



National Bank of Serbia

November
2025

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 November *Inflation Report* was considered and adopted by the NBS Executive Board at its meeting of 13 November 2025.

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 31 October.

Contents

I	Overview	7
II	Monetary policy since the August Report	11
III	Inflation movements	14
	Inflation movements in Q3.....	14
	<i>Text box 1: Government Decree on Special Conditions for Trade in Certain Types of Goods and its effects on reducing consumer prices</i>	16
	Producer and import prices in Q3.....	17
	<i>Text box 2: Analysis of the degree of cost pass-through to prices along the industrial food products chain</i>	18
	Inflation expectations.....	20
IV	Inflation determinants	21
1	Financial market trends.....	21
	Interest rates.....	21
	Risk premium.....	22
	Foreign capital inflow.....	23
	Trends in the FX market and exchange rate.....	24
2	Money and loans.....	25
	Money.....	25
	Loans.....	25
	<i>Text box 3: Initial effects of the NBS's measures to facilitate more favourable lending to lower-income citizens</i>	29
3	Aggregate demand.....	31
	Domestic demand.....	31
	Net external demand.....	32
4	Economic activity.....	33
5	Labour market developments.....	34
	Wages.....	34
	Employment.....	34
V	Projection	36
	External assumptions.....	36
	Internal assumptions.....	44
	GDP projection.....	46
	Projection of Serbia's external position.....	50
	Inflation projection.....	50
	Risks to the projection.....	53
	<i>Text box 4: Alternative scenario – lower economic growth in 2026 amid prolonged global uncertainty and constraints in industrial production</i>	57
	Table A Indicators of Serbia's external position.....	59
	Table B Key macroeconomic indicators.....	60
	Index of charts and tables.....	61
	Executive Board meetings and changes in the key policy rate.....	64
	Press releases from NBS Executive Board meetings.....	65

I Overview

Global economic growth this year is projected to exceed earlier expectations, largely reflecting economies' adjustment to trade tensions and the smaller-than-anticipated impact of tariffs. Over the medium term, growth will remain below the pre-pandemic average of 3.7%.

According to the IMF estimate, global inflation is expected to continue easing at a pace broadly in line with the July projection, with average inflation forecast at 4.2% this year and 3.7% in 2026.

Global commodity and financial markets continue to be shaped by the trade policies of major economies and ongoing geopolitical developments.

The NBS Executive Board has kept the key policy rate at 5.75% since September last year.

According to the IMF estimate, **following robust global economic activity in the first half of this year** – largely driven by temporary factors such as intensified trade and stockpiling ahead of the introduction of new tariffs – global growth is expected to lose momentum in the remainder of the year, with early signs of slowdown already evident. Reflecting this, in its October projections the IMF forecast global economic growth to ease from 3.3% in 2024 to 3.2% this year, and further to 3.1% in 2026. Expectations for the euro area are broadly similar: due to stronger-than-expected performance in the first half of the year, the growth projection for 2025 has been revised up by 0.2 pp relative to July, to 1.2%, while slightly lower growth of 1.1% is anticipated for 2026. Risks to the global growth projection remain tilted to the downside and are mainly associated with prolonged uncertainty surrounding trade tensions – which could dampen consumption and investment – reduced labour supply, particularly as a result of restrictive immigration policies, as well as increased fiscal vulnerabilities in some countries and potentially higher borrowing costs.

Global inflation is projected to continue slowing, though with differing dynamics across individual countries. In line with earlier expectations, economies imposing tariffs are expected to experience mainly supply-side shocks, resulting in higher inflation, while those targeted by tariffs are likely to see lower demand and, consequently, lower inflation. US inflation is projected to remain above the target level, while in the euro area it is expected to be slightly above target this year and slightly below next year. Despite somewhat elevated inflation, the Fed cut its key rates by 25 bp in both September and October, reflecting labour market weakness. A continued easing cycle is anticipated in the period ahead. In contrast, the ECB has kept its rates unchanged since July, suggesting that the monetary policy easing cycle is nearing its end. Under these conditions, the US dollar has continued to weaken against the euro.

The conclusion of a trade agreement between the US and the EU helped **ease uncertainties in the international financial market** during Q3. Conversely, the escalation of trade tensions with China – following Chinese authorities' decision to restrict exports of rare earth metals – led to a short-term rise in volatility in early October. The resulting, anticipated slowdown in oil demand growth and the OPEC+ decision to increase production, contributed to a decline in global oil prices.

The Executive Board's decision to **keep the key policy rate at 5.75%** was primarily guided by current and projected inflation, as well as the still present, albeit somewhat diminished, geopolitical and trade tensions among major global economies, which could affect

Buoyed by more favourable borrowing conditions, y-o-y growth in lending to the non-monetary sector accelerated to 12.8% in September.

Fiscal trends in the first nine months of this year were marked by a general government deficit of 0.8% of GDP, an equally sized primary budget surplus, and a continued decline in the public debt-to-GDP ratio.

primary commodity prices, supply chains, and capital flows. The Board emphasised that support for economic growth is being reinforced by the relative stability of the exchange rate and more favourable credit financing conditions, which have contributed to double-digit y-o-y growth in lending to the non-monetary sector.

Following the systemic regulation of interest rate caps on household borrowing through amendments to the Law on the Protection of Financial Service Consumers, **the NBS facilitated a further reduction in interest rates on cash and consumer loans for employees and pensioners with lower incomes** (by 3 pp compared with July rates – with the interest rate floored at 7.5% for employed persons with incomes up to RSD 100,000 and at 10.5% for pensioners), **effective from September**. The NBS also enabled the implementation of the Youth Housing Loan Programme with terms more favourable than market conditions, and reduced interest rates for first-time homebuyers by up to 0.5 pp. Alongside the effects of past monetary policy easing, these measures helped accelerate y-o-y growth in household lending to 16.1% in September. From the standpoint of safeguarding price and financial stability, it should be emphasised that all measures were designed to prevent excessive household indebtedness, including by capping the maximum cash and consumer loan amount eligible for more favourable terms at RSD 1 million. Lending to the corporate sector also grew faster in Q3, reaching 9.0% y-o-y in September, driven primarily by working capital and investment loans. The expansion of lending, combined with the preservation of bank asset quality, led to the NPL share in total loans declining to a new low of 2.2%.

In real terms, total general government revenues in the first nine months of this year were 2.0% higher than in the same period last year, driven mainly by rising income tax, reflecting continued positive labour market trends. Despite higher disposable income for consumption, VAT revenue made a neutral contribution to total tax revenue. A decline was recorded in corporate income tax revenues, as corporate profitability in 2024 was lower than in the previous year, though it remained strong – RSD 866 bn according to the Business Registers Agency. Expenditures were 5.2% higher in real terms, primarily due to increased spending on pensions, public sector wages, and goods and services. At end-September, **the general government public debt-to-GDP ratio stood at 43.4%**. Despite a projected fiscal deficit of around 3% of GDP in the medium run, the declining trend in the public debt-to-GDP ratio is expected to continue, underscoring the sustainability of public finances.

As the current account deficit in the nine months of the year measured EUR 2.8 bn (4.3% of GDP), which is only 5.3% higher in y-o-y terms, its annual level will most probably be lower than projected in August, equalling around 5% of GDP.

Goods exports gained 9.5% y-o-y in the nine months of the year, guided by increased exports of the manufacturing industry, where 19 out of 23 branches posted growth and branches associated with the automotive industry provided the strongest impulse. Goods imports increased somewhat more slowly, at a y-o-y rate of 8.0%, guided by imports of intermediate and consumer goods. The narrowing of the surplus on trade in services reflected primarily higher net imports of tourist services, with exports of information-communication services continuing to rise at double-digit rates. The largest inflow on the financial account came from FDIs, measuring around EUR 2.5 bn in the nine months of the year. Residents stepped up their investment abroad, which resulted in a net inflow of EUR 1.5 bn on this account. Appreciation pressures prevailed in Q3 as well. In order to preserve the relative stability of the dinar exchange rate against the euro, the NBS mostly acted as a net FX buyer in the FX market. In October, heightened FX demand of domestic corporates gave rise to occasional depreciation pressures. Since the start of the year until end-October, net FX purchases equalled EUR 355 mn. Together with a higher price of gold, this pushed **the country's FX reserves past their record-high end-2024 level, to EUR 29.4 bn at end-October.** Being well above reserve adequacy metrics, FX reserves are an important pillar of defence against external risks. The share of gold holdings in FX reserves reached around 20% and the quantity of gold – over 52 tonnes.

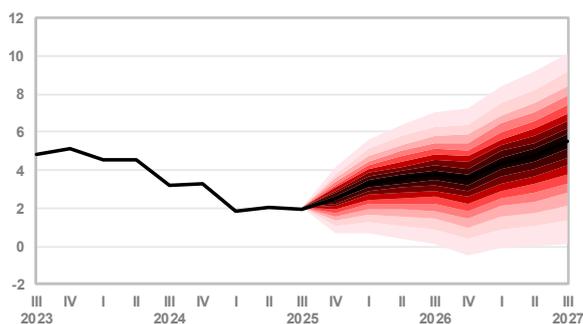
According to the SORS's flash estimate, y-o-y GDP growth equalled 2.0% in Q3. Because it fell short of our expectations stated in the August projection, we now estimate economic growth to measure 2.1% in 2025.

Economic activity displayed similar growth dynamics in Q3 as in H1 2025, whereas in our August projection we expected it to accelerate substantially. Though automotive industry production and exports continued up as expected, the service sector failed to recover to the anticipated extent. The decline in construction activity continued in Q3. SORS data on the production of some autumn crops indicate that this year's agricultural production will be similar as or slightly lower than last year. As a result, GDP growth disappointed on the downside in Q3 and we now estimate annual GDP growth at 2.1%.

The spill-over effect from this year will be lower, so our new GDP growth projection for 2026 is 3.5%. We expect growth to accelerate to around 5% in 2027 due to the hosting of "Expo".

Due to lingering global uncertainty, rising protectionism and heightened geopolitical tensions, together with social and political happenings at home, our **GDP growth projection for 2026 is now 3.5%**. Growth will be guided by domestic demand, with consumption and fixed investment both providing a positive impulse. Consumption growth will be supported by the increase in disposable income reflecting higher wages and pensions and more favourable lending terms. Investment growth will be spurred by the implementation of infrastructure projects planned under the "Leap into the Future – Serbia Expo" programme. Since imports are projected to rise faster than exports amid continually low external demand and growth in investment and disposable income, the contribution of net exports is expected to be negative. Possible limitations on the production and exports of oil and base metals, together with stronger effects of trade

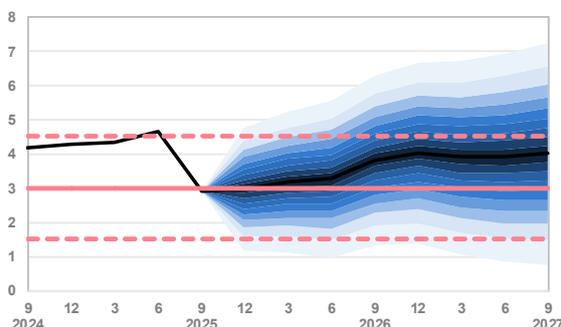
GDP growth projection
(y-o-y rates, in %)



Y-o-y inflation slowed in September, largely due to the Serbian Government’s Decree which capped trade margins on some products at 20%, but also to subdued core inflation.

Under our new projection, inflation should continue to move around target midpoint in the remainder of 2025 and the initial months of 2026, and measure around 4% at end-2026 reflecting the low base from this year. It is expected to stay within the target band of 3±1.5% in the medium term.

*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.

and geopolitical tensions on consumer and investment confidence, could result in growth being even lower than projected, closer to 3%. We project GDP growth of around 5% in 2027. It will accelerate relative to 2026 as services exports go up due to the hosting of “Expo”.

After hovering at the upper bound of the target band, **y-o-y inflation slackened notably in September**, to 2.9%, chiefly thanks to the application of the Decree on Special Conditions for Trade in Certain Types of Goods which capped margins on foodstuffs and some household chemicals at 20% over a six-month period, starting from September. Y-o-y growth in prices of food and non-alcoholic beverages slowed substantially in September, to 1.7%, contributing 1.8 pp less to headline inflation than at end-Q2. In Q3, core inflation (excluding prices of food, energy, alcohol and cigarettes) slackened as well, to 3.9% y-o-y in September, contributing around 0.4 pp less to headline inflation than at end-Q2, also on account of slower growth in the prices of services and industrial products.

Under our new central projection, we expect **y-o-y inflation until the end of this and early next year to be at a similar level as in September** – around target midpoint. This will be supported by the Decree capping wholesale and retail margins at 20%. Y-o-y inflation should stay within the target band of 3±1.5% until end-2026 and in the medium term, but the low base from September this year will result in late-2026 inflation of around 4%. Such inflation trajectory will be propped up by the effects of the Decree and the adoption of an appropriate legal framework to upgrade market regulation and prevent unfair trade practices, but also by the further easing of cost-push pressures from the international environment and the dollar’s weakening against the euro. Also, the onset of a new agricultural season, assuming it is better than this year’s, ought to have disinflationary effects, resulting in lower prices of fruit and vegetables. The rise in wages and the resultant higher income disposable for consumption should work in the opposite direction, though we expect no major inflationary pressures on these grounds either as wage growth will mostly go hand in hand with productivity growth. In 2027, we expect demand to rise further due to the hosting of “Expo”, and we therefore project average inflation at around 4%.

The NBS will continue to monitor and analyse trends in the domestic and international markets 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 continued rise in employment and the preservation of a favourable investment environment.

II Monetary policy since the August Report

In the period since the August Report, the NBS Executive Board has kept the key policy rate unchanged at 5.75%. This decision was primarily guided by the actual and expected inflation movements, as well as by the still present, albeit somewhat reduced, geopolitical and trade tensions among the leading global economies, which could reflect on the prices of primary commodities, supply chains and capital flows.

The Executive Board underlines that the expected acceleration of economic growth is being supported by the maintained 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 September and October decisions

At its meetings in September and October, 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 August medium-term inflation projection**, which anticipated that y-o-y inflation would continue to move around the upper bound of the target tolerance band ($3.0 \pm 1.5\%$) in the remainder of the year, primarily due to the adverse impact of unfavourable weather conditions early in the agricultural season on the supply and hence the prices of fruit and vegetables. The negative effects of the weak onset of the agricultural season partly spilled over to higher prices of processed food. Thereafter, inflation was expected to gradually slow down in the following year to an average of 4.0%, approaching the target midpoint towards year end. This trajectory was expected to be supported primarily by the still restrictive monetary conditions, the high base from food prices – notably fruit and vegetables, lower imported inflation, and the weakening of the US dollar against the euro. Compared to the previous projection (May 2025), the new inflation projection was higher, mainly due to the effect of adverse weather on the prices of fresh fruit and vegetables, higher processed food prices, elevated global oil price, and a faster projected increase in real wages reflecting the planned extraordinary increase in the minimum wage in October this year.

Y-o-y inflation measured 4.9% and 4.7% in July and August, respectively, with more than half of the

contribution coming from the rise in food and non-alcoholic beverage prices (8.1% and 7.8%, respectively). Core inflation (CPI excluding food, energy, alcohol and cigarettes) stood below headline inflation for the first time since April 2024 – at 4.7% y-o-y in July, only to drop to 4.5% y-o-y in August – largely reflecting slower growth in service prices. Following the adoption of the **Government Decree on Special Conditions for Trade in Certain Types of Goods**, which limits wholesale and retail margins to 20% for a period of six months, the Executive Board assessed that inflation would decelerate significantly in September – to around the target midpoint – and then maintain a relatively stable movement around that level until the end of the year.

As a result of the mentioned Decree, until September next year y-o-y inflation is expected to move at a considerably lower level than envisaged by the August projection. Thereafter, practically within the monetary policy horizon, inflation should rise due to the low base effect. Nevertheless, according to the Executive Board's assessment, inflation should continue to move within the target band. Furthermore, the low base effect should be largely offset by the expected further waning of inflationary pressures from the international environment on account of lower cost-push pressures and the weakening of the US dollar against the euro. The onset of a new agricultural season should also have a favourable impact on inflation movement, provided the season proves better than this year.

When deciding on monetary policy in September and October, 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 Q3, where they have been since early 2024, albeit above the target midpoint. One-year ahead inflation expectations of

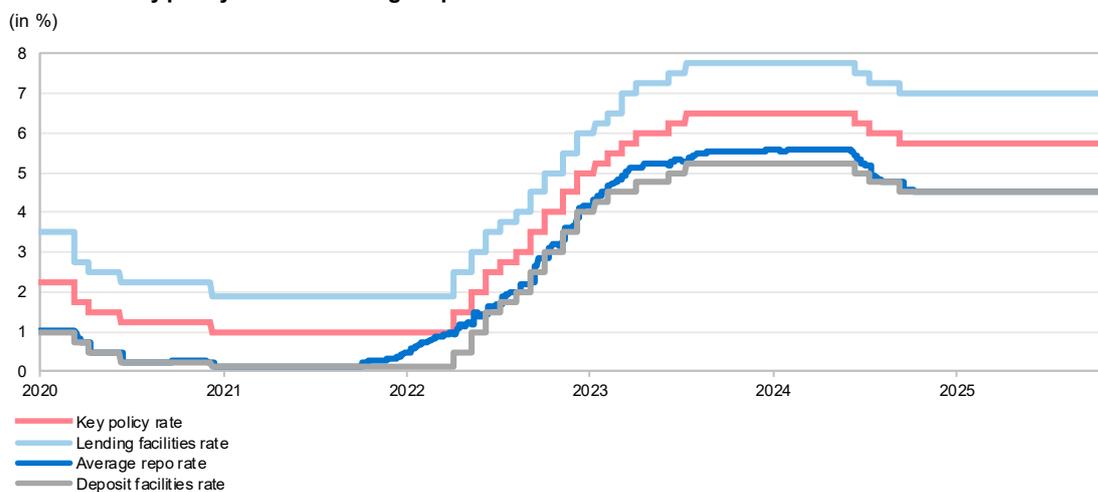
corporates declined from 6.0% in July to 5.0% in August and September, i.e. to the level recorded early this year, with expectations for two and three years ahead also at that level.

When assessing developments in the **real sector**, the Executive Board considered that global uncertainty and announcements of higher tariffs, along with unfavourable domestic factors, namely blockades and protests at home, weighed on Serbia's economic growth, mostly through postponed investments and consumption. According to SORS data, GDP growth in H1 2025 averaged 2% y-o-y, with slightly stronger dynamics in Q2 than in Q1. The Executive Board expects that economic activity will gather pace in H2 2025, driven by further growth in the production and exports of the automotive industry and the implementation of infrastructure projects planned under the “Leap into the Future – Serbia Expo 2027” programme. Economic growth is also supported by the relatively high growth in wages, as well as by the overall rise in disposable income from all sources, including more favourable **credit financing conditions**. Owing to the effects of past monetary policy easing, interest rates on new dinar loans to corporates and households continued to decline, settling in August at 6.6% and 9.3%, respectively. Further acceleration of household lending is expected as a result of measures to support borrowing by low-income citizens and pensioners at lower interest rates. Lending to the non-monetary sector has been recording double-digit y-o-y growth since February, and it accelerated further in Q3. Additional support to lending activity, and thereby to disposable income and overall economic activity, comes from measures enabling more favourable borrowing terms for young first-time home buyers, as well as from the caps on interest rates for certain types of household loans, in line with the Law on the Protection of Financial Service Consumers.

In making monetary policy decisions, 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, remains elevated. This is best illustrated by the elevated demand for gold as a safe-haven asset, with its price reaching an all-time high in early October (exceeding USD 4,000 per troy ounce), driven by global uncertainty and the depreciation of the US dollar. **Geopolitical tensions** still pose an upside risk to **energy prices**, as they could escalate unexpectedly. Monetary policy caution is also warranted with respect to **food prices**, since the weak agricultural season this year, caused by adverse weather, and the lagged effects of earlier increases in the prices of **certain food commodities on global exchanges** (such as cocoa and coffee) continue to weigh on food prices. These effects are expected to dissipate in the coming period, as outlook for the next year's cocoa and coffee harvest has improved owing to favourable weather conditions in leading global producers. Although the global business climate is expected to improve, with some stabilisation in tariff regimes, the **ultimate effects of higher tariffs remain to be seen**, as trade volumes had risen in H1 2025 in anticipation of their implementation. Concerns persist, particularly regarding trade tensions between the US and China.

In the **euro area**, our key trade partner, inflation has stabilised near the 2% target during the summer months, only to accelerate slightly to 2.2% in September (according to preliminary data), mainly due to a slower decline in energy prices. At the same time, core inflation came at 2.3%, its lowest level since January 2022. The ECB's September inflation projection was revised up by 0.1 pp for both this year and next compared to June, anticipating that inflation will hover around the 2% target in the remainder of 2025 before declining to 1.7% in 2026, reflecting a

Chart II.0.1 Key policy rate and average repo rate



gradual easing in non-energy components. Meanwhile, euro area economic activity has proven more resilient than previously assessed, leading the ECB to revise up its 2025 growth projection in September by 0.3 pp relative to June to 1.2%, while projections for the following two years stand at 1.0% and 1.3%, respectively.

After cutting its key interest rates in June, the **ECB** did not proceed with further monetary easing, and it appears that this process is nearing completion. While some Governing Council members viewed inflation risks as tilted to the downside and others as tilted to the upside, consensus was reached that the current level of interest rates is appropriate given the two-sided risks to inflation. The ECB is not pre-committing to a particular rate path and follows a data-dependent and risk-based approach.

On the other hand, in the September meeting, the **Fed** lowered its federal funds rate range by 0.25 pp to 4.00–4.25%, marking the first rate cut since the meeting in December 2024. 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 Fed narrowed the federal funds rate range primarily due to the increased risks of a weakening labour market, with the decline in the number of immigrants being the main cause of that weakening. The Fed noted a slowdown in economic activity and job creation, with inflation still above the target. The latest Fed projection signals two additional rate range cuts by end-2025 and somewhat stronger economic growth than projected in June.

When considering **external demand**, the NBS Executive Board took into account that the global economy is facing the risk of short-term growth slowdown, while its medium-term prospects are nevertheless positive, thanks to the reduced trade tensions, fiscal measures, and the accommodative monetary policies of most central banks. Although new tariffs have been introduced, disruptions in global trade have proved smaller than initially feared, which reflected positively on market confidence and improved medium-term growth prospects. At the same time, fiscal policy measures are becoming more certain in many countries, providing additional support to global economic activity in 2026 and beyond. The US has already

implemented fiscal measures to stimulate demand, and a strong incentive is also expected from fiscal measures in the EU, primarily Germany, whose effects will be more visible in the next two years. The expected acceleration of growth in Germany, our most important trade partner, thanks to, among other things, a new package of government investments in infrastructure and defence, should have a positive impact on Serbia's growth as well.

Rationale for November decision

At its **November meeting**, the **Executive Board decided to keep the rate on hold** in view of the actual and expected inflation, as well as factors from the domestic and international environment affecting its movements. The inflation slowdown since September is largely attributable to the effects of the Government's Decree. The Board expects inflation to continue moving around the target midpoint as long as the Decree is in force, and to stay within the 3±1.5% target band in the medium term. 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, the effects of the dollar's weakening against the euro, and the arrival of the 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 act in the opposite direction. A cautious monetary policy stance remains necessary given the still present trade and geopolitical tensions, which can considerably affect the flows of goods and capital in the international market.

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 developments 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 decelerated notably in September, to 2.9%, primarily owing to the implementation of the Government Decree which caps trade margins on food products and certain household chemicals, which together make up a significant share of the consumer basket. In y-o-y terms, the growth in prices of food and non-alcoholic beverages decelerated sharply in September, to 1.7%, with 1.8 pp lower contribution to inflation compared to June. Core inflation also slowed down in September, to 3.9% y-o-y, owing to the slower rise in the prices of services and industrial products.

Short- and medium-term inflation expectations of the financial sector continued to move within the target tolerance band (3±1.5%), confirming the preserved credibility of the NBS’s monetary policy.

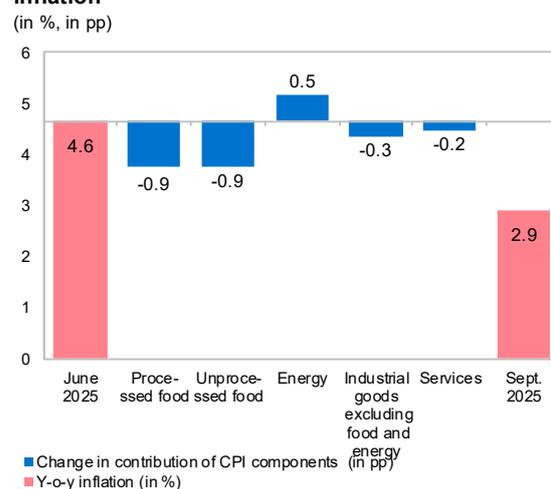
Inflation movements in Q3

Y-o-y inflation slowed down significantly in September, to 2.9%, falling below our expectations stated in the August *Inflation Report*, and reaching its lowest level since April 2021. As a result of the implementation of the Government Decree on Special Conditions for Trade in Certain Types of Goods¹, consumer prices decreased in September by 1.6% in monthly terms and determined the noted slowdown in y-o-y inflation.

Relative to June, y-o-y contribution of unprocessed and processed food prices declined by 0.9 pp each in September. Vegetable prices were 9.5% lower in September than a year earlier, while fruit price growth was halved relative to June, to 14.9% y-o-y. In contrast, September saw energy prices recording their first increase since the beginning of 2025 (by 1.5% y-o-y), due to somewhat higher prices of solid fuels and petroleum products. However, the higher contribution of energy prices to y-o-y inflation in September (by 0.5 pp) was offset by the lower contribution of industrial product prices excluding food and energy (by 0.3 pp) and of service prices (by 0.2 pp).

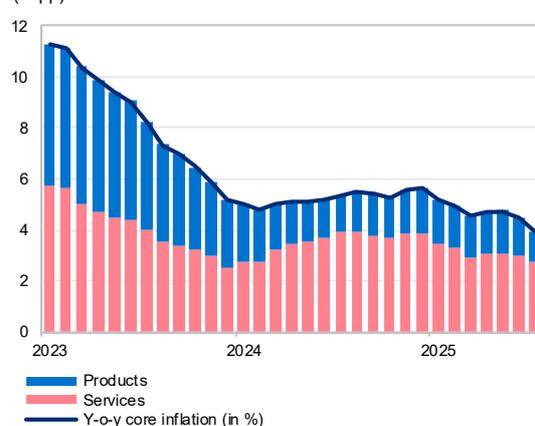
The slower y-o-y growth in product and service prices led to a slowdown in y-o-y **core inflation**, to 3.9% in September (from 4.7% in June), whereby it dropped below 4.0% for the first time since early 2022. Around two-thirds of the contribution to core inflation growth still stems from service prices, which, as in other countries, reflects continued growth in labour costs, though the pace of that growth is slowing this year. The **trimmed mean** measure of inflation (calculated upon exclusion of 15% of products and services from the consumer basket whose prices recorded major changes in both directions) slowed to 2.7% y-o-y in September, its lowest level since April 2021.

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 calculation.

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



Sources: SORS and NBS calculation.

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. For more on the effects of the Decree, see Text box 1, p.16.

