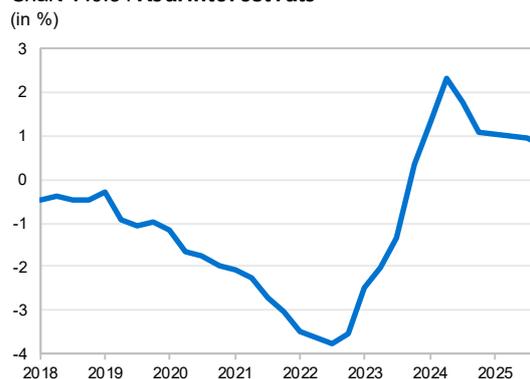
In our assessment, **the monetary policy stance remains restrictive**, even if the degree of its restrictiveness has diminished since Q2 2024 as the NBS trimmed its key policy rate by a total of 75 bp in the June–September 2024 period. **One-week BELIBOR measured 0.8% in real terms in Q4 2025 (calculated based on one-year ahead inflation expectations of the financial sector).**

By carefully calibrating its measures, the NBS Executive Board sought primarily to impact **market agents’ inflation expectations**, i.e. to ensure their anchoring within the target band. One year-ahead expectations of the financial sector have been within target band since the start of 2024, while this sector’s medium-term expectations have been anchored within this band for quite some time, confirming the preserved credibility of the NBS’s monetary policy. As cost-push pressures from the international environment recede, we expect medium-term expectations of the corporate sector to decline as well and become anchored within target bounds.

Global inflationary pressures are very important for inflation movements in Serbia, as a large part of domestic inflation is “imported” through the prices of energy, food and industrial products. In our projection, we expect key global factors affecting the prices of imported products and services to display **much more moderate dynamics than in earlier years**. As the projections of relevant institutions indicate that energy prices, primarily of **oil and gas**, will level off, we expect no major cost-push pressures on the Serbian economy on this account. Global prices of most food products should either slow or stagnate, as agrarian yields have stabilised and input prices gone down, including primarily the prices of energy and fertilisers. The stabilisation of the new tariff system, adjustment of global supply chains and slower demand growth globally have lessened the pressure on import prices of industrial products. For this reason, like in our earlier projections, the lowering of **imported inflation**, primarily from the euro area, is one of the assumptions underpinning the anticipated inflation trajectory in Serbia.

In addition to the easing of inflationary pressures from abroad, we expect domestic factors, primarily **wage growth, fiscal policy and administered prices**, to generate no major inflationary pressures either. When it comes to **aggregate demand**, we estimate that the **output gap remains negative**, but that it will shrink gradually during the year and turn positive early next year, moving slightly above zero until end-2027. A positive contribution to the output gap estimate comes from the rise in real wages throughout the projection horizon, as well as from the fiscal impulse and the gradual recovery of external demand, while the monetary conditions index will work in the opposite direction. The increase in income disposable for consumption will be propped up mostly by the anticipated real wage growth due to the minimum wage rise. After the increase in the minimum labour cost in October last and January this

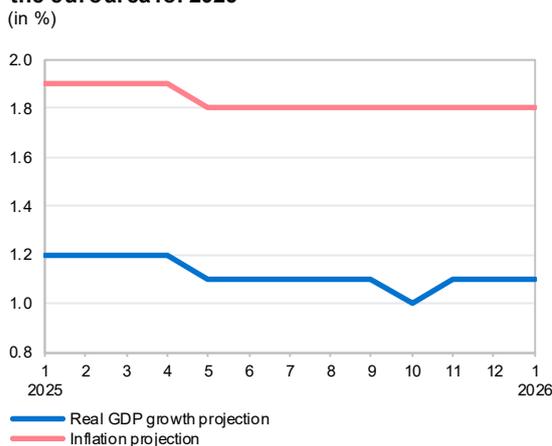
Chart V.0.34 Real interest rate



Source: NBS.

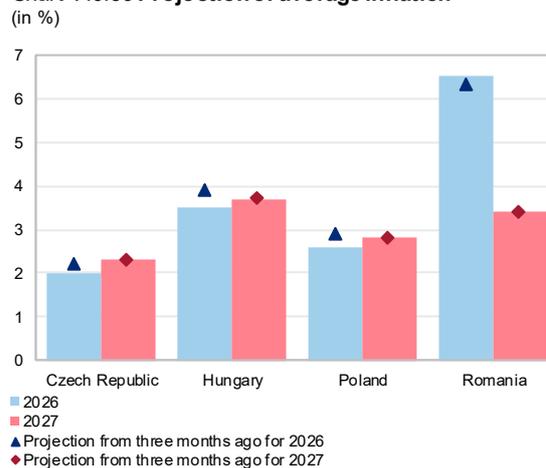
Note: The real interest rate is obtained as the difference between 1W BELIBOR and one-year ahead inflation expectations of the financial sector, according to the Bloomberg survey.

Chart V.0.35 GDP and average inflation projections of the euroarea for 2026



Source: Consensus Economics.

Chart V.0.36 Projection of average inflation



Source: Consensus Economics.

year, real wages will rise faster than their long-term trend, resulting in a positive wage gap throughout the projection horizon. As pressures on further wage growth gradually recede, however, **real wage growth ought to slacken during the projection horizon and approach the level of productivity growth which will accelerate**. Also, the terms of borrowing are more favourable than last year, which ought to lead to further growth in lending. When it comes to **external demand**, expectations are better than three months ago, but growth is still anticipated to be moderate. A more stimulating effect of external demand can still not be expected in the short term, as geopolitical and trade tensions and the resulting uncertainty in supply chains continue to create headwinds for a more robust global recovery. We still expect external demand to remain weaker in the short term and rally more substantially in the medium term. Fiscal stimuli coupled with the effects of past monetary policy easing by the ECB give ground for expectation that economic activity growth could pick up in the euro area, our key economic partner, in the period ahead.

Observed by individual components, we expect the contribution of **food prices (excluding fruit and vegetables)** to y-o-y inflation to rise gradually over the projection horizon due to the low base effect during the implementation of the decree – from around zero in September this year to around 0.7 pp from September until the end of the projection horizon. The projection assumes that margins will not go back to their pre-decree levels once the decree expires. This should be ensured by the adoption of systemic laws to improve market regulation and prevent unfair trading practices in order to preserve price stability and ensure consumer protection. On the other hand, we estimate that food producer costs will not exert substantial pressure on retail food prices. Based on the futures for primary agricultural commodities, we expect that the costs of inputs in food production (excluding fruit and vegetables) are below their neutral level, so we anticipate no inflationary effects on food prices on these grounds. On the other hand, food price growth will be affected by the higher labour cost.

