National Bank of Serbia

November 2026

INFLATION REPORT

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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 12 November 2026.

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

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ABBREVIATIONS

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

Other generally accepted abbreviations are not cited.

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

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I Overview

According to the IMF estimate, global economic growth since the beginning of this year has been stronger than expected, reflecting the accelerated development of new technologies, use of protective mechanisms and countries' adjustment to disruptions in energy markets.

Although the global economy has demonstrated considerable resilience in the face of multiple crises over the past three years, policy space is gradually narrowing, while global recovery remains uneven. The countries that are not directly affected by the conflict in the Middle East and are involved in the development and application of artificial intelligence are performing better, while energy-importing countries face heightened cost-push pressures and declining real incomes. In October, the IMF **revised up its projection for global economic growth in 2026 by 0.1 pp from its July projection, to 3.1%, while keeping its projection for 2027 unchanged at 3.4%. The risks to the October projection** are estimated to be **still tilted to the downside**, primarily reflecting uncertainty surrounding the duration and intensity of the conflict in the Middle East, as well as the net impact of countries' investment in artificial intelligence on productivity and economic growth. Tighter global financial conditions are heightening risks, particularly to public finance sustainability, while renewed trade tensions could further dampen global growth.

Global inflationary pressures have intensified since August, driven by higher energy prices following a renewed escalation of the conflict in the Middle East

The IMF October projection for **average global inflation in 2026 was unchanged from July at 4.7%, while its projection for 2027 was revised up by 0.2 pp, to 4.1%**. Core inflation remained moderate, although prices of some industrial products began to rise amid a sharp increase in chip manufacturing costs. In response to higher projected inflation and stronger-than-expected real sector performance, the **central banks of the world's leading economies – the Fed and the ECB – raised their key rates in September**. Most central banks in the region running inflation-targeting regimes kept their key rates unchanged, while signalling their readiness to act if necessary. Yields on long-term securities issued by advanced economies are on the rise, approaching their highest levels in the past decade.

The key policy rate was kept unchanged at 5.75% at the September and October meetings, but was raised to 6.00% at the November meeting in response to the prolonged global energy shock.

At its September and October meetings, the **NBS Executive Board kept the key policy rate unchanged**. Nonetheless, it considered a cautious monetary policy stance warranted in view of renewed increases in global energy and other primary commodity prices, as well as the heightened risk that the prolonged energy shock could push inflation above the August projection. Having reviewed the new inflation projection, which was higher than the August projection, primarily due to higher energy prices, the Executive Board decided at its November meeting to raise the key policy rate by 0.25 pp to 6.00%. It concluded that this increase was an appropriate and timely measure to prevent more pronounced second-round effects of the energy shock on other prices and safeguard price stability over the medium term.

Although y-o-y growth in lending continued to moderate in Q3 under the effect of the high last year's base, it remained relatively robust, reaching 15.1% in September.

Interest rates on dinar and euro-indexed household loans remained broadly unchanged in Q3, while those on corporate loans increased, with **banks' lending activity remaining robust**. Y-o-y growth in corporate loans stood at 10.1% in September, driven by investment loans, whose growth accelerated to 15.1%, as well as by liquidity loans. At the same time, growth in household loans slowed to 18.6%, with cash and housing loans remaining the main drivers. The **NPL ratio remained below 2.0% in September**, indicating that, despite the increase in lending, corporates and households continued to service their debt without difficulties. Reflecting stronger borrowing in dinars, the degree of dinarisation of corporate and household lending reached a record high of 41% in September.

The delicensing of Alta banka will not affect the stability and functioning of the banking sector.

To protect the interests of Alta banka's depositors and creditors, the NBS revoked the bank's operating licence in late October. As Alta banka was not a systemically important bank and accounted for around 3% of total banking sector assets, the revocation of its licence will not affect the stability of the banking system as a whole, which remains well-capitalised and highly liquid. The NBS transferred the administration of Alta banka to the Deposit Insurance Agency, which has sufficient funds to ensure the prompt payout of all deposits covered by the statutory deposit insurance scheme, up to the full insured amount.

Fiscal policy is moderately expansionary this year, partly reflecting lower fuel excise duties, but primarily driven by higher consumption and investment expenditure. Nonetheless, the share of public debt in GDP remains sustainable and well below the 60% threshold.

In the first nine months of the year, the **fiscal deficit amounted to 2.6% of GDP (with the primary deficit accounting for around 1%)**. Almost half of the deficit was recorded in September, primarily as a result of one-off payments to pensioners and adult citizens. Measured by the difference in the cyclically adjusted primary balance of the general government sector relative to 2025, fiscal policy is estimated to be moderately expansionary this year. Still, we do not expect it to have a significant inflationary impact, given that the above consumption-related measures are one-off in nature, while the reduction in excise duties on petroleum products was introduced to prevent stronger second-round inflationary effects of the energy shock. In the first nine months of 2026, public revenue rose by 8.7% in real terms compared with the same period of 2025, primarily owing to higher revenue from wages and non-tax revenue, followed by VAT receipts, reflecting growth in personal consumption. Public expenditure increased by 13.3% in real terms, mainly driven by higher spending on pensions and social transfers, as well as capital and employee-related expenditures following public sector wage growth. At end-September, **general government public debt stood at 43.6% of projected GDP for this year**, below the Maastricht criterion threshold. Although next year's budget and the new government's economic programme, following the snap parliamentary elections, are not yet known, we expect fiscal discipline to be maintained and the fiscal deficit-to-GDP ratio to

decline in the coming years, in line with the previous Fiscal Strategy.

In the first nine months of this year, the current account deficit amounted to 3.6% of GDP, while the export-to-import coverage ratio reached a record high of 94%.

Despite higher energy imports, y-o-y growth in exports of goods and services (8.7%) outpaced import growth (6.7%). This was primarily driven by manufacturing exports, particularly in the automotive industry-related branches, with services and copper ore exports also making significant contributions. The larger surplus in the secondary income account also helped narrow the current account deficit. We estimate that the **current account deficit for the year as a whole will be broadly unchanged from last year, at around 4.2% of GDP, before declining further to around 3.6% next year**, driven by higher services exports related to the Expo. The financial account recorded a capital inflow of EUR 3.1 bn in the first nine months of this year, primarily reflecting the issuance of government and corporate securities in the international market. Part of the proceeds was used immediately for the early buyback of previously issued eurobonds or the early repayment of financial loans. FDI inflows amounted to EUR 2.1 bn, or EUR 1.6 bn net.

Since the previous* Report*, the dinar has continued to move relatively steadily against the euro, supported by the NBS interventions in the interbank FX market.

For most of Q3, **appreciation pressures prevailed in the domestic FX market. From mid-September and throughout October, however, depreciation pressures emerged** and intensified in the run-up to and following the parliamentary elections. Between July and October, the NBS sold EUR 585.0 mn net, bringing its net sales since the beginning of the year to EUR 1,340.0 mn. FX reserves stood at EUR 29.2 bn at end-October, significantly exceeding adequacy criteria (covering slightly less than seven months' worth of the country's import of goods and services) and providing an important buffer against external risks.

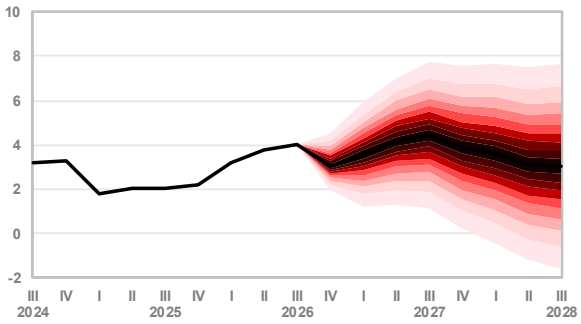
According to the SORS flash estimate, real GDP growth in Serbia accelerated further to 4.0% in Q3 this year, exceeding our August estimate.

In our estimate, **y-o-y GDP growth of 4.0% in Q3** was guided by rising service-sector activity, with agriculture and construction also providing a positive impulse. Owing to low water levels, which hampered electricity generation and transport, and to some extent disrupted production processes in the manufacturing industry, industrial production stagnated. Within manufacturing, more than half of the branches recorded growth in Q3, with the strongest increases seen in the manufacture of motor vehicles, machinery and equipment, as well as food and chemical products. In our estimate, the implementation of Expo-related projects, particularly the construction of transport infrastructure, resulted in a positive contribution of construction. Based on SORS data showing that final wheat yields and early fruit production exceeded initial estimates, while projected yields of autumn crops are higher than last year's in most categories, we estimate that agriculture also made a positive contribution to GDP growth. The strongest impetus, however, came from the services sectors and

net taxes, reflecting growth in private consumption and real incomes.

We have revised further up our GDP growth projection for 2026, from 3.2% in August to 3.5% in the new projection, as the economy has proved more resilient than expected to developments in the international environment, partly reflecting stronger-than-anticipated growth in agricultural production. Owing to the prolonged energy shock and higher this year's base, we have revised down our GDP growth projection for 2027 to 4.0%.