At quarterly level, **consumer prices recorded a 0.7% decline in Q3**, reflecting a September drop in the prices of products covered by the aforementioned government decree. **Prices of food and non-alcoholic beverages** fell by 3.4% in Q3 (contributing -1.1 pp to inflation), on account of lower prices of both **unprocessed** and **processed food**. The prices of unprocessed food declined by 5.3% in Q3, owing to a drop in fresh vegetable prices (by 20.8%) and, to a lesser extent, in fresh fruit prices (by 1.9%), while the prices of fresh meat went up (by 5.5%) reflecting an increase in their global counterparts. The 2.3% fall in processed food prices in Q3 was widely dispersed across categories. The decrease in the prices of wheat, dairy and confectionery products reflected both the cap on trade margins for these products under the Decree and still low cost-push pressures in domestic and global production.

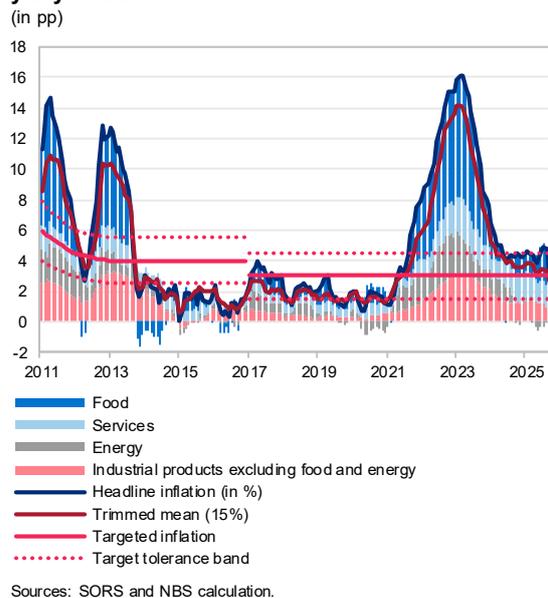
Energy prices went up by 1.0% in Q3 (with a 0.1 pp contribution to inflation), primarily owing to the 2.0% hike in the prices of petroleum products, recorded in July and September, and, to a lesser extent, higher solid fuel prices (by 1.5%).

Industrial product prices (excluding food and energy) edged down by 0.2% in Q3 (contributing -0.1 pp to inflation), partly as a result of the implementation of the Decree, which also covers certain household chemical products, and partly due to seasonally typical decline in clothing and footwear prices (by 1.8%).

Service prices increased by 1.2% in Q3 (contributing 0.3 pp to inflation), chiefly due to higher insurance service prices, and to a lesser extent, higher rents and prices of transport and catering services. The rise in the service prices fully dictated the 0.4% growth in the prices within **core inflation** in Q3 (contributing 0.2 pp to inflation), although the increase was notably lower than in the previous quarters.

A mild 0.2% rise in **administered prices of products and services** in Q3 was significantly below our expectations stated in the August *Inflation Report*, mainly due to the absence of the expected cigarette price hike in August. In y-o-y terms, these prices further slowed to 3.0% in September (from 4.3% in June).

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



Sources: SORS and NBS calculation.

Table III.0.1 Growth and contributions of CPI components to consumer price growth in Q3 2025

	Weights	Quarterly		Y-o-y in Sept.	
		Growth rates (in %)	Contributions (in pp)	Growth rates (in %)	Contributions (in pp)
Consumer prices (CPI)	100.0	-0.7	-0.7	2.9	2.9
Unprocessed food	10.7	-5.3	-0.6	2.9	0.3
Processed food	20.8	-2.3	-0.5	1.1	0.2
Industrial products excluding food and energy	28.2	-0.2	-0.1	3.2	0.9
Energy	15.7	1.0	0.1	1.5	0.2
Services	24.6	1.2	0.3	5.1	1.3
CPI excluding energy, food, alcohol and cigarettes	45.7	0.4	0.2	3.9	1.8
Administered prices	18.3	0.2	0.0	3.0	0.6

Sources: SORS and NBS calculation.

Text box 1: Government Decree on Special Conditions for Trade in Certain Types of Goods and its effects on reducing consumer prices

To preserve the living standard of citizens and prevent excessive growth of prices of food and non-alcoholic beverages, as well as household chemicals and personal care products, the Serbian Government adopted the Decree on Special Conditions for Trade in Certain Types of Goods, which came into effect on 1 September. The Decree caps margins for 23 product categories at 20%, for a six-month period. The required margin rates will be applied by wholesale and retail merchants which generated a total operating income of over RSD 4.5 bn in the previous year. In cases where margins on individual products were below the cap defined by the Decree, the application of the lower rate is mandatory. The aim is to prevent compensation, i.e. the raising of margins on other products. Goods categories covered by the Decree include almost all food and non-alcoholic beverages, whose prices had the strongest effect on headline inflation since the start of the year, as well as some categories of non-food products (household chemicals etc.), all of which make up around 35% of the consumer basket.

The following facts support the thesis that trade margins have been high and increasing in recent years. The total price level in Serbia reached around 67% of the EU average in 2024, with the level of convergence of food and non-alcoholic beverage prices being considerably higher, at around 96% of the EU average, coupled with the above-average level of some food product prices (milk, cheese and eggs, oils and fats, non-alcoholic beverages and other food). This is especially important considering that the share of food and non-alcoholic beverages in Serbia's CPI (31.6%) is nearly double that in EU countries, and that higher food prices more severely affect low-income households. At the same time, the trade margin rate – calculated as the ratio of the trade margin to the cost of goods sold – rose among the six largest retail trade chains from around 34% in 2020 to nearly 38% in 2024. Underdeveloped market competition, structural weaknesses, coupled with low price elasticity of demand for food, enabled large retail trade chains to increase their margins, which has been reflected in a steady rise in food product prices.

As for the estimated effects of the adopted Decree, a **1.6% monthly decrease in consumer prices in September is largely the result of its application**. The prices of products covered by the Decree were lowered by 4.4%, while the remaining prices in the consumer basket flatlined on average. On a monthly basis, food prices dropped by 4.5% in September (giving a negative 1.4 pp contribution to inflation), this drop being widely dispersed across food product categories and individual products. **Out of 167 products making up the food product component of inflation, 147 cheapened in September**. Except for some vegetable prices, the sharpest price falls were recorded in the categories of other food products, cereals and bakery goods. Product groups on which, according to SORS analysis,¹ retail merchants on average calculated margins above 20% (dairy products, eggs, oils and fats apart from sunflower oil), cheapened in September. Also, the prices of non-food products whose margins were capped by the Decree (household chemicals, cosmetics, personal care products, paper and kitchen accessories) decreased in September.

The deceleration of y-o-y inflation, to 2.9% in September, is for its major part attributable to the application of the Decree, though there would have been some slowdown in price growth even without it, as evidenced by lower core inflation (3.9% in September, compared to 4.5% in August).

While the Decree is in effect (September 2025 – March 2026), inflation is expected to move at a similar level, i.e. around the target midpoint, with industrial food product prices undergoing no major m-o-m changes on average. Given the limited duration of the Decree, its effects should be considered temporary, while the adoption of the announced Consumer Protection Law and the Law on the Prevention of Unfair Trading Practices could exert a lasting structural effect on the retail trade market, especially in the food product segment. While the Decree covers the lower phase of the food product chain, it also allows changes in purchase prices of products which are found to warrant correction due to certain market conditions. This ensures that all participants in the chain are somewhat shielded from potential business losses, thereby mitigating the Decree's negative effect on investment confidence and, in turn, on economic growth.

Table O.1.1 Change in the prices of products covered by the margins decree in September

	Monthly rates (in %)	Contribution to inflation (in pp)
Bread and cereals	-3.38	-0.17
Meat	-1.10	-0.08
Fish and seafood	-3.03	-0.02
Milk, cheese and eggs	-2.00	-0.10
Oils and fats	-1.95	-0.02
Fruit	-8.19	-0.26
Vegetables	-14.90	-0.61
Sugar, jam, honey and chocolate	-4.81	-0.08
Other food products	-9.11	-0.10
Coffee, tea and cocoa	0.59	0.01
Mineral water, soft drinks and juices	-1.88	-0.04
Non-food products*	-3.1	-0.11
Total	-4.4	-1.58

* Household chemical products, cosmetics, personal care products, paper and kitchen utensils.

Sources: SORS and NBS calculation.

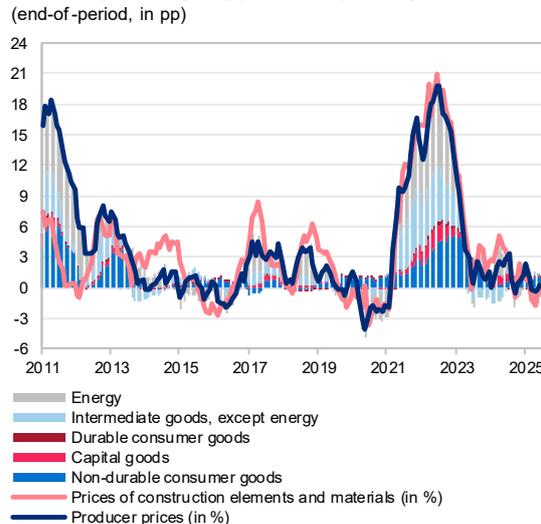
¹ SORS. (2023). Research on revenues from the sale of food products in internal trade. *Trends, IV Quarter 2023*. (<https://publikacije.stat.gov.rs/G2024/PdfE/G20248001.pdf>).

Producer and import prices in Q3

Industrial producer prices in the domestic market stayed almost unchanged in Q3, whereas in September they recorded a 1.8% rise y-o-y, dominantly driven by the higher **energy production prices**, reflecting the base effect. The **prices of intermediate goods**, especially metal products, as well as the **prices of capital goods**, primarily motor vehicles, also gave a higher contribution to producer prices in September relative to June. On the other hand, the **prices of durable and non-durable consumer goods** decreased their y-o-y contribution mildly in September. The prices in food production increased by 4.8% y-o-y in September, having moved within a 4–5% range since early 2025.² The **prices of construction elements and materials** fell by 0.6% in Q3 (rising by merely 0.9% in y-o-y terms), indicating the still low cost-push pressures in industry and construction.

Import prices expressed in dinars³ rose marginally in Q3, by 0.1% y-o-y. Global crude oil prices provided a higher y-o-y contribution to imported inflation in September compared to June. Conversely, lower contribution of the prices of global primary agricultural products, and of prices of equipment, intermediate goods and other imported products (approximated by Germany’s export prices), worked in the opposite direction. The prices of gas and imported services (approximated by core inflation in the euro area) provided a similar y-o-y contribution to imported inflation in September as in June. In quarterly terms, the import prices expressed in dinars went down by 0.6% in Q3, confirming persistently low cost-push pressures.

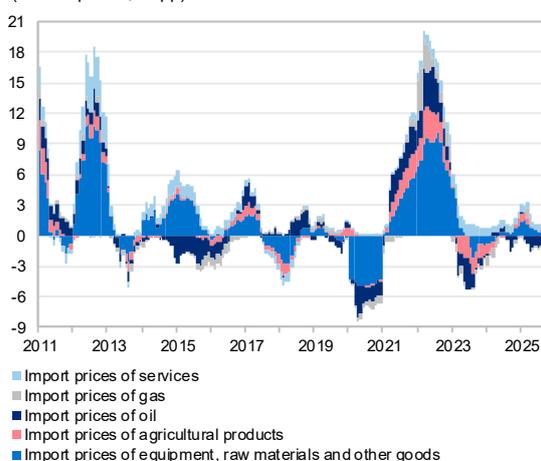
Chart III.0.4 Contribution by destination groups of consumption to y-o-y producer price dynamics* (end-of-period, in pp)



Sources: SORS and NBS calculation.

* 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.

² For a detailed account of producer prices of food products and their pass-through along the production chain, see Text box 2, p.18.

³ Preliminary data. The base year is 2010. The weighted average of several components 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 2024.

Text box 2: Analysis of the degree of cost pass-through to prices along the industrial food products chain

In the process of price formation in the food products sector, it is particularly important to examine how changes in the cost of raw materials are passed on to prices in food processing and manufacturing, as well as their transmission to final product prices. **The degree and speed of pass-through to prices at different stages of the production chain – from primary production, through processing, to retail trade – also depend on market concentration, i.e. the degree of competition and the bargaining power of the participants.** In view of that, this text box analysed the strength of price transmission through the domestic food products chain. Assuming that an increase in input prices is reflected in higher output prices for manufacturers and retailers more quickly and completely than a decrease in input prices is reflected in lower output prices – a phenomenon linked in economic literature to the economic-psychological concept of **downward nominal price rigidity** (sticky prices) – we employed analytical methods that examine the effect of asymmetry in the response when input prices rise and fall. The downward rigidity of

Chart O.2.1 Dynamics of prices in the domestic industrial food products chain

(in index points, 2015=100)



Sources: SORS and NBS calculation.

retail prices for industrial food products can be linked to the greater bargaining power of retailers. One of the channels through which this power operates is increased trade margins, which are reflected in higher food prices at the retail level, as discussed in more detail in Text box 1. Taking these theoretical findings into account, as well as the results of comparable empirical research,¹ a **Nonlinear Autoregressive Distributed Lag (NARDL) model** was applied in this analysis to examine **whether there is a difference in the effects of positive and negative price changes in the two stages of the industrial-food products chain – the processing stage and the retail stage.**

- **In the processing stage** we examined the impact of the composite index of wheat, corn and soybean prices (obtained from data of the Novi Sad Commodity Stock Exchange) on producer prices in the food products industry. The composite index was used as an indicator of cost-push pressures in the production of the bulk of food products categories in the domestic market, while the global index of cocoa prices was used to capture the effect on the prices of confectionery products.

It has been demonstrated that, in the long run, prices of primary agricultural commodities on the domestic stock exchange have a statistically significant and positive impact on producer prices in the food products industry (Table O.2.1). The estimated coefficient for cumulative positive changes in exchange prices (0.4%) is somewhat larger than that for cumulative negative changes (0.3%). Consequently, **the effect of rising stock exchange prices on the increase in producer prices is slightly more pronounced compared to the effect of their decrease, indicating a mildly asymmetric pass-through of input costs,** which has been confirmed by appropriate statistical tests. As expected, higher global cocoa prices, which reached record levels in the preceding period, also contribute to the long-term rise in producer prices of food products on the domestic market.

Table O.2.1 Effects of changes of stock exchange prices of primary agricultural commodities on producer prices in the food industry – long term

Dependent variable: Producer prices in the food industry	
Composite stock exchange index _{t-1} (cumulative positive effect)	0.39***
Composite stock exchange index _{t-1} (cumulative negative effect)	0.28***
Global price of cocoa _{t-1}	0.09***
C	4.22***
Speed of adjustment (CointEq _{t-1})	-0.11***
F-Bounds test	6.43***
Wald asymmetricity test	19.7***
Analysed period:	M12013–M8 2025

Source: NBS calculation.

*** Means statistical significance at a 1% level of significance, ** at a 5% level of significance, * at a 10% level of significance.

Note: Values of all variables were previously logarithmised. F-Bounds test in the model shows that there is cointegration, i.e. long-term relationship between the variables, given that the estimated F-statistics is above the upper bound / (1) at all levels of significance.

¹ Kocaaslan, O. K., Catik, A. N., & Kat, A. (2021). Is There Any Asymmetry Between Wholesale and Consumer Food Prices in Selected European Countries and Turkey? *Business and Economics Research Journal*, 12 (3), 469–490. Aşık, B. (2024). The Asymmetric Effect Of Producer Prices On Consumer Prices In Turkish Economy. *Akademik Hassasiyetler*, 11 (24), 297–324. Bareith, T., Fertő, I., & Podruzsik, S. (2024). Wheat price dynamics in Hungary: resilience to shocks. *Journal of Agriculture and Food Research*, 18, 1–9.

- **In the retail stage of industrial food products** we examined the impact of producer prices on consumer prices of industrial food products. The World Bank’s global energy price index was used as an indicator of cost-push pressures from the global market. As the majority of global primary commodity prices is expressed in dollars, the estimate also included the nominal effective exchange rate of the dinar against the basket of currencies comprising the euro and the dollar. Given the relative stability of the dinar against the euro in the past eight years, we can conclude that their movement in prior years was dictated by the dynamic of the relationship of the euro vis-à-vis the dollar.

Table O.2.2 **Effects of changes of producer prices in food industry on consumer prices of industrial food products – long term**

Dependent variable: Consumer prices	
Producer prices $t-1$ (cumulative positive effect)	1.08***
Producer prices $t-1$ (cumulative negative effect)	0.60***
Global energy prices $t-1$	0.09***
Nominal effective exchange rate $t-1$	-0.55***
C	6.72***
Speed of adjustment (CointEq $_{t-1}$)	-0.09***
F-Bounds test	22.17***
Wald asymmetry test	7.22***
Analysed period:	M120 B –M8 2025

Source: NBS calculation.

*** Means statistical significance at a 1% level of significance, ** at a 5% level of significance, * at a 10% level of significance.

Note: Values of all variables were previously logarithmised. F-Bounds test in the model shows that there is cointegration, i.e. long-term relationship between the variables, given that the estimated F-statistics is above the upper bound / (1) at all levels of significance.

In this stage of the food products chain, a positive and statistically significant long-term relationship between producer prices and consumer prices was also established (Table O.2.2). More precisely, the estimated coefficient for cumulative positive changes in producer prices (1.1%) is noticeably larger than that for cumulative negative changes (0.6%), with corresponding statistical tests indicating a pronounced **asymmetry in the pass-through of input costs**. In other words, **an increase in the producer prices of industrial food products has a noticeably greater impact on the rise in retail prices than their decrease does on the lowering of prices in retail trade**. At the same time, the influence of the nominal effective exchange rate proves to be statistically significant and of the expected sign (in the sense that a depreciation of the domestic currency increases the consumer prices of industrial food products). Furthermore, higher energy prices are reflected in the long term in rising retail prices, primarily due to increased transport and logistics costs.

Based on the results of the analysis of the price dynamic through the industrial food product chain, we underline two key observations:

- **In the processing stage, an increase in the stock exchange prices of primary agricultural commodities is not passed on in full to the higher producer prices of industrial food products (0.4%). In contrast, in the final stage of the food chain, an increase in producer prices, which represent the input costs for retailers, is passed on in full to higher consumer prices (1.1%).** This finding confirms that there is limited price flexibility and an unequal market position between food producers and retailers within the food products chain.
- Although the degree of price rigidity is typically lower for food than for other categories in the consumer basket, **asymmetry in price transmission was confirmed in both the processing stage and the final stage of the food products chain, i.e. the effect of an increase in input costs on output prices is more pronounced than the effect of their decrease.**

Inflation expectations

Short- and medium-term inflation expectations of the financial sector continued to move within the target band in Q3, where they have been since early 2024, testifying to the adequacy of the NBS’s monetary policy measures.

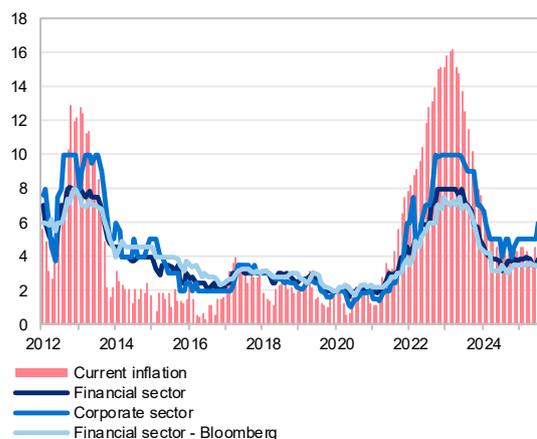
According to the **Ninamedia survey results**, after rising to 4.0% in August and September, **short-term inflation expectations of the financial sector** declined to 3.2% in October, which is their lowest level since July 2024. All individual responses regarding one-year ahead inflation expectations are within the NBS’s target band, with none exceeding 4.0%. According to **Bloomberg** survey data, one-year ahead inflation expectations of this sector recorded an increase from 3.4% in July to 3.8% in October.

One-year ahead corporate inflation expectations declined from 6.0% in July to 5.0% in August, which is the level recorded since the start of the year, where they also stayed in October. The share of respondents expecting a rise in the prices of inputs and final products and services in the next three or twelve months continued down in Q3.

Short-term household inflation expectations stayed at 15.0% in the observed period. According to the results of 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 39.3 points in October and was below the perceived inflation (56.9 points).

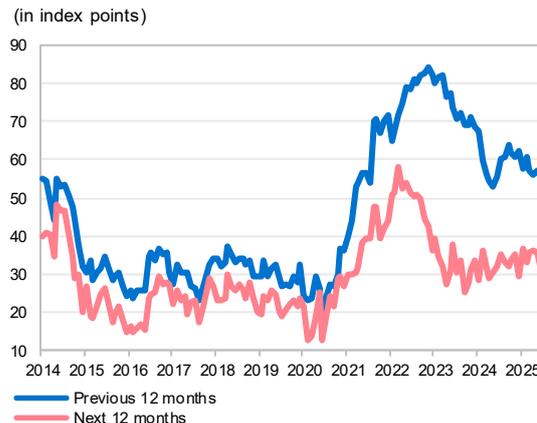
Medium-term inflation expectations of the financial sector have moved in the 3.0–3.5% range since January 2024. These expectations for two years ahead stayed unchanged at 3.5% from July to October this year, when they declined to 3.3%. Expectations for three years ahead fell from 3.3% in August to 3.2% in September and to 3.0% in October. **Medium-term corporate expectations** stayed unchanged in the October survey, at 5.0%. **Household inflation expectations for two and three years ahead** increased in October to 12.0% and 13.6%, respectively.

Chart III.0.6 Current inflation and one-year ahead inflation expectations
(y-o-y rates, in %)



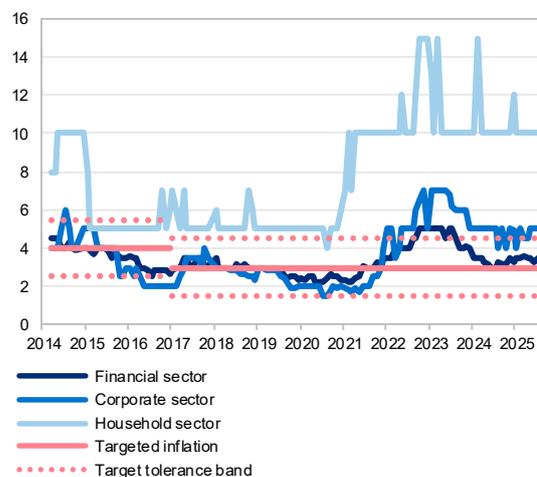
Sources: Gallup/Ipsos/Ninamedia, Bloomberg and NBS.

Chart III.0.7 Household perceived and expected inflation
(in index points)



Sources: Gallup/Ipsos/Ninamedia and NBS.

Chart III.0.8 Two-year ahead inflation expectations
(y-o-y rates, in %)



Sources: Gallup/Ipsos/Ninamedia and NBS.

IV Inflation determinants

1 Financial market trends

The interest rate on dinar corporate loans remained almost unchanged in Q3, while the interest rates on dinar household loans decreased, reflecting mainly the NBS’s measure according to which commercial banks were expected to offer more favourable loans to employees and pensioners with income of up to RSD 100,000. The price of borrowing in euros stayed almost unchanged, because the ECB did not change the reference rate in Q3.

Interest rates

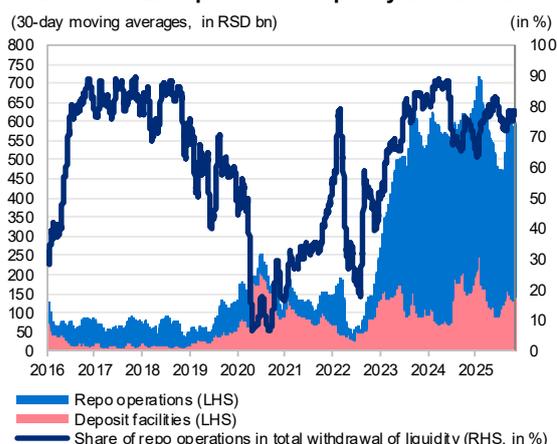
At NBS Executive Board meetings in Q3 the key policy rate and interest rates on credit and deposit facilities were kept at 5.75%, 7.00% and 4.50%, respectively, contributing to minimum oscillations of interest rates in the money market.

BEONIA, the interest rate in the overnight interbank money market, stayed almost unchanged in Q3, measuring 4.44% at end-September. BELIBOR rates also displayed minimum oscillations, ranging from 4.50% for the shortest to 4.72% for the six-month maturity. Excess dinar liquidity of banks increased mainly owing to the NBS’s net FX purchase in the domestic market, as well as a sizeable amount of previously issued government securities falling due in late July, due to which the average stock of repo securities sold increased relative to June by RSD 83.3 bn to RSD 451.2 bn in September, while the average excess liquidity of banks held as overnight deposits with the NBS rose by RSD 29.2 bn, to RSD 135.2 bn.

In the primary market of dinar government securities two auctions were held in Q3 – in July, the sale of 5Y securities in the nominal amount of RSD 35 bn, at the effective rate of 4.49%, and in September, the third reopening of the auction for the sale of 10.5Y dinar bonds from January, with the nominal sale size of RSD 11.0 bn and a mild decrease in the yield rate compared to the reopening from May – to 5.10%. As July saw the maturing of previously issued 5.5Y securities in the nominal amount of RSD 106.4 bn, the stock of the dinar securities portfolio went down to RSD 847.6 bn at end-September.

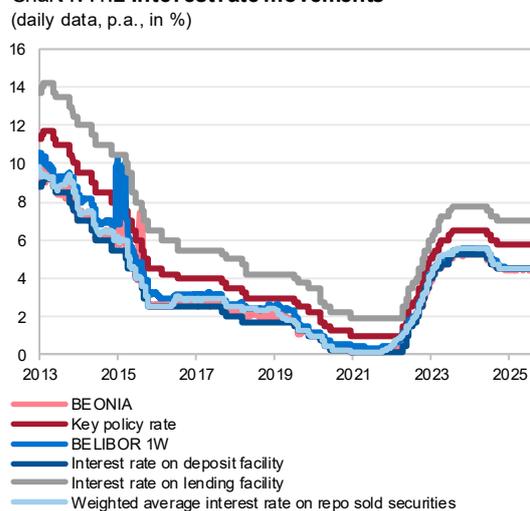
As for government euro securities in Q3, an auction of 12Y securities was held in July, resulting in the sale of the full issue of EUR 250 mn at the nominal value and the effective rate of 4.99%. This is historically the highest volume of sale of government securities in euros, while the auction attracted the demand of EUR 385.9 mn. Since previously issued 10Y bonds in the nominal amount of EUR 100 mn concurrently fell due, the stock of euro securities portfolio increased to EUR 1,591.2 mn at end-September.

Chart IV.1.1 NBS operations - liquidity withdrawal



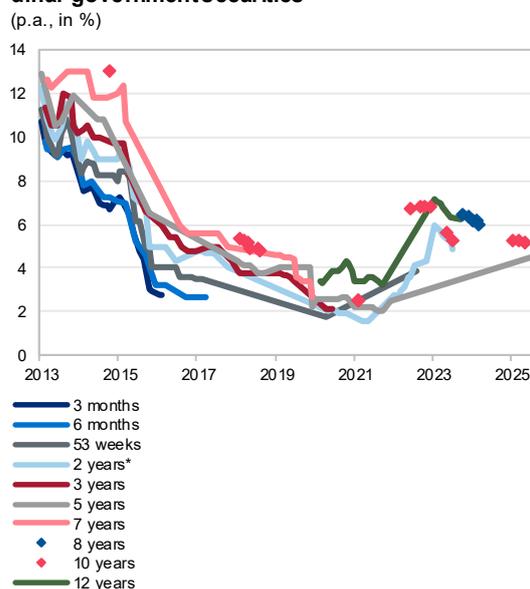
Source: NBS.