Fruit and vegetable prices slumped sharply in Q4 2025, reflecting the implementation of the decree, but we expect them to gradually return to their long-term trend, assuming this year’s agricultural season is better than last year. As a result, their contribution to y-o-y inflation will be mildly negative in the first three quarters of this year, and turn positive thereafter (0.2–0.5 pp) due to the base effect.

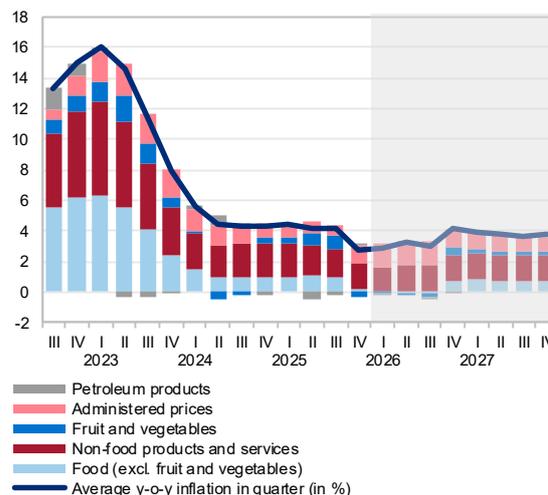
Like in the previous projection, we expect the contribution of prices of **non-food products and services** to inflation to stay relatively stable throughout the projection horizon, at around 1.7–1.8 pp. On the one hand, the minimum wage rise will lead to some increase in the costs of the service sectors and higher income disposable for consumption, but no major inflationary effects are expected on this account. In addition, the prices of non-food products and services greatly depend

Chart V.0.37 **Output gap projection***
(in % of potential output)



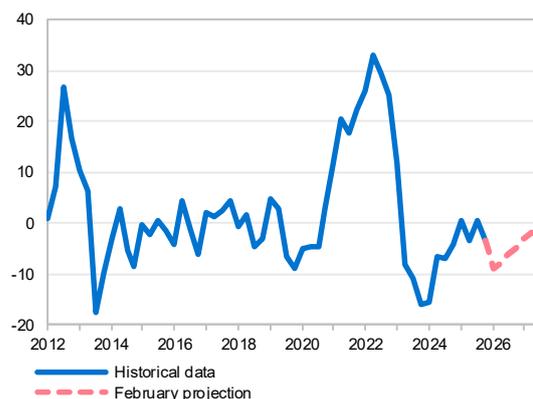
Sources: SORS and NBS.
* Output gap is estimated on the basis of GDP.

Chart V.0.38 **Contributions to y-o-y inflation by component**
(average y-o-y rates, in pp)



Source: NBS.
- NBS projection.

Chart V.0.39 **Real marginal costs gap in food production**
(% deviation from trend)



Source: NBS.

on the prices of a number of imported products. Furthermore, trade tensions have eased, as have fears of major global supply bottlenecks, so the index of pressures in global supply chains is still around zero, despite rising in December to its highest level since 2023, i.e. it does not point to any major pressures. The prices of international commodity transport also have been relatively stable. Euro area inflation is projected at slightly below the 2% target during the projection horizon.

In our new projection, we expect the contribution of **petroleum product prices to y-o-y inflation** to be around zero (from -0.2 pp to 0.2 pp) during the projection horizon, similarly as in the previous projection. Futures and the projections of relevant international institutions indicate that the global price of crude oil will be relatively stable and we also assume that a solution will be reached in the coming period to ensure continued production and regular supply of petroleum products to the domestic market.

In our new projection, we expect **administered prices** to rise by 5.9% this year (5.4% in the previous projection), while our projection for 2027 stayed unchanged at 5.0%. This will result in a roughly 1.2 pp contribution of administered prices to y-o-y inflation late this year, and a contribution of around 0.9 pp in late 2027.

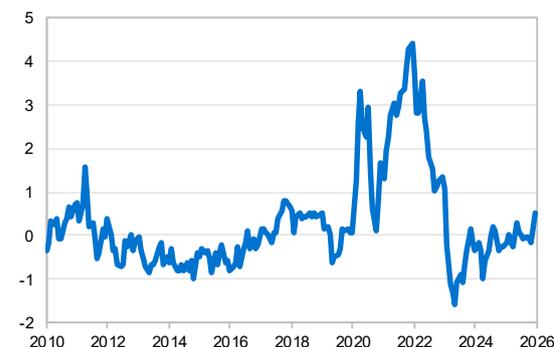
Other institutions’ projections for Serbia and comparison with the projections of the National Bank of Serbia

Under the impact of heightened global uncertainty and the US sanctions imposed on NIS, in the second review under the Policy Coordination Instrument (PCI) the **IMF revised Serbia’s GDP growth projection for 2026 down to 3.0%**. The **World Bank’s** projection is the same, while that of **Consensus Economics** is slightly higher at 3.1%. The IMF expects economic activity to rally in 2027, supported by continued growth in household disposable income amid steady wage growth and by public investment under the “Leap into the Future – Serbia Expo 2027” programme, placing GDP growth at 4.6% which is somewhat below our projection. The projections of Consensus Economics and the World Bank are more conservative, at 3.6% and 3.2% in 2027, respectively.

The IMF projects the current account deficit to be 6.0% of GDP this year and to dip to 4.9% in 2027, which is slightly higher relative to our projection. The IMF underlines that EU’s quotas on steel imports will have a negative impact on the current account deficit, as will the disruptions in the operations of NIS resulting in higher imports and reduced exports of petroleum products. New production capacities will work in the opposite direction.

According to the December projections, the **IMF expects average inflation in Serbia to measure 4.0% in 2026**,

Chart V.0.40 **Global supply-chain pressures** (index, in standard deviations)



Source: Federal Reserve Bank of New York.

Table V.0.6 **Projections of macroeconomic indicators of Serbia** (in %)

		GDP	Current account (share in GDP)	Inflation (annual average)
National Bank of Serbia	2026	3.5	-5.4	3.3
	2027	5.0	-3.8	3.8
IMF	2026	3.0	-6.0	4.0
	2027	4.6	-4.9	3.8
Consensus Forecasts	2026	3.1		3.4
	2027	3.6		3.3
World Bank	2026	3.0		
	2027	3.2		

Sources: IMF Country Report (December 2025), Consensus Economics (January 2026), World Bank GEP (January 2026).

supported by the low base resulting from the effects of the margin capping decree, and to slow gradually to 3.8% in 2027. According to **Consensus Economics**, **average inflation will measure 3.4% in 2026**, which is almost equal to our projection, and stay at a similar level, i.e. 3.3%, in 2027.