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



The more favourable outturn so far this year compared with our August expectations has led us to **revise up our GDP growth projection for 2026 to 3.5%**, with an increased likelihood that growth could exceed the projected rate. At the same time, owing to higher this year's base, continued geopolitical tensions and further increases in global energy prices, **we have revised down our GDP growth projection for 2027 to 4.0%**. Over the medium term, we expect the effects of temporary factors to dissipate and economic growth to stabilise at a more balanced pace of around 3.5% p.a., in line with the economy's potential growth rate. Economic activity will continue to be driven by domestic demand, with consumption and fixed investment making positive contributions, supported by growth in disposable income and the continued implementation of infrastructure projects. In 2027, we also expect net exports to contribute positively to GDP growth, driven by higher exports of goods and services related to the Expo, although the prolonged energy shock has led us to revise down the expected positive contribution from this component. Assuming that public sector wages and pensions continue to grow in line with fiscal rules and that the budget retains its development component, we also expect government expenditure and investment to make a modest positive contribution to growth.

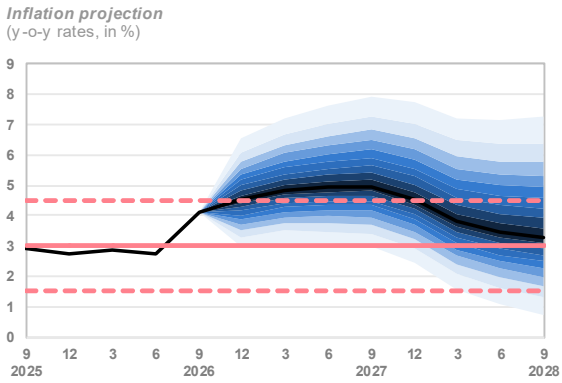
Y-o-y inflation in Q3 moved in line with the NBS Executive Board's expectations, remaining below the target midpoint in July and August, reflecting this year's excellent harvest of fruit and vegetables. Low last year's base, due to the implementation of the margin capping decree, contributed to y-o-y inflation reaching 4.1% in September.

Y-o-y inflation continued to move within the target tolerance band in Q3, with food prices averaging below their levels in the same period last year, reflecting this year's good harvest of fruit and vegetables. As expected, y-o-y inflation rose to 4.1% in September, driven by the low last year's base for the prices of food products and household chemical products subject to the margin capping decree. As in other countries in the region and the euro area, inflation was also driven by higher petroleum product prices, following a renewed rise in global oil prices amid the ongoing conflict in the Middle East. Short-term inflation expectations of the financial sector remained within the target band, while medium-term expectations hovered around the 3% midpoint, indicating that higher global primary commodity prices have not yet given rise to significant second-round effects.

According to our new central projection, y-o-y inflation will hover around the upper bound of the target band until the end of this year. However, owing to the materialisation of risks identified in the previous projection and the prolonged energy shock, we now expect inflation to remain above the upper bound for most of 2027. Inflation is expected to return within the target band towards the end of next year, before continuing to slow until the end of

According to our new central projection, inflation will hover around the upper bound of the target band until the end of this year. Due to continued increases in global oil and other primary commodity prices, and their expected slower decline in the period ahead, as indicated by futures prices, combined with higher imported inflation and somewhat faster-than-expected real wage growth, inflation will be higher next year than projected in August, averaging 4.9%. Low this year's base for fruit and vegetable prices, reflecting an excellent harvest, will also push inflation up.

the projection horizon and approaching the target midpoint.



Conversely, core inflation is expected to decelerate as cost-push pressures from the international environment gradually subside and real wage growth slows relative to this year. Owing to the prolonged energy shock, we now expect inflation to remain above the upper bound of the target band for most of 2027. After peaking in the third quarter of next year due to the low base for fruit and vegetable prices, inflation is expected to return within the target band towards the end of 2027 and gradually converge towards the 3% target midpoint by the end of the projection horizon.

The NBS will continue to pursue a cautious monetary policy stance, taking into account developments in all key economic indicators in the domestic and international environment.

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

II Monetary policy since the August *Report*

In the period since the previous Report, the NBS Executive Board has raised the key policy rate by 0.25 bp, to 6.00% at its November meeting. At its previous meetings in September and October, the Executive Board pointed to the risks that the conflict in the Middle East and rising global prices of not only oil but also natural gas and electricity could lead to higher production and transport costs globally, disruptions in supply chains and capital flows, and, consequently, higher inflation.

Rationale for the September and October decisions

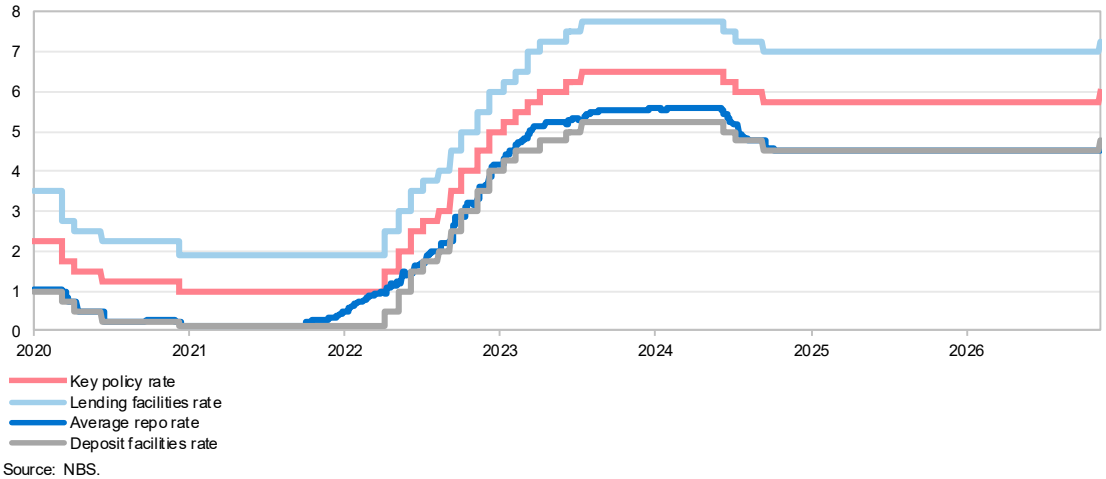
In deciding to keep the **key policy rate unchanged at 5.75%** in September and October, the Executive Board was guided primarily by actual and expected inflation developments, as well as risks stemming from the international environment that could affect inflation trajectory.

Domestic inflation continued to move within the target tolerance band (3%±1.5 pp), although it edged up slightly in August, to 2.2% from 1.9% in July, mainly as a consequence of the ongoing energy shock and elevated global oil prices. The increase in local petroleum product prices, driven by higher global oil prices, was mitigated by measures introduced by the Government of the Republic of Serbia – a reduction in excise duties on fuel and supplying the market from the country's strategic reserves. The NBS continued to implement a cautious monetary policy, while maintaining relative stability of the exchange rate and reiterating its readiness to respond using all available instruments, if necessary. Taken together, these factors contained the second-round pass-through effects of rising global oil prices, thereby preventing a more pronounced increase in inflation. As regards other prices, primarily food and non-alcoholic beverage prices, these were 6.3% lower in August than in the same month of the previous year. This means that there were no major price adjustments for products covered by the trade margin capping decree even months after the decree's expiry. Core inflation (CPI excluding food, energy, alcohol and cigarettes) remained relatively stable, hovering around the upper bound of the target tolerance band of 4.5%, and was predominantly driven by service prices.

As regards the **headline inflation outlook**, the Executive Board stressed that the low base effect, stemming from the implementation of the decree capping trade margins, was expected to cause inflation to hover around 4% from September this year. According to the latest available medium-term inflation projection of the NBS, published in August, y-o-y inflation was expected to remain within the target tolerance band until the end of the projection

Chart II.0.1 **Key policy rate and average repo rate**

(in %)



Source: NBS.

horizon, i.e. over the next two years, assuming that the energy shock would be temporary and that global oil prices would stand at around USD 80 per barrel or lower towards the end of this year and during the next year. **Given the continuation of the Middle East conflict and expectations of higher global prices of oil and other energy commodities, the Executive Board pointed to a further increase in upside risks to inflation at its October meeting**. Namely, although no significant inflationary effects have materialised that far, either domestically or globally, challenges intensified since the summer, as global crude oil prices had risen again, accompanied by increases in natural gas and electricity prices. Global oil prices rose sharply in the first half of September and subsequently remained elevated, despite occasional declines, illustrating the sensitivity of this market to geopolitical developments. Although diplomatic signals in early October contributed to some easing of prices, uncertainty surrounding future oil supplies and the transportation of oil through the Strait of Hormuz remained the greatest risk to the inflation outlook. If the conflict in the Middle East persists, the possibility cannot be ruled out that its effects will be passed through to global transportation and production costs, supply chains and capital flows to a greater extent, thereby also affecting inflation. For net energy-importing countries, including Serbia, **upside risks to inflation and downside risks to economic growth have increased**, calling for a cautious approach to the conduct of monetary policy.