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.

In Q3, the turnover in the **secondary dinar securities market** stayed broadly unchanged relative to Q2, measuring RSD 57.2 bn. Weighted average yields on longer maturities edged down mildly, by 11–17 bp, ranging from 4.68% for the remaining up-to-7Y maturity to 5.14% for bonds with the remaining up-to-10Y maturity.

The interest rate on dinar corporate loans almost flatlined in Q3, measuring 6.4% in September, because interest rates on working capital and investment loans stayed unchanged at 6.2% and 7.4%, respectively. **The interest rate on new dinar household loans** was reduced by 0.7 pp to 8.8%, predominantly driven by the same dynamics of the interest rate on cash loans, which dropped to its lowest level since January 2022. This decrease largely reflected the NBS’s measure envisaging an offer of more favourable cash and consumer loans by commercial banks to employees and pensioners with monthly income of up to RSD 100,000. As a result, cash loans saw a new record disbursement in September.⁴

The ECB kept the main interest rates unchanged in Q3, so the interest rates on **new euro corporate loans also stayed broadly the same, measuring 4.7% in September**. The interest rate dynamics on **euro household loans in Q3 was determined by the volume of housing loans** approved under the “Housing loans for youth” programme which offered more favourable terms, varying by month. In September, the interest rate on housing loans equalled 4.4%, slightly more than in June and below the limit set by the Law on the Protection of Financial Service Consumers. Movement of the interest rate on housing loans was the factor underlying the flatlining of the overall interest rate on euro household loans relative to end-Q2 (4.6% in September).

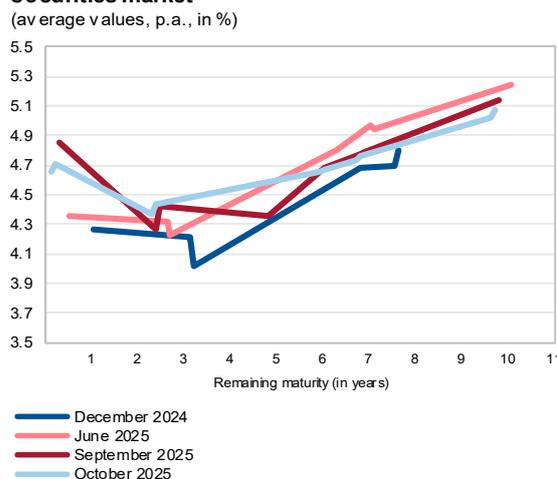
Interest rates on current account overdrafts and credit card debt were reduced in Q3, by 0.1 pp and 0.4 pp, to 15.0% and 17.5%, respectively. Relative to end-2024, the interest rates on these, most expensive types of borrowing, dropped down significantly, by 7.4 pp and 10.4 pp, respectively, owing to the implementation of interest rate caps, thus boosting the disposable household income.

Risk premium

Global risk premium trended predominantly downward in Q3 and in October, mostly reflecting the alleviated trade tensions owing to the agreements reached between the USA and their key trade partners and the lowering of the Fed’s interest rates.

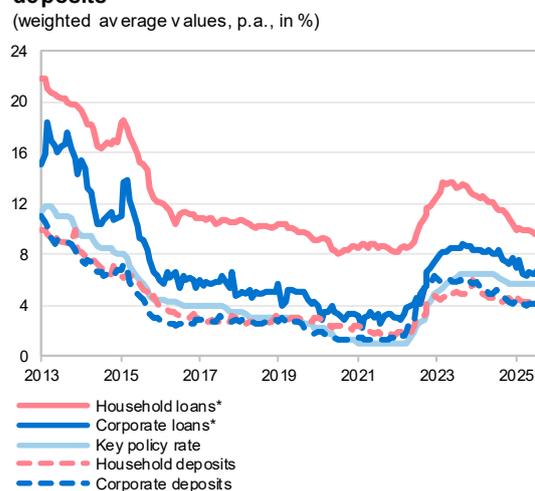
EMBI Composite, a benchmark for US dollar-denominated emerging market debt, equalled 258 bp at end-September, down by 36 bp relative to end-June.

Chart IV.1.4 Yield curve in the secondary government securities market



Source: Central Securities Depository and Clearing House.

Chart IV.1.5 Interest rates on new dinar loans and deposits



Source: NBS.

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

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

	Dinar			Euro and euro-indexed		
	2024 Q4	2025 Q2	2025 Q3	2024 Q4	2025 Q2	2025 Q3
Total household loans*	9.9	9.6	8.8	5.5	4.6	4.6
Cash loans	10.2	9.6	8.8	2.4	3.6	3.3
Housing loans	10.6	11.0	9.7	4.9	4.3	4.4
Consumer loans	2.5	2.8	2.4	6.2	5.6	5.5
Other loans	8.2	9.8	9.2	8.7	6.2	5.8
Total corporate loans*	6.9	6.4	6.4	5.6	4.7	4.7
Working capital loans	6.9	6.2	6.2	5.4	4.5	4.5
Investment loans	6.9	7.5	7.4	5.7	5.3	5.3
Other loans	7.0	6.8	6.5	5.8	4.7	4.6
Import loans	-	-	-	5.6	3.4	2.9

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.

⁴ For a more detailed account of this measure and its initial effects see Text box 3, p. 29.

At the same time, Serbia’s dollar risk premium lost 39 bp, coming at 117 bp at end-September and continuing to move considerably below EMBI Composite. In October, EMBI Composite dropped further, by 23 bp, to 235 bp, and Serbia’s risk premium by 6 bp, to 111 bp.

EURO EMBIG Composite declined in Q3 by 21 bp to 160 bp, and in October by 4 bp to 155 bp at the end of the month. Calculated in this way, **Serbia’s risk premium** dropped by 37 bp in Q3, to 155 bp at end-September, recording the sharpest decrease among the observed regional peers, and continued down in October (by 10 bp), to 145 bp. Among regional peers, a more sizeable drop in the risk premium in Q3 was recorded in Romania (by 32 bp), Hungary (by 30 bp) and Montenegro (by 24 bp). The only increase in the risk premium was seen in Turkey (by 29 bp).

In July, **Fitch** affirmed Serbia’s credit rating at BB+, with the positive outlook for obtaining investment grade. The key factors underlying its decision were the adequate economic policy conduct, primarily the responsible public finance management and an increase in FX reserves, as well as a higher level of economic development compared to the average for the countries with the same credit rating level. A positive rating outlook also reflects the fact that economic growth will be led by investments under the programme “Leap into the Future – Serbia Expo 2027”, as well as strengthening of the country’s external position, declining public debt trajectory and the stabilisation of inflation.

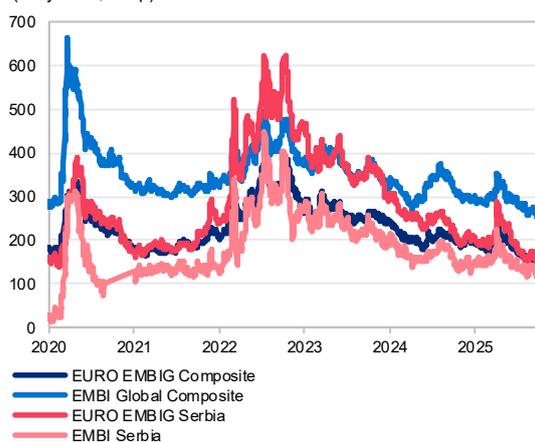
Foreign capital inflow

Capital inflow to the balance of payment financial account in Q3 surpassed the inflows from the previous two quarters. This was influenced by FDI inflows, reduced assets in banks’ foreign accounts and inflows from trade and financial loans. The outflow was recorded only under portfolio investments.

FDI inflow in Q3 equalled EUR 889.6 mn, down by 23% y-o-y. At the same time, residents increased their investments abroad, contributing to a net FDI inflow of EUR 846.3 mn in Q3. In the year to September, FDI inflow to Serbia reached EUR 2.45 bn (net inflow of EUR 1.5 bn), investments largely (95%) taking the form of equity capital and reinvested earnings. FDIs remained diversified by project and geography.

Net capital outflow of EUR 179.0 mn was recorded under **portfolio investments** in Q3. Non-residents saw the maturing of previously bought government dinar securities, while in the secondary market they predominantly participated on the sale side. At the same time, residents increased their investment in foreign securities.

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



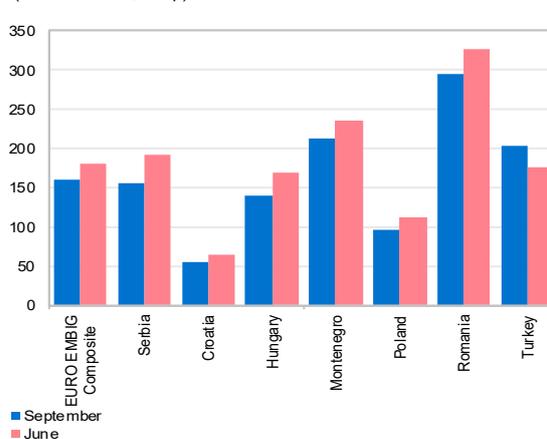
Source: J.P. Morgan.

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⁾ /stable ⁶⁾
Fitch				BB+ /positive ⁵⁾
Moody's		Ba2 /stable ¹⁾		Ba2/positive ⁵⁾

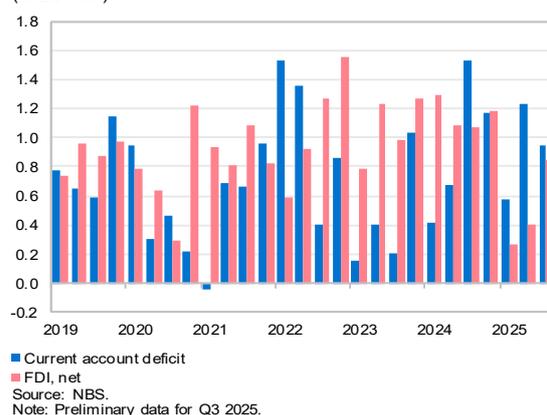
Source: NBS.
¹⁾ March, ²⁾ April, ³⁾ May, ⁴⁾ June, ⁵⁾ August, ⁶⁾ October, ⁷⁾ December.
 Note: There was no change in rating/outlook in 2023.

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



Source: J.P. Morgan.

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



Source: NBS.
 Note: Preliminary data for Q3 2025.

A net inflow of EUR 161.0 mn came from **financial loans** in Q3. Enterprises and banks increased, while the government reduced their foreign credit liabilities. At the same time, domestic banks decreased their assets in accounts abroad which, together with the rising assets in non-resident accounts with domestic banks, led to an inflow of EUR 811.2 mn under **currency and deposits** in Q3. **Trade loans and advances** also generated an inflow, of EUR 323.1 mn.

Trends in the FX market and exchange rate

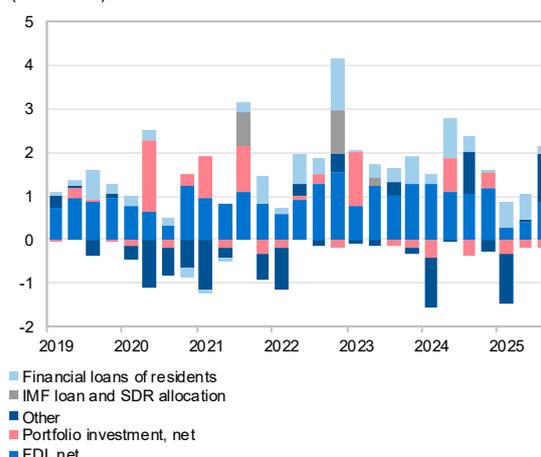
The dinar continued its relatively stable movement against the euro into Q3. In nominal terms, the dinar’s value against the euro at end-September was almost unchanged relative to end-June, while weakening by 0.2% relative to end-2024. End-of-Q3, the dinar value against the dollar also remained steady, but under the impact of the euro’s strengthening against the dollar in the international market, the dinar nominally strengthened by 12.5% since the start of the year.

FX supply outstripped the demand in Q3 as well, fuelling appreciation pressures, which were particularly pronounced in July. As in Q2, this was mostly prompted by an increase in banks’ net indexed assets.⁵ Other contributors to the rising FX supply were the net purchase of foreign cash and longer FX position of banks on account of non-residents’ payment card use. Those inflows were more than sufficient to cover the FX demand created by residents and non-residents in Q3.

To maintain the relative stability of the dinar exchange rate against the euro, the NBS intervened in the IFEM, with a net purchase of EUR 830.0 mn. Including the net sale of EUR 75.0 mn in October, the NBS net bought EUR 355.0 mn since the beginning of the year. FX purchases in the IFEM contributed to the growth of FX reserves, which came at EUR 29.4 bn at end-October. Such level of FX reserves is considerably above the adequacy standards, as they cover little less than seven months’ worth of goods and services imports and 166% of M1 money supply.

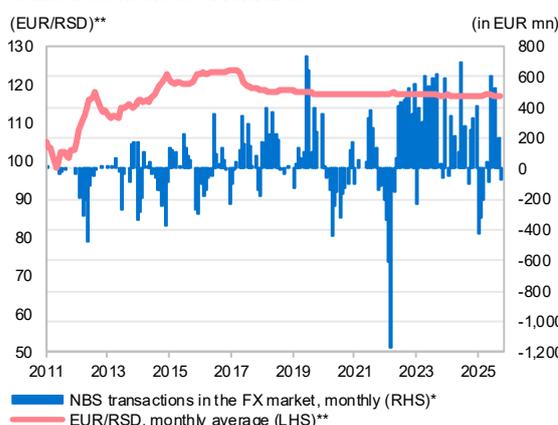
The currencies of regional peers running the inflation targeting regime displayed divergent movements against the euro in Q3. The Czech koruna and Hungarian forint strengthened further, by 1.7% and 2.1%, respectively. Conversely, the currencies losing ground were the Romanian leu (0.1%), Polish zloty (0.6%) and Turkish lira (4.3%).

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



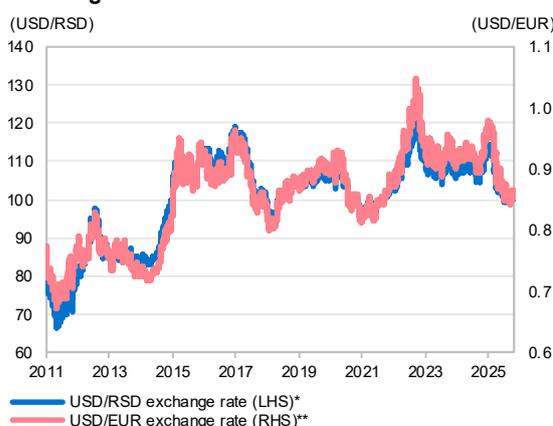
Source: NBS.
Note: Preliminary data for Q3 2025.

Chart IV.1.10 Dinar exchange rate and NBS transactions in the FX market (in EUR mn)



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

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



Source: NBS.
* USD 1 in RSD.
** USD 1 in EUR.

⁵ 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.

2 Money and loans

Total money supply M3 sped up its y-o-y growth in Q3, on the back of a faster rise in its most liquid component - demand deposits. Resident dinar savings also recorded more vigorous growth compared to H1, reaching RSD 201.7 bn at end-September.

More favourable interest rates and softened credit standards supported continued acceleration of y-o-y growth in lending to the non-monetary sector, which reached 12.8% in September. The NPL share in total loans dropped to a new minimum in August (2.2%) and stayed at that level in September as well.

Money

The broadest monetary aggregate M3, which in addition to dinar money also includes FX deposits of non-monetary sectors, increased by 3.1% in Q3, driven mainly by the rise in its most liquid component - dinar demand deposits, primarily in the corporate sector, as well as by the increase in dinar and FX household savings.

By individual category, dinar **demand deposits** gained RSD 102.4 bn in Q3, primarily owing to the rise in corporate transaction deposits (mostly in catering, transportation and storage, and telecommunications), and higher balances in household current accounts. **Dinar time and saving deposits** gained RSD 9.4 bn. Dinar household savings for the first time surpassed RSD 200 bn, rising by RSD 9.8 bn to RSD 201.7 bn⁶ at end-September, posting more vigorous growth than in H1. Deposits of other sectors also increased, though to a lesser extent, while dinar corporate deposits went down.

FX deposits of non-monetary sectors went up by EUR 309.7 mn in Q3, mostly reflecting the growth of household FX savings, by nearly EUR 200 mn (to the new high of EUR 15.1 bn), while rising FX deposits of corporate and other sectors contributed to a lesser degree.

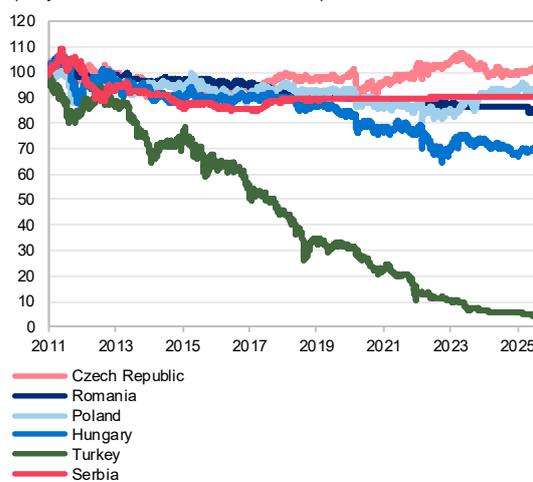
The degree of dinarisation of corporate and household deposits increased by 0.9 pp in Q3, to 46.3% in September, reflecting a relatively faster growth of dinar (mostly demand) deposits compared to FX deposits.

Y-o-y, money supply M3 accelerated its growth in Q3, to 10.5% in September, driven by the faster growth in the most liquid dinar component.

Loans

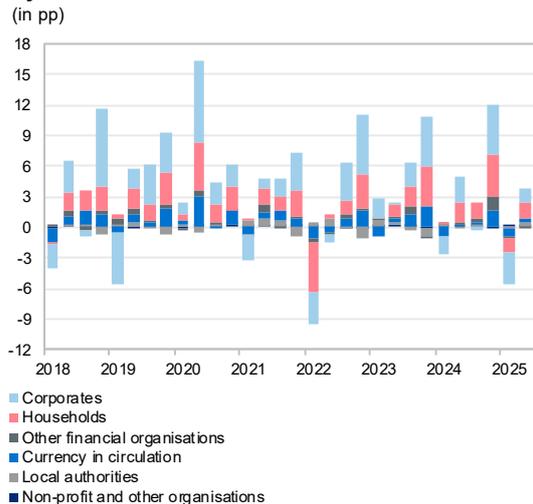
In Q3 2025, **total domestic loans to the non-monetary sector** sped up further y-o-y, to 12.8% in September, excluding the exchange rate effect.⁷ **Household lending**

Chart IV.1.12 Exchange rates of selected national currencies against the euro*
(daily data, 31 December 2010 = 100)



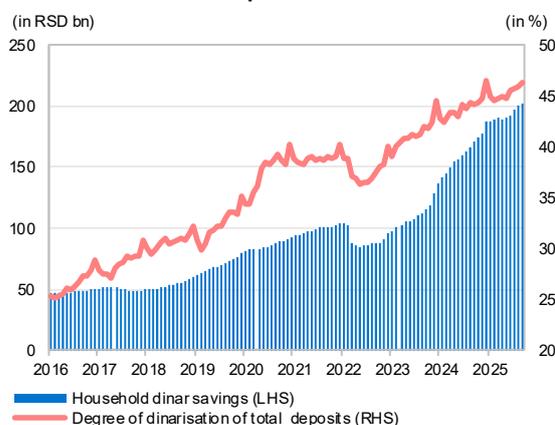
Sources: NBS and websites of central banks.
* Growth indicates appreciation.

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



Source: NBS.

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



Source: NBS.

⁶ Including non-residents' assets, dinar savings stood at RSD 205.1 bn and FX savings at EUR 15.9 bn at end-September.

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

accelerated to 16.1% and **corporate lending** to 9.0%, y-o-y.

Corporate loan increase in Q3 (RSD 66.0 bn) resembled that from the quarter before mainly stemming from company borrowing (80%). As before, growth was led by the approval of liquidity and working capital loans (RSD 44.2 bn) and investment loans (RSD 22.1 bn). Borrowing under export loans and current accounts also went up, while liabilities under import loans and other non-categorised loans decreased. As a result of such trends, the share of liquidity and working capital loans in total corporate loans gained 0.7 pp in Q3, coming at 48.6% in September, their y-o-y growth accelerating to 10.8%. At the same time, the share of investment loans declined by 0.3 pp to 41.8%, while their y-o-y growth picked up to 12.3% in September.

Sector-wise, companies in manufacturing borrowed the most in Q3, followed by those in trade and transport sectors. On the other hand, only energy and real estate companies reduced their liabilities. Little less than three-quarters of the Q3 increase referred to lending to large enterprises. Consequently, the share of loans to micro, small and medium-sized enterprises in total corporate loans dropped by 1.1 pp to 59.2% in September, while their growth picked up to 9.9% y-o-y. In Q3, corporates borrowed mainly in foreign currency, due to which the degree of **dinarisation of corporate receivables** edged down by 0.3 pp to 21.7% in September.

The volume of new corporate loans in Q3 equalled RSD 326.8 bn, down by 3.6% compared to the same period of 2024. Liquidity and working capital loans remained dominant, accounting for 64% of new corporate loans, and being equally absorbed by large enterprises and the segment of micro, small and medium-sized enterprises. Investment loans accounted for 27% of new loans, with 55% of this category being channelled to micro, small and medium-sized enterprises.

Household loans added RSD 88.8 bn in Q3, driven by the rise in cash (RSD 49.4 bn) and housing loans (RSD 34.1 bn). These two categories posted record increases in September, underpinned by the NBS's temporary measures including more favourable lending terms for lower-income households.⁸ Housing loan growth was further supported by the government programme of mortgage loans for youth, which accounted for 45% of the housing loan increase in Q3. 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 from 46.7% in June to 47.2% in September, while the share of the next largest category, housing loans, remained at the same level (38.2%). At the same time, both these loan categories stepped up y-o-y, to 19.2% and 15.4%, respectively, in September. Households

⁸ For more details about favourable loans for lower-income households see Text box 3, p. 29.

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



Chart IV.2.4 **Contributions to y-o-y corporate lending growth**
(in pp, excluding the exchange rate effect)

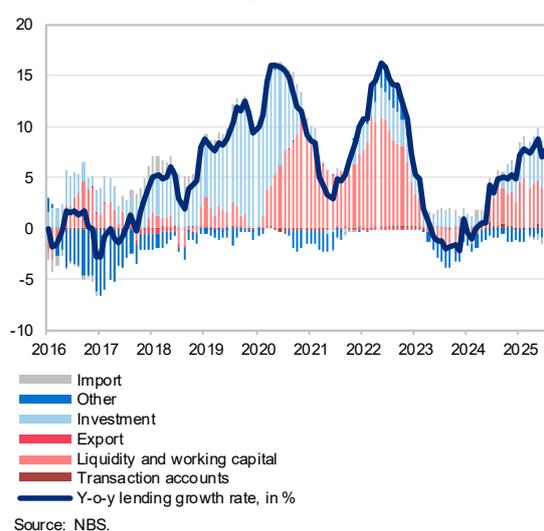
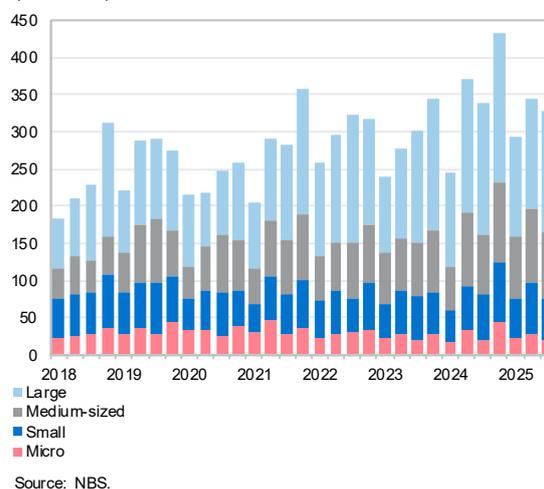


Chart IV.2.5 **Structure of new corporate loans, by enterprise size**
(in RSD bn)



continued to predominantly borrow in dinars, which contributed to a further growth of **dinarisation of household receivables**, by 0.2 pp in Q3, to 56.0% in September.

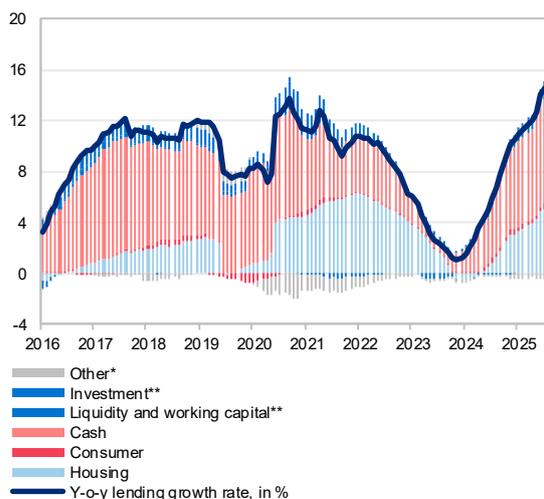
The volume of new household loans in Q3 came at RSD 286.7 bn, rising by 45.9% y-o-y, mostly owing to a higher volume of new cash and housing loans.

The results of the NBS bank lending survey carried out in October indicate that banks softened credit standards for both corporate and household sectors in Q3. Corporate credit standards easing was prompted by the lower cost of financing and special campaigns by some banks (covered under “other factors” in the survey). In the household segment, credit standards softened for almost all loan categories, primarily owing to inter-bank competition. Banks assessed that corporate demand for dinar and FX-indexed loans rose further in Q3, across all enterprise sizes. Same as in the quarter before, demand growth was driven by the need to finance working capital and investment. Households upped their demand mainly for dinar cash loans and refinancing loans, and also FX-indexed housing 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 employment and purchase of durable consumer goods. In Q4, banks expect further easing of credit standards and expansion of both corporate and household loan demand.

Gross NPL ratio dropped to a new low of 2.2% in August, remaining at that level in September as well, down by 0.1 pp relative to June. Corporate NPL ratio decreased by the same degree, to 1.6%,⁹ while the ratio for the household sector (2.8%)¹⁰ edged down by 0.2 pp. NPL coverage remained high as allowances for impairment of total loans measured 115.5% of NPLs in September and allowances for impairment of NPLs – 62.4% of NPLs.

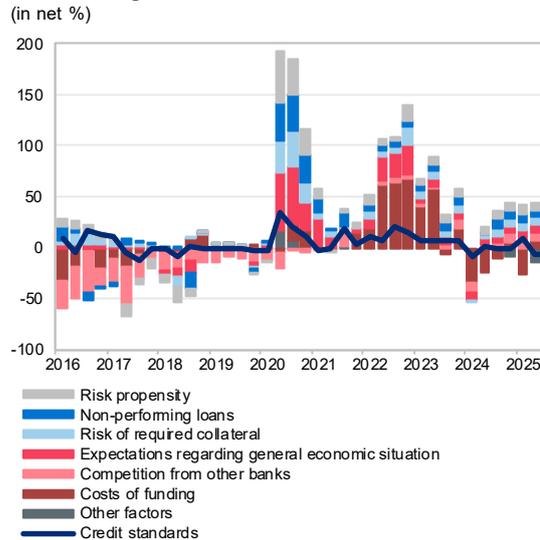
Capital adequacy ratio equalled 21.0% at end-Q3, indicating high capitalisation (regulatory minimum – 8.0%) and resilience of the banking sector to external and domestic risks.