Risks to the projection

The risks to our new inflation and GDP projections are mostly associated with factors from the international environment.

The highest risk are sharp **geopolitical tensions** which greatly affect global commodity and financial markets, global supply chains, business climate and investment plans. In addition to the conflicts in the Middle East and Ukraine, and strained US-China relations over happenings in Venezuela, tensions between the US and the EU have also flared due to the US plans to take Greenland. As a result, global shares, bonds and the US dollar declined, while safe-haven assets strengthened – the price of gold hit record-high levels, and the Swiss franc appreciated. In addition, EU member countries gave final approval of the plan to halt Russian liquified natural gas imports by end-2026, and pipeline gas imports by 30 September 2027. If a country is struggling to fill its storage caverns with non-Russian gas ahead of winter, that deadline may shift to 1 November 2027 at the latest. Russia supplied more than 40% of the EU's gas before 2022. That share dropped to around 13% in 2025. Sudden political decisions affect not only the global markets of primary commodities, but financial markets as well, with exchange rates being particularly sensitive. It is always more difficult for monetary policy to achieve price stability in case of supply-side shocks which push prices up and drag GDP down at the same time, so greater caution is warranted. On the other hand, global economic fundamentals have stayed relatively resilient, with fiscal stimuli and monetary policy easing in leading global economies, and probably also further rate cuts by the Fed until the end of the year. Moreover, global economic activity will be additionally bolstered by the use of artificial intelligence and the resulting strong productivity gains and heightened business dynamics.

The preliminary agreement on the acquisition of majority ownership in NIS by the Hungarian oil company MOL ought to ensure **continued oil industry production and ease uncertainty regarding energy supply**. We therefore judge the risk on this account for both GDP and inflation to be much lower than in the previous projection.

Though mitigated somewhat by deals among leading global economies, **heightened protectionism and uncertain global trade policies** continue to pose a risk to the projection, especially of GDP. Elevated tariffs have caused a redirecting of trade flows across regions, countries, and sectors. In that sense, **EU protectionist measures aimed at safeguarding the domestic steel industry** against excessive global supply and cheaper

Table V.0.6 **Key risks to the GDP and inflation projection**

Risk	Estimate of the risk effect on GDP relative to the baseline scenario	Estimate of the risk effect on inflation relative to the baseline scenario
Geopolitical tensions and their impact, primarily on the prices of oil, gas and electricity in the global market (Serbia is a net energy importer), as well as on prices of other products	↕	↕
Global trade tensions	↓	↓
Constraints in manufacturing industry production, primarily of base metals, amid rising protectionism	↓	↑
Global agricultural season and world prices of primary agricultural commodities (Serbia is a net exporter)	↕	↕
Speed of domestic demand growth	↕	↕
Domestic agricultural season	↕	↕

Note: ↑ means a more inflationary effect relative to the baseline scenario, ↓ lower economic growth, ↑ higher economic growth, ↓ a more disinflationary effect, and ↕ that the risks to the projection are symmetric relative to the baseline scenario.

imports are particularly important for Serbia. Namely, the European Commission has proposed to halve its quotas for tariff-free steel imports from non-EU countries, and raise the tariffs for steel imports exceeding the quotas from 25% to 50%. Plans also include stricter proof-of-origin requirements to prevent the circumvention of these measures. This could potentially have a direct impact on Serbia, as the Serbian steel industry, including its large export sector such as the steel from Smederevo, is deeply integrated with the European market. Serbia has already asked for exemption or special treatment in negotiations about the tariffs, referring to its status of an EU candidate country and the free trade agreement with the EU. If high tariffs are imposed without exemption for Serbian exporters, however, this could reduce our export competitiveness and impact our production and business results in the metal industry.

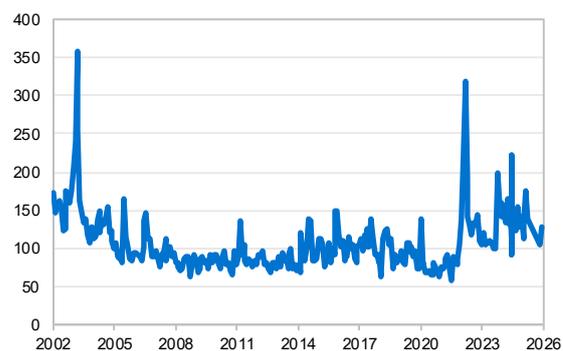
According to J.P. Morgan Global Research, the total effective customs tariff of the US was revised slightly up – by 2 pp to 18–20%, which is still much lower than the rate announced in early April last year. There have been fresh tariff threats in the function of geopolitical pressure, however, which makes it more difficult to stabilise the markets and restore trust. By contrast, the global economy has so far demonstrated substantial resilience to protectionist measures and trade shocks, leading analysts and international institutions, including the IMF, to conclude that it has become more flexible and resilient than before. Adjustments in global supply chains have been pretty smooth so far, without disrupting global economic growth. The prevailing view is that the increase in tariffs will produce inflationary effects in tariff-imposing countries, primarily the USA, and disinflationary effects in tariff-imposed countries, as they will face negative demand-side shocks.

Depending on the global agricultural season, and considering the risks from geopolitical and trade tensions on the one hand and the risks for global economic growth on the other, there is a risk that **global primary agricultural commodity prices** could depart from those assumed in the baseline scenario.

Another risk to the inflation and GDP projection is the domestic agricultural season. In our new projection, we have assumed it to be better than last year's (taking into account the changed climate conditions in the past several years), given that it was below-average not only last year but the year before last as well. Still, departures in either direction are possible, due to uncertain weather conditions. Production and supply of fruit and vegetables is important for inflation, and cereal yields – for GDP.

The risks to the projection are also associated with the **speed of domestic demand growth.** Faster than expected growth would add to inflationary pressures, while having a positive effect on economic growth, and vice-versa. Risks refer primarily to **real wage growth**, which could be either higher or lower than assumed in the new projection, reflecting on personal consumption and imports. In addition, extended **social and political tensions in our country** could negatively affect

Chart V.0.41 **Global Geopolitical Risk Index**
(in pp)



Source: Caldara and Iacoviello (2022); data downloaded from <https://www.matteoiacoviello.com/gpr.htm>.

economic expectations and the level of confidence, resulting in lower than anticipated growth in investment and personal consumption. If these tensions abate altogether, the overall economic environment would improve and economic activity growth quicken.