Developments in the real sector since the beginning of the year have been more favourable than expected, with **GDP** recording y-o-y growth of 3.5% **in H1**, driven primarily by domestic demand. Credit activity also provided significant support to domestic demand, recording double-digit y-o-y growth in lending to both corporates and households. The services sectors continued to make the largest positive contribution to GDP growth, underpinned by an increase in private consumption, while growth in activity was also recorded in manufacturing, mining, construction and agriculture. Monthly indicators available for July and August suggested that the services sectors continued to make the largest contribution to economic activity in Q3, while industrial production was affected by the effects of drought and low water levels. According to the Labour Force Survey, the labour market recorded a decline in both the activity rate and the labour force participation rate of the working-age population, while the unemployment rate reached its lowest level since records began, standing at 7.2% in Q2 2026.

The Executive Board stated that it **expects economic growth** of at least 3.2% this year, followed by an acceleration to around 4.5% next year. The main driver of economic growth is expected to be **domestic demand**, with both consumption and investment making positive contributions. These will be supported by growth in disposable income and the continued implementation of infrastructure projects under the "Leap into the Future – Serbia Expo 2027" programme. Despite global uncertainty and weak external demand, Serbia's **export sector** has demonstrated resilience, supported by production and geographical diversification and predominantly export-oriented FDI. This has resulted in a narrowing of the deficit on trade in goods and services to just 3% of GDP in H1 this year.

Global economic activity remains affected by uncertainty stemming from geopolitical tensions, as well as by volatile energy prices, which may have an adverse impact on investment and consumer confidence and capital flows. Although the Middle East conflict is ongoing, the global economy has demonstrated relative resilience, supported by continued AI-related investments and the easing of supply-side constraints. The latest Q3 indicators point to **strong global trade and resilient GDP growth** worldwide. However, **a large part of this growth has been AI-driven**, so the effects on Serbia's exports from an acceleration in global growth are expected to be more limited.

The economy of our most important trade partner – the euro area has proved more resilient to the energy shock than previously anticipated. In September, the ECB projected somewhat higher GDP growth than in June, both for this year and next year. Growth is expected to be supported by the recovery in real incomes, higher government spending on infrastructure and defence, particularly in Germany, a gradual recovery in external demand, and AI-related investments. At the same time, stronger economic activity in the euro area provides the **ECB** with additional room to continue pursuing a restrictive monetary policy. Following the increase in June, the ECB also raised its key interest rates by 0.25 pp in September, bringing the rates on the deposit facility, the main refinancing operations and the marginal lending facility to 2.50%, 2.65% and 2.90%, respectively. The decision was taken amid **inflation running above the target** and expectations of its further rise. According to the ECB, inflation is expected to peak at 3.6% in Q4 2026, led by higher energy prices resulting from the conflict in the Middle East, before gradually declining and returning to a level close to the target by the end of 2027.

In line with expectations, the **Fed** also raised its target range for the federal funds rate (to 3.75–4%)

in mid-September, with a view to bringing inflation back to its 2% target, a level last recorded in 2021. This resulted in an increase in yields on securities issued by advanced economies, indicating that global financial conditions are likely to become more restrictive in the period ahead and that investors will demand higher yields on securities issued by emerging market economies as well.

Rationale for the November decision

Having reviewed the new inflation projection, which is higher than the one published in August – primarily due to higher energy prices, the Executive Board decided at its November meeting to increase the key policy rate by 0.25 pp to 6.00%. The Executive Board concluded that the increase in the key policy rate was an appropriate and timely measure to prevent more significant second-round effects of the energy shock on other prices and to ensure price stability over the medium term.

The NBS will continue to monitor and analyse developments in international commodity and financial markets and, taking these into account, as well as domestic factors and inflation developments, make decisions on the future course of monetary policy on a meeting-by-meeting basis. The priority of monetary policy will remain to ensure price stability and preserve financial stability over the medium term, while supporting economic growth, employment and a favourable business and investment environment.

III Inflation movements

Y-o-y inflation continued to move within the target tolerance band in Q3, while food prices remained, on average, lower than in the same period of the previous year, owing to this year's good fruit and vegetable yields. Consistent with our expectations, y-o-y inflation rose to 4.1% in September, reflecting low last year's base for food and household chemical products subject to the margin capping decree. As in other countries in the region and the euro area, inflation was also affected by the higher prices of petroleum products, following a renewed increase in global oil prices amid the prolonged Middle East conflict.

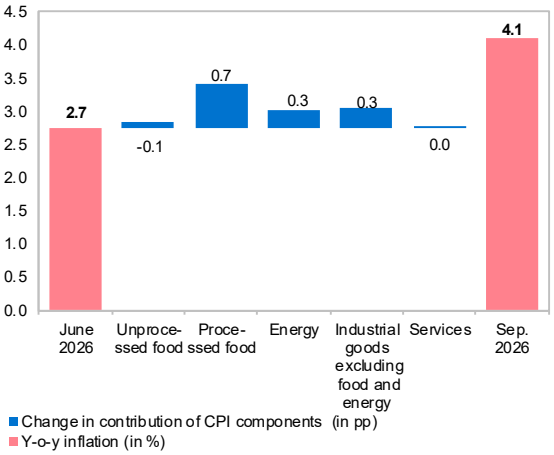
Short-term inflation expectations of the financial sector continued to move within the target band, while medium-term expectations hovered around the 3% midpoint.

Inflation movements in Q3

After slowing further in July to 1.9%, due to a sharp decline in fruit and vegetable prices following solid yields, **y-o-y inflation** increased in the remainder of Q3, reaching 4.1% in September, and remaining within the target tolerance band (3±1.5%). Such inflation trajectory, consistent with our expectations from the August *Inflation Report*, was partly due to the low last year's base for food prices subject to the margin capping decree, and partly to the renewed rise in global prices of energy and other primary commodities amid the prolonged conflict in the Middle East. In September, compared to June, the contribution of **food prices** to y-o-y inflation increased, predominantly due to higher prices in the processed food category, but remained negative overall (-0.4 pp), primarily owing to this year's excellent fruit and vegetable yields. Over the same period, the contributions of **prices of energy and industrial products (excluding food and energy)** also increased, to 1.8 pp and 1.1 pp, respectively, reflecting higher costs of energy production and transport, which also fed through to higher costs in other industrial sectors. Petroleum product prices recorded y-o-y growth of 17.3% in September, contributing 1.0 pp to headline inflation. **Service prices** made the same contribution to y-o-y inflation in September as in June (1.6 pp).

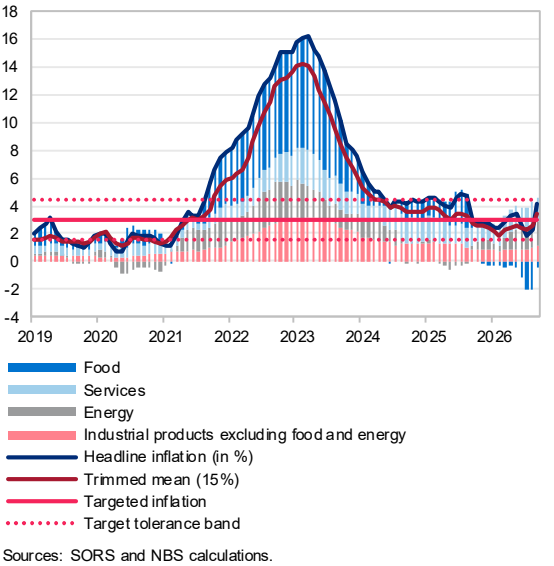
Measured by the change in the CPI excluding food, energy, alcohol and cigarettes, **y-o-y core inflation** accelerated to 4.9% in September (from 4.6% in June). Although service prices continued to dominate the core inflation structure, their y-o-y growth in Q3 was similar to that in Q2 (6.5-6.6%). By contrast, prices of goods within core inflation accelerated y-o-y, averaging 2.6% in Q3, up from 2.1% in Q2, due to the low last year's base, primarily for household chemical products covered by the decree, as well as elevated cost-push pressures, which fuelled y-o-y core inflation. The derived measure of core inflation – the **trimmed mean** (calculated by excluding 15% of products and services from the consumer basket recording the largest price changes in

Chart III.0.1 **Y-o-y inflation and change in the contribution of main CPI components to y-o-y inflation**
(in %, in pp)



Sources: SORS and NBS calculations.

Chart III.0.2 **Contribution of main CPI components to y-o-y inflation**
(in pp)



Sources: SORS and NBS calculations.

both directions) – remained below headline inflation in Q3, standing at 3.5% in September.

At the quarterly level, **consumer prices gained 0.6% in Q3**, half the increase recorded in the previous quarters and slightly below the expectations from the August *Inflation Report*. This was due primarily to a much larger-than-expected decline in **food and non-alcoholic beverage prices** in Q3, which made a negative contribution of 0.3 pp to inflation. The decline in **unprocessed food** prices was primarily due to lower prices of fresh vegetables (down 14.3%) and, to a lesser extent, fresh fruit (down 10.7%), while fresh meat prices increased (by 6.2%). The reduced supply of fresh meat was also affected by African swine fever, recorded in several districts of Serbia in July. Higher prices of non-alcoholic beverages, bread and cereals made the largest contribution to the increase in **processed food prices**, while prices of other products in this category made a minor contribution to inflation in Q3.