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 %)



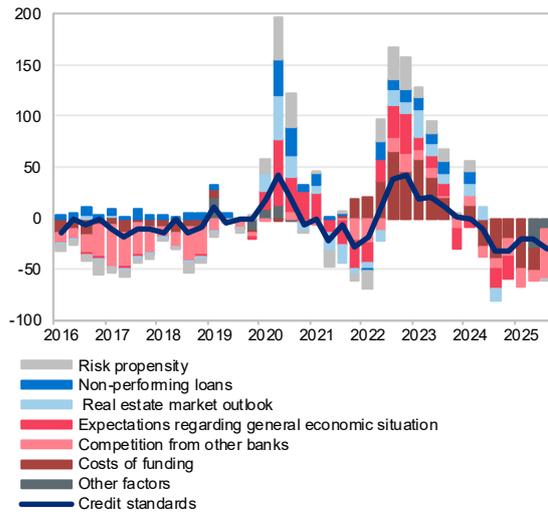
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

⁹ Includes companies and public enterprises. Looking at companies only, the share of NPLs in total loans also edged down, by 0.1 pp to 1.8% in September.

¹⁰ Includes natural persons, entrepreneurs and private households.

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

(in net %)



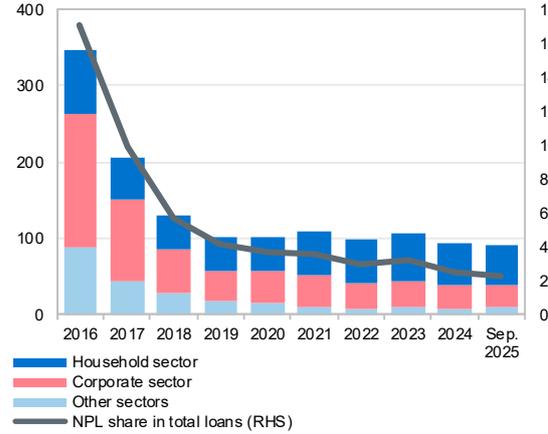
Source: NBS.

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

(in RSD bn)

(in %)



Source: NBS.

Text box 3: Initial effects of the NBS's measures to facilitate more favourable lending to lower-income citizens

After running a comprehensive analysis of the terms offered by banks when approving cash, consumer and housing loans, the NBS defined supervisory expectations regarding adjustment of the offer of loan products for some population categories, particularly lower-income ones. Consequently, by 15 September, banks included in their offers more favourable loans intended for employed persons and pensioners with regular monthly income of up to RSD 100,000.

These products include:

- dinar cash and consumer loans of up to RSD 1,000,000;
- dinar loans for refinancing cash and consumer loans with the same bank (no limit on the amount);
- special cash loans of up to RSD 1,000,000 and refinancing loans with life insurance included for pensioners;
- housing loans for first-time homebuyers.

The loans were offered at more favourable interest rates:

- for cash, consumer and refinancing loans, the nominal interest rate is up to 3 pp lower relative to the average rate at which banks approved these loans in July 2025 (with the rate floored at 7.5% for employed persons and 10.5% for pensioners);
- for housing loans, the nominal interest rate is up to 0.5 pp lower than the average rate in the banks' standard housing loans offer.

In addition, banks will charge no fee for processing loan applications and will offer these loans for at least 12 months, giving potential users enough time to plan and decide whether to borrow.

The NBS estimates that the savings for citizens on total cash and consumer loans based on these measures could reach up to RSD 40 bn over the next five years, with savings in the first year of loan repayment amounting to up to RSD 12 bn.

Though they have been applied since the latter half of September, these measures led to a record-high increase in **cash and housing loans** in September (RSD 19.4 bn and RSD 15.3 bn, respectively), with these two loan categories posting substantial growth since the start of the year as a result of past monetary policy easing and the new Law on the Protection of Financial Service Consumers which capped interest rates on some types of borrowing by natural persons. Thanks to this growth, and robust performance in the preceding months, in the nine months of 2025 cash loans increased by RSD 118.2 bn and housing loans by RSD 81.5 bn. In y-o-y terms and excluding the exchange rate effect, household loans rose by 16.1% y-o-y in September (of which 8.8 pp refers to growth in cash loans and 5.9 pp to growth in housing loans). Strong performance continued in October as well, when, according to preliminary data, these loans rose by around RSD 23 bn and RSD 12 bn, respectively.

The effects of these measures are also visible in September **interest rate** data. The interest rate on new dinar household loans dipped by 0.5 pp to 8.8% in September, reflecting primarily the slide in interest rates on cash loans as a dominant component of total household lending. Though measures envisage that the interest rate on cash loans is 3 pp lower than the interest rate at which banks approved these loans in July, the decline in the interest rate in September was more moderate for several reasons. Firstly, the application of the above measures began in mid-September, and their effects have not fully played out yet. Moreover, the measures do not apply to all loan users, but only to lower-income individuals. Also, loans to pensioners accounted for a significant share of total cash loans approved in September (slightly over one quarter of the loans). Though these loans are more favourable as well, they are approved at interest rates which are above the average for the household sector as a whole since pensioners, due to their age, are a riskier population category. Excluding these loans, the interest rate on cash loans declined more sharply compared to August (by 1.3 pp). The interest rate on new euro-indexed housing loans to households dipped by 0.1 pp, to 4.4%, thanks to intensified implementation of the youth housing loans programme and the above measures.

In taking these measures, the NBS considered the potential effects on economic activity and inflation movements in the coming period. It also took into account the spread between banks' lending and deposit rates which remains high, measuring around 5 pp for dinars in the household sector.

When it comes to the **impact of these measures on GDP**, some positive direct effect on economic activity can be expected, primarily through the rise in personal consumption and the boost to investment in housing construction. It should be noted, however, that loans intended for personal consumption (cash, consumer, refinancing) make up around 2% of the total sources of funding personal consumption which accounts for 65% of GDP. This means that the direct effect of these measures will not be substantial. The effect on GDP will greatly depend on the purpose of these loans as well – if they are used for new consumption, it will be stronger; if the refinancing of current obligations prevails, it will be limited to the effects of lower loan instalments. Also, reduced interest rates on housing loans may push up the demand for real estate, which could positively influence the construction sector to some degree and contribute to GDP growth. Finally, greater availability of financial products for socially vulnerable groups reduces financial inequality and has positive social implications.

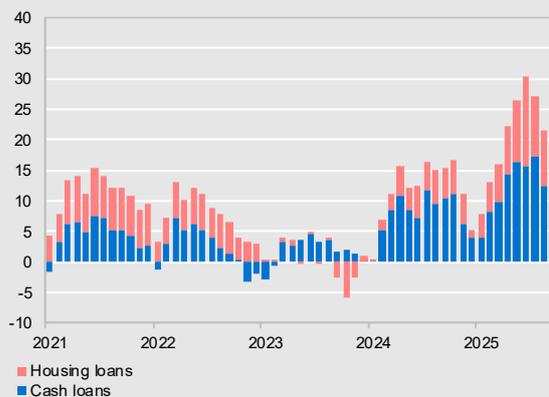
When it comes to **the impact of these measures on inflation**, as they are not expected to lead to any major increase in personal consumption, we do not anticipate substantial effects on inflation either.

In addition to ensuring more favourable terms of funding and greater availability of loans for lower-income individuals, these measures are also expected to reflect positively on the banks' operations though an increase in lending activity. That said, their approval is not likely to lead to a deterioration of quality of the banking sector's assets. For the sake of reminder, the share of household NPLs in total household loans has been on a downward path for quite some time, dropping to record-low levels (2.8% in September, with NPLs measuring 4.0% for cash loans and 1.1% for housing loans) and indicating preserved banking sector stability. It is also important to emphasize that regulatory restrictions remain in place, according to which banks must ensure that a borrower's DTI ratio is below 60%. If this is not the case, banks need to make additional capital allocations,

The NBS will continue to carefully monitor the implementation of the measures and their effects on the banking sector, in order to preserve financial stability and make banking services more accessible for all population categories.

Chart O.3.1 Monthly increase in cash and housing loans

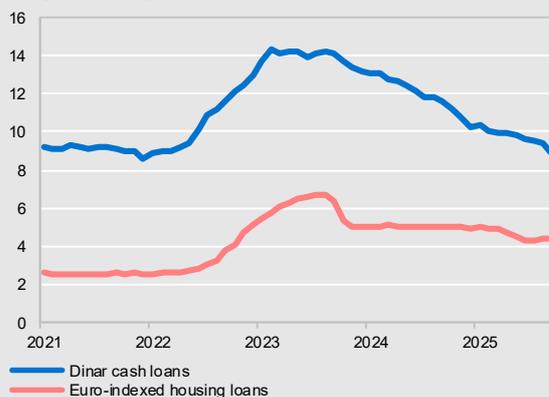
(in RSD bn, excluding the exchange rate effect)



Source: NBS.

Chart O.3.2 Interest rates on new cash and housing loans

(weighted average values, per annum, in %)



Source: NBS.

3 Aggregate demand

GDP growth in Q3 amounted to 2.0% y-o-y and is estimated to have been led by domestic demand, primarily personal consumption. Positive contributions also came from government spending and public investments and, for the first time in nearly two years, net exports as well.

Domestic demand

According to NBS estimate, **household consumption** gathered pace to 3.5% y-o-y in Q3, adding 2.2 pp to GDP growth. Further growth in private consumption is indicated by the retail trade turnover, as well as the expansion of catering turnover in July and August. Q3 also witnessed higher imports of consumer goods, underpinned by the rising disposable income of households. On the other hand, the number of overnight stays of domestic tourists continued to decline in y-o-y terms. Nevertheless, a mild rebound was recorded in this sector too, as August saw a rise in domestic tourist arrivals for the first time in six months, which extended into September.

Looking at the sources of personal consumption, the wage bill (as the main source) continued to record two-digit nominal y-o-y growth (10.5% in July–August), while the real wage bill growth in the same period measured 5.4% y-o-y. Concurrently, pensions rose in Q3 by 10.8% in nominal and 6.5% y-o-y in real terms. More favourable lending terms, reflecting past NBS and ECB monetary policy easing and, as of September, the NBS's measures aimed at ensuring more favourable borrowing terms for employees with lower incomes and pensioners, provided further support to household consumption through an increase in loans intended for consumption which continued to grow at double-digit y-o-y rates. Furthermore, remittances rebounded relative to H1, recording a 21.3% y-o-y rise in Q3.

In our estimate, **government consumption** went up by 3.0% y-o-y in Q3, continuing to positively contribute to GDP growth (0.5 pp in Q3), driven by higher expenditure for public sector employees and the purchase of goods and services. Owing to these trends, **total consumption** expanded by 3.4% y-o-y in Q3.

Private investment is estimated to have declined by 2.8% y-o-y in Q3, giving a negative contribution to GDP (0.5 pp). Private investment contraction in Q3 is indicated mainly by data from construction, a lower number of construction permits issued in July and August, a decline in the value of works performed and reduced production of domestic machinery and equipment. Conversely, Q3 saw a rise in the production and import of construction material.

As for the sources of investment financing, the major part of private investments is estimated to have been financed from own sources owing to high corporate profitability in prior years (RSD 866 bn in 2024). Q3 also saw an FDI

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

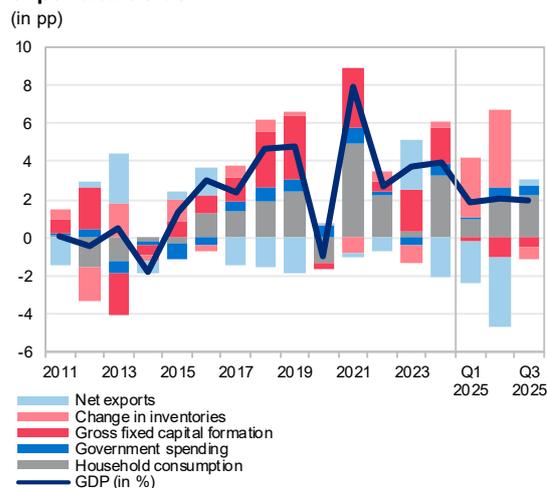


Table IV.3.1 Movement in key indicators and sources of household consumption

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

	2024		2025	
	Q4	Q1	Q2	Q3
Household consumption	3.8	1.7	3.0	3.5*
Indicators				
Retail trade	19	12	3.6	3.1
Catering turnover	-5.3	-8.8	2.4	3.7**
Number of domestic tourists	19	-3.7	-5.7	0.1
Number of overnight stays of domestic tourists	-4.3	-8.4	-8.7	-10
Consumer goods import (BEC classification), nominal	10.5	17.3	8.9	8.2
Sources				
Total wage bill, nominal	13.6	11.4	10.9	10.5**
Net remittances inflow, nominal	4.6	-16.0	-13.3	21.3
Stock of loans intended for consumption, nominal	13.1	14.7	15.9	18.2

Sources: SORS and NBS calculation.

* NBS estimate.

** July-August.

Table IV.3.2 Investment indicators

	2024		2025	
	Q4	Q1	Q2	Q3
Real y-o-y growth rates (in %)				
Fixed investment (national accounts)	1.1	-0.8	-4.0	-2.0*
Construction (national accounts)	-5.8	-5.3	-16.1	-116*
Government investment	19.4	5.0	4.5	0.5*
Number of issued construction permits	-5.7	-2.7	-7.9	-3.0**
Production of construction material	-0.1	1.8	0.8	2.3
Value of works performed	-3.2	-5.3	-16.1	-116
Equipment imports, nominal	-2.6	-2.3	-7.3	4.9
Production of domestic machinery and equipment	-11.3	-11.3	-16.9	-15.2

Sources: SORS and NBS calculation.

* NBS estimate.

** July-August.

inflow of around EUR 890 mn, while investment loans went up by 13% y-o-y.

Thanks to the continued implementation of important infrastructure projects, **government investments** are estimated to have increased 0.5% y-o-y in Q3, providing a mild positive contribution to GDP. However, this could not fully compensate for a decrease in private investments, so **total fixed investments** provided a negative contribution to GDP growth in Q3.

Reduced inventories are also estimated to have acted as a drag on GDP in Q3 (-0.6 pp).

Net external demand

In NBS estimate, **real growth of goods and services exports and imports** slowed down in Q3 to 4.2% and 3.2%, respectively, which resulted in a positive **net exports** contribution to GDP growth (0.3 pp), for the first time in almost two years.

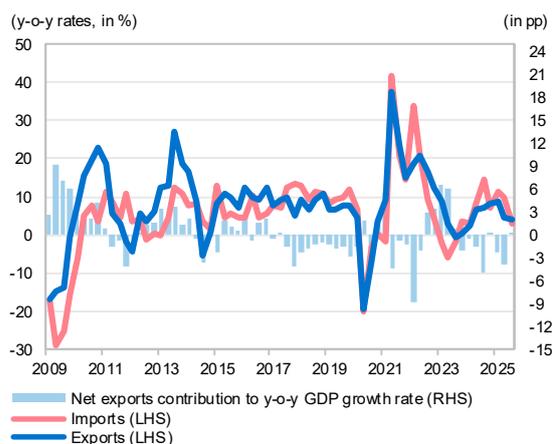
Commodity exports in euro terms rose by 6.1% y-o-y in Q3. Export growth mainly stemmed from higher exports in **manufacturing** (6.6% y-o-y), in 16 out of 23 branches, thanks to diversification by product and geography and past investments. Exports of motor vehicles and rubber and plastic products stood out in particular, reflecting stronger investments in the automotive industry and the beginning of serial production of electric automobiles and automobile tyres. Electricity exports also went up (16.0% y-o-y), which can be associated with the start of operation of the new B3 block of the Kostolac thermal power plant. Mining exports expanded as well (4.0% y-o-y). On the other hand, last year’s drought weighed down on inventories and led to an 18.8% y-o-y fall in agricultural exports in Q3.

Commodity imports in euro terms gained 2.6% y-o-y in Q3. **Services trade** kept a positive dynamic in Q3, generating a surplus of EUR 329 mn, despite the strong growth of tourist services imports. Services exports picked up in Q3 as well, to 6.6% y-o-y (from 2.8% y-o-y in Q2), largely reflecting higher exports of ICT and business services, as well as tourist services. Concurrently, services imports increased in Q3 (by 8.2% y-o-y), primarily on the back of tourist and business services.

Commodity export/import coverage ratio remained almost unchanged compared to Q2, measuring 82.5% in September¹¹ (with services included, the value of the ratio in September stood at 92.0%).

Chart IV.3.2 Exports and imports of goods and services

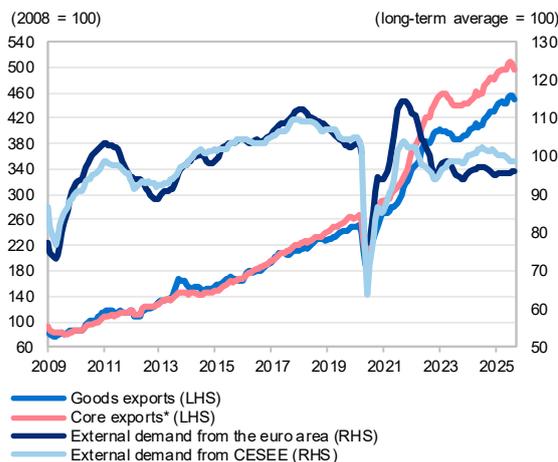
(in previous-year constant prices, ref. 2021)



Sources: SORS and NBS calculation.
Note: NBS estimate for Q3 2025.

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

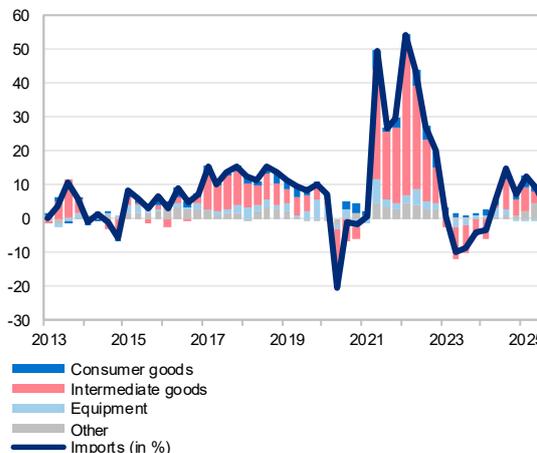
(3M moving average, s-a)



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 calculation.

¹¹ Measured by the 12-month moving average.

4 Economic activity

According to SORS estimate, economic activity maintained the dynamics from the first half of the year, recording a 2.0% y-o-y increase in Q3. As in previous quarters, the services sector remained the main driver of GDP growth, while industry also made a positive contribution. Agriculture had a neutral impact on economic activity in Q3, whereas construction continued to act as a drag.

According to our estimates, the **services sector** as a whole recorded a 2.8% y-o-y increase in Q3, contributing 1.6 pp to GDP growth. This is supported primarily by the data on trade and catering, given the pick-up in turnover during the quarter. At the same time, the continued expansion of the ICT sector is indicated by the further rise in exports of ICT-related products, which in Q3 maintained nearly double-digit growth rates (9.1% y-o-y). On the other hand, tourism data for Q3 show that the number of overnight stays decreased by 0.5% y-o-y, while the number of tourist arrivals increased by 0.1%, reflecting a gradual recovery that began in August. Nevertheless, overall growth in the services sector was somewhat lower than expected in the previous Report.

Industrial production is estimated to have grown 2.8% y-o-y in Q3, contributing 0.5 pp to GDP growth. Within the industrial sector, a significant contribution to Q3 GDP growth came from mining, which expanded by 6.6% y-o-y, driven by a strong increase in coal extraction (15.2%). Electricity production also rose by 9.2% y-o-y during Q3, reflecting higher output from thermal sources as well as a low base effect. In addition, hydropower reserves approached last year's levels and the five-year average, after lagging considerably in the first part of the year. **Manufacturing** output increased by 1.4% y-o-y in Q3. Growth was recorded in 11 out of 24 manufacturing branches, with the largest positive contributions coming from the production of motor vehicles (39.1%) and rubber and plastic products (19.6%), which can be linked to the start of serial production of electric vehicles in Kragujevac and of automobile tyres. A notable contribution also came from the production of metal products (12.9%). Conversely, the largest negative contributions stemmed from reduced production of coke and petroleum products, as well as domestically produced machinery and equipment.

Indicators in the **construction sector** showed divergent trends during Q3, but according to our estimates, construction continued to make a negative contribution to overall economic activity, as in H1. The production of construction materials in Q3 increased by 2.3% y-o-y, while imports of these materials rose by 9.3% y-o-y. On the other hand, the number of issued construction permits in July–August declined by 3.0% y-o-y, while the value of executed works contracted in Q3 by 11.6% y-o-y. In addition, a decline was recorded in the “other mining” category, which includes the extraction of sand, gravel and stone.

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

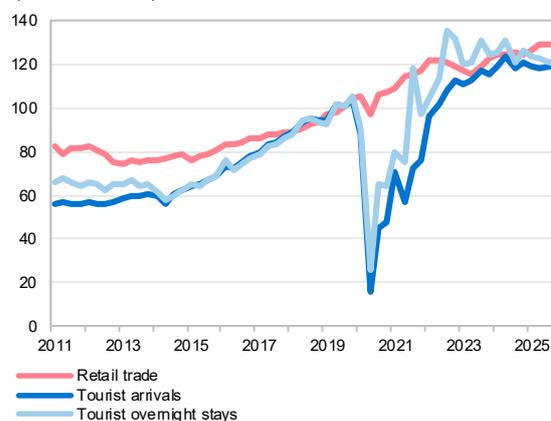
	2024		2025		
	Q3	Q4	Q1	Q2	Q3*
GDP (in %, y-o-y)	3.2	3.3	1.9	2.1	2.0
Agriculture	-0.5	-0.4	0.1	0.1	0.0
Industry	0.7	0.7	0.4	0.6	0.5
Construction	0.0	-0.3	-0.3	-0.8	-0.6
Services	2.6	2.7	1.1	1.6	1.6
Net taxes	0.8	0.6	0.3	0.5	0.4

Sources: SORS and NBS calculation.

* NBS estimate.

Chart IV.4.1 Service sector indicators

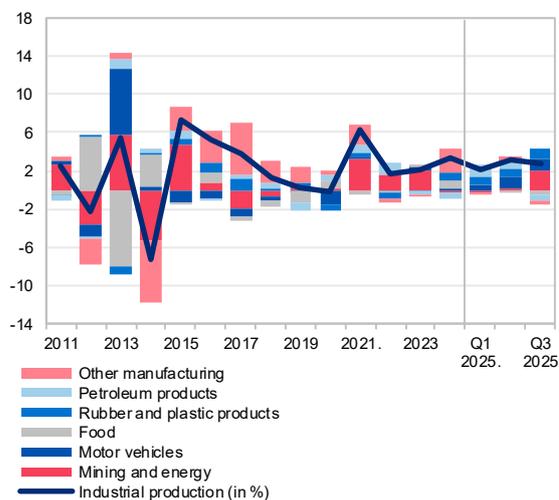
(s-a, 2019 = 100)



Sources: SORS and NBS calculation.

Chart IV.4.2 Contributions to y-o-y industry growth rate

(in pp)



Sources: SORS and NBS calculation.

Net taxes are estimated to have increased in Q3 by 2.8% y-o-y, adding 0.4 pp to GDP growth, as a result of stronger consumption and better tax collection.

As for **agriculture**, SORS data point to a stagnation or a slight decline at the annual level, given that the production of most autumn crops fell short of last year’s, as well as of our previous estimates. According to SORS data, corn production decreased by 12.9%, soybean by 12%, plums by 15.8%, and apples by 13.5%, while sunflower production increased by 2.9% and grape production by 8.5%. Wheat production was also revised up, to 26.9% growth. In line with these developments, we estimate that agricultural production stagnated in Q3.

5 Labour market developments

The labour market was relatively stable in Q3, recording a slowdown in y-o-y wage growth and a stagnation of formal employment.

Wages

The average nominal net wage in July and August came at RSD 107,331 (EUR 916), up by 10.4% relative to the same period a year earlier. In real terms, the average net wage went up by 5.3% y-o-y in the same period (6.3% in Q2). In July–August, the median net wage amounted to RSD 84,268, up by 11.2% from the same period last year. Contributing to improved living standards is also the higher coverage of the average consumer basket with the average wage and of the minimum basket with the minimum wage. In H1, they measured 100.1% and 95.2%, respectively.

The rise in the average nominal net wage was somewhat more pronounced in **the public** (11.2%) than in **the private sector** (10.0%). Double-digit growth was recorded in most **economic branches**. The highest y-o-y growth was posted by education, art, entertainment and recreation, public administration and manufacturing, ranging between 11.9% and 14.3%.

In the July–August period, the nominal net wage bill, as the main source of consumer demand, increased by 10.5% y-o-y primarily on account of a continued rise in wages.

According to preliminary data, the **overall economic productivity** rose by 2.0% y-o-y in Q3 entirely on account of a rise in economic activity.

Employment

According to SORS data, **total formal employment** in Q3 stood at around 2.37 mn on average, which, after a mild y-o-y increase of 0.1% in Q2, suggests a y-o-y stagnation. In Q3, employment with entrepreneurs increased, while the number of registered farmers and employment with legal persons dropped.

Chart IV.4.3 Construction activity indicators

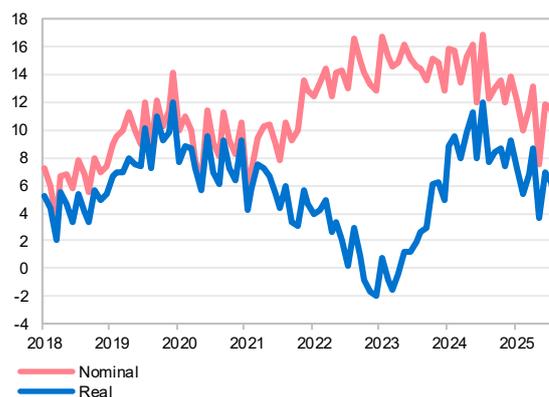
(quarterly averages s-a, 2019 = 100)



Sources: SORS and NBS calculation.

Chart IV.5.1 Y-o-y growth rates of average net wage

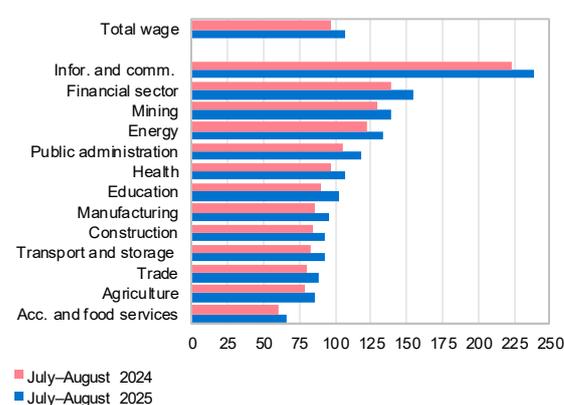
(in %)



Source: SORS.

Chart IV.5.2 Nominal net wage by economic sector

(in RSD thousand)



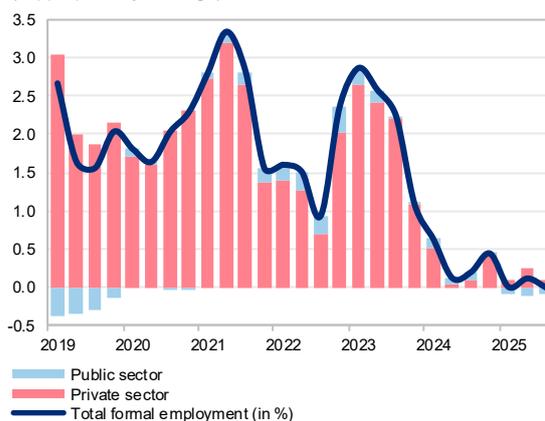
Source: SORS.