The same as in the previous projections, another risk to the GDP projection, particularly for the next year, is associated with **how many electric vehicles will be produced in the Kragujevac plant**, and what their cost and the share of domestic value added will be. Our estimates are that the contribution to GDP will be around 0.1 pp for every 10,000 vehicles. Departures are possible in both directions and will depend on the demand for these vehicles, particularly in European countries.

The NBS will continue to make monetary policy decisions on a meeting-to-meeting basis depending on movements in inflation and its key factors at home and abroad. Delivering price stability and preserving financial stability in the medium term will remain the monetary policy priority, along with support to further economic growth and development, a continued rise in employment and the preservation of a favourable investment environment.

Text box 6: Alternative projection scenarios – impact of prolonged global uncertainty and geopolitical tensions on inflation and economic growth

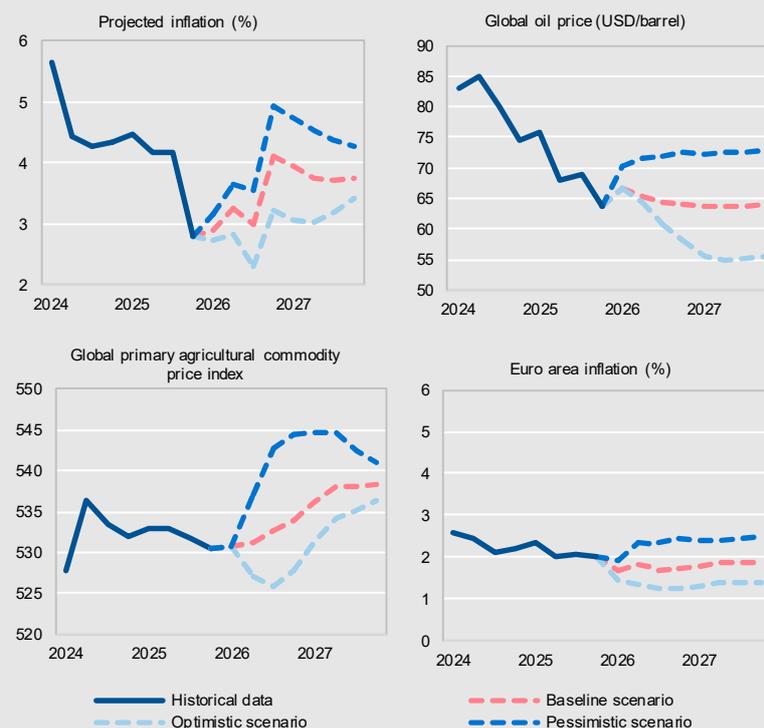
The baseline scenario assumes that geopolitical tensions will not intensify further in the period ahead and that global energy prices will follow a mildly declining path, in line with market futures. These assumptions are based on the fact that, although the previous year was marked by geopolitical tensions and a rise in protectionism – resulting in elevated global uncertainty – this did not have a significant impact on global primary commodity prices. In this context, the global price of Brent crude oil, which largely determines movements in other primary commodities, followed a predominantly downward trajectory throughout 2025 due to excess supply in the global market, while occasional deviations reflected heightened geopolitical tensions – notably the direct conflict between Israel and Iran, as well as mutual attacks by Russia and Ukraine on energy infrastructure. On average, the global oil price declined from around USD 79 per barrel in January 2025 to approximately USD 63 per barrel in December, its lowest level since February 2021.

However, at the beginning of this year, geopolitical tensions intensified further, including the US intervention in Venezuela, which holds the world’s largest known oil reserves, as well as mass protests in Iran accompanied by US threats of military intervention, and heightened tensions in the US–EU relations over Greenland. These developments affected the international financial and commodity markets, as investors stepped up their demand for safe-haven assets, resulting in a rise in gold prices to over USD 5,400 per ounce by the end of January, the highest level since comparable data are available. At the same time, global oil prices at end-January were 16.5% higher than at end-2025, while gas prices increased by 44.7% over the same period. Accordingly, the most significant risk from the international environment in the period ahead remains linked to the further evolution of geopolitical relations among major economies, primarily through their potential impact on global energy and primary agricultural commodity prices. This text box therefore analyses the potential effects of the materialisation of these risks by varying assumptions regarding global energy and primary agricultural commodity prices, depending on whether global geopolitical tensions intensify further or ease.

Downside scenario

In contrast to the baseline scenario, the downside, i.e. pessimistic scenario assumes a further intensification of geopolitical conflicts in the period ahead. An escalation of tensions between the United States and Iran, the continuation of the conflict in Ukraine (primarily through attacks on energy infrastructure), as well as heightened tensions between the EU and the United States regarding Greenland, would lead to an increase in global energy prices, given the export capacities of the countries involved and their geostrategic positions. Rising energy prices would, in turn, fuel higher global inflation, reinforcing market participants’ perceptions that the easing cycles of leading central banks have ended, and hence exert downward pressure on

Chart O.6.1 Alternative scenario assumptions and their effect on domestic inflation



Source: NBS.

global economic activity. In addition, consumer and investment confidence would deteriorate, particularly in emerging market and developing economies, as capital flows shift toward those advanced.

In line with the above, the downside scenario assumes that the price of oil could rise to around USD 72 per barrel by the end of 2026 and further to USD 73 per barrel by the end of 2027. At the same time, it envisages that the price of natural gas in 2026 and 2027 would be, on average, higher than in the baseline scenario by 15% and 20%, respectively. In this case, prices of primary agricultural commodities – whose movements are largely correlated with global oil prices – would be around 14% higher at end-2026 than at end-2025, and then around 3% lower at end-2027 than a year earlier. The materialisation of heightened geopolitical tensions would translate into higher inflation in the euro area, Serbia’s most important trade partner, which in this scenario would be higher than in the baseline by 0.5 pp in both 2026 and 2027. According to our estimate, the impact of such a scenario on Serbia would be **a higher average inflation rate than in the baseline scenario by 0.5 pp in 2026 and by 0.7 pp in 2027**. The direct effect would stem from higher prices of petroleum products in the domestic market, while the indirect effect would arise from increased food production costs and higher inflation in the euro area, transmitted through higher import prices.