Energy prices rose by 2.7% in Q3 (adding 0.4 pp to inflation), almost entirely as a result of higher petroleum product prices (6.1%), amid a renewed increase in global oil prices. A larger increase in petroleum product prices in the domestic market was avoided thanks to the continued implementation of the government decision to temporarily reduce excise duties on diesel and unleaded petrol by 25%, as well as the release of around 5,000 tonnes of diesel from strategic reserves. The 2.0% increase in solid fuel prices in Q3 had no significant impact on inflation, while prices of other household energy sources remained stable during Q3.

Prices of industrial products (excluding food and energy) increased primarily due to the July adjustment of cigarette prices (2.3%), and, to a lesser extent, higher prices of alcoholic beverages and household chemical products. By contrast, clothing and footwear prices declined seasonally by 1.3% in Q3, while the contribution of prices of other industrial products to inflation in Q3 was marginal.

Service price increases were broad-based across categories, with rent, labour-intensive and transport services making the largest contributions to price growth in the group as a whole. Higher service prices almost entirely determined the 0.8% increase in prices within **core inflation** in Q3 (adding 0.4 pp to inflation), which was nevertheless half the increase recorded in the previous quarter.

The 0.6% increase in **administered prices** in Q3 (contributing 0.1 pp to inflation) was notably lower than expected in the August *Inflation Report*, primarily because of the absence of a pronounced increase in utility prices. In y-o-y terms, these prices accelerated to 7.7% in September (from 7.3% in June).

Table Ⅲ.0.1 **Growth and contributions of CPI components to consumer price growth in Q3 2026**

	Weights	Quarterly		Y-o-y in Sep.	
		Growth rates (in %)	Contributions (in pp)	Growth rates (in %)	Contributions (in pp)
Consumer prices (CPI)	**100.0**	**0.6**	**0.6**	**4.1**	**4.1**
Unprocessed food	10.8	-4.7	-0.5	-5.3	-0.6
Processed food	20.9	0.9	0.2	0.8	0.2
Industrial products excluding food and energy	28.3	0.7	0.2	4.0	1.1
Energy	15.5	2.7	0.4	11.6	1.8
Services	24.6	1.2	0.3	6.5	1.6
CPI excl. energy, food, alcohol and cigarettes	**45.8**	**0.8**	**0.4**	**4.9**	**2.3**
Administered prices	**18.2**	**0.6**	**0.1**	**7.7**	**1.4**

Sources: SORS and NBS calculations.

Producer and import prices in Q3

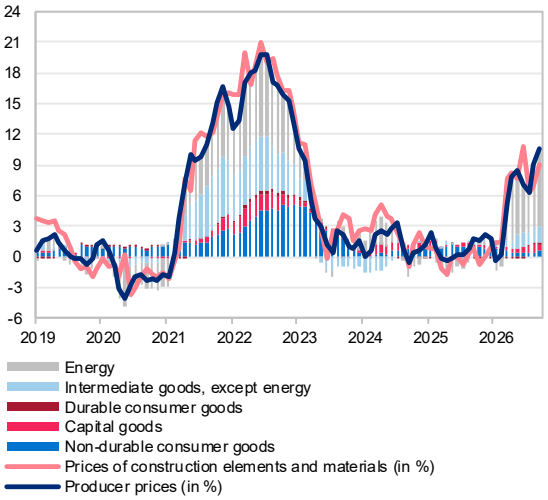
At the quarterly level, **producer prices of industrial products for the domestic market** increased by 3.3% in Q3, while their y-o-y growth accelerated to 10.5% in September (from 7.0% in June), the highest increase since January 2023. This was predominantly driven by the increase in **prices in energy production** (contributing 7.5 pp), reflecting a renewed rise in global crude oil prices and, partly, low last year's base for these prices. The other components of the producer price index also made a positive contribution to the y-o-y growth in producer prices of industrial products for the domestic market in September, indicating that cost-push pressures intensified in most industrial sectors in Q3. By contrast, **prices of construction elements and materials** fell by 2.3% at the quarterly level in Q3, while their y-o-y growth slowed to 9.1% in September (from 10.8% in June).

Price pressures also intensified in Q3 on account of higher imported inflation. This is evidenced by the increase in **dinar-denominated import prices**[1] – by 2.5% q-o-q in Q3 and by 7.4% y-o-y in September (vs. 3.8% in June). Around three-quarters of the y-o-y increase in these prices in September stemmed from the increase in global oil prices expressed in dinars, as well as higher prices of equipment, intermediate goods and other imported goods, approximated by Germany's export prices. The other components of imported inflation also made a positive y-o-y contribution to the September increase in dinar-denominated import prices.

Inflation expectations

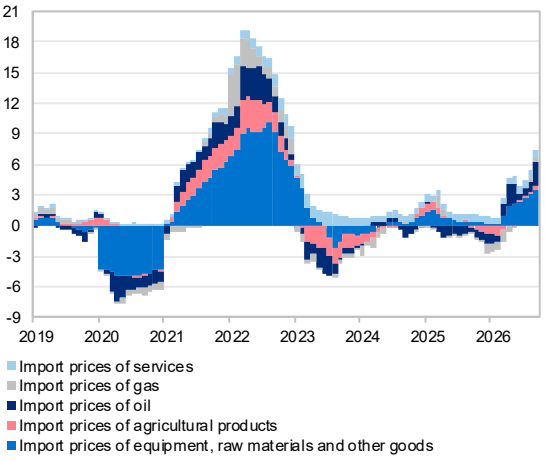
In the period since the previous *Report*, short- and medium-term inflation expectations of the financial sector remained within the target band, where they have been since early 2024, indicating that, for the time being, the energy shock has not had any major second-round effects on other prices.

Chart III.0.3 **Contribution by destination groups of consumption to y-o-y producer price dynamics***
(end-of-period, in pp)



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

Chart III.0.4 **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 calculations.

[1] Preliminary data. Base year: 2010. Import prices are approximated by the weighted average of several components: the Brent crude oil price index, imported natural gas prices, global food prices (FAO Food Price Index), euro area core inflation consumer prices, and German export prices, Germany being one of Serbia's most important trading partners. The fixed component weights are calculated on the basis of the value of imports of goods and services in 2025.

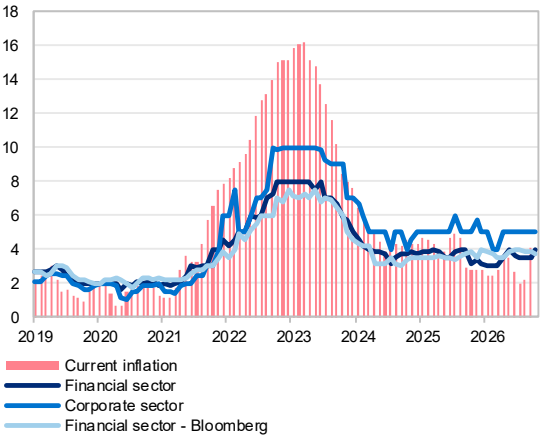
According to the results of the **Ninamedia survey**, **short-term inflation expectations of the financial sector** stood at 3.5% from July to September, only to rise to 4% in October, mirroring actual inflation movements. The individual responses of all financial institutions regarding one-year ahead inflation expectations were within the NBS target band. According to the **Bloomberg** survey, one-year ahead financial sector expectations declined from 4.0% in July to 3.7% in October.

One-year ahead corporate inflation expectations remained at 5.0%, where they have been since April. According to the October survey, most companies believe that the prices of inputs and finished products and services will remain unchanged over the next three months (82.6% and 62.2% of respondents, respectively). When it comes to the next 12 months, most businesses do not expect changes in input prices (65.5%), while 53.3% expect an increase in the prices of finished products and services.

Household short-term inflation expectations have stood at 10.0% since June. According to the qualitative survey, households expect inflation over the next 12 months to be lower than inflation over the previous 12 months. This is indicated by the expected inflation index, which stood at 22.3 points in October, below the perceived inflation index (53.4 points).

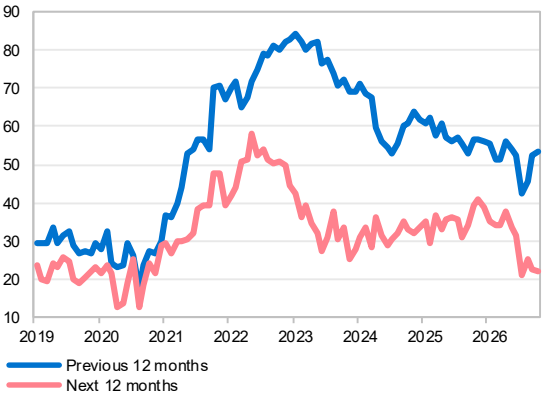
Inflation expectations of the financial sector for two years ahead increased from 3.0% in July and August to 3.4% in September and October, while three-year ahead expectations remained unchanged at 3.0%. **Corporate sector medium-term expectations for two and three years ahead** measured in October 5.0% and 5.5%, respectively. **Two-year ahead household inflation expectations** declined to 8.0% in September, **their lowest level since March 2021**. In October, they bounced back to 10.0%, equalising with household expectations for three years ahead.