Private sector formal employment averaged 1.76 mn persons in Q3, with the y-o-y growth decelerating to 0.1% (0.3% y-o-y in Q2). In contrast, **formal employment in the public sector continued dropping**, by 0.4% y-o-y (after the 0.5% fall in Q2), entirely as a result of the reduction in public administration employment, while formal employment increased in health and education. Observing dominantly private sector activities in Q3, registered employment rose the most in administrative and auxiliary services and ICT services, while decreasing the most in manufacturing and professional, scientific, innovation and technical services.

According to the National Employment Service’s records, **registered unemployment** came at 339,347 in September, with around 20 thousand unemployed people less than in the same period last year.

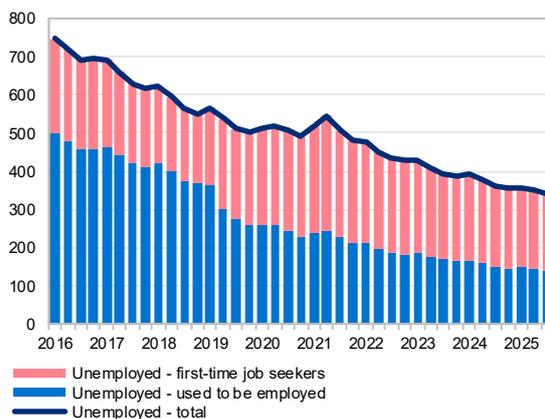
According to the available **LFS** data, covering both **formal and informal labour market segments**, the participation rate of the working age population (15–64) equalled 73.2% in Q2, while the activity rate (15+) measured 56.2%. Driven by the decline in informal employment, the unemployment rate increased in Q2 by 0.3 pp y-o-y, to 8.5%.

Chart IV.5.3 Structure of y-o-y growth in total formal employment
(in pp, quarterly average)



Sources: SORS and NBS calculation.

Chart IV.5.4 Movement of registered unemployment
(in thousand persons, quarterly average)



Source: National Employment Service.

V Projection

As the spillover effect from this year will be lower, our new GDP projection for 2026 is 3.5%. We expect growth to accelerate to around 5% in 2027 due to the hosting of “Expo”. Domestic demand will continue to be the key driver of economic growth, while real imports will increase faster than exports in 2026 due to the rise in personal consumption and fixed investment, and the still subdued external demand. As a result, the contribution of net exports to GDP will be negative in 2026, but it will turn positive already in 2027 as substantial export growth is expected in the year of hosting “Expo 2027”, mostly thanks to higher exports of tourism and business services.

Under our new central projection, y-o-y inflation will move at a similar level as in September, i.e. around target midpoint, until the end of 2025 and early 2026. This will be supported by the Serbian Government’s Decree capping retail and wholesale margins at 20% for a six-month period, starting from September. In the remainder of 2026 and in the medium term, y-o-y inflation should stay within the target band of 3±1.5%, but the low base from September this year will result in late-2026 inflation of around 4.0%. Such inflation trajectory will be propped up by the effects of the above Decree, but also by the further easing of cost-push pressures from the international environment and the dollar’s weakening against the euro. Also, the onset of a new agricultural season, assuming it is better than this year’s, ought to produce disinflationary effects, toppling the prices of fruit and vegetables. The rise in income disposable for consumption should work in the opposite direction, but we expect no major inflationary pressures on these grounds as wage growth will mostly go hand in hand with productivity growth. In 2027, we anticipate demand to rise further due to the hosting of “Expo”, with average inflation at around 4%.

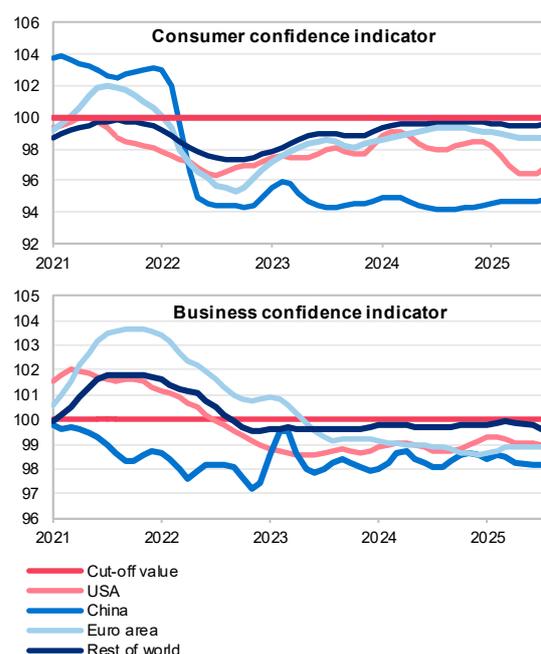
The risks to our new inflation and GDP projections remain associated with rising protectionism, higher tariffs and uncertain trade policies, as well as the still heightened geopolitical tensions among leading world powers. Geopolitical tensions and rising protectionism could negatively affect the domestic manufacturing industry’s output and exports, especially the production of oil and base metals. 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

Economic activity

The IMF estimated that the demonstrated resilience of the global economy in H1 2025 is the result of global trade and investment activity accelerating in anticipation of the enforcement of higher tariffs. As these effects are temporary and the confidence of market participants still weak, in October the IMF **projected a slowdown in global economic growth from 3.3% in 2024 to 3.2% in 2025** (0.2 pp above the July forecast), while the 3.1% projection for 2026 remains unchanged. October projections for global economic growth this and the following year are still below the pre-pandemic average of 3.7% and are 0.2 pp lower than the projections from last October. This is attributable to elevated global uncertainty and protectionism in the past year. In view of these factors, as well as the risks of lowered labour force supply, and potential growth in borrowing costs and world primary commodity prices, as well as poorer than anticipated effects of AI on increase in productivity, in October the IMF estimated that **risks to the projection remain skewed to the downside**.

Chart V.0.1 Consumer and business confidence indicators (in index points)



Source: IMF WEO (October 2025).

Euro area economic activity edged up slightly in Q2, by 0.1% s-a (i.e. 1.3% y-o-y), as the increase in goods inventory offset the fall in fixed investments and net export. By sector, activities in services in Q2 maintained a similar growth pace as in Q1, while the production sector activity slowed amid higher tariffs relative to Q1 and the still elevated geopolitical uncertainty. In Q2, **Germany** and **Italy**, Serbia’s key trade partners in the euro area, recorded an s-a fall in GDP of 0.3% and 0.1%, respectively. According to Eurostat’s preliminary flash estimate, the euro area GDP rose slightly in Q3, by 0.2% s-a, as suggested by early indicators of economic activity, PMI and ESI, while the German and Italian economies stagnated.

In view of the better than expected results in H1 and the positive effects of transferred tendencies, in September the **ECB** raised its June projection of euro area economic growth in 2025 – by 0.3 pp to 1.2%, noting that growth will still be driven by the services sector. In contrast, the ECB estimates that prospects in the production sector have deteriorated under the impact of the still elevated uncertainty, initially caused by the announcements of tariff increases, despite the achieved agreement between the US and EU, as well as stepped-up global competition and the euro gaining against the dollar. Coupled with weaker external demand, this prompted the ECB to slightly lower their June projection of 2026 economic growth in September – by 0.1 pp to 1.0%, while the projection for 2027 was kept at 1.3%, with risks being much more balanced than in June. Though labour force demand was subdued in the past months, the euro area labour market still triggers growth of consumer demand, with a 6.3% unemployment rate in September.

In October, **Consensus Economics** revised up the euro area’s July GDP growth projection for 2025 – by 0.2 pp to 1.3% in 2025, while the projection for 2026 was revised slightly down – by 0.1 pp to 1.0%. In October, analysts estimated that domestic demand in euro area countries is showing signs of recovery, supported by expansionary fiscal measures, notably in Germany. The recovery of external demand, which contracted in the prior period, should be facilitated by the decrease in customs rate on car export from the euro area to the US from 25% to 15%, as well as the revoked tariffs on certain raw materials and inputs in the airplane and pharmaceutical industries. To shield the local industry, the EU announced higher tariffs on the import of steel and aluminium, while a portion of the goods trade was redirected to the markets of Asia and Latin America.

Economic growth in the **Central and Southeast European region** measured 0.7% s-a in Q2 (i.e. 2.4% y-o-y) and is largely attributable to the rising government consumption. In October, **Consensus Economics** kept the July GDP projections for 2025 – at 2.4% in the Central European group of countries, and 1.9% in the Southeast European group, noting that geopolitical uncertainty is the main risk to the projection. The 2.8%

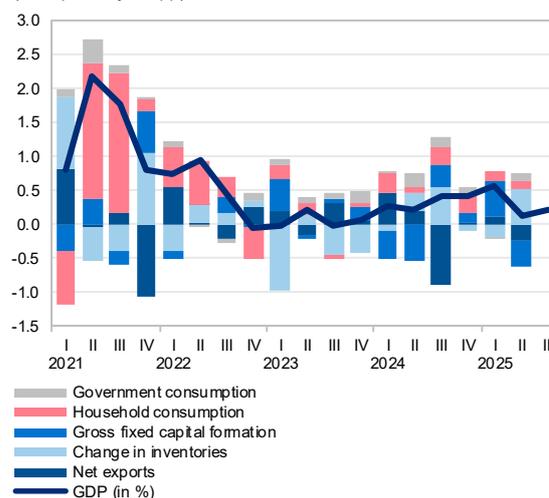
Table V.0.1 Real GDP growth projections (in %)

	2025		2026	
	Projection in October	Deviation from July	Projection in October	Deviation from July
World	3.2	↑ 0.2	3.1	↔ 0.0
Advanced economies	1.6	↑ 0.1	1.6	↔ 0.0
Euro area	1.2	↑ 0.2	1.1	↓ -0.1
USA	2.0	↑ 0.1	2.1	↑ 0.1
Emerging and developing economies	4.2	↑ 0.1	4.0	↔ 0.0
Russia	0.6	↓ -0.3	1.0	↔ 0.0
China	4.8	↔ 0.0	4.2	↔ 0.0

Source: IMF WEO (October 2025).

Chart V.0.2 Contribution of components to the real GDP growth rate in the euro area

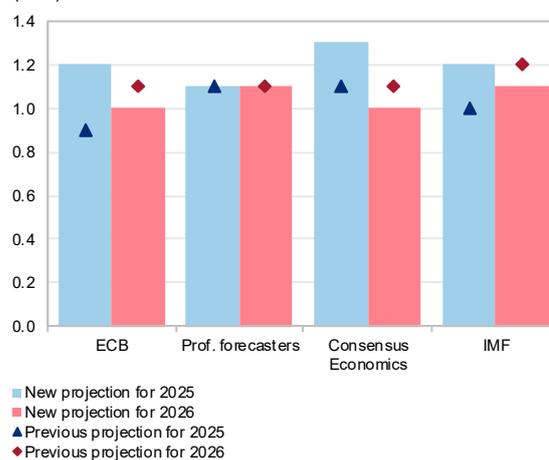
(s-a, quarterly, in pp)



Source: Eurostat.

Chart V.0.3 Euro area GDP growth projection for 2025 and 2026

(in %)



Sources: ECB (June and September 2025), professional forecasters, Consensus Economics and IMF WEO (July and October 2025).

GDP growth forecast for 2026 in Central Europe has been kept unchanged, while that for Southeastern Europe has been trimmed by 0.1 pp to 2.4%. Analysts expect that inflows from EU funds will continue to support capital investments, industrial activity and exports in the region, which have been undermined by the poorer performance of the German and French economies and stepped-up competition from Chinese companies. In October, the **World Bank** projected an economic slowdown in the **Western Balkan** region to 3.0% in 2025 (from 3.6% in 2024), notably due to weak external demand and political instability in some countries of the region.

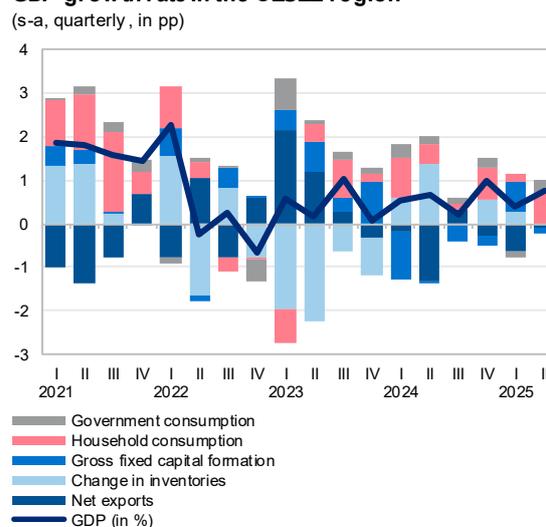
Having receded in Q1, the **US economy** rose by 0.9% s-a in Q2 (i.e. 3.8% calculated in annual terms), thanks to the recovery of net export amid accelerated goods export, due to the piled up inventories in Q1. In September, the **Fed** stated that leading private sector indicators suggest moderate GDP growth in Q3, which stood at 1.0% s-a according to the preliminary estimate of the Federal Reserve Bank of Atlanta. The US labour market is characterised by dampened labour force demand and increase in the unemployment rate to 4.3% in September (from 4.1% in June). In view of the resilient domestic demand and somewhat improved financial conditions, in September the Fed raised its June economic growth projection for the US in 2025 and 2026 by 0.2 pp each, to 1.6% and 1.8%, respectively. Downward risks are prevalent due to elevated uncertainty in terms of the pursuit of trade, fiscal and immigration policy.

In consideration of the waning effects of fiscal incentives from the previous year, in October the IMF revised down its July projection of **Russia's** economic growth in 2025, by 0.3 pp to 0.6%, while the projection for 2026 was kept at 1.0%. Projections for **China's** economic growth for 2025 and 2026 remained at 4.8% and 4.2%, respectively, with a note that the results achieved in the prior period, which were better than anticipated, as well as domestic consumption fortified by fiscal incentives, were able to offset the consequences of elevated uncertainty and customs tariffs.

Inflation

In October, the IMF projected that global inflation would slow from 5.8% in 2024 to 4.2% in 2025, which is unchanged relative to the July projection, and additionally to 3.7% in 2026 (0.1 pp above the July projection). The pace of inflation varies by country – the US inflation is trending above the target level, with pronounced risks to the upside, while in the majority of countries it has slowed down. This is in line with the IMF's previous estimates that changes in the pursuit of trade policies by leading economies result in supply side shocks in countries introducing the tariffs, which is reflected as higher inflation in those countries, as in the case of the US, or in demand side shocks in countries facing the tariffs, where it has a disinflationary effect.

Chart V.0.4 Contribution of components to the real GDP growth rate in the CESEE region*



Source: Eurostat.
 * Including Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania, Slovenia and Slovakia.

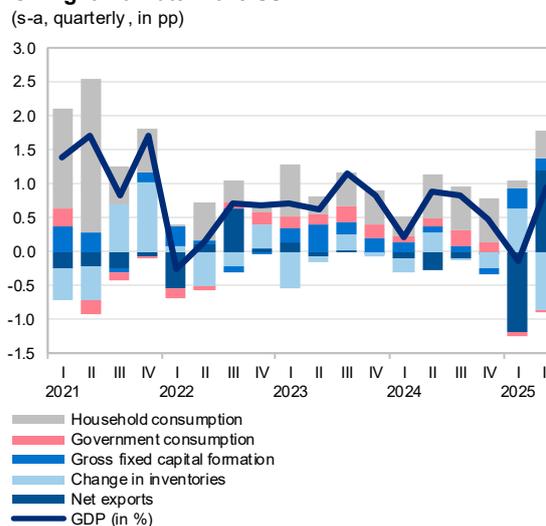
Table V.0.2 Consensus Economics projections of real GDP growth in countries of the region

(in %)

	2025		2026	
	Projection in October	Deviation from July	Projection in October	Deviation from July
Poland	3.3	⇒ 0.0	3.3	⇒ 0.0
Czech Republic	2.2	↑ 0.2	2.1	↑ 0.1
Hungary	0.6	↓ -0.3	2.6	↓ -0.2
Romania	1.0	⇒ 0.0	1.6	↓ -0.5
Slovakia	0.9	↓ -0.4	1.5	↓ -0.4
Slovenia	1.0	↓ -0.4	2.2	⇒ 0.0
Croatia	3.0	↑ 0.2	2.7	↑ 0.1
Bulgaria	3.0	↑ 0.3	2.9	↑ 0.3

Source: Consensus Economics (July and October 2025).

Chart V.0.5 Contribution of components to the real GDP growth rate in the USA



Sources: U.S. BEA and NBS calculation.

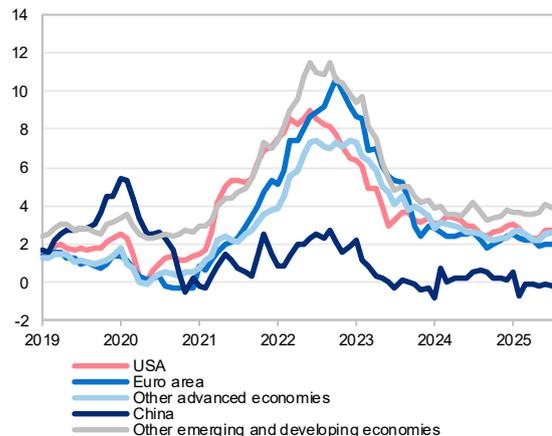
After three consecutive months at the target level, **euro area inflation** rose to 2.2% y-o-y in September, dominantly under the impact of the slower y-o-y fall in energy prices, where the base effect played out. Other CPI components retained almost the same contribution to y-o-y inflation in September as in June, with food inflation – albeit slower – still trending above the headline inflation. In September core inflation measured 2.4% y-o-y, slightly above the June level. Measured as a change in harmonised CPI, **inflation in Germany** picked up to 2.4% y-o-y in September, while in **Italy** it remained at the June level of 1.8% y-o-y. According to Eurostat’s preliminary estimate, y-o-y inflation in October slowed to 2.1% in the euro area, 2.3% in Germany and 1.3% in Italy.

Assuming that energy prices will trend at a higher level than in the June projection and bearing in mind the delayed effects of previous global food price growth, in September the **ECB** slightly revised up its June inflation forecast for the euro area in this and the following year – each by 0.1 pp, to 2.1% in 2025 and 1.7% in 2026. In contrast, the projection for 2027 was trimmed by 0.1 pp to 1.9% amid delayed effects of the euro gaining against the dollar. In September, the ECB did not change its June core inflation forecast for the euro area, keeping it at 2.4% in 2025 and 1.9% in 2026, and stating that wage growth and inflation in the euro area’s services sector are decelerating, while the projection for 2027 was lowered by 0.1 pp to 1.8%. The realisation of this projection is subject to heightened uncertainty, primarily regarding the conduct of trade policies.

In most inflation targeting countries of the **Central and Southeast European region**, y-o-y inflation in September was lower than in June. In the **Czech Republic** it retreated to 2.3% in September due to slower y-o-y growth in the prices of food and the majority of industrial products and services. The same factors also helped slow y-o-y inflation in **Poland** – to 2.9% in September, whereas as of July it returned within the bounds of the target tolerance band. Y-o-y inflation in **Hungary** also slowed in September, to 4.3% (the same as in July and August), thanks to slower y-o-y growth in food and energy prices. In contrast, y-o-y inflation in **Romania** picked up during Q3 under the impact of increased VAT rate and excise tax, measuring 9.9% in September. In October, Consensus Economics raised its July projection of the average annual inflation in 2025 and 2026 for both the Central and Southeast European group of countries, notably due to disruptions in energy supply, financial and trade flows attributable to geopolitical tensions and the reliance of countries on energy import from Russia.

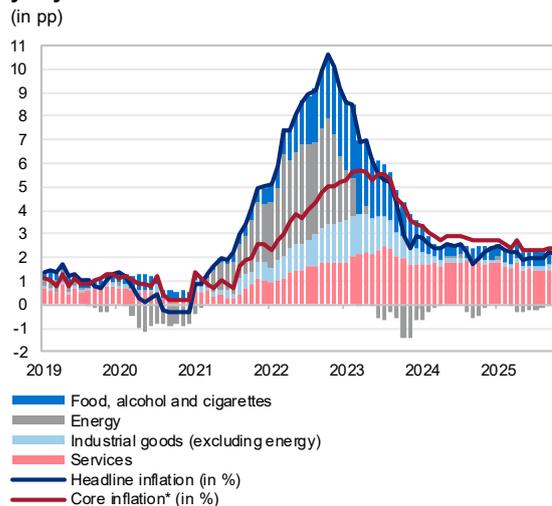
In the **Western Balkan region**, inflation recorded diverging movements across countries during Q3. In **Montenegro** it climbed up, reaching 4.9% y-o-y in September, while in **Bosnia and Herzegovina**, after peaking in July, it slowed by the end of Q3, measuring

Chart V.0.6 Inflation dynamics across countries (in %)



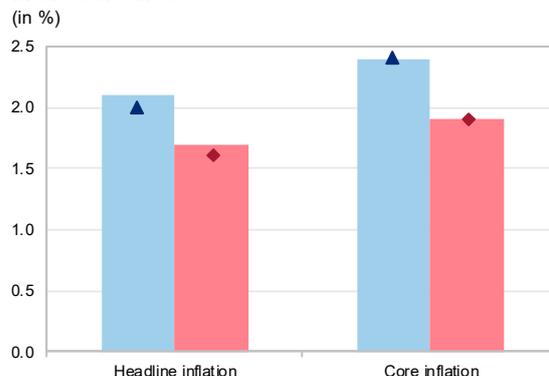
Source: IMF WEO (October 2025).
Note: Data are aggregated on a sample of 57 world economies, making up 78% of global GDP in 2024.

Chart V.0.7 Contributions of HICP components to y-o-y inflation in the euro area (in pp)



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

Chart V.0.8 Projections of headline and core inflation in the euro area (in %)



Source: ECB (June and September 2025).

4.2% y-o-y in September. **North Macedonia** recorded similar inflation dynamic – 4.0% y-o-y in September. Inflation in **Albania** was volatile during Q3, and in September it returned to the June level of 2.4% y-o-y. In October, Consensus Economics revised up the July projections of the average annual inflation for 2025 and 2026 in all countries of the region.

Measured as the change in CPI, **headline inflation in the US** picked up to 3.0% y-o-y in September, its highest level since the start of the year, dominantly under the impact of hikes in industrial product prices, notably used and new vehicles, which dictated the higher core inflation in the US of 3.0% in September. After declining for several months in y-o-y terms, energy prices have been on the rise since August, under the impact of the base effect, with food inflation trending higher in September than in June. Both derived inflation measures monitored by the **Fed** – personal consumption expenditures price index totally and excluding food and energy – increased in September relative to June, each to 2.8% y-o-y. In September, the Fed projected these inflation measures at 3.0% and 3.1% in 2025, the same as in June. Projections for 2026 were lifted by 0.2 pp each, to 2.6% each, under the impact of elevated customs tariffs, noting that risks to the projection still remain skewed to the upside.

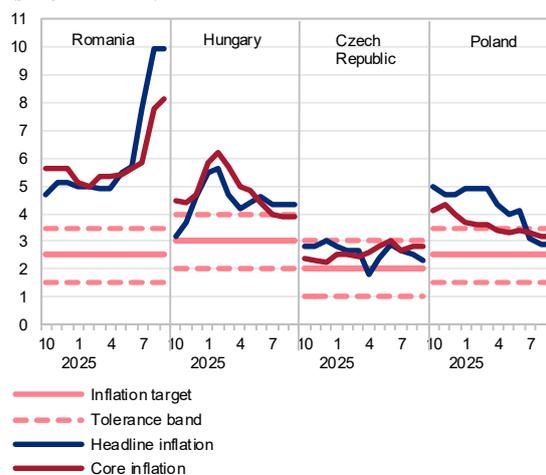
Monetary policy

In the period since the previous *Report*, central banks’ monetary policy decisions still differed depending on the specific factors and the estimates of the effects of uncertain trade policies by leading economies and geopolitical tensions.

Having trimmed the main interest rates in June, the **ECB** kept the rates unchanged in three consecutive meetings (July, September and October), estimating that they are still aligned with the 2% medium-term inflation target, and that the previous cuts continue to decrease the costs of financing companies. The new September inflation projection is similar to the one in June, and as for GDP growth, the projection for this year is better and for the following year slightly poorer. As a principle, the ECB expects inflation to stabilise at around 2%, and the economy to grow to somewhat more than 1% a year. At the same time, uncertainty was still more pronounced than usual due to the still unstable global trade environment. Some members of the ECB Governing Council maintained that inflationary risks are dominantly skewed to the downside, while others saw them as tilted dominantly up. The ECB reiterated that it will not commit to any specific trajectory of the interest rates and will make future interest rate decisions based on incoming economic data and risk assessments.

ECB representatives, notably ECB Chair Christine Lagard, maintained their previous estimate that the ECB is in a “good position,” without an urgent need to adjust interest rates. Although the ECB’s December meeting is

Chart V.0.9 Y-o-y inflation in selected CESEE countries in the previous year (until September 2025)
(y-o-y rates, in %)



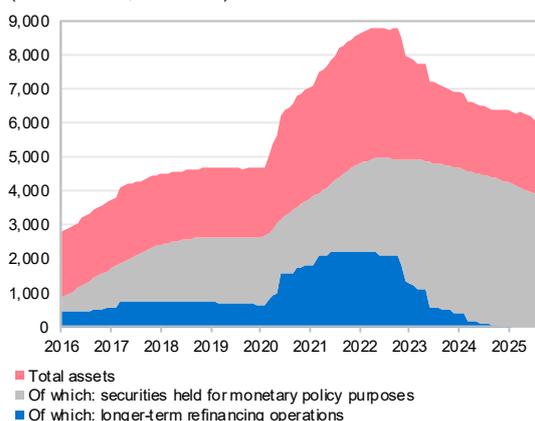
Sources: Central banks of selected countries.

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

	2025		2026	
	October projection	Deviation from July	October projection	Deviation from July
Poland	3.8	0,0	2,9	0,1
Czech Republic	2,5	0,1	2,2	0,1
Hungary	4,6	0,0	3,9	0,1
Romania	7,2	1,3	6,3	1,3
Slovakia	4,1	0,2	3,3	0,3
Slovenia	2,5	0,3	2,2	0,2
Croatia	3,7	0,3	2,9	0,3
Bulgaria	4,3	0,7	3,2	0,5

Source: Consensus Economics (July and October 2025).

Chart V.0.10 Consolidated Eurosystem balance sheet
(end-of-month, in EUR bn)



Source: ECB.

expected to keep interest rates unchanged, the rates could potentially be cut due to possible delayed negative effects from US tariffs, a stronger euro, and delays in German fiscal stimulus. In addition, the ECB’s current inflation projection for 2027 involves an 0.2 pp increase in inflation due to the introduction of the ETS2 (a new pricing system for carbon-dioxide emissions), therefore any postponement of its implementation could lead to lower inflation, which would in turn increase the odds of interest rate cuts.

Unlike the ECB, the **Fed** narrowed its federal funds rate range in September and October by 25 bp each time, to 3.75–4.00%. The Fed opted for monetary policy accommodation primarily due to concerns over slow employment growth, although inflation is somewhat elevated. In the October meeting, it underscored the challenging situation it faces given that risks to inflation are tilted to the upside, and risks to employment to the downside. The Fed’s September projections indicate that the FOMC members’ projection median for end-2025 measured 3.6%, which is 0.3 pp lower than in June. For end-2026 and 2027 the projection median is 3.4% and 3.1%, respectively.