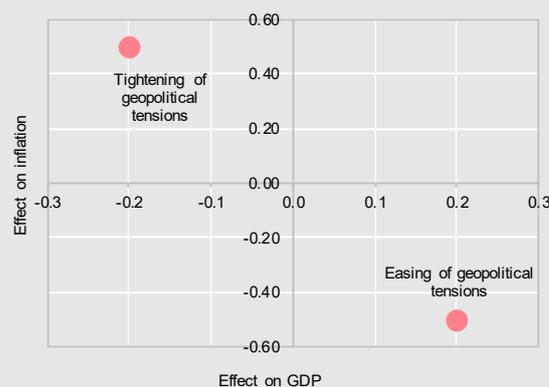
As a result of heightened inflationary pressures, the monetary stance of leading central banks would likely remain at current levels for longer than currently anticipated, which – together with increased cost-push pressures, global fragmentation and a rise in risk premia – would weigh down on global economic growth. Lower external demand and tighter global financial conditions would also adversely affect domestic economic activity through weaker exports, as well as reduced investment and consumption, which would nevertheless partly mitigate inflationary pressures. Overall, **the impact of this scenario on domestic GDP would be an around 0.2 pp lower growth rate in both 2026 and 2027 than in the baseline**.

Upside scenario

The upside, i.e. optimistic scenario assumes that geopolitical tensions will ease in the period ahead. This would be reflected primarily in lower-than-expected energy prices and reduced transportation costs, which would support an expansion in global trade and economic activity.

The upside scenario envisages that the global oil price would decline to around USD 58 per barrel by the end of 2026, with a mild downward trend continuing through 2027, bringing the price to approximately USD 55 per barrel by year end. Lower oil prices would contribute to a decline in global prices of primary agricultural commodities, which would be around 2.6% lower at end-2026 than at end-2025, while increasing by about 8.5% in 2027, chiefly due to low base effect. In addition, this scenario assumes that inflation in the euro area would remain below the target level in both 2026 and 2027, averaging 1.3% in 2026 and 1.4% in 2027. In this case, **average inflation in Serbia in 2026 and 2027 would be lower than in the baseline scenario by 0.5 pp and 0.6 pp**, respectively, reflecting lower global primary commodity prices and lower inflation in the euro area. Lower inflation in the euro area would create room for further monetary easing by the ECB, supporting the bloc’s economic activity growth and external demand recovery. This would likely contribute to an easing of Serbia’s monetary policy and to **around 0.2 pp higher domestic economic growth in both 2026 and 2027 than envisaged by the baseline scenario**.

Chart O.6.2 Effects of different alternative scenario assumptions on average inflation and GDP in 2026 (in pp)



Source: NBS.

Table A Indicators of Serbia's external position

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025
EXTERNAL LIQUIDITY INDICATORS (in %)																		
FX reserves/imports of goods and services (in months)	7.7	7.6	6.6	6.7	6.2	5.4	5.4	5.7	6.1	5.9	5.2	6.7	7.3	6.9	6.5	6.8	6.7	6.7
FX reserves/short-term debt	237.3	268.6	294.0	256.4	234.3	202.1	210.9	275.6	228.1	249.6	244.7	319.3	412.5	386.4	360.9	341.0		
FX reserves /GDP	311	29.5	26.8	27.9	26.7	24.4	25.2	27.8	27.5	29.4	30.6	33.1	35.2	33.7	31.9	33.3	32.7	32.7
Debt repayment/GDP	118	12.1	12.8	10.6	118	10.5	10.8	9.5	5.5	8.7	9.1	9.0	10.8	7.5	9.8	8.0		
Debt repayment/exports of goods and services	36.0	33.0	32.7	25.2	25.9	22.2	22.9	19.7	12.2	17.0	15.3	16.4	20.4	13.2	16.3	15.0		
EXTERNAL SOLVENCY INDICATORS (in %)																		
External debt/GDP	73.1	67.5	69.4	70.4	69.4	62.4	59.5	58.4	62.4	64.8	65.5	58.7	58.6	57.8	56.5	56.1		
Short-term debt/GDP	13.1	11.0	9.1	10.9	11.4	12.1	11.9	11.1	12.1	11.8	12.5	10.4	8.5	8.7	8.8	9.8		
External debt/exports of goods and services	223.5	183.9	171.6	166.7	152.3	132.0	125.6	120.4	137.4	125.8	109.5	117.7	110.1	117.3	114.9	114.2		
FINANCIAL RISK EXPOSURE INDICATORS (in %)																		
FX reserves/M1	402.1	330.4	278.1	250.2	207.3	176.2	168.0	174.1	160.0	158.1	158.7	166.6	168.2	176.8	162.3	162.7	156.3	156.3
FX reserves/reserve money	197.9	199.9	196.6	193.7	196.6	185.0	171.4	184.1	167.1	160.0	160.2	201.0	199.6	218.7	211.0	212.0	199.9	199.9
OPENNESS OF ECONOMY (EXPORTS + IMPORTS)/GDP	811	83.5	87.9	92.3	96.9	102.0	103.8	106.7	99.2	111.3	130.8	118.8	111.2	116.1	112.5	111.6	117.3	112.1
MEMORANDUM: (in EUR million)																		
GDP ¹⁾	35,074	37,978	37,014	37,220	38,165	40,828	44,711	48,105	49,024	55,931	63,510	75,205	83,258	20,349	22,044	22,288	24,087	88,770
External debt	25,838	25,636	25,866	26,220	26,469	25,490	26,594	28,117	30,600	36,266	41,621	44,173	48,771	48,836	48,539	48,951		
External debt servicing	4,130	4,595	4,728	3,960	4,508	4,285	4,849	4,592	2,710	4,886	5,801	6,735	9,032	15,29	2,170	1,775		
Central bank foreign exchange reserves	10,915	11,189	9,907	10,378	10,205	9,962	11,262	10,378	13,492	16,455	19,416	24,909	29,295	28,527	27,404	29,052	29,008	29,008
Short-term debt ²⁾	455	196	99	303	672	844	1,401	1,925	1,585	1,612	2,405	662	974	1,158	1,618	1,975		
Current account balance	-3,671	-2,098	-1,985	-1,234	-1,075	-2,051	-2,076	-3,151	-1,929	-2,266	-4,162	-1,804	-3,788	-651	-1,354	-808	-1,489	-4,302
CREDIT RATING (change of rating and outlook)																		
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2024						
	Aug	July	Jan	Dec	Jan/March/June/Dec	March/Dec	Dec	Sept/Dec	May	March/Dec	June	Aug/Oct						
S&P	BB-	BB-			BB-	BB	BB	BB+	BB+	BB+	BB+	BBB-						
	/negative	/negative			/positive	/stable	/positive	/positive	/stable	/positive	/stable	/stable						
Fitch	BB-	BB-	B+	B+	BB-/stable	BB	BB	BB+	BB+			BB+						
	/negative	/negative	/stable	/positive	/stable	/stable	/stable	/stable	/stable			/positive						
Moody's		B1			B1	Ba3	Ba3	Ba3	Ba2	Ba2	Ba2	Ba2						
		/stable			/positive	/stable	/stable	/positive	/stable	/stable	/stable	/positive						

Methodological notes:

Foreign exchange reserves/imports of goods and services (in months) - ratio of end-of-period foreign exchange reserves to average Foreign exchange reserves/short-term debt (in %) - ratio of foreign exchange reserves to stock of short-term debt at remaining maturity at end-of-period.
 Foreign exchange reserves/GDP (in %) - ratio of end-of-period foreign exchange reserves to GDP.
 Debt repayment/GDP (in %) - ratio of debt repayment (excl. early repayment of a part of debt to London Club creditors) to Debt repayment/exports (in %) - ratio of debt repayment (excl. early repayment of a part of debt to London Club creditors) to External debt/GDP (in %) - ratio of end-of-period outstanding debt to GDP.
 Short-term debt/GDP (in %) - ratio of end-of-period short-term debt at remaining maturity to GDP.
 External debt/exports (in %) - ratio of end-of-period outstanding debt to annual value of exports of goods and services.
 Foreign exchange reserves/M1 (in %) - ratio of foreign exchange reserves to money supply at end-of-period.
 (Exports + imports)/GDP (in %) - ratio of value of exports and imports of goods and services to GDP during period under review.

¹⁾ According to ESA 2010. Data for Q4 and entire 2025 are NBS estimate.

²⁾ At original maturity.

Notes:

1. SORS revised GDP data for the period 1995-2023, which led to a change in the share of macroeconomic indicators in GDP.
2. Data are subject to corrections in line with the official data sources.
3. Starting from 2007 data on exports and imports of goods and services are shown in accordance with BPM 6. Data for 2005 and 2006 are shown according to previous methodology.
4. Starting from 2007 the general trade system of registration of exports and imports of goods is applied. This is a broader concept and includes all goods entering/exiting country's economic territory, apart from goods in transit. Data for 2005 and 2006 are disseminated using the special trade system.
5. External debt servicing does not include advance debt repayments.
6. The Statistical Office revised data for export of goods for 2024 and Q1 2025.
7. The NBS revised external debt data for the period 2007-Q1 2025.

Table B Key macroeconomic indicators

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025
Real GDP growth (in %) ¹⁾	-0.4	0.5	-1.8	1.3	3.0	2.4	4.6	4.8	-1.0	7.9	2.7	3.7	3.9	1.8	2.0	2.0	2.2	2.0
Consumer prices (in %, relative to the same month a year earlier) ²⁾	12.2	2.2	1.7	1.5	1.6	3.0	2.0	1.9	1.3	7.9	15.1	7.6	4.3	4.4	4.6	2.9	2.7	2.7
NBS foreign exchange reserves (in EUR million)	10,915	11,189	9,907	10,378	10,205	9,962	11,262	13,378	13,492	16,455	19,416	24,909	29,295	28,527	27,404	29,052	29,008	29,008
Exports (in EUR million) ³⁾	11,469	13,937	14,451	15,728	17,385	19,312	21,166	23,349	22,271	28,818	38,004	41,018	44,317	11,551	11,859	11,851	12,425	47,686
- growth rate in % compared to a year earlier	2.9	21.5	3.7	8.8	10.5	11.1	9.6	10.3	-4.6	29.4	31.9	7.9	8.0	11.6	6.8	6.2	6.2	7.6
Imports (in EUR million) ³⁾	16,992	17,782	18,096	18,643	19,597	22,343	25,257	27,960	26,370	33,439	45,054	44,543	48,267	12,481	12,938	13,015	13,417	51,850
- growth rate in % compared to a year earlier	3.1	4.7	1.8	3.0	5.1	14.0	13.0	10.7	-5.7	26.8	34.7	-1.1	8.4	12.2	8.8	3.6	5.7	7.4
Current account balance ³⁾ (in EUR million)	-3,671	-2,098	-1,985	-1,234	-1,075	-2,051	-2,076	-3,161	-1,929	-2,266	-4,162	-1,804	-3,788	-651	-1,354	-808	-1,489	-4,302
as % of GDP	-10.5	-5.5	-5.4	-3.3	-2.8	-5.0	-4.6	-6.6	-3.9	-4.1	-6.6	-2.4	-4.5	-3.2	-6.1	-3.6	-6.2	-4.8
Unemployment according to the Survey (in %) ⁴⁾	25.9	24.0	20.6	18.9	16.4	14.5	13.7	11.3	9.7	11.1	9.5	9.4	8.6	9.1	8.5	8.2		8.6
Wages (average for the period, in EUR) ⁵⁾	366.1	388.5	379.8	367.9	374.5	394.5	419.8	466.0	510.9	560.2	637.9	733.5	838.2	907.7	921.5	921.2	949.7	922.8
RS budget deficit / surplus (in % of GDP) ⁶⁾	-5.4	-4.7	-5.7	-2.6	-0.2	0.7	0.6	0.2	-8.0	-4.4	-3.2	-2.0	-2.2	-1.2	-0.3	-1.5	-6.9	-2.6
Consolidated fiscal result (in % of GDP) ⁶⁾	-6.2	-4.9	-5.9	-3.3	-1.1	1.1	0.6	-0.2	-7.7	-3.9	-3.0	-2.1	-2.0	-1.2	0.3	-1.6	-6.7	-2.4
RS public debt, (central government, in % of GDP) ⁶⁾	50.8	53.7	63.4	67.2	65.2	55.5	51.4	49.7	54.4	53.9	52.4	48.0	46.7	44.1	43.5	43.0	44.5	44.5
RSD/USD exchange rate (period average)	88.12	85.17	88.54	108.85	111.29	107.50	100.28	105.28	103.03	99.49	111.86	108.41	108.20	111.35	103.44	100.26	100.71	103.79
RSD/USD exchange rate (end of period)	86.18	83.13	99.46	111.25	117.14	99.12	103.39	104.92	95.66	103.93	110.15	105.87	112.44	108.18	99.88	99.92	99.92	99.92
RSD/EUR exchange rate (period average)	113.13	113.14	117.31	120.73	123.12	121.34	118.27	117.85	117.58	117.57	117.46	117.25	117.09	117.14	117.21	117.18	117.27	117.20
RSD/EUR exchange rate (end of period)	113.72	114.64	120.96	121.63	123.47	118.47	118.19	117.59	117.58	117.58	117.32	117.17	117.01	117.21	117.17	117.20	117.28	117.28
MEMORANDUM:																		
GDP (in EUR million) ⁷⁾	35,074	37,978	37,014	37,220	38,165	40,828	44,711	48,105	49,024	55,931	63,513	75,205	83,258	20,349	22,044	22,288	24,087	88,770

¹⁾ At constant prices of previous year. Data for Q4 2025 is SORS flash estimate.