Chart III.0.5 **Current inflation and one-year ahead inflation expectations**
(y-o-y rates, in %)



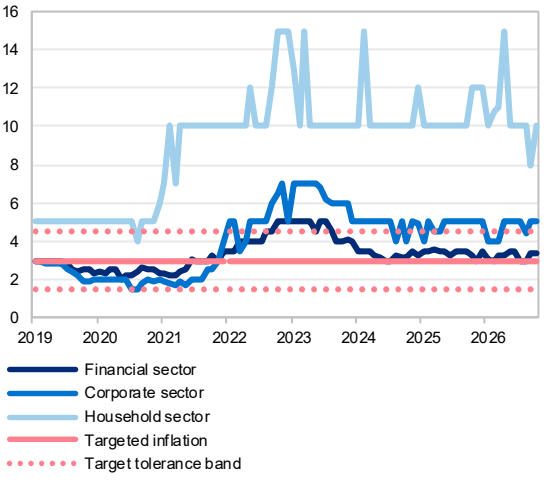
Sources: Gallup/Ipsos/Ninamedia, Bloomberg and NBS.

Chart III.0.6 **Household perceived and expected inflation**
(in index points)



Sources: Gallup/Ipsos/Ninamedia and NBS.

Chart III.0.7 **Two-year ahead inflation expectations**
(y-o-y rates, in %)



Sources: Gallup/Ipsos/Ninamedia and NBS.

IV Inflation determinants

1 Financial market trends

There were no auctions of dinar government securities in the primary market during Q3. As of 1 September, clearing and settlement of long-term dinar securities have also been available through the international central securities depository Euroclear Bank. Yields in the secondary market increased in line with developments in international financial markets and countries in the region, as investors, amid the tightening of monetary policies by leading central banks, have been demanding somewhat higher yields from emerging market economies as well.

Interest rates on dinar and euro-indexed household loans stayed almost unchanged in Q3, while interest rates on corporate loans recorded an increase, amid continued strong bank lending activity. Despite the continued rise in money market interest rates in the euro area, the average interest rate on euro-indexed housing loans to households remained unchanged at 4.5%.

Interest rates

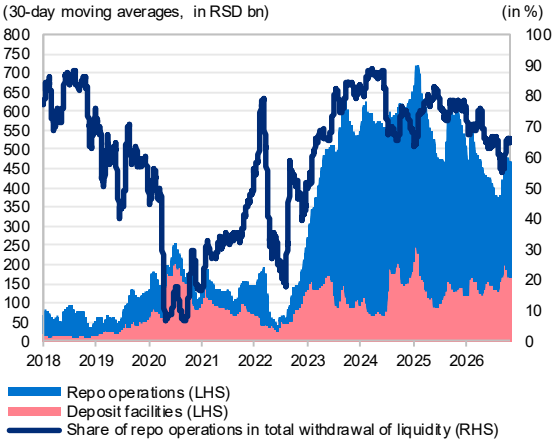
At the NBS Executive Board meetings in Q3 2026, **the key policy rate and interest rates on lending and deposit facilities** were kept at 5.75%, 7.00% and 4.50%, respectively, contributing to minimal fluctuations in interbank money market rates.

The **overnight interbank money market** rate, BEONIA, continued to move around 4.50% or slightly below in Q3, although there was no turnover in this market during a major part of the period observed. BELIBOR rates also recorded minimal fluctuations, ranging from 4.51% for the shortest maturity to 4.75% for the six-month maturity. Banks' excess dinar liquidity increased in Q3, as evidenced by the rise in the daily balance of overnight deposits by RSD 47.4 bn to RSD 190 bn and in repo securities sales by RSD 34.7 bn to RSD 287.5 bn in September, reflecting also the disbursement of financial assistance to pensioners and payouts from the Shareholder's Fund.

In the **primary market of dinar and euro government securities** there were no auctions in Q3 2026 and no maturing of securities. No auctions or maturities are scheduled for the remainder of the year either.

Total turnover in the **secondary market of dinar government securities** amounted to RSD 27.5 bn in Q3, down by RSD 62.2 bn from Q2. This contraction was entirely attributable to the high turnover recorded on the settlement date of the June auction (RSD 63.8 bn). Excluding that day, turnover in Q3 was approximately at the level recorded in the previous quarter. Following largely unchanged levels in July, yields in the secondary market increased in August and September, in line with developments in international financial markets and

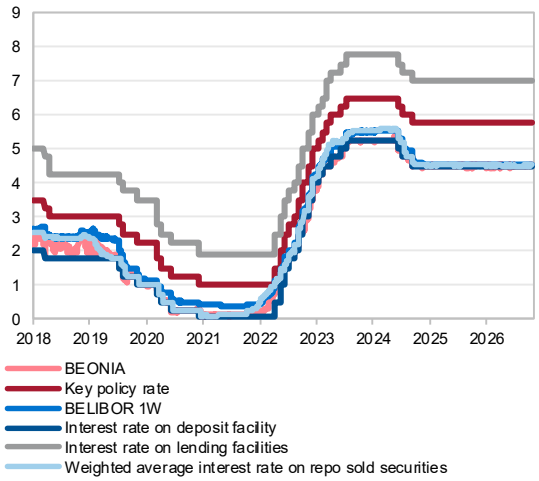
Chart IV.1.1 **NBS operations - liquidity withdrawal**



Source: NBS.

Chart IV.1.2 **Interest rate movements**

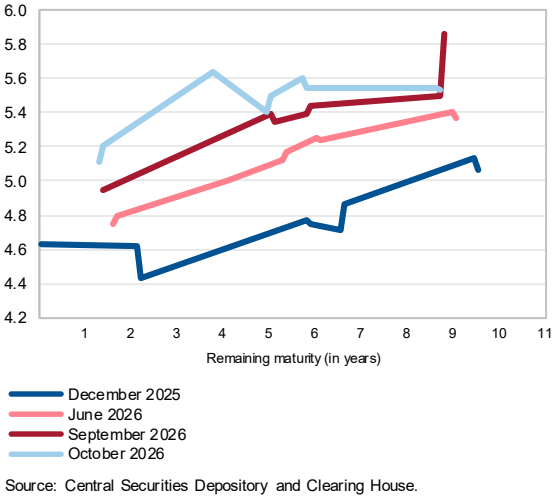
(daily data, p.a., in %)



Sources: Thomson Reuters and NBS.

Chart IV.1.3 **Yield curve in the secondary government securities market**

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



Source: Central Securities Depository and Clearing House.

countries in the region. In September, the weighted average yield rates on bonds with remaining maturities of around five and six years stood at 5.39% and 5.43%, respectively, up by 26 bp and 19 bp from June. The weighted average yield rate on bonds with the remaining maturity of around nine years increased by 36 bp from June, reaching 5.73% in September, while the yield on these bonds stood at around 5.50% at the end of the month.

As of 1 September 2026, clearing and settlement of long-term dinar government securities have also been available through the international central securities depository Euroclear Bank. This arrangement currently covers five outstanding dinar-denominated bonds, as well as certain future issues. It has facilitated international investors' access to the domestic government securities market and established the necessary infrastructure for the broader inclusion of dinar-denominated bonds in global indices. This is expected to contribute to a gradual broadening of the investor base and improvement of secondary market liquidity.

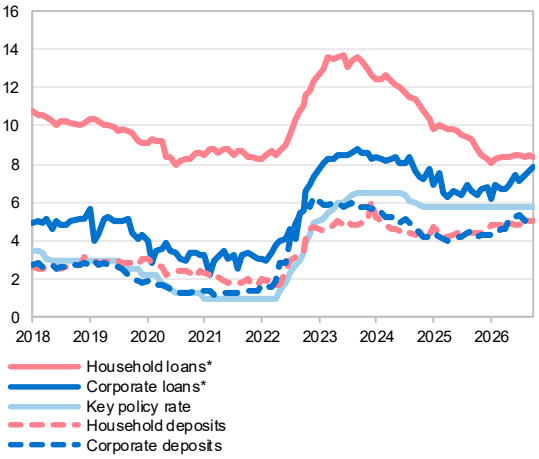
The interest rate on dinar corporate loans increased by 0.8 pp in Q3 2026, reaching 7.9% in September, driven by a 1.3 pp increase in the interest rate on working capital loans, to 8.1%. By contrast, the interest rate on investment loans declined by 1.0 pp to 7.9%, while their share in dinar lending to corporates increased significantly, from 9.0% in June to around 35% in September. A decline in interest rate was also recorded for other non-categorised loans, by 0.1 pp to 7.2%. **The interest rate on new dinar household loans** edged down mildly, by 0.1 pp to 8.4% in September, levelling with the interest rate on the dominant cash loans, which remained unchanged. The interest rate decline was also recorded for other non-categorised loans, by 0.3 pp to 9.4%, and housing and consumer loans, which account for a smaller share.

In Q3 2026, interest rates on **new euro corporate loans** were raised by 0.4 pp to 5.5% in September, which can be partly associated with the rise in EURIBOR rates by around 30 bp due to the further tightening in the ECB's monetary policy. Within the structure of lending, growth was led by the lifting of rate on investment loans, by 1.0 pp to 6.2%, and to a somewhat smaller degree also the rate on working capital loans, by 0.2 pp to 5.3%. Interest rates on **euro household loans remained unchanged in Q3 2026, at 4.8%,** which can chiefly be attributed to the flatlining of the rate on euro-indexed housing loans, at 4.5%.