In the period since the previous *Report*, most inflation targeting central banks in the **Central and Southeast European region** continued to pursue a cautious monetary policy. As expected, the **central bank of the Czech Republic** did not change its policy rate, having kept it at 3.5% since May this year. It noted that interior inflationary pressures are currently preventing a further reduction in interest rates. The **Hungarian central bank** also kept its policy rate unchanged at 6.5% since last September. In Hungary, inflation is trending slightly above the target and no policy rate cuts are expected until the end of the year. The **central bank of Romania’s** policy rate has also measured 6.5% since last August. Changes in the policy rate were not expected at present, given that inflation rose to almost 10% as the caps on electricity prices and VAT and excise tax increase were abolished. In contrast, the **central bank of Poland** decreased its policy rate by 25 bp to 4.5% in October, thus making a third consecutive cut. Inflation moving within the bounds of the target tolerance band and slower wage growth created room for monetary policy accommodation.

Financial and commodity markets

Yields on ten-year government bonds of advanced European countries edged up during Q3, on average by around 9 bp. Such movements are attributable to an increase in fiscal consumption in Germany, as well as to the ECB keeping its key interest rates unchanged, and expectations that the ECB’s cycle of monetary policy accommodation is near completion. In contrast, **yields on ten-year US Treasuries** receded slightly in Q3, by 8 bp, in response to the US economy’s weaker macroeconomic data, particularly data from the labour market and on

Chart V.0.11 Deposit facility rate and inflation in the euro area

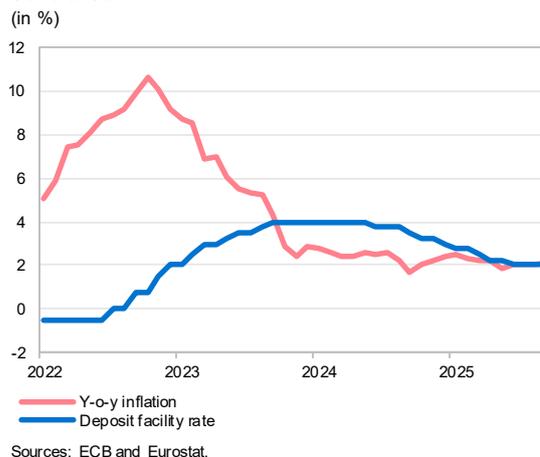


Chart V.0.12 Fed’s total assets
(monthly average, in USD bn)

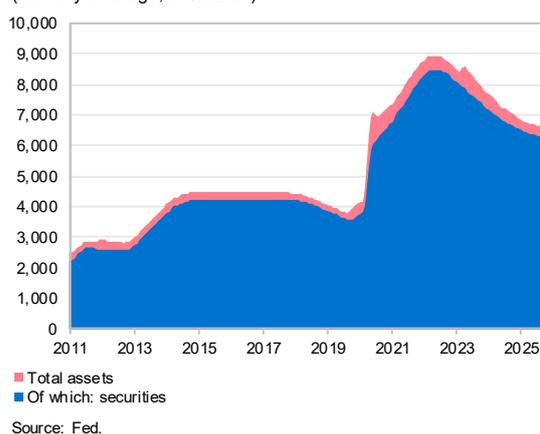
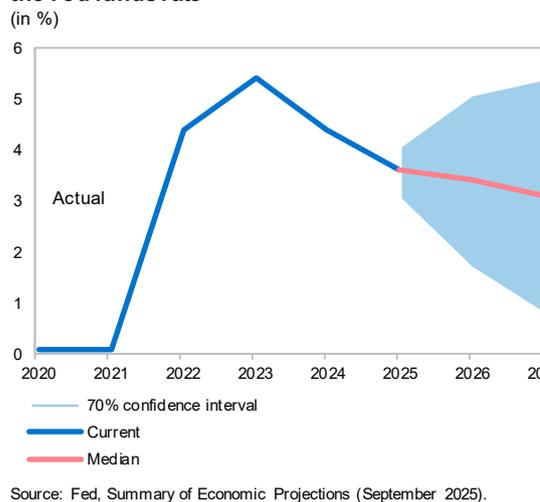


Chart V.0.13 Uncertainty and risks to the projection of the Fed funds rate



household consumption. These developments are accompanied by expectations that the Fed will continue trimming interest rates, which indeed occurred in September. Differences in expectations in terms of future monetary policy conduct by the Fed and the ECB were mirrored by the **euro's** mild strengthening **against the dollar** during Q3.

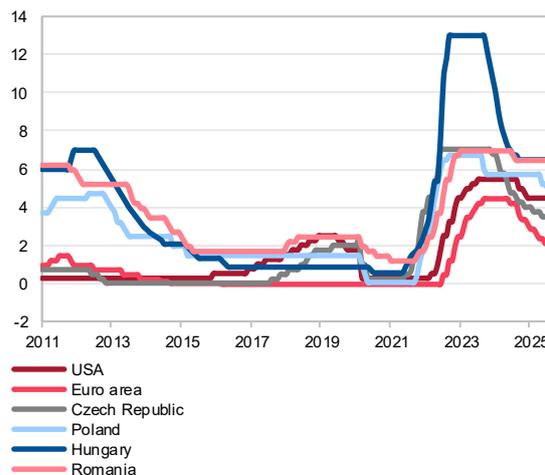
In Q3, uncertainty in financial markets, measured by the **implicit measure of financial market volatility (VIX)**, did not record any major oscillations. On the other hand, the Trade Policy Uncertainty Index (TPU)¹² recorded temporary growth, but ended the quarter at a similar level as at end-Q2.

With permanent uncertainty pervading the global ambience, **the global price of gold** continued up in Q3, maintaining the upward trend in October when it reached its historical maximum (having exceeded USD 4,300 per fine ounce). Apart from global uncertainty, depreciation of the US dollar in the prior period is another factor driving the price of gold up by as much as 52% in the first ten months of the year.

The global Brent oil price trended dominantly down during Q3, primarily amid concerns over excessive global supply in view of the decisions of OPEC+ countries to increase production, and expectations of slower growth in oil demand going forward, with aggravated geopolitical tensions reflecting on occasional deviations. On average, the price of oil in Q3 measured around USD 69 per barrel, while in October it contracted to around USD 65 per barrel on average, i.e. 14.6% lower than in the same period a year ago. According to estimates of relevant institutions, it will stay on the downward path in the coming period as well, notably because of excess supply in the market. The US Energy Information Administration expects the oil price to measure around USD 59 and USD 53 at end-2025 and end-2026 respectively, while Consensus Economics expects the price to equal USD 64 per barrel at end-2025 and to move at a similar level throughout the following year. According to our projection, which is based on market futures, the oil price will equal around USD 64 per barrel and end-2025, trending at a similar level during 2026 as well.

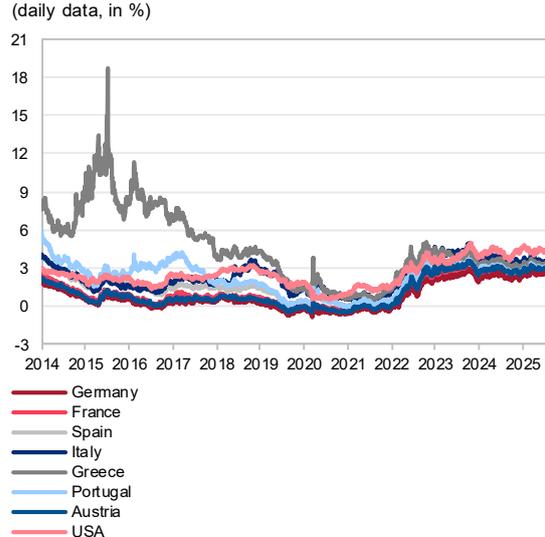
As is usual for the season, due to subdued demand over the summer months, **the benchmark price of natural gas for Europe (Dutch TTF hub)** trended dominantly down during Q3, averaging around EUR 33 per MWh (equivalent to around USD 410 per 1,000 m³),¹³ which is 7.6% lower than in the same period a year earlier. Despite stepped-up demand, in October the price of gas continued to move at around EUR 32 per MWh, primarily due to

Chart V.0.14 Policy rates across selected countries (p.a., in %)



Sources: Central banks of selected countries.

Chart V.0.15 Yields on ten-year bonds of euro area countries (daily data, in %)



Source: Bloomberg.

¹² 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.

¹³ The price expressed in dollars per 1,000 cubic metres of gas was calculated based on the production price of gas expressed in MWh, the EUR/USD exchange rate and an appropriate coefficient (10.55 MWh = 1,000 m³).

the high filling levels of EU storage facilities. Going forward, gas price movements will be mostly under the impact of seasonal oscillations. According to market futures, at end-2025 the price will be 28.4% lower than a year ago, while in December 2026 it will be 2.0% lower in y-o-y terms. Consensus Economics expects the price of gas to be lower by 22.9% y-o-y at end-2025, and by 7.8% at end-2026.

The benchmark price of electricity for Europe (German stock exchange) moved dominantly up during Q3 and in October, under the impact of increased demand amid higher temperatures in early July, as well as contracted output from renewable sources. In August, the power price fell due to lower demand and decreased prices of natural gas. The price of electricity in the German stock exchange in October trended at around EUR 98 per MWh on average, which is 7.7% higher than in the same period a year ago. The price of electricity in the Hungarian stock exchange had a similar trajectory, though at a somewhat higher level, therefore in October it averaged around EUR 123 per MWh. According to market futures, the price of electricity in the German stock exchange will trend at a similar level until end-2027, with some seasonal oscillations.

After an increase in July, due to the effect of caps on excessive production in some mines in China, the **thermal coal price** trended down until end-Q3 amid stepped-up supply from Australia and subdued global demand. The thermal coal price went back up again in October, notably due to increased demand, averaging around USD 108 per tonne. Even so, it was 1.4% below end-Q2 figures. Going forward, Consensus Economics does not anticipate significant changes in the price of coal, which should remain stable at around USD 110 per tonne until end-2026.

After trending dominantly up since the start of the year, propped by strong demand and limited offer from key exporter countries, **global mineral fertilizer prices** edged down moderately in September. Even so, they were 4.5% higher than in June and by more than 25.9% higher in y-o-y terms.

The global prices of most metals and minerals trended up in Q3 and in October, dominantly reflecting elevated uncertainty surrounding the customs policy of the US and their key partners. Consensus Economics expects metals prices to continue up until the end of the year, thereafter taking a downward turn, with the index of global prices of basic metals¹⁴ 7.0% higher at end-2025 relative to end-2024, and 3.6% lower in December 2026 than at end-2025.

Chart V.0.16 Exchange rates of selected national currencies against the dollar*
(daily data, 31 December 2013 = 100)

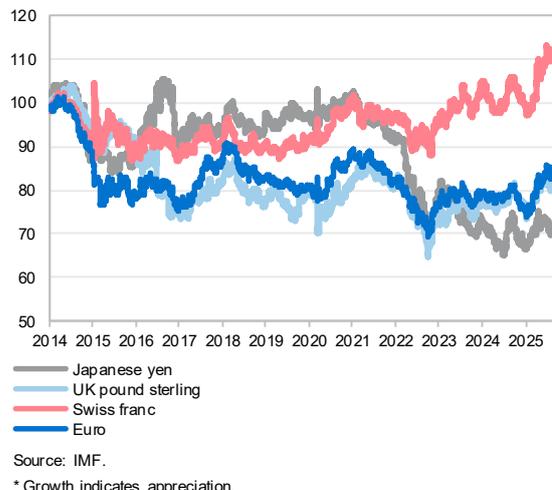


Chart V.0.17 Measures of volatility and uncertainty in the international financial market*

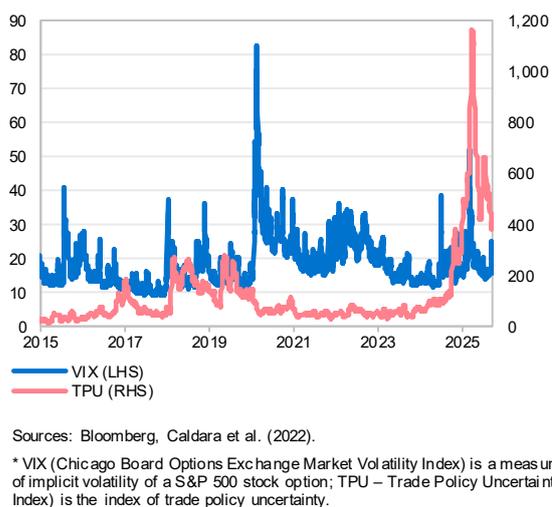


Chart V.0.18 Assumption for Brent oil prices (USD/barrel)



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%).

The global food prices, measured by the FAO index, rose slightly in Q3, and were 0.5% higher in September than in June, while in y-o-y terms they went up 3.4%. Meat prices rose during Q3 (1.5%), reaching their highest level on record in September, as did plant oil prices (7.8%). In contrast, Q3 saw a decrease in the prices of dairy products (4.7%), sugar (4.0%) and cereals (2.1%). In October, the prices of almost all food categories retreated, except plant oils, with the FAO index 1.6% lower than in September and 0.3% lower relative to the same period last year. In addition, after decreasing in July, **world coffee prices** trended up until the end of Q3 and in October. The composite indicator price of coffee, published by the International Coffee Organisation, was 22.5% higher at end-October than at end-June. Conversely, the **global price of cocoa** moved dominantly down until end-October, having dropped to around USD 6,090 per tonne which is 27.3% lower than at end-June.

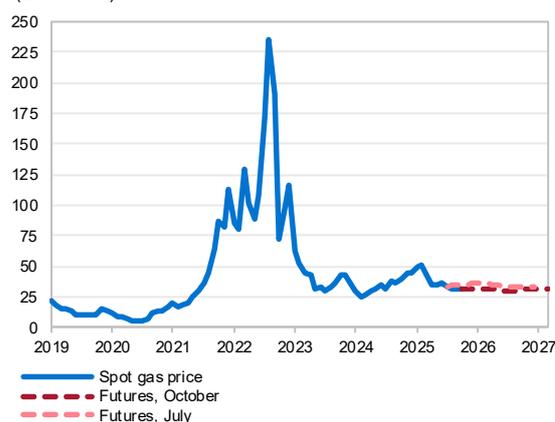
Global prices of primary agricultural commodities (wheat, corn and soybean) trended dominantly down in Q3 and in October, under the impact of the record high corn yield in the US, the dollar weakening vis-à-vis the euro and high inventories of wheat. According to our projection, based on market futures, the prices of primary agricultural commodities will continue to retreat slightly in the coming period, therefore at end-2025 they should be 1.9% lower than at end-2024, only to perk up in 2026 and stand 6.0% higher than at end-2025.

Internal assumptions

Pending publication of final data in March next year, and based on the SORS data on anticipated yields of autumn crops as at 5 September, our new projection assumes that this year's **domestic agricultural season** will be below the multiyear average, the same or slightly worse than last year's, due to extremely bad weather conditions. Wheat and sunflower production was better than last year, while the production of corn, as well as of sugar beet and soybean, fell short of expectations. The production of almost all sorts of fruits was much lower than last year. The production and supply of fruits and vegetables are important for inflation, and cereal yields – for GDP. Our new projection assumes that the next agricultural season will be better than this year's, as the last two seasons were below average. Equipment modernisation and broader application of agrotechnical measures, helped by higher government subsidies to agriculture, will support agricultural production growth in the coming years. Climate factors will, however, continue to have a major impact on agriculture, especially since in recent years summers have often been marked by extremely high air temperatures and periods of drought.

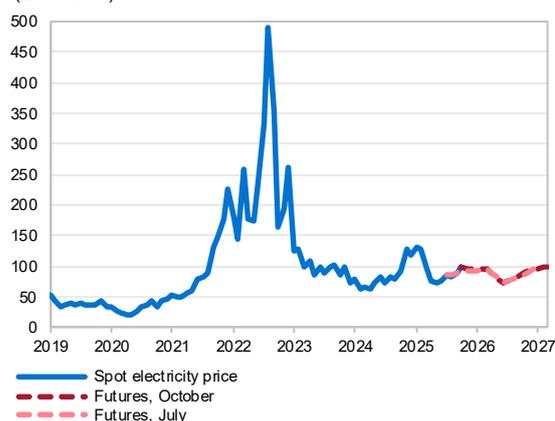
After rising by 4.2% in 2024, **administered prices** are estimated to **increase** by 6.3% this year, mainly on account of the rise in the prices of utilities, electricity and

Chart V.0.19 European price of natural gas (EUR/MWh)



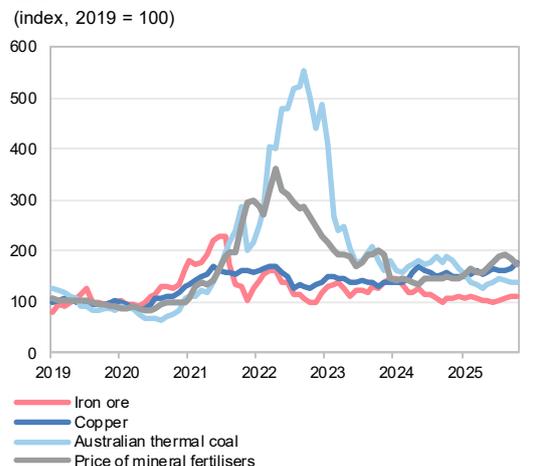
Source: Refinitiv.

Chart V.0.20 European price of electricity (EUR/MWh)



Source: Refinitiv.

Chart V.0.21 Selected commodity prices in the global market (index, 2019 = 100)



Source: Commodity Prices, World Bank.

cigarettes. We have assumed similar administered price growth of around 5% in the next two years.

As for the factors influencing **domestic consumption**, we expect **wages** to remain a key source of consumer demand, mainly reflecting further wage growth in the public and private sector, rising employment, and the increase in the minimum labour cost by 9.4% in October this year and 10% in January next year. The increase in the minimum labour cost is expected to produce some wage-growth pressures in the coming period. As inflationary pressures recede gradually, real wage growth should slow during the projection horizon, approaching productivity growth. Specifically, we assume that average real wage growth will measure around 7% this year and the next, compared to 9% last year, and be slightly lower thereafter.

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**, expected to be at a similar level as last year. The rise in income disposable for consumption is also supported by double-digit **lending activity growth**, reflecting the easing of credit standards and lower interest rates on both dinar and euro-denominated loans thanks to the NBS and ECB’s monetary policy accommodation. Also, we expect measures adopted to facilitate borrowing by lower-income individuals and pensioners at more favourable rates to additionally spur lending to households.

With regard to the **US sanctions on the domestic oil refinery**, imposed because of its majority Russian ownership on 8 October this year after several postponements, in our baseline scenario for inflation and GDP projection we have assumed that the final agreement will be reached shortly, and that there will be no major disruptions to the production and regular supply of petroleum products to the market. We have based this assumption on the fact that efforts are made to find the modality to overcome the crisis and mitigate the consequences of the sanctions. 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 the 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.

Fiscal trends in the first nine months of 2025 were characterised by a government deficit of RSD 62.3 bn (0.8% of GDP), while the primary balance surplus was RSD 63.6 bn (0.8% of GDP). **Fiscal revenue** gained 2.0% y-o-y in real terms, guided by higher personal income tax amid continued real wage growth. Though real disposable income went up, household private

Chart V.0.22 **World Food Price Index**
(in nominal terms, 2014–2016 = 100)

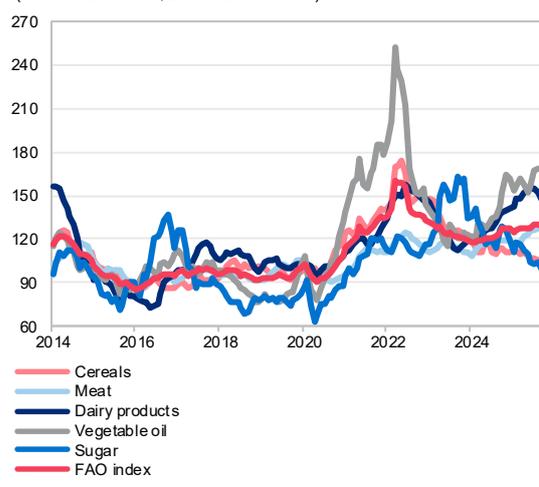


Chart V.0.23 **Coffee and cocoa prices in the global market**
(index, 2019 = 100)

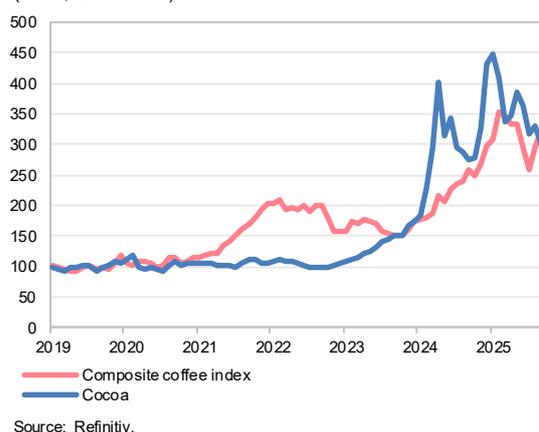
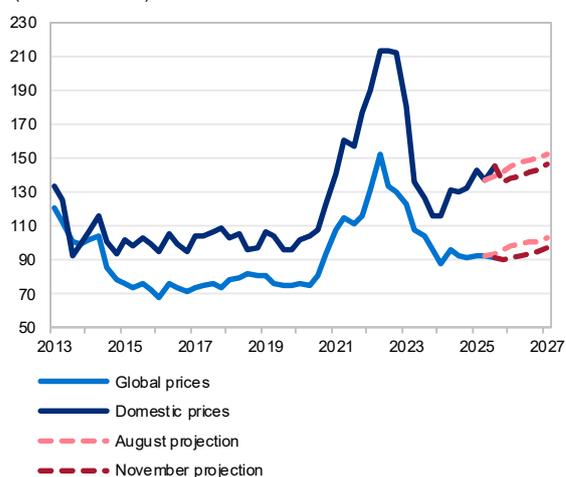


Chart V.0.24 **Assumption for prices of primary agricultural commodities***
(Q4 2013 = 100)



consumption growth was more moderate, resulting in a neutral contribution of VAT revenue. The contribution of profit tax revenue was negative (-0.9 pp) as 2024 saw lower corporate profitability than the year before, though it remained high, at RSD 866 bn, according to data of the Business Registers Agency. **Fiscal expenditure** rose 5.2% in real terms, mostly driven by higher pensions and public sector wages, as well as outlays for goods and services.

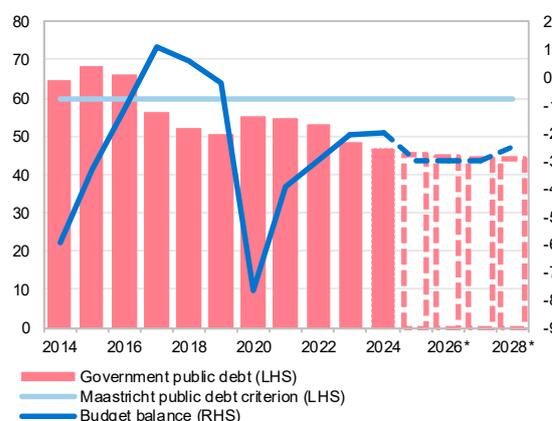
The medium-term fiscal framework set out in the Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028 does not depart much from the previous plan. The fiscal policy stance in 2027 and 2028 remains moderately expansionary, propped up by further investment in infrastructure as part of the “Leap into the Future – Serbia Expo 2027” programme. The planned deficit level stayed unchanged, at 3% of GDP for this and the next two years. After this period, it will gradually align with the fiscal rule, to be applied as of 2029. The revision, however, increased the respective shares of public revenue and expenditure in GDP slightly, by 0.3 pp each, consistent with the fiscal result so far in the year and the downward revision of GDP. Within public revenue, the estimate of personal income tax revenue went up due to favourable labour market trends, while the estimate of VAT revenue decreased on account of a more moderate household private consumption despite higher disposable income. The estimate of public expenditure was revised up to include the *ad hoc* wage increase in October, though outlays for the purchase of goods and services and capital expenditure declined. The share of capital expenditure will measure around 7% of GDP, and decrease gradually thereafter, though it will stay at a relatively high level. The share of **government public debt in GDP** has been planned at around 45% in 2025. Given the planned fiscal dynamics, the share of the debt is expected to subside to 44.1% of GDP by end-2028.

GDP projection

Economic flows in the year so far received headwinds from lingering global uncertainty, strengthening of protectionist policies and trade barriers, and social and political tensions in the country, all of which dented investor and consumer confidence. Given the economic outturns at home in H1, and the absence of the anticipated growth acceleration in Q3, **our new GDP projection for this year is lower than in August, measuring 2.1%**. As the spillover effect from this year will be lower as well, our new GDP projection for 2026 is 3.5%. We expect growth to accelerate to around 5% in 2027 due to the hosting of “Expo”.

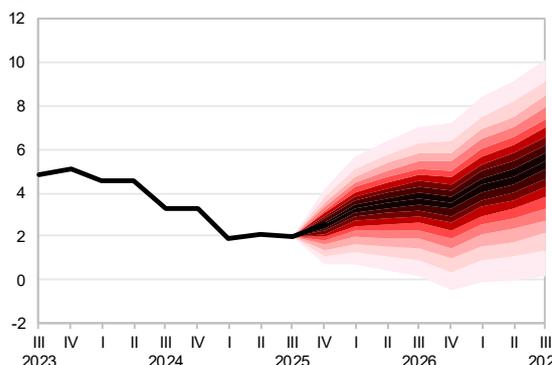
Domestic demand will continue to be the main driver of economic activity growth. Its contribution to GDP in 2025 and 2026 has been revised down from the previous projection, mostly due to subdued investment activity, and revised up for 2027. Within domestic demand, the

Chart V.0.25 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.

Chart V.0.26 GDP growth projection (y-o-y rates, in %)



Source: NBS.

strongest positive impulse is expected to come from household consumption. After providing a negative contribution in 2025, gross fixed investment, especially private investment, will provide an impulse to growth in the next two years. We expect real imports to rise faster than exports in this year and the next, due to higher personal consumption and corporate demand for imported goods, as well as to the still subdued external demand. 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 rise in exports, especially of tourism and business services, on account of the opening of the “Expo” exhibition.

In terms of individual components, under the November projection the strongest positive impulse of 2.1 pp is expected to come from **private consumption**, which makes up the most of GDP. Its contribution will rise gradually in the next two years to 2.7 pp in 2026 and 3.2 pp in 2027. 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 the monetary policy easing by the NBS and the ECB so far. Also, the NBS’s measures have facilitated more favourable terms of borrowing for lower-income employed persons and pensioners, which will additionally spur growth in household disposable income.

Under the November projection as well, **government consumption** will continue to provide a positive contribution of 0.5 pp to GDP growth this year. Its contribution will be the same in 2026 and dip to 0.3 pp in 2027. The projection of government consumption growth takes into account the planned wage expenditure and rising outlays for goods and services for the purpose of implementing the “Expo” programme.