²⁾ Retail prices until 2006.

³⁾ Starting from 2007 data on balance of payments (current account, exports and imports of goods and services) are shown in accordance with BPM 6. Data for 2005 and 2006 are shown according to the previous methodology. Due to the break in the series for 2007, exports and imports growth rates are not shown. Starting 2007 the general trade system of registration of exports and imports is applied. This is a broader concept and includes all goods entering/exiting country's economic territory, apart from goods in transit. Data for 2005 and 2006 are disseminated using the special trade system.

⁴⁾ Includes below-the-line items (payment or called guarantees, bank recapitalisations and debt takeover) in line with IMF methodology, as of 2008 on RS budget level and as of 2005 on consolidated level.

⁵⁾ According to ESA 2010. Data for Q4 and entire 2025 are NBS estimate.

⁶⁾ Revised data from 2011 (two revisions were carried out - a revision due to the improvement of the methodology and a post-census revision). Data for 2025 is the average of three quarters.

⁷⁾ Until 2018, wages are shown according to the old methodology. Since 2018, wages are shown according to the new methodology and data are based on Tax Administration evidence. For conversion of wages from RSD to EUR, we used the average of the period RSD/EUR exchange rate. Data for Q4 2025 is the average of two months and data for 2025 is the average of eleven months.

⁸⁾ Data on the share of public debt in GDP were downloaded from the website of the Ministry of Finance.

Notes:

1. SORS revised GDP data for the period 1995-2023, which led to a change in the share of macroeconomic indicators in GDP.
2. Data are subject to corrections in line with official data sources.
3. Source for the data on unemployment: Labour Force Survey, Statistical Office.
4. Source for public debt: MoF.
5. The Statistical Office revised data for export of goods for 2024 and Q1 2025.

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Executive Board meetings and changes in the key policy rate

2025

Date	Key policy rate (p.a, in %)	Change (in basis points)
10 January	5.75	0
13 February	5.75	0
13 March	5.75	0
10 April	5.75	0
9 May	5.75	0
12 June	5.75	0
10 July	5.75	0
7 August	5.75	0
11 September	5.75	0
9 October	5.75	0
13 November	5.75	0
11 December	5.75	0

2026

Date	Key policy rate (p.a, in %)	Change (in basis points)
12 January	5.75	0
12 February	5.75	0
12 March		
45756		
7 May		
11 June		
9 July		
13 August		
10 September		
8 October		
12 November		
10 December		

Press releases from NBS Executive Board meetings

Press release from Executive Board meeting held on 11 December 2025

At its meeting today, the NBS Executive Board voted to keep the key policy rate at 5.75%. It also kept the deposit facility (4.5%) and lending facility (7.0%) rates unchanged.

The Board made the decision primarily in view of actual and expected inflation, as well as factors from the domestic and international environment affecting its movements. After inflation dropped to 2.9% and 2.8% y-o-y in September and October, respectively, the Board expects it to continue trending around the target midpoint until March 2026, i.e. as long as the Decree on Special Conditions for Trade in Certain Types of Goods – which caps wholesale and retail trade margins – is in force. Inflation is anticipated to continue moving within the $3\pm 1.5\%$ target tolerance band even after the expiry of the Decree, until end-2026 and in the medium run. This should be facilitated by the announced adoption of systemic laws that will curb unfair merchant practices, as well as by the easing of cost-push pressures from the international environment, and the onset of a new agricultural season, assuming that it turns out better than this year's. The increase in disposable income and the low base from September this year will work in the opposite direction. However, we do not anticipate significant inflationary pressures stemming from the rise in disposable income as wage growth is expected to be matched by corresponding gains in productivity. Furthermore, the NBS's measures to stimulate lending to lower-income citizens are carefully calibrated to avoid excessive credit growth, which could otherwise pose risks to both price and financial stability.

The Executive Board emphasizes that the NBS supports economic growth through the maintained relative exchange rate stability and more favourable credit financing conditions, thanks to the effects of past monetary policy easing, amendments to the Law on the Protection of Financial Service Consumers, and measures aimed at improving borrowing conditions for low-income citizens and young first-time homebuyers. All these factors resulted in double-digit y-o-y growth in lending activity to both corporates and households, which measured 13.1% in October.

The Executive Board underlines that increased caution is still warranted in the pursuit of monetary policy given that the international environment remains complex and unstable. Higher customs tariffs, rising protectionism and the persisting uncertainty of global trade policies, coupled with pronounced geopolitical tensions, continue to dictate developments in global commodity and financial markets, making them extremely volatile and dampening investment and consumer confidence across countries. Concurrently, geopolitical tensions and the growing protectionism could have a direct impact on production and exports of Serbian manufacturing, especially in the segment of oil processing and base metals production. The Board also took into account the current situation in terms of production at the oil refinery and the risks involved if a solution enabling the continuation of production is not found any time soon. As for monetary policy decisions of leading central banks, the Fed continued to trim its key rates, as expected, with the aim of supporting the labour market. In contrast, the ECB is expected to keep its main rates unchanged at least until end-2026, as it has estimated that the inflation target has been reached.

According to SORS data, GDP growth in Q3 measured 2% y-o-y, as envisaged by the preliminary estimate. The structure of growth was consistent with the NBS's expectations, with growth driven by the services sector and industry, while activity in the construction sector continued to decline. Industrial production in Serbia during October was affected by reduced electricity generation and, within the manufacturing sector, by lower output of petroleum products and related branches. At the same time, growth continued in the production of motor vehicles and rubber and plastic products, as a result of earlier investments in the automotive industry. A weaker than expected economic performance in the year to date reflects dented investment and consumer confidence due to prolonged global uncertainty and socio-political developments in the country, while the rise in disposable income is working in the opposite direction. The Executive Board expects GDP growth of 2.1% in 2025, while next year it should accelerate to 3.5%, with both consumption and fixed investment making positive contributions. However, possible constraints on the production and export of oil and base metals next year, along with stronger effects of trade and geopolitical tensions on consumer and investor confidence, could lead to a lower than projected economic growth.

The Executive Board will continue to follow and analyse developments in the domestic and international markets and make monetary policy decisions on a meeting-to-meeting basis depending on the incoming data, the outlook for inflation and its key factors, and the assessment of the effects of adopted monetary policy measures. In making its decisions, the Board will remain mindful of the preservation of financial stability and favourable growth prospects.

The next rate-setting meeting will be held on 12 January.

Press release from Executive Board meeting held on 12 January 2026

At its meeting today, the NBS Executive Board voted to keep the key policy rate at 5.75%. It also kept the deposit facility (4.5%) and lending facility (7.0%) rates unchanged.