The interest rate on **current account overdrafts** stayed broadly the same at 17.0% in September, while the

Chart IV.1.4 **Interest rates on new dinar loans and deposits**

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



Source: NBS.

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

Table IV.1.1 **Interest rates on new loans – by type and currency**

(in %)

	Dinar			Euro and euro-indexed		
	2025	2026		2025	2026	
	Q4	Q2	Q3	Q4	Q2	Q3
Total household loans*	8.1	8.5	8.4	4.6	4.8	4.8
Cash loans	8.2	8.4	8.4	3.4	3.5	3.4
Housing loans	10.0	11.7	10.9	4.5	4.5	4.5
Consumer loans	2.0	3.1	2.5	5.5	5.4	5.4
Other loans	8.7	9.7	9.4	5.7	6.4	6.5
Total corporate loans*	6.2	7.1	7.9	4.8	5.1	5.5
Working capital loans	6.1	6.8	8.1	4.5	5.1	5.3
Investment loans	7.2	8.9	7.9	5.1	5.2	6.2
Other loans	6.1	7.3	7.2	5.1	5.1	5.0
Import loans	-	-	-	3.9	4.3	3.9

Source: NBS.

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

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

interest rate on **credit card debt**[2] declined by 0.2 pp, coming to 14.2%. Relative to end-2024, the interest rates on these most expensive types of lending dropped considerably, by 10.8 pp and 8.1 pp, respectively, reflecting the application of interest rate caps under the Law on the Protection of Financial Service Consumers.

The **interest rate on household dinar savings** gained 0.2 pp in Q3, climbing to 5.1% in September, while the **interest rate on euro savings** stayed unchanged at 3.4%.

Risk premium

After edging down slightly in July and August, **global risk premium upped considerably in September,** reflecting the rising geopolitical tensions and monetary policy tightening by leading central banks, which led to tighter global financial conditions and reduced investors' appetite for riskier assets.

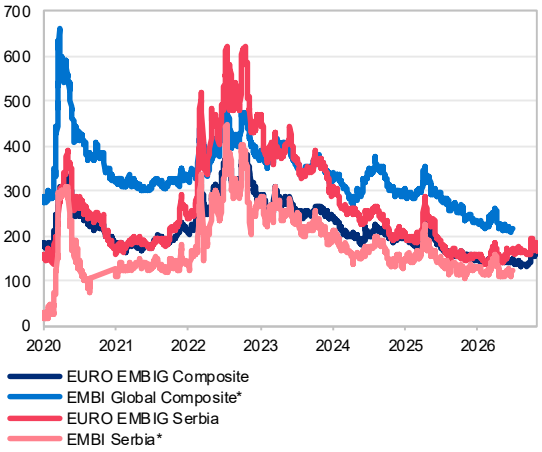
The composite measure of emerging market risk for euro-denominated debt, derived from the EURO EMBIG Composite, increased by 13 bp in Q3, reaching 158 bp at the end of September. At the same time, **Serbia's risk premium for euro debt** gained 18 bp, rising to 185 bp at end-September. October saw the composite risk measure for emerging economies going up by additional 6 bp, to 164 bp at month end, and a parallel decline in Serbia's risk premium by 5 bp to 180 bp. Risk premia increased in Q3 region-wide, most prominently in Romania (by 28 bp to 282 bp) and Hungary (by 19 bp to 129 bp), while Montenegro witnessed the unchanged level of 169 bp at end-September.

In July, Fitch affirmed Serbia's credit rating at BB+, with a positive outlook for investment grade. The agency stated that this decision was based on an adequate economic policy mix, primarily a strong commitment to maintaining exchange rate stability, prudent fiscal management, high FX reserves, as well as higher GDP per capita compared to rating peers. The positive outlook is further supported by the expected investment-driven acceleration of economic growth, the stabilisation of public debt at low levels and the demonstrated resilience of the domestic economy to external shocks.

Foreign capital inflow

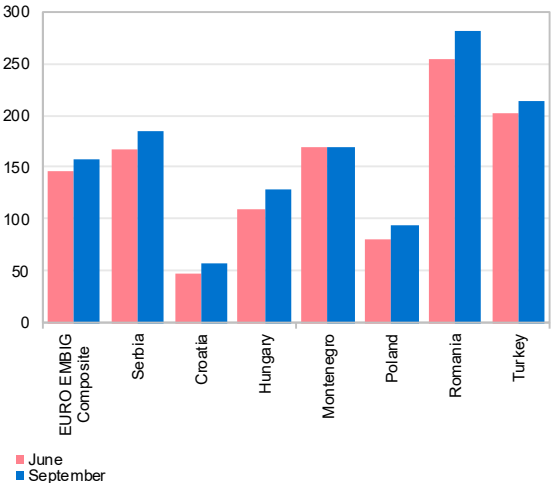
In Q3, the bulk of capital inflows to the balance of payments financial account pertained to FDI and proceeds from the sale of government securities to international investors. Inflows also originated from the growing corporate and bank borrowing and reduced

Chart IV.1.5 **Risk premium indicators**
(daily data, in bp)



Source: J.P. Morgan.
*The latest available data as at 24 June 2026.

Chart IV.1.6 **EURO EMBIG for countries in the region**
(end-of-month, in bp)



Source: J.P. Morgan.

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

	2021	2022	2024		2026
S&P	BB+ /positive[7)]	BB+ /stable[4)]	BB+ /positive[3)]	**BBB- /stable[6)]**	
Fitch			BB+ /positive[5)]		
Moody's	Ba2 /stable[2)]		Ba2 /positive[5)]		Ba2 /stable[1)]

Source: NBS.
[1)] February, [2)] March, [3)] April, [4)] June, [5)] August, [6)] October, [7)] December.
Note: There was no change in rating/outlook in 2023 and 2025.

[2] According to the interest rate statistics methodology, the interest rates on revolving loans, current account overdrafts and credit card debt are not included in the calculation of the average interest rate on household loans.

resident deposits with banks abroad, while outflows were recorded under trade loans.

FDI inflows to Serbia in Q3 came at EUR 894.2 mn (3.7% of GDP), up by 8.9% from the inflow recorded in the same period last year. Taking into account resident investments abroad, net FDI inflow in Q3 amounted to EUR 735.5 mn. In the year to September, FDI inflow equalled EUR 2.1 bn, mainly referring to reinvested earnings and equity capital.

In July, the Republic of Serbia sold 6Y eurobonds with a nominal value of EUR 500 mn to international professional investors through a private placement. In addition, banks reduced their investments into foreign securities, which resulted in a net capital inflow of EUR 680.8 mn under **portfolio investments** in Q3.

Under **financial loans**, a net inflow of EUR 499.7 mn was recorded in Q3, primarily reflecting an increase in corporate credit liabilities, with higher bank borrowing also contributing to the inflow. By contrast, the government reduced its external credit liabilities, partly owing to the repayment of debt principal under the **IMF** Stand-By Arrangement (EUR 141.4 mn).

A net outflow of EUR 1.0 bn was recorded under **trade loans and advances**. Conversely, **currency and deposits** saw an inflow of EUR 357.1 mn, after residents reduced the amount of funds kept with foreign banks.

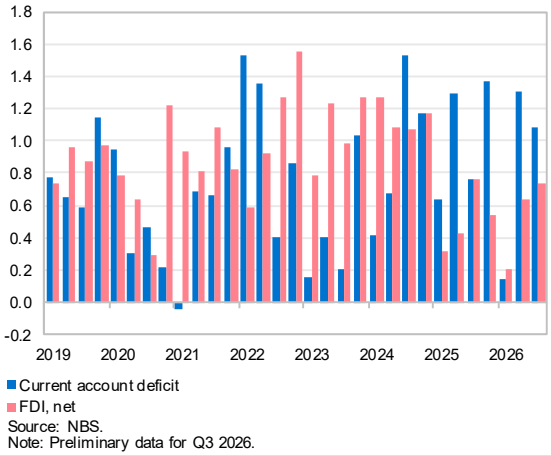
Trends in the FX market and exchange rate

In Q3, the dinar remained relatively stable against the euro, supported by the NBS's interventions in the IFEM. End-of-period, the dinar lost 0.1% against the euro, while, due to the euro's weakening against the US dollar in the international market, the domestic currency depreciated by 0.6% against the dollar.

For the major part of Q3, FX supply in the IFEM exceeded the demand, so the appreciation pressures prevailed. The main contributor was the supply of foreign currency by domestic companies excluding energy importers, as well as a rise in FX-indexed bank assets.[3] Net purchase of foreign cash from banks worked in the same direction. In September, especially as of mid-month, depreciation pressures gained ground, mainly under the impact of increased FX demand of energy importers.