Investment activity slowed in 2025 due in particular to the joint effect of external and internal factors. **Private investment** declined slightly in the current year, providing a negative contribution of 0.6 pp to GDP growth. We nevertheless expect the contribution of private investment to GDP growth to be positive in the next two years – around 1.3 pp on average – as a result of preserved corporate profitability from prior 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.0.27 Real growth in GDP and its components, expenditure side

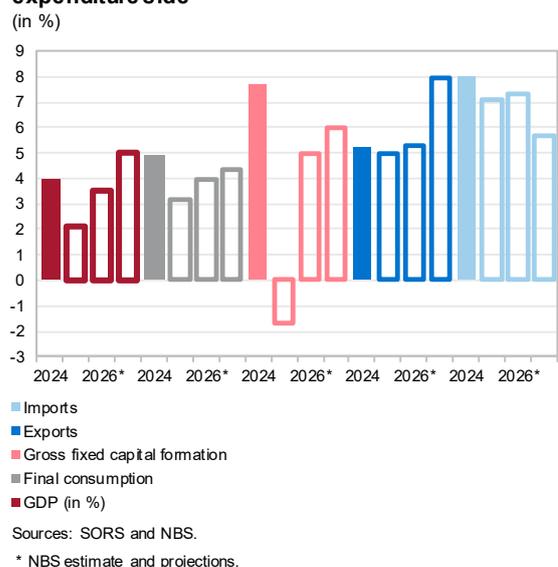


Chart V.0.28 Contributions to real GDP growth

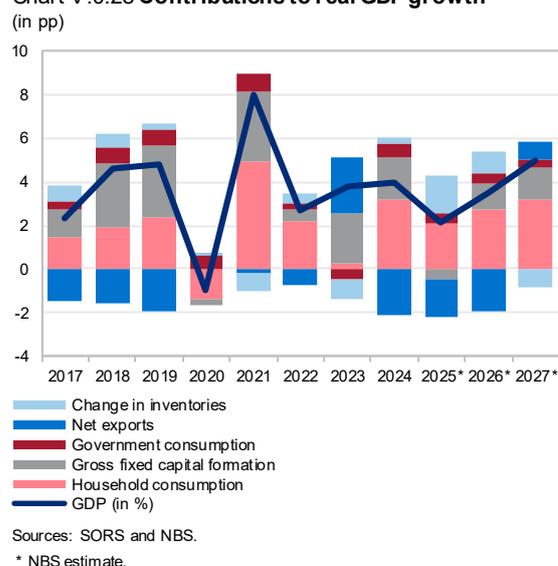
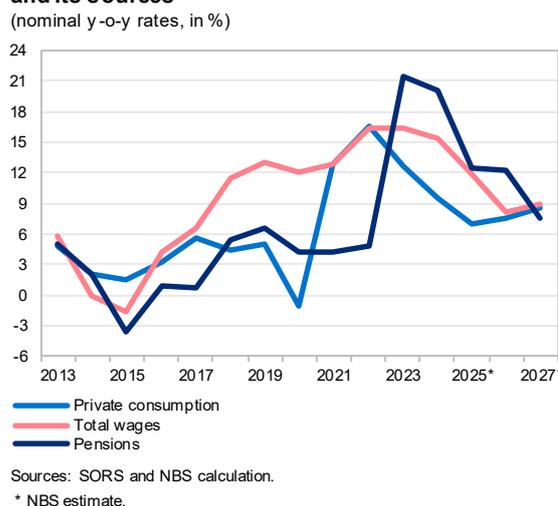


Chart V.0.29 Rate of growth in private consumption and its sources



Taking into account the planned government capital expenditure defined by the Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028, our new GDP projection assumes a reduced contribution of **government investment** to economic activity growth in the current and the next two years. A mild positive contribution of 0.1 pp is expected in 2025, while the contribution in next two years should be neutral.

The November projection also assumes a further rise in **inventories** in 2025 and 2026, given the still relatively low external demand and the need to ensure energy security.

A positive contribution to GDP growth this year is also expected to come from **exports of goods and services**, 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. Further export growth is expected in the next two years, supported by the effects of past investment in export-oriented sectors and the hosting of “Expo”, which is why we project exports to accelerate gradually to 8% in 2027. A significant impulse to this will also come from positive trends in foreign trade in services which we expect to continue in 2025 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 2025 and 2026. This will result in a negative contribution of **net exports** in this year and the next (around 1.8 pp on average). This contribution is expected to turn positive in 2027 (0.8 pp), aided, among other things, by a large number of visitors to “Expo” (according to our current estimate, around 3 million

Chart V.0.30 Fixed investment

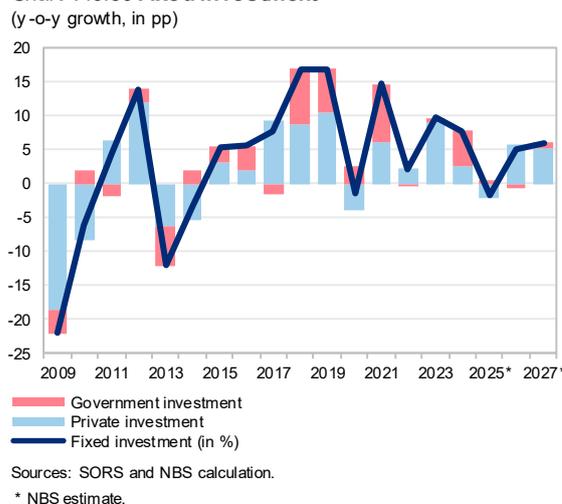


Chart V.0.31 Real export and import growth

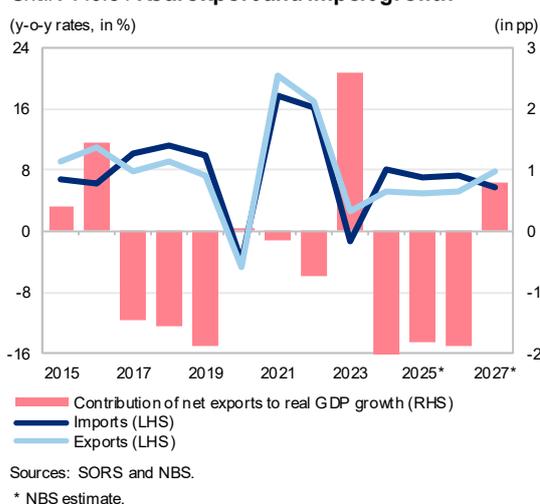


Table V.0.4 Planned capital projects within the "Leap into the Future – Serbia Expo 2027" programme (in EUR mn)

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 hydropower; 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.

foreign tourists will visit our country during the three months of the exhibition).

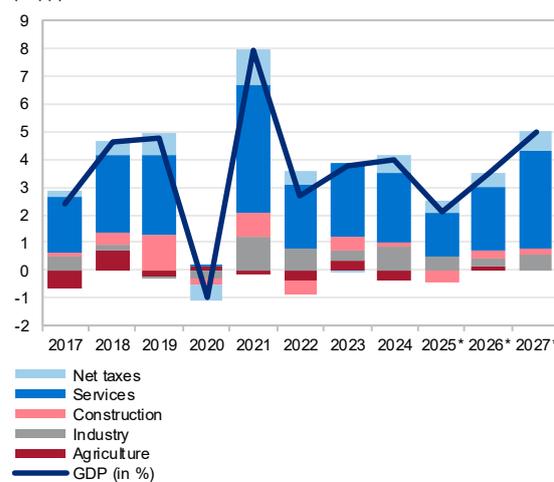
On the production side, like the previous one, the November projection assumes that GDP growth in 2025 and beyond will continue to be guided by the **service sectors**, though to a smaller extent than we expected in August. Their contribution to overall economic activity growth will rise from 1.6 pp in 2025 to 3.5 pp in 2027. This will be aided by private consumption growth, supported by positive trends in the labour market, growth in disposable income and favourable lending conditions. The expected arrival of numerous visitors to “Expo” will also positively affect activity growth in the service sectors. 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, though at a lower level than in the previous projection. Their combined contribution to GDP growth will be 0.1 pp in 2025, 0.7 pp in 2026, and 0.8 pp in 2027. Revisions in this part of the projection take into account the sanctions imposed on the domestic petroleum industry in early October due to its majority Russian ownership. Despite this, we assume that an adequate solution will be found shortly to ensure smooth continuation of production and exports of petroleum 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 to 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). The contribution of **energy** is expected to be mildly positive as of the next year, 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 around 8% this year, **construction** is expected to provide a positive contribution (0.2 pp in the next two years), though it will be slightly lower than in the previous projection. This will be 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” project.

As regards **agriculture**, according to our estimate and taking into account the SORS data available so far, which indicate that the production of most autumn crops, particularly of corn, is lower compared to last year and to our previous assessment, we expect agricultural production to stagnate in 2025 or to decline slightly from

Chart V.0.32 Contributions to real GDP growth, production side

(in pp)

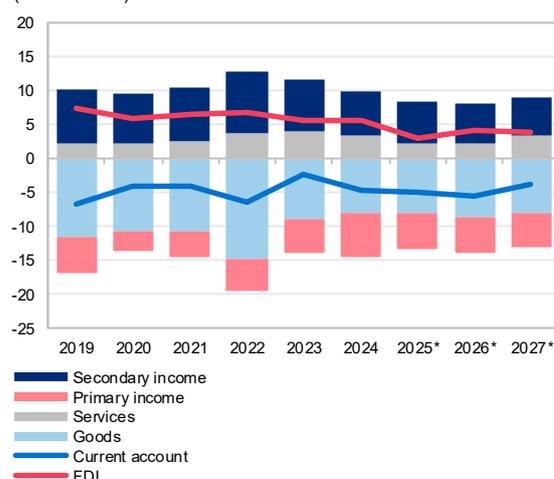


Sources: SORS and NBS.

* NBS estimate.

Chart V.0.33 Current account and FDI projection

(in % of GDP)



Source: NBS.

* NBS projection.

2024. As a result of the below-average agricultural season due to adverse weather conditions (frost in spring, high temperatures in June with low precipitation), the contribution to GDP growth was 0.1 pp lower compared to the August projection. Equipment modernisation and broader application of agrotechnical measures, helped by higher government subsidies to agriculture, will support agricultural production growth in the coming years. The effects on agriculture will, however, continue to depend greatly on climate factors, especially since in recent years summers have often been marked by low precipitation and air temperatures exceeding multiyear averages. Taking this into account and assuming that the next season will be at the level of the five-year average, which takes into account the negative effects of climate factors on agricultural production in the prior years and the drought during this and last year, we expect the contribution of agriculture to be mildly positive in 2026.

Projection of Serbia's external position

Taking into account the better-than-anticipated outturns in the year so far, our new projection of the **current account deficit** in 2025 has been revised to EUR 4.4 bn or around 5.0% of GDP, close to the average equilibrium rate. Our projection takes into account the expected acceleration of 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 in external demand. At the same time, we expect imports of goods and services to continue up, chiefly reflecting higher imports of equipment and intermediate goods for the purpose of investment cycle continuation, and rising imports of consumer goods and tourism services propped up by increased disposable income of households. This will result in a slightly higher current account deficit of around 5.6% of GDP in 2026. In 2027, the year of hosting "Expo", the current account deficit is expected to subside to around 4% of GDP, also reflecting a rise in the exports of tourism services.

As for other current account components, the projection assumes that the secondary income surplus will be around 6% of GDP, entirely offsetting the deficit in income from factors of production (primarily income from FDI and labour) estimated at around 5.5% of GDP in 2025 and falling gradually to 5.3% in 2026 and 4.9% 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

Under our November central projection, we expect **y-o-y inflation until the end of this and early next year to be at a similar level as in September – around target midpoint**. This will be supported primarily by the Decree capping wholesale and retail margins at 20%. **Y-o-y**

inflation should thereafter continue to move within the target band ($3 \pm 1.5\%$) until end-2026 and in the medium term, but the low base from September this year will result in late-2026 inflation of around 4.0%. Such inflation trajectory will be propped up by the effects of the Decree, but also by the further easing of cost-push pressures from the international environment and the dollar’s weakening against the euro. Also, the onset of a new agricultural season, assuming it is better than this year’s, ought to result in lower prices of fruit and vegetables, while the rise in income disposable for consumption should work in the opposite direction, though we expect no major inflationary pressures on these grounds either as wage growth will mostly go hand in hand with productivity growth. In 2027, we expect demand to rise further due to the hosting of “Expo”, and we therefore project average inflation at around 4%.

Compared to the previous projection from August, our new inflation projection has a different trajectory, primarily because of the implementation of the **Decree on Special Conditions for Trade in Certain Goods** which capped trade margins on foodstuffs and some household chemicals at 20% over a six-month period, starting from September. As a result of the Decree, y-o-y inflation slowed notably in September – to close to the target midpoint of 3% and, according to the projection, will continue its relatively stable movement at a similar or even lower level until the end of 2025 and early 2026. When the Decree expires in March 2026, inflation will accelerate slightly in Q2, but margins are not expected to return to their pre-Decree levels, which should be ensured by systemic laws. Inflation will then measure close to 4% in late 2026, largely reflecting the low base from this year due to the coming into effect of the Decree in September.

In our assessment, **the monetary policy stance remains restrictive**, even if the degree of its restrictiveness has diminished over the past year as the NBS trimmed its key policy rate by a total of 75 bp in the June–September 2024 period. The degree of restrictiveness stayed almost unchanged from a quarter before, as indicated by the **one-week BELIBOR which measured 1.0% in real terms in Q3 2025**.

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 the NBS target tolerance band since the start of last year, 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.

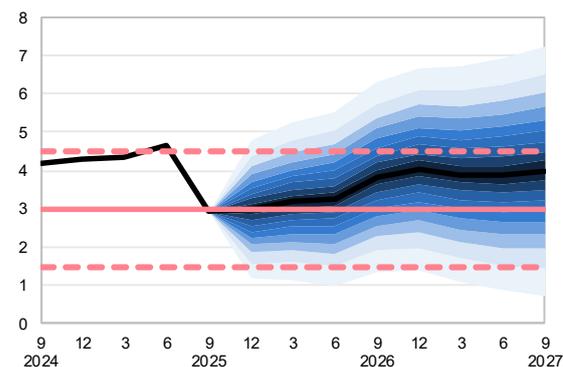
As in the previous projections, sustained decrease in **imported inflation** remains one of the key assumptions

Table V.0.5 Key projection assumptions

External assumptions	2025		2026		2027	
	Aug	Nov	Aug	Nov	Aug	Nov
Euro area GDP growth	1.1%	1.2%	1.1%	1.0%	1.3%	1.3%
Euro area inflation (average)	2.0%	2.1%	1.8%	1.9%	1.9%	1.9%
3M EURIBOR (December)	1.8%	2.0%	1.9%	1.9%	2.2%	2.1%
International prices of primary agricult. commodities (Q4 to Q4)*	4.4%	-1.9%	5.9%	6.0%	-0.3%	2.7%
Brent oil price per barrel (end of year, USD)	68	64	67	63	67	64
Internal assumptions						
Administered prices (Dec. to Dec.)	5.8%	6.3%	5.3%	5.4%	5.0%	5.0%

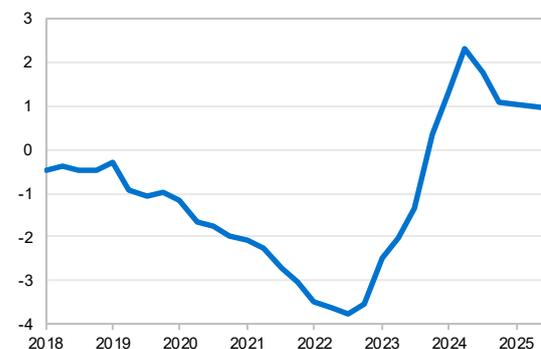
* Composite index of soybean, wheat and corn prices.
Sources: ECB, Consensus Economics, Euronext, CBOT, Bloomberg and NBS.

Chart V.0.34 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%.

Chart V.0.35 Real interest rate (in %)



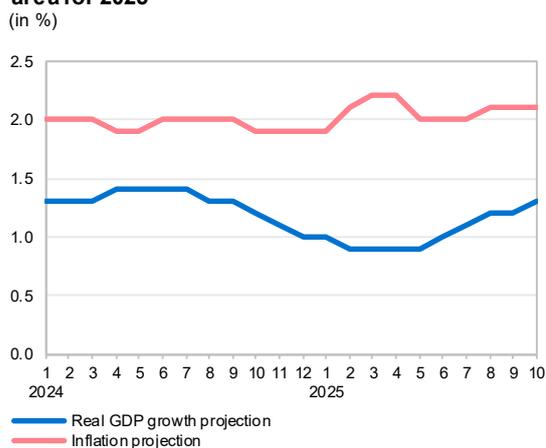
Source: NBS.
Note: The real interest rate is obtained as the difference between 1W BELIBOR and one-year ahead inflation expectations of the financial sector, according to the Bloomberg survey.

underpinning the anticipated downward inflation trajectory in Serbia. The decline in inflation globally and in the euro area, which is particularly important for Serbia given the volume of foreign trade, will be guided by the fall in core inflation (as consumer demand growth slackens amid the anticipated wage growth slowdown), though core inflation will remain higher than headline in most countries.

When it comes to **aggregate demand**, we estimate that the **output gap** will be negative in Q3 and Q4 2025, but that it will subside to neutral in H1 2026 and be mildly positive thereafter until the end of the projection horizon. A positive contribution to the output gap estimate comes from the rise in real wages throughout the projection horizon and from the fiscal impulse, while the monetary conditions index and subdued external demand are working 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. As a result of the increase in the minimum labour cost in Q4 2025 and Q1 2026, real wages will rise faster than their long-term trend and the positive gap will widen. As pressures on further wage growth recede, however, **real wage growth ought to slacken to productivity growth level during the projection horizon**. Also, the terms of borrowing are more favourable than last year, which ought to lead to further growth in lending. This growth will also be propped up by measures supporting borrowing at lower interest rates by lower-income individuals and pensioners, and more favourable borrowing by young people for first-time home purchases. When it comes to **external demand**, global growth projections are somewhat better than three months ago, though they are still lower than before the change in trade policies. We expect external demand to remain quite weak in the short term, as the global economy adjusts to the new tariff system. Fiscal stimuli coupled with the effects of past monetary policy easing by the ECB give ground for expectation that economic activity could pick up in the euro area in the period ahead.

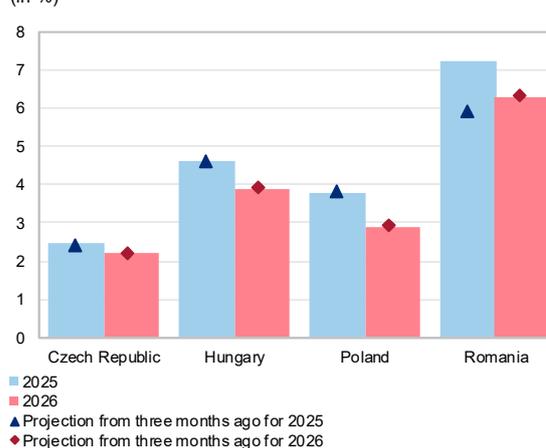
Observed by individual components, we expect the contribution of **food prices (excluding fruit and vegetables)** to y-o-y inflation, which slumped in September due to the implementation of the Decree, to rise gradually over the projection horizon from 0.4 pp at end-2025 to 1.0 pp at the end of the projection horizon, due to the low-base effect for food prices during the validity of the Decree. 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 the costs of inputs in food production (excluding fruit and vegetables) from Q4 this year to be close to their neutral level, and slightly below it as of H1 next year, so

Chart V.0.36 **GDP and inflation projections of the euro area for 2025**



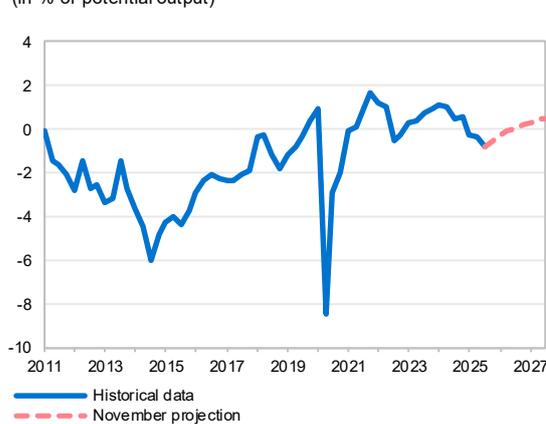
Source: Consensus Economics.

Chart V.0.37 **Projection of consumer price growth**



Source: Consensus Economics.

Chart V.0.38 **Output gap projection***



Sources: SORS and NBS.

* Output gap is estimated on the basis of GDP.

we expect disinflationary effects on retail food prices on these grounds.

Though **fruit and vegetable** prices surged in the preceding period due to adverse weather conditions, we assume they will return to their long-term trend already in Q4 this year. Because of the high base from most of this year and assuming next year’s agricultural season is better than this year’s, their contribution to y-o-y inflation is expected to be mildly negative for most of 2026 and around neutral thereafter.

The contribution of prices of **non-food products and services** to inflation is expected to stay relatively stable throughout the projection horizon, at around 1.7 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 on the prices of a number of imported products. Furthermore, trade tensions have eased, as have fears of global supply bottlenecks, so the index of pressures in global supply chains has been around zero and the indicators of costs of international container transport have been low. Euro area inflation is projected at slightly below the 2% target during the projection horizon.

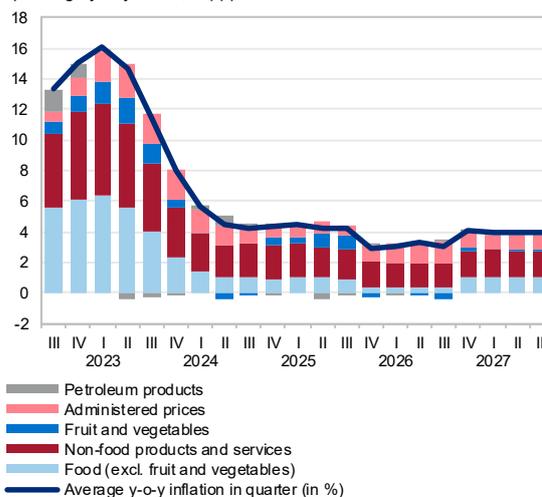
In our new projection, we expect the contribution of **petroleum product prices to y-o-y inflation** to be around zero (from -0.1 pp to 0.2 pp), slightly lower than in the previous projection, and to level off at 0.2 pp until the end of the projection horizon. Namely, we have assumed a somewhat lower global price of oil according to global stock exchange futures. We have also assumed that a solution will be found 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 6.3% this year (5.8% in the previous projection), while our projections for 2026 and 2027 stayed almost unchanged (5.4% and 5.0%). This will result in a roughly 1.1 pp contribution of administered prices to y-o-y inflation late this year, and a similar contribution in late 2026.

Risks to the projection

The risks to our new inflation and GDP projection continue to be associated with rising protectionism, higher tariffs and uncertain trade policies globally, though they were somewhat mitigated by the deals reached among leading world economies. Geopolitical tensions remain pronounced and largely determine movements in global energy prices. Geopolitical tensions and mounting protectionism could negatively affect the domestic manufacturing industry’s output and exports, particularly the production of oil and base metals. Global prices of primary agricultural commodities and other

Chart V.0.39 Contributions to y-o-y inflation by component (average y-o-y rates, in pp)



Source: NBS.

Chart V.0.40 Real marginal costs gap in food production (% deviation from trend)



Source: NBS.

Chart V.0.41 Global supply-chain pressures (index, in standard deviations)



Source: Federal Reserve Bank of New York.

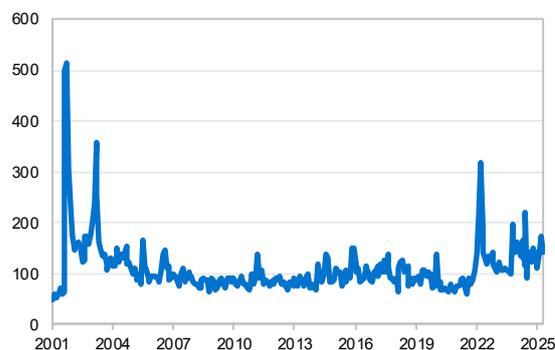
inputs in food production also depend on the character of the global agricultural season. **At home**, the risks are associated with the speed of domestic demand growth and the character of the next year’s agricultural season.

Global trade tensions still pose a risk to our inflation and GDP projection. Higher tariffs could produce heftier-than-expected consequences for the global economy in the short run, causing global supply bottlenecks. In the medium term, the effects of uncertain future trade policies of leading economies on investment and consumer confidence could be stronger than anticipated. Though the overall effective tariff rate seems to have settled at 16–18% according to Fitch Ratings, it is unclear to what extent these risks might reflect on higher prices and economic slackening at home. By contrast, the global economy has so far demonstrated substantial resilience to shocks, leading analysts to conclude that it is 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. Heightened global tariffs have caused a redirecting of trade flows across regions, countries, and sectors, particularly of Chinese goods which could now be cheaper in Europe.

The **geopolitical risk** is still a major risk to our inflation and GDP projections. This refers primarily to conflicts in the Middle East and Ukraine, as well as tensions in the Caribbean Sea between the USA and Venezuela, triggering heightened volatility in global commodity prices, and limiting trade and investment among countries. The EU is expected to ban Russian gas imports by member states from 1 January 2026, except for existing short-term and long-term contracts. If such contracts exist, the final deadline is 1 January 2028. There will be no Russian gas in Europe after that date. Sudden political decisions affect not only the global markets of primary commodities, but financial markets as well, with exchange rates being particularly sensitive, bringing in a new level of uncertainty. 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, peace proposals and the possibility of negotiations in the Middle East and between Russia and Ukraine give rise to hopes that the geopolitical situation could improve, even in the short term.

Amid geopolitical tensions, the **US administration placed the domestic petroleum industry under sanctions** on 8 October this year due to its majority Russian ownership. Since efforts are made to find the modality to overcome this crisis and mitigate the consequences of the sanctions, in our baseline scenario we assumed that a final agreement will be reached and

Chart V.0.42 Global Geopolitical Risk Index (in pp)



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

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
Global trade tensions	↓	↓
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	↕	↕
Limitations in manufacturing industry production (of energy and non-ferrous metals) amid rising protectionism and geopolitical tensions	↓	↑
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.

that there will be no major disruptions to the production and regular supply of petroleum products to the market. Some limitations of production and exports could happen on this account, however, if a final solution is not reached in the short term. The production of base metals is facing challenges as well, as the EU 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 the quotas from 25% to 50% in order to protect the EU steel industry.

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.

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 higher personal consumption and imports. In addition, the current **social and political tensions in our country** could negatively affect economic expectations and the level of confidence, resulting in lower than anticipated growth in investment and personal consumption. The easing of these tensions would, by contrast, lead to an improvement in the overall economic environment and faster economic activity growth.

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 **domestic agricultural season** is also a **risk to our inflation and GDP projections**. In our new projection, we have assumed the next year's season to be better than this year's, given the below-average outturns in the past two years. However, departures are possible in either direction due to uncertain weather conditions. The production and supply of fruits and vegetables are important for inflation, and cereal yields – for GDP.

The NBS will continue to monitor and analyse trends in the domestic and international market and **make monetary policy decisions on a meeting-to-meeting basis depending on movements in inflation**. 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 4: Alternative scenario – lower economic growth in 2026 amid prolonged global uncertainty and constraints in industrial production

Prolonged global uncertainty, rising protectionism and heightened geopolitical tensions, along with socio-political developments in the country, have led us to revise our GDP growth projection for 2026 to 3.5%. At the same time, due to possible constraints on production and exports in the manufacturing sector following the entry into force of OFAC sanctions on Naftna industrija Srbije (NIS) in early October, as well as the possibility that the EU could reduce import quotas for steel from Serbia, there is a risk that economic growth in 2026 could underperform the projected level. This downside risk could be amplified by the prolonged global uncertainty stemming from increased protectionism and geopolitical tensions, which could result in lower-than-expected growth in consumption and fixed investment. For this reason, in this text box we analyse the channels through which these risks, if materialised, could affect economic growth, inflation and the current account deficit.