The Board made the decision primarily in view of actual and expected inflation, as well as factors from the domestic and international environment affecting its movements. In the final months of 2025, inflation stabilised slightly below the NBS target midpoint ($3\pm 1.5\%$).

The Board expects inflation to continue trending around the target midpoint until March 2026, i.e. as long as the Decree on Special Conditions for Trade in Certain Types of Goods – which caps wholesale and retail trade margins – is in force. Inflation is anticipated to continue moving within the $3\pm 1.5\%$ target tolerance band even after the expiry of the Decree, until end-2026 and in the medium run. This should be facilitated by the announced adoption of systemic laws that will curb unfair merchant practices, as well as by the easing of cost-push pressures from the international environment, and the onset of a new agricultural season, assuming that it turns out better than last year's. The increase in disposable income and the low base from September last year will work in the opposite direction. However, we do not anticipate any major inflationary pressures stemming from the rise in disposable income as wage growth will be accompanied by gains in productivity. Furthermore, the NBS measures to stimulate lending to lower-income citizens are calibrated to avoid excessive credit growth, which could negatively affect price and financial stability. Moreover, the NBS supports macroeconomic stability and economic growth by the maintained relative stability of the exchange rate.

The Board stresses that heightened caution in the conduct of monetary policy remains necessary given the ongoing instability in the international environment. Geopolitical tensions, coupled with a more stringent tariff policy, mounting protectionism and financial markets' high sensitivity to public debt sustainability in some of the advanced economies, dent investment and consumer confidence globally, negatively impacting global growth prospects. Concurrently, geopolitical tensions and rising protectionism may significantly impact production and exports of the domestic manufacturing industry in the segment of oil processing and base metals production. As for monetary policy decisions of leading central banks, Fed's projections published after the December meeting indicate that this year as well we may expect further lowering of the federal funds rate target range, while the ECB will likely keep its key rates on hold by end-2026, as it is estimated that the inflation target has been achieved.

According to the SORS estimate, real GDP growth in 2025 equalled 2.0%, almost fully in line with the NBS November projection. The growth was led by service sectors and the industry, despite the problems in the production of petroleum products since October and thanks primarily to expanded production capacities in the automobile industry, while a decrease was recorded in construction and, to a lesser extent, in agriculture. Mostly owing to the good performance of the automobile industry, goods exports posted 8.0% growth, according to the SORS estimate, while goods imports rose by 7.3%, reflecting continued imports of intermediate goods and equipment, as well as higher imports of consumer goods owing to higher disposable income. Disposable income has been rising primarily thanks to real growth in the average wage of 7.1% in 2025, followed by a pensions increase and more favourable credit conditions, including a double-digit rise in loans for consumption. The Executive Board expects GDP growth acceleration both this and next year, with both consumption and fixed investment making positive contributions, on the back of investments planned under the "Leap into the Future – Serbia Expo 2027" programme. In 2027, owing to the Expo taking place, net exports will also generate a positive contribution.

The Executive Board will continue to follow and analyse developments in the domestic and international markets and make monetary policy decisions on a meeting-to-meeting basis depending on the incoming data, the outlook for inflation and its key factors, and the assessment of the effects of adopted monetary policy measures. In making its decisions, the Board will remain mindful of the preservation of financial stability and favourable growth prospects.

The next rate-setting meeting, where economic developments will be discussed, will be held on 12 February 2026.

Press release from Executive Board meeting held on 12 February 2026

At its meeting today, the NBS Executive Board voted to keep the key policy rate at 5.75%. It also kept the deposit facility (4.5%) and lending facility (7.0%) rates unchanged.

The Board made the decision primarily in view of actual and expected inflation, as well as factors from the domestic and international environment affecting its movements. Consistent with the Board's expectations, in Q4 2025 y-o-y inflation remained slightly below the midpoint, falling to 2.7% in December. Such inflation movement was largely driven by the application of the Decree on Special Conditions for Trade in Certain Types of Goods – which caps wholesale and retail trade margins. Inflation is expected to continue moving within the $3\pm 1.5\%$ target tolerance band even after the expiry of the Decree, until end-2026 and in the medium run. This should be facilitated by a cautious monetary policy, the announced adoption of systemic laws that will curb unfair merchant practices, as well as by the easing of cost-push pressures from the international environment, low imported inflation, and the onset of a new agricultural season, assuming that it turns out better than last year's. The increase in disposable income – mainly due to wage growth – and the low base from September 2025 (when the Decree came into effect) will work in the opposite direction. However, we do not anticipate any major inflationary pressures from wage growth as it will be accompanied by gains in productivity. Furthermore, the NBS measures to stimulate lending to lower-income citizens are calibrated to avoid excessive credit growth, which could negatively affect price and financial stability.

The Executive Board underlines that it will continue to pursue a cautious monetary policy, primarily due to the still heightened global uncertainty fuelled by geopolitical tensions and protectionism, which considerably affect commodity and financial markets, as well as investment and consumer confidence. For these reasons, higher volatility of global prices of energy and other primary commodities has been recorded over the past month, and the same holds true for precious metals prices and inter-currency relations. At the same time, rising protectionism could negatively affect the production and exports of the domestic manufacturing industry. As for monetary policy decisions of leading central banks, the Fed's projections released after the December meeting suggest that a continued lowering of the federal funds rate range is likely going forward, while the ECB will probably keep its key rates on hold for a while, as the inflation target is assessed to have been attained.

Economic activity in Serbia faced significant challenges last year. The reduced volume of production at NIS (Oil Industry of Serbia) following the enforcement of sanctions prevented a more substantial acceleration of economic growth in the final quarter. As a result, according to the SORS estimate, GDP growth amounted to 2.0% in 2025. The Executive Board expects economic growth to pick up this year and next, receiving a positive contribution from both consumption and fixed investment. This should be supported by the implementation of investments planned under the "Leap into the Future – Serbia Expo 2027" programme, while in 2027 net exports are also expected to make a positive contribution due to the hosting of the specialised Expo exhibition.

The Executive Board will continue to follow and analyse developments in the domestic and international markets and make monetary policy decisions on a meeting-to-meeting basis depending on the incoming data, the outlook for inflation and its key factors, and the assessment of the effects of past monetary policy measures. In making its decisions, the Board will remain mindful of the preservation of financial stability and a favourable growth outlook.

At today's meeting, the Executive Board adopted the February *Inflation Report* with the latest macroeconomic projections that will be presented to the public in more detail at the press conference on 19 February, along with additional explanations of monetary policy decisions.

The next rate-setting meeting where economic developments will be considered is scheduled for 12 March.