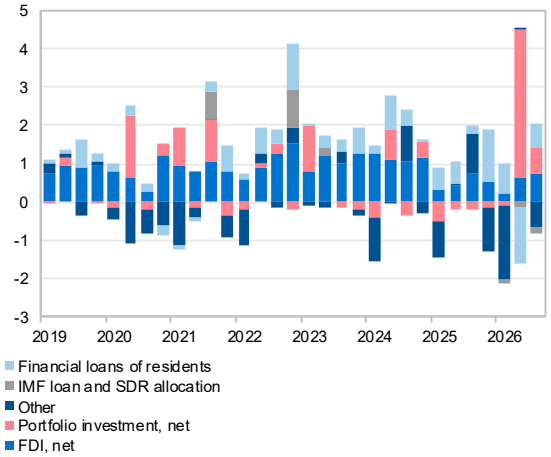
To maintain relative stability of the RSD/EUR exchange rate, the NBS bought a total of EUR 280.0 mn net in the IFEM in Q3. In July and August, it purchased EUR 660.0 mn net, and in September acted as a net seller of EUR 380.0 mn.

Chart IV.1.7 **Current account deficit and net FDI inflow**
(in EUR bn, quarterly data)



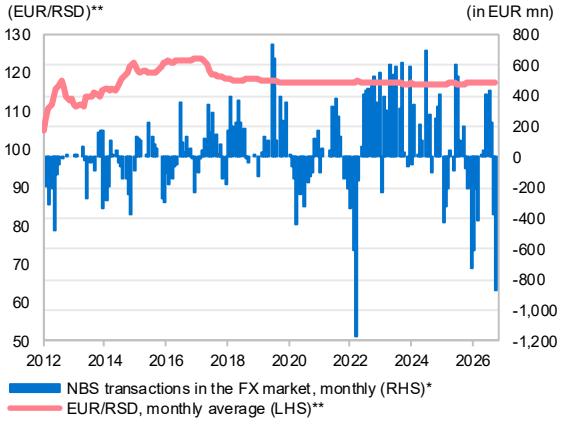
Source: NBS.
Note: Preliminary data for Q3 2026.

Chart IV.1.8 **Structure of the financial account**
(in EUR bn, quarterly data)



Source: NBS.
Note: Preliminary data for Q3 2026.

Chart IV.1.9 **Dinar exchange rate and NBS transactions in the FX market**



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

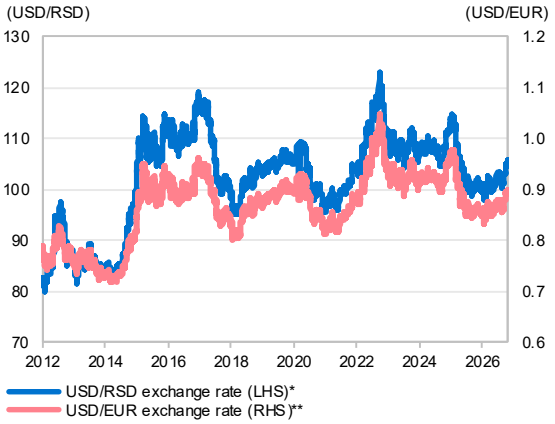
[3] To balance their open long FX position and reduce exposure to FX risk, banks sell foreign currency, working toward the strenghtening of the dinar.

Responding to strong depreciation pressures before and in the wake of parliamentary elections, the NBS sold EUR 865.0 mn net in October. In the year to October, the NBS sold EUR 1,340.0 mn in the IFEM.

FX reserves remained high, at EUR 29.2 bn at end-October. This level was well above the reserve adequacy standards, as they covered little less than seven months' worth of goods and services imports and 151% of money supply M1.

The currencies of inflation-targeting regional peers weakened against the euro in Q3. The Romanian leu and Czech koruna lost 0.7% each, the Polish zloty 1.6%, and the Hungarian forint 3.1%.

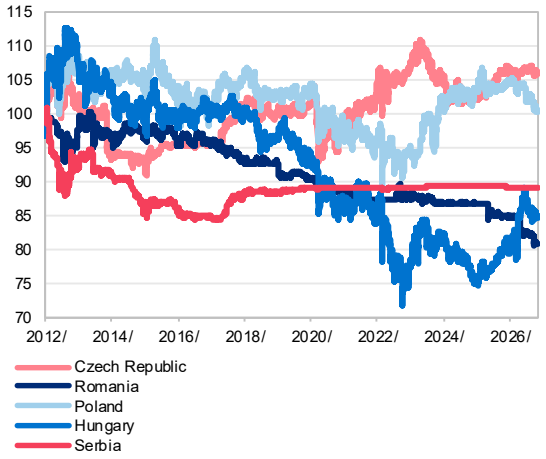
Chart IV.1.10 **Movements in USD/RSD and USD/EUR exchange rates**



Source: NBS.

* USD 1 in RSD.
** USD 1 in EUR.

Chart IV.1.11 **Exchange rates of selected national currencies against the euro***
(daily data, 31 December 2011 = 100)



Sources: NBS and websites of central banks.

* Growth indicates appreciation.

2 Money and loans

Growth in the broadest monetary aggregate, M3, accelerated in Q3, both q-o-q and y-o-y, primarily reflecting an increase in its most liquid components – dinar demand deposits and currency in circulation. In addition to usual seasonal movements, this was also driven by the one-off budget payments to households. Growth in household dinar savings also accelerated, reaching a record RSD 248.3 bn at end-September (11.4% of total savings).

Although it continued to slow in Q3, y-o-y growth in credit activity remained relatively high, coming at 15.1% in September. At the same time, the share of NPLs in total loans remained at its record low of 2.0%, while, owing to more pronounced borrowing in dinars, the dinarisation of corporate and household receivables reached 41.0% in September.

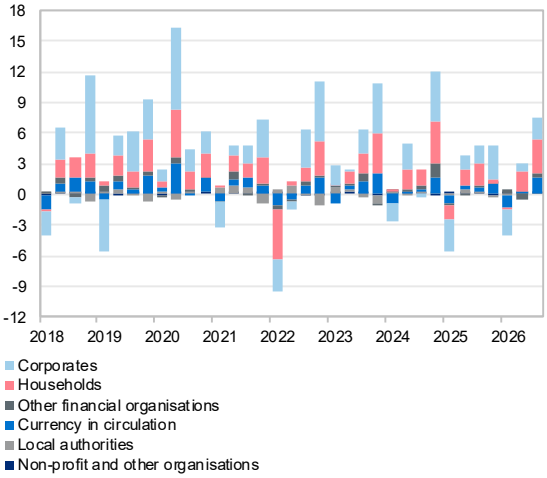
Money

The broadest **monetary aggregate, M3**, which, in addition to dinar money, includes FX deposits of non-monetary sectors, increased by 4.8% in Q3 (compared with 2.2% in Q2). This was driven mainly by the faster growth in demand deposits of the household and corporate sectors, as well as in currency in circulation. These developments were partly seasonal in nature and partly reflected the one-off payments of financial assistance to pensioners and disbursements from the Shareholder Fund.

By individual category, dinar **demand deposits** increased by RSD 152.7 bn in Q3. The increase was attributable in almost equal measure to higher balances in household current accounts and to corporate deposits, primarily in the trade sector, followed by the services, energy and construction sectors.

Dinar time and savings deposits gained RSD 18.8 bn. The largest contribution came from household dinar savings, which rose by RSD 20.9 bn, reaching a new record high of RSD 248.3 bn.[4] Deposits of other financial organisations also increased (by RSD 9.9 bn). By

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



Source: NBS.

[4] Including deposits of non-residents, dinar savings amounted to RSD 250.7 bn at end-September, while FX savings stood at EUR 17.2 bn.

contrast, corporate dinar time deposits declined by RSD 9.6 bn, and deposits of local government authorities by RSD 2.1 bn.

FX deposits of non-monetary sectors increased by EUR 0.4 bn in Q3, around two-thirds of which was accounted for by an increase in FX savings of resident households, which reached a new record high of EUR 16.4 bn. The increase in FX deposits of other financial organisations and corporates made a smaller contribution.

The **degree of dinarisation of corporate and household deposits** increased by 1.3 pp in Q3, reaching 46.9% in September, as a result of relatively faster growth in corporate and household dinar demand deposits compared with the growth in FX deposits. Y-o-y, the degree of dinarisation increased by 0.5 pp.

Y-o-y growth in **M3** accelerated in Q3, reaching 10.8% in September, up from 9.0% in June (6.6% in December 2025), primarily reflecting faster growth in dinar demand deposits and currency in circulation.

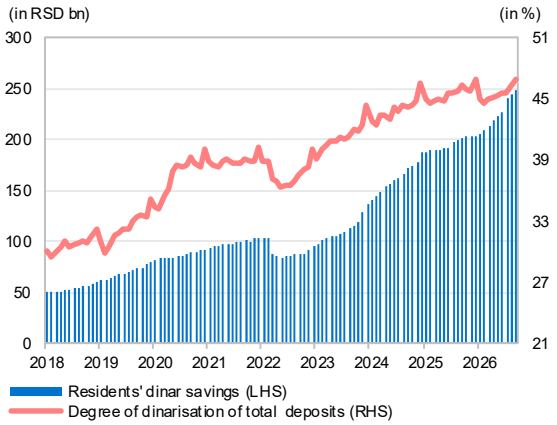
Loans

Total domestic loans to the non-monetary sector slowed their y-o-y growth in Q3, under the impact of the high base from the previous year, reaching 15.1% in September, excluding the effect of exchange rate changes.[5] In particular, **household lending** slowed its y-o-y growth to 18.6% in September, and **corporate lending** to 10.1%.

Corporate loans increased by RSD 44.6 bn in Q3, mainly reflecting an increase in borrowing by companies (RSD 44.0 bn). Growth was driven by the disbursement of investment loans (RSD 29.8 bn) and liquidity and working capital loans (RSD 28.5 bn), while export loans also increased. On the other hand, companies' outstanding liabilities on import loans and other non-categorised loans declined. These developments led to an increase of 0.5 pp in the share of investment loans in total corporate loans during Q3, to 43.7% in September, with their y-o-y growth accelerating to 15.1%. The share of liquidity and working capital loans increased by 0.3 pp, to 48.6%, while their y-o-y growth slowed to 10.2%.

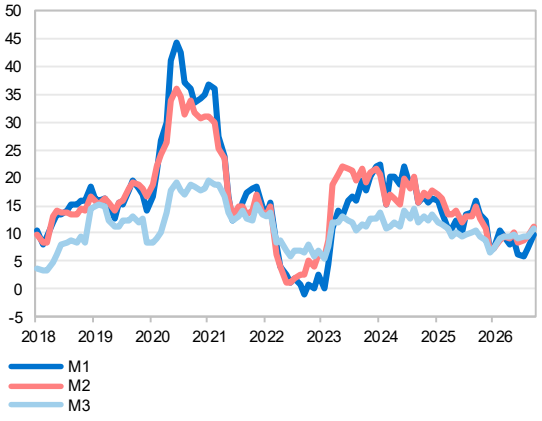
Corporate borrowing increased across almost all sectors in Q3, with construction companies borrowing the most, followed by companies in manufacturing and agriculture. A decline in borrowing was recorded only in the transport sector. Almost two-thirds of the increase in loans in Q3 related to micro, small and medium-sized enterprises, bringing the share of loans granted to this segment in total corporate loans to 60.8% in September and accelerating their y-o-y growth to 13.5%. Dinar loans accounted for two-fifths of the corporate lending growth, contributing

Chart IV.2.2 **Residents' dinar savings and degree of dinarisation of total deposits**



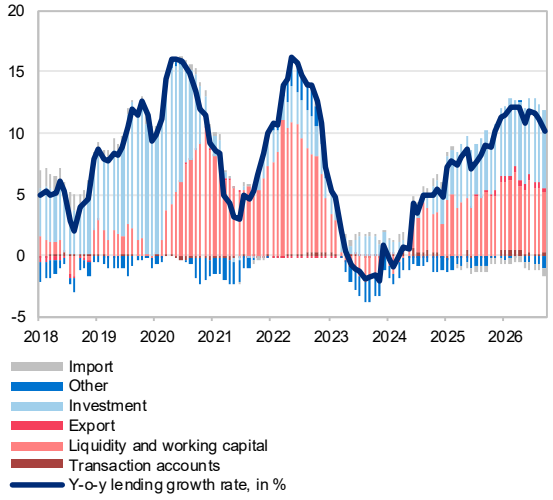
Source: NBS.

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



Source: NBS.

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



Source: NBS.

[5] Calculated at the new programme exchange rate as at 30 September 2024.

to an increase in the **dinarisation of corporate receivables** to 24.9% in September (24.2% in June).

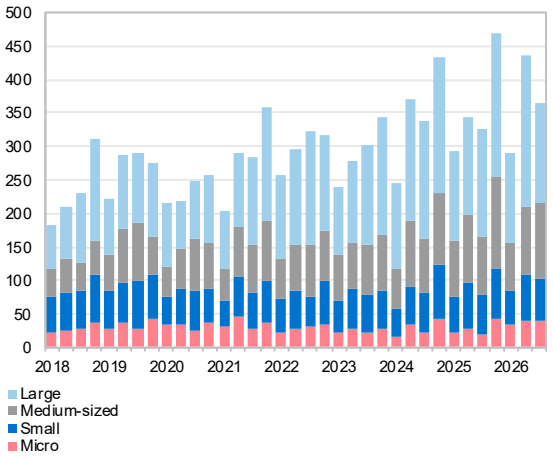
The **volume of newly approved corporate loans** amounted to RSD 365.2 bn in Q3, up by 11.7% from the same period in 2025. Disbursements increased across all loan categories except import loans. Loans for liquidity and working capital and investment loans accounted for the largest shares of newly approved loans, at 60% and 28%, respectively. Four-fifths of investment loans and 56% of liquidity and working capital loans were extended to micro, small and medium-sized enterprises.

Household loans increased by RSD 81.2 bn in Q3, with slightly more than a half of the increase accounted for by dinar loans. Growth was driven by the approval of cash loans (RSD 37.1 bn) and housing loans (RSD 35.9 bn), while household borrowing through consumer loans and credit cards also increased. The high disbursement of household loans was supported by eased credit standards, relatively favourable interest rates and measures enabling more favourable borrowing terms for lower-income citizens. In addition, growth in housing loans was supported by loans granted under the youth housing loan programme, which accounted for 40% of the increase in housing loans in Q3. The strong disbursement of housing loans increased their share in total household loans from 37.8% in June to 38.1% in September, while the share of the largest category, cash loans, declined during Q3 by 0.1 pp, to 47.9%. At the same time, reflecting the high base, growth in cash and housing loans slowed in September to 20.4% and 18.3% y-o-y, respectively. The strong growth in housing loans, which are predominantly euro-indexed, resulted in a slight decline in the **dinarisation of household receivables** in September (56.8%) compared with the record high touched in June (56.9%).

The **volume of newly approved household loans** amounted to RSD 293.3 bn in Q3, up by 2.3% from the same period in 2025, primarily thanks to a higher volume of newly approved housing loans. By contrast, after quite a while the volume of cash loans declined for the first time in y-o-y terms. These two loan categories accounted for the largest shares of new household loans, at 21% and 65%, respectively.

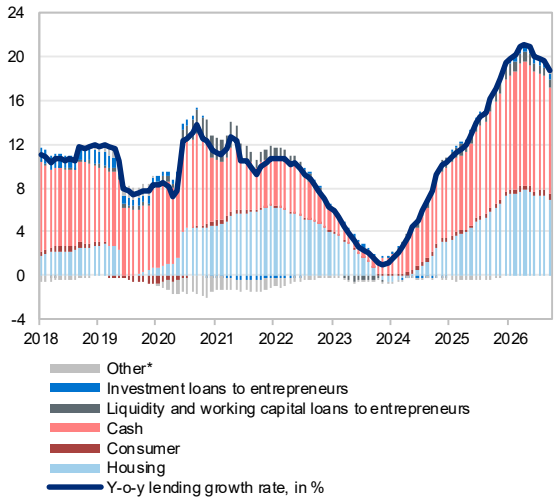
The results of the NBS October Bank Lending Survey show that banks left their credit standards for corporates unchanged in Q3, despite reporting higher funding costs, lower risk propensity, and the impact of risk perception and competition in the direction of tightening standards. At the same time, credit standards for households were relaxed, owing to the easing of standards for dinar cash loans, while standards for other types of loans remained unchanged. The easing was driven by competition among banks and their increased risk propensity. Banks assessed that overall corporate demand for loans declined in Q3, reflecting lower demand for long-term loans, while demand for short-term loans increased. The decline in

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



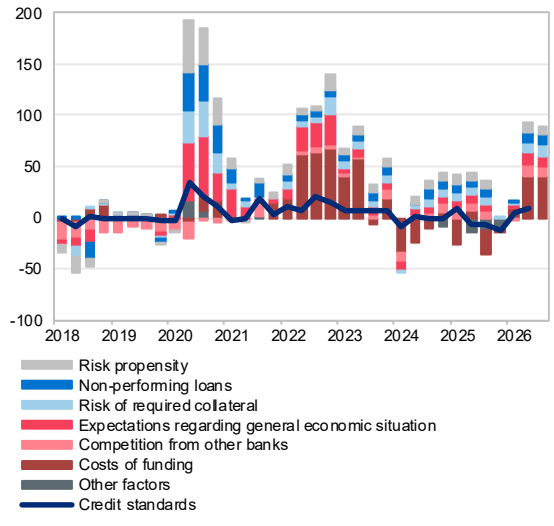
Source: NBS.

Chart IV.2.6 **Contributions to y-o-y household lending growth**
(in pp, excluding the exchange rate effect)



Source: NBS.

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.

demand mainly concerned large enterprises and was driven by lower needs for financing capital investment and working capital. Household loan demand remained unchanged in Q3, for the first time after having recorded growth for almost three years. According to banks' assessments, however, refinancing of existing loans, purchases of real estate and purchases of durable consumer goods continued to contribute to higher demand.

In Q3, gross **NPL ratio** stayed at the minimum level of 2.0%. The NPL ratio for the household sector [6] dropped in Q3 by 0.1 pp, to 2.5% in September, while the NPL ratio for the corporate sector[7] remained unchanged (1.4%). The coverage of NPLs stayed high – allowances for impairment of total loans equalled 110.0% of NPLs in September, while allowances for impairment of NPLs amounted to 59.4% of NPLs.

The **capital adequacy ratio** stood at 19.73% at end-Q3, indicating high capitalisation (8.0% regulatory minimum) and resilience of the banking sector to external and domestic risks.

3 Aggregate demand