With the entry into force of the sanctions, the import of crude oil via the JANAF pipeline has been suspended and it is through this pipeline that the domestic oil refinery had previously procured the bulk of its raw material. However, it is estimated that for now there are sufficient reserves of crude oil to continue processing and meet domestic demand for petroleum products. In our baseline scenario, we have assumed that a short-term solution will be found to enable the uninterrupted continuation of production and exports of petroleum products. Nevertheless, if an adequate solution is not found in the short term and there is a temporary halt or reduction in oil processing, this would affect activity in the manufacturing sector, given that the oil industry accounts for a significant share of manufacturing (around 7%). In addition to the direct effect, certain indirect effects would also emerge in the event this scenario materialises. One of the negative indirect effects would be somewhat lower retail trade turnover since a portion of retail trade includes the sale of petroleum products. Transport activity would probably also decline amid higher operating costs for companies, as the shortage of domestically produced petroleum products could be partly offset by imports, but likely at a higher price due to increased logistics costs. Besides the transport sector, higher energy costs would also impact other areas of production (agriculture, construction, mining and energy), though these effects are difficult to quantify.

On the expenditure side, a negative effect on GDP would stem from lower exports of petroleum products and, at the same time, higher imports, though this would be partly offset by reduced imports of crude oil. We also expect indirect negative effects on GDP in that case through somewhat lower personal consumption, due to reduced disposable income, as well as lower investment activity.

The introduction of restrictive measures by the European Commission concerning imports of steel products into the EU would also have a dampening effect on Serbia’s manufacturing sector and exports. According to current announcements, these measures include raising the tariff rate from 25% to 50% and reducing by 50% the import quotas exempt from customs duties. These measures have been introduced in response to increased protectionist actions of the United States and to protect the steel industry within the EU itself, where it is estimated that, on average, only two-thirds of total capacity is currently utilised. Similar measures were implemented back in 2019 for the same reasons and they affected domestic steel production, which has since declined. If the measure were to be applied to Serbia next year in the same way as generally prescribed, it would have a negative impact on economic activity through the export channel, given that Serbia’s steel exports (which amounted to around one million tonnes over the past two years) are currently predominantly directed toward the EU market (around 80%), while almost all of the remaining exports go to neighbouring countries (Bosnia and Herzegovina, Montenegro and North Macedonia). However, it should be noted that thanks to the increase and diversification of export capacities resulting from years of strong FDI inflows,

Chart O.4.1 Oil imports, petroleum product imports and net imports

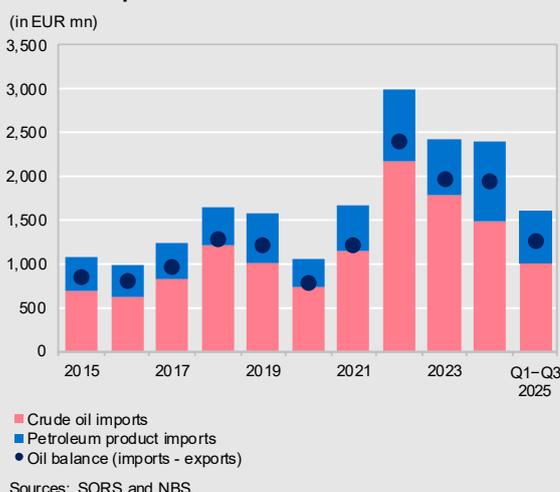
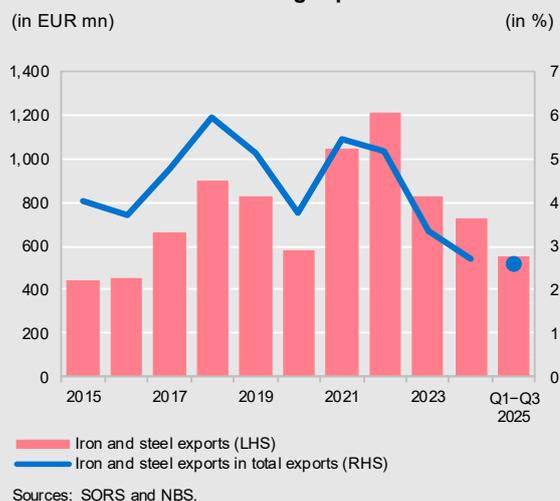


Chart O.4.2 Iron and steel product exports and their share in total manufacturing exports



the share of this industry in manufacturing exports has been declining since 2022 (Chart O.4.2) and accounted for less than 3% of total goods exports last year. Moreover, the measures are set to take effect in July next year, and since they are administrative and differentiated by product type and country, there is some room for flexibility in defining Serbia's specific quantitative quotas compared to the general framework, and even the possibility of exemption, given that Serbia is an EU candidate country. Finally, in the event of reduced quotas, the impact on exports will also depend on the elasticity of export supply, i.e. the ability to find alternative markets. It is also important to emphasize that not all production in this sector is export-oriented – about one-third is intended for the domestic market. Therefore, the overall impact on economic activity will also depend on the extent to which imported steel for domestic industry needs can be substituted with steel produced locally.

If, due to constraints in production and exports in the manufacturing sector resulting from reduced output of oil and base metals, GDP growth in 2026 were lower than in the baseline scenario and stood at 3%, this would also affect the current account deficit. In that case, due to lower exports of petroleum products and steel, coupled with higher imports of petroleum products, the current account deficit would exceed 6% of GDP.

As for the impact on inflation, increased imports of petroleum products, along with higher producer prices due to greater logistics costs, would likely lead to somewhat higher inflation than in the baseline scenario, driven by higher retail prices of petroleum products. Certain indirect effects would also be present in production sectors with a higher share of fuel costs. For instance, if fuel prices were to rise by 10%, this would directly result in inflation being about 0.6 pp higher than in the baseline. However, lower disposable income would partly offset these effects through reduced demand, so we estimate the effect at around 0.5 pp. It is also possible that the effects could be lower as the government could temporarily reduce excise duties on fuel or refrain from adjusting them for inflation, as has been done in earlier episodes of strong cost-push pressures.

Table A Indicators of Serbia's external position

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 2025	Q2 2025	Q3 2025
EXTERNAL LIQUIDITY INDICATORS (in %)																	
FX reserves/imports of goods and services (in months)	8.8	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
FX reserves/short-term debt	299.9	237.3	268.6	294.0	256.4	234.3	202.1	210.9	275.6	228.1	249.6	244.7	319.3	433.9	415.3	398.4	
FX reserves /GDP	32.7	31.1	29.5	26.8	27.9	26.7	24.4	25.2	27.8	27.5	29.4	30.6	33.1	35.6	34.1	32.3	33.7
Debt repayment/GDP	11.3	11.8	12.1	12.8	10.6	11.8	10.5	10.8	9.5	5.5	8.7	9.1	9.0	10.8	7.6	10.4	
Debt repayment/exports of goods and services	37.3	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	13.3	19.0	
EXTERNAL SOLVENCY INDICATORS (in %)																	
External debt/GDP	65.4	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	58.7	57.3	
Short-term debt/GDP	10.9	13.1	11.0	9.1	10.9	11.4	12.1	11.9	10.1	12.1	11.8	12.5	10.4	8.1	8.2	8.1	
External debt/exports of goods and services	216.4	223.5	183.9	177.6	166.7	152.3	132.0	125.6	120.4	137.4	125.8	109.5	107.7	110.1	107.7	104.8	
FINANCIAL RISK EXPOSURE INDICATORS (in %)																	
FX reserves/M1	429.6	402.1	330.4	278.1	250.2	207.3	176.2	168.0	174.1	130.0	138.1	158.7	166.6	168.2	176.8	162.3	162.7
FX reserves/reserve money	207.6	197.9	199.9	196.6	193.7	196.6	185.0	171.4	194.1	157.1	180.0	180.2	201.0	199.6	218.7	211.0	212.0
OPENNESS OF ECONOMY (EXPORTS + IMPORTS)/GDP	75.0	81.1	83.5	87.9	92.3	96.9	102.0	103.8	106.7	99.2	111.3	130.8	113.8	111.2	119.8	114.4	113.7
MEMORANDUM: (in EUR million)																	
GDP ¹⁾	36,865	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	20,185	21,797	21,929
External debt	24,120	25,638	25,636	25,666	26,220	26,469	25,490	26,594	28,117	30,600	36,266	41,621	44,173	48,771	49,084	48,644	
External debt servicing	4,154	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	1,542	2,271	
Служба за внос и износ обменне резерве	12,058	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
Short-term debt ²⁾	612	455	196	99	303	672	844	1,401	1,925	1,585	1,612	2,405	662	974	1,172	1,631	
Current account balance	-3,656	-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	-575	-1,234	-943
CREDIT RATING (change of rating and outlook)																	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2024				
	March	Aug	July	Jan	Dec	Jan/March/June/Dec	March/Dec	Dec	Sept/Dec	May	March/Dec	June	Aug/Oct				
S&P	BB /stable	BB- /negative				BB- /positive	BB /stable	BB /positive	BB+ /positive	BB+ /stable	BB+ /positive	BB+ /stable	BBB- /stable				
Fitch		BB- /negative		B+ /stable	B+ /positive	BB-/stable	BB /stable		BB+ /stable				BB+ /positive				
Moody's			B1 /stable			B1 /positive	Ba3 /stable		Ba3 /positive		Ba2 /stable		Ba2 positive				

Methodological notes:

- Foreign exchange reserves/imports of goods and services (in months) - ratio of end-of-period foreign exchange reserves
 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)
 Debt repayment/exports (in %) - ratio of debt repayment (excl. early repayment of a part of debt to London)
 External debt/GDP (in %) - ratio of end-of-period outstanding debt to GDP.
 Short-term debt/GDP - 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 Q3 2025 is NBS estimate.

²⁾ At original maturity.

Notes:

- SORS revised GDP data for the period 1995-2023, which led to a change in the share of macroeconomic indicators in GDP.
- Data are subject to corrections in line with the official data sources.
- Starting from 2007 data on exports and imports of goods and services are shown in accordance with BPM6. Data for 2005 and 2006 are shown according to previous methodology.
- 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 the country's economic territory, apart from goods in transit. Data for 2005 and 2006 are disseminated using the special trade system.
- External debt servicing does not include advance debt repayments.
- The Statistical Office revised data for export of goods for 2024 and Q1 2025.
- The NBS revised external debt data for the period 2007-Q1 2025.

Table B Key macroeconomic indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 2025	Q2 2025	Q3 2025
Real GDP growth (in %) ¹⁾	0.1	-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	1.9	2.1	2.0
Consumer prices (in %, relative to the same month a year earlier) ²⁾	7.0	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
NBS foreign exchange reserves (in EUR million)	12,058	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
Exports (in EUR million) ³⁾	11,145	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	11,620	11,923	11,861
- growth rate in % compared to a year earlier	17.1	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	12.2	7.4	6.3
Imports (in EUR million) ³⁾	16,487	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	12,553	13,006	13,074
- growth rate in % compared to a year earlier	15.7	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	12.8	9.4	4.1
Current account balance ³⁾ (in EUR million)	-3,656	-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	-575	-1,234	-943
as % of GDP	-9.9	-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	-2.8	-5.7	-4.3
Unemployment according to the Survey (in %) ⁴⁾	24.9	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	
Wages (average for the period, in EUR) ⁷⁾	372.5	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	916.0
RS budget deficit / surplus (in % of GDP) ⁴⁾	-3.6	-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
Consolidated fiscal result (in % of GDP) ⁴⁾	-4.3	-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
RS public debt, (central government, in % of GDP) ⁸⁾	41.2	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	44.0	43.5	43.0
RSD/USD exchange rate (period average)	73.34	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
RSD/USD exchange rate (end of period)	80.87	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
RSD/EUR exchange rate (period average)	101.95	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
RSD/EUR exchange rate (end of period)	104.64	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
MEMORANDUM:																	
GDP (in EUR million) ⁹⁾	36,865	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	20,185	21,797	21,929

¹⁾ At constant prices of previous year. Data for Q3 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 of 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 Q3 2025 is 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).

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 Q3 2025 is average of two months.

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

Notes:

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

Index of charts and tables

Charts

II.0.1	Key policy rate and average repo rate	12
III.0.1	Y-o-y inflation and change in the contribution of main CPI components to y-o-y inflation	14
III.0.2	Contribution of components to y-o-y core inflation	14
III.0.3	Contribution of main CPI components to y-o-y inflation	15
III.0.4	Contribution by destination groups of consumption to y-o-y producer price dynamics	17
III.0.5	Contributions of selected components to the y-o-y dynamics of import prices in dinars	17
III.0.6	Current inflation and one-year ahead inflation expectations	20
III.0.7	Household perceived and expected inflation	20
III.0.8	Two-year ahead inflation expectations	20
IV.1.1	NBS operations - liquidity withdrawal	21
IV.1.2	Interest rate movements	21
IV.1.3	Interest rates in the primary market of dinar government securities	21
IV.1.4	Yield curve in the secondary government securities market	22
IV.1.5	Interest rates on new dinar loans and deposits	22
IV.1.6	Risk premium indicators	23
IV.1.7	EURO EMBIG for countries in the region	23
IV.1.8	Current account deficit and net FDI inflow	23
IV.1.9	Structure of the financial account	24
IV.1.10	Dinar exchange rate and NBS transactions in the FX market	24
IV.1.11	Movements in USD/RSD and USD/EUR exchange rates	24
IV.1.12	Exchange rates of selected national currencies against the euro	25
IV.2.1	Contributions to quarterly growth in M2, by sector	25
IV.2.2	Dinar household savings and degree of dinarisation of total deposits	25
IV.2.3	Monetary aggregate movements	26
IV.2.4	Contributions to y-o-y corporate lending growth	26
IV.2.5	Structure of new corporate loans, by enterprise size	26
IV.2.6	Contributions to y-o-y household lending growth	27
IV.2.7	Change in corporate credit standards and contributing factors	27
IV.2.8	Change in household credit standards and contributing factors	28
IV.2.9	NPL level and share in total loans, gross principle	28
IV.3.1	Contributions to y-o-y GDP growth rate, expenditure side	31
IV.3.2	Exports and imports of goods and services	32
IV.3.3	Movement in external demand indicators for Serbian exports	32
IV.3.4	Movement of key import components	32
IV.4.1	Service sector indicators	33
IV.4.2	Contributions to y-o-y industry growth rate	33
IV.4.3	Construction activity indicators	34
IV.5.1	Y-o-y growth rates of average net wage	34
IV.5.2	Nominal net wage by economic sector	34
IV.5.3	Structure of y-o-y growth in total formal employment	35
IV.5.4	Movement of registered unemployment	35
V.0.1	Consumer and business confidence indicators	36
V.0.2	Contribution of components to the real GDP growth rate in the euro area	37
V.0.3	Euro area GDP growth projection for 2025 and 2026	37

V.0.4	Contribution of components to the real GDP growth rate in the CESEE region	38
V.0.5	Contribution of components to the real GDP growth rate in the USA	38
V.0.6	Inflation dynamics across countries	39
V.0.7	Contributions of HICP components to y-o-y inflation in the euro area	39
V.0.8	Projections of headline and core inflation in the euro area	39
V.0.9	Y-o-y inflation in selected CESEE countries in the previous year	40
V.0.10	Consolidated Eurosystem balance sheet	40
V.0.11	Deposit facility rate and inflation in the euro area	41
V.0.12	Fed's total assets	41
V.0.13	Uncertainty and risks to the projection of the Fed funds rate	41
V.0.14	Policy rates across selected countries	42
V.0.15	Yields on ten-year bonds of euro area countries	42
V.0.16	Exchange rates of selected national currencies against the dollar	43
V.0.17	Measures of volatility and uncertainty in the international financial market	43
V.0.18	Assumption for Brent oil prices	43
V.0.19	European price of natural gas	44
V.0.20	European price of electricity	44
V.0.21	Selected commodity prices in the global market	44
V.0.22	World Food Price Index	45
V.0.23	Coffee and cocoa prices in the global market	45
V.0.24	Assumption for prices of primary agricultural commodities	45
V.0.25	Budget balance and government public debt	46
V.0.26	GDP growth projection	46
V.0.27	Real growth in GDP and its components, expenditure side	47
V.0.28	Contributions to real GDP growth	47
V.0.29	Rate of growth in private consumption and its sources	47
V.0.30	Fixed investment	48
V.0.31	Real export and import growth	48
V.0.32	Contributions to real GDP growth, production side	49
V.0.33	Current account and FDI projection	49
V.0.34	Inflation projection	51
V.0.35	Real interest rate	51
V.0.36	GDP and inflation projections of the euro area for 2025	52
V.0.37	Projection of consumer price growth	52
V.0.38	Output gap projection	52
V.0.39	Contributions to y-o-y inflation by component	53
V.0.40	Real marginal costs gap in food production	53
V.0.41	Global supply-chain pressures	53
V.0.42	Global Geopolitical Risk Index	54

Tables

III.0.1	Growth and contributions of CPI components to consumer price growth in Q3 2025	15
IV.1.1	Interest rates on new loans – by type and currency	22
IV.1.2	Credit rating	23
IV.3.1	Movement in key indicators and sources of household consumption	31
IV.3.2	Investment indicators	31
IV.4.1	Contributions to y-o-y GDP growth	33
V.0.1	Real GDP growth projections	37
V.0.2	Consensus Economics projections of real GDP growth in countries of the region	38
V.0.3	Inflation projections across CESEE countries	40
V.0.4	Planned capital projects within the "Leap into the Future – Serbia 2027" programme	48
V.0.5	Key projection assumptions	51
V.0.6	Key risks to the GDP and inflation projection	54

Table A	Indicators of Serbia's external position	59
Table B	Key macroeconomic indicators	60

Charts in text boxes

O.2.1	Dynamics of prices in the domestic industrial food products chain	18
O.3.1	Monthly increase in cash and housing loans	30
O.3.2	Interest rates on new cash and housing loans	30
O.4.1	Oil imports, petroleum product imports and net imports	57
O.4.2	Iron and steel product exports and their share in total manufacturing exports	57

Tables in text boxes

O.1.1	Change in the prices of products covered by the margins decree in September	16
O.2.1	Effects of changes of stock exchange prices of primary agricultural commodities on producer prices in the food industry – long term	18
O.2.2	Effects of changes of producer prices in food industry on consumer prices of industrial food products – long term	19

Executive Board meetings and changes in the key policy rate

2024

Date	Key policy rate (p.a, in %)	Change (in basis points)
11 January	6.50	0
8 February	6.50	0
7 March	6.50	0
11 April	6.50	0
10 May	6.50	0
13 June	6.25	-25
11 July	6.00	-25
8 August	6.00	0
12 September	5.75	-25
10 October	5.75	0
7 November	5.75	0
12 December	5.75	0

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		

Press releases from NBS Executive Board meetings

Press release from Executive Board meeting held on 11 September 2025

At its meeting today, the NBS Executive Board voted to keep the key policy rate on hold, at 5.75%. It did not change the deposit (4.5%) and lending facility (7.0%) rates either.

The Board made the decision primarily in view of the achieved and expected inflation, as well as factors from the domestic and international environment affecting its movements. Having slowed to 3.8% in May, y-o-y headline inflation in Serbia picked up to 4.6% in June and 4.9% in July, mostly due to the impact of adverse weather on growth in food prices (notably unprocessed food) which was pronounced at the start of this year's agricultural season. Thus the 8.1% y-o-y growth in the prices of food and non-alcoholic beverages in July accounted for slightly more than a half of headline inflation. Core inflation (CPI excluding food, energy, alcohol and cigarette prices) remained unchanged in July relative to June and measured 4.7% y-o-y – it was below headline inflation for the first time since April 2024.

As for inflation movements going forward, the Executive Board expects to see a decrease in consumer prices (especially food prices) as a result of the Serbian Government's Decree on special conditions for trade in certain types of goods, capping wholesale and retail margins at 20%. Accordingly, the Board expects a significant slowdown in y-o-y inflation in September, and thereafter its relatively stable movement within the target tolerance band until the end of the year. The following year, inflationary pressures should subside further on account of lower cost-push pressures from the international environment and the effects of the dollar's weakening against the euro, as well as the still tight monetary policy of the National Bank of Serbia. The arrival of the new agricultural season should result in inflationary pressures receding further in the coming year, while the low base from September this year will act in the opposite direction due to the adoption of the Decree.

In explaining its decision, the Executive Board emphasized that caution is necessary in monetary policy conduct. Though less intense than a few months ago, uncertainty in the international environment remains pronounced, primarily due to the still uncertain future trade policies of leading world economies and geopolitical tensions. The tariff agreement between the USA and the EU has eliminated some of the risk, while the deadline for negotiations with China has been extended by another 90 days. Moreover, geopolitical tensions continue to pose substantial upward risk to global prices of oil and natural gas, though these prices subsided after the declaration of ceasefire in the Middle East and the start of negotiations between Russia and Ukraine. With regard to monetary policy decisions of leading central banks, market participants assess that the ECB's monetary policy easing is nearing its end, while the Fed is expected to resume its rate-cutting after a longer pause.

SORS data confirm that GDP growth measured 2% y-o-y on average in H1. According to the same source, industrial production sped up to 5.5% y-o-y in July, and to 3.0% since the start of the year, guided by growth in manufacturing and mining, with decline in the energy sector slowing down. This is consistent with the Executive Board's expectations that economic activity will gather pace in the latter half of the year, primarily driven by earlier investment in the automobile industry. Given the expected accelerated implementation of government infrastructure projects within the "Leap into the Future – Serbia Expo 2027" programme, the Executive Board expects GDP to rise by 2.75% this year and speed up to the range of 4–5% in the next two years. In addition, the Executive Board assesses that monetary policy measures – the maintained relative stability of the exchange rate and more favourable credit financing conditions, which resulted in double-digit growth in lending to corporates and households (11.4% y-o-y in July) – provide support that enables the acceleration of economic growth. Further support to lending and, by extension, economic activity is also expected to come from more favourable borrowing conditions for young people buying their first real estate, and for lower-income citizens and pensioners.

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 a favourable growth outlook.

The next rate-setting meeting where economic developments will be considered is scheduled for 9 October.

Press release from Executive Board meeting held on 9 October 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 rate (4.5%) and the lending facility rate (7.0%) unchanged.

In making this decision, the Executive Board was guided primarily by actual and expected inflation, as well as factors from the domestic and international environment underlying its movement. In previous months, Serbia's y-o-y inflation has been under the sway of rising food prices due to adverse weather conditions, and stood at 4.7% in August. Core inflation (CPI excluding food, energy, alcohol and cigarettes), after being somewhat higher at the start of the year, fell to 4.5% in August, reflecting a slowdown in service price growth.

The Executive Board estimates that, as a result of the Decree on Special Conditions for Conducting Trade in Certain Types of Goods, adopted by the Government to cap wholesale and retail trade margins at 20% for a six-month period, y-o-y inflation slowed significantly in September, to around the target midpoint. It is anticipated to continue moving at a relatively stable pace and at a similar level until the year end. Throughout the following year, further easing of inflationary pressures from the international environment is expected, based on lower cost-push pressures and the effect of the US dollar weakening against the euro. Furthermore, the new agricultural season should have a favourable impact on inflation, provided it turns to be better than this year's. Working in the opposite direction will be the growth in disposable income for consumption and the low base effect from September this year. Nevertheless, according to the Executive Board's estimate, headline inflation will continue to move within the target tolerance band of $3 \pm 1.5\%$ next year.

Explaining its decision, the Executive Board emphasized that a cautious monetary policy stance remains necessary, as uncertainty in the international environment, though lower than in the first half of the year, is still pronounced. Geopolitical tensions continue to pose a risk to energy price growth. Although an improvement in the global business climate is expected in the period ahead as the tariff regime has stabilised, the concrete consequences of the higher tariffs remain to be seen, especially considering that trade increased this year ahead of their coming into force. When it comes to the monetary policy decisions of leading central banks, the Federal Reserve System (the Fed) lowered its key interest rates by 25 bp in September, and the continuation of the rate-cutting cycle is expected in the coming period in order to encourage faster economic growth. The European Central Bank again kept its rates unchanged in September, and it appears that the process of monetary policy easing is nearing its end.

According to SORS data, y-o-y GDP growth averaged 2% in the first half of the year, with a slightly higher growth rate in the second quarter compared to the first. The Executive Board expects economic growth to step up in the second half of the year, underpinned by the continued expansion of the automobile industry production and exports, as well as by the implementation of infrastructure projects under the "Leap into the Future – Serbia Expo 2027" programme. The Executive Board emphasizes that the expected acceleration of economic growth is supported by the maintained relative stability of the exchange rate and the provision of more favourable credit financing conditions, thanks to the effects of past monetary policy easing and the amendments to the Law on the Protection of Financial Services Consumers, which have resulted in double-digit y-o-y growth in lending activity to both businesses and households. Additional support to lending – and hence to overall economic activity – is expected from measures facilitating more favourable borrowing conditions for young first-time homebuyers, as well as for citizens with lower incomes and pensioners.

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 considered is scheduled for 13 November.

Press release from Executive Board meeting held on 13 November 2025

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

The Board made the decision primarily in view of the actual and expected inflation, as well as factors from the domestic and international environment affecting its movements. Y-o-y headline inflation in

Serbia slowed significantly in September – to 2.9% and then to 2.8% in October, mostly as a result of the Serbian Government’s Decree on Special Conditions for Trade in Certain Types of Goods. As of September, the Decree capped trade margins on food items and certain household cleaning products at 20% for a period of six months. The Board expects inflation to continue trending around the target midpoint as long as the Decree is in force, and to remain within the target tolerance band of $3 \pm 1.5\%$ in the medium term. 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, the effects of the dollar’s weakening against the euro, and the arrival of the 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 act in the opposite direction.

The Executive Board emphasizes that the NBS continues to support economic growth through the maintained relative exchange rate stability and the provision of more favourable credit conditions, thanks to the effects of past monetary policy easing, amendments to the Law on the Protection of Financial Service Consumers, and targeted measures aimed at improving borrowing conditions for low-income citizens and young first-time homebuyers. All these factors together have resulted in a double-digit y-o-y increase in lending activity to both corporates and households, which reached 12.8% in September.

Explaining its decision, the Executive Board stressed that a cautious monetary policy stance is still necessary as the situation in the international environment remains complex and unstable. Higher tariffs, rising protectionism and persistently uncertain global trade policies, together with heightened geopolitical tensions, continue to shape movements in global commodity and financial markets, keeping them volatile. In addition, geopolitical tensions and growing protectionism may have direct effects on domestic manufacturing output and exports, particularly when it comes to oil and base metals production. As for monetary policy decisions of leading central banks, the Fed lowered its key interest rates by 25 bp in October, following a similar reduction in September, and further rate cuts are expected in the coming period, primarily to support the labour market. The ECB, on the other hand, kept its rates unchanged in October, as in the previous month, and its monetary policy easing cycle appears to be nearly complete.

According to the SORS flash estimate, y-o-y GDP growth in Q3 amounted to 2.0% and was driven by the continued increase in automotive industry production and exports, as well as by the services sectors, though to a lesser extent than expected. The slower pace of growth reflects dampened investment and consumer confidence due to prolonged global uncertainty and socio-political developments in the country, while rising disposable income worked in the opposite direction.

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 a favourable growth outlook.

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

The next rate-setting meeting where economic developments will be considered is scheduled for 11 December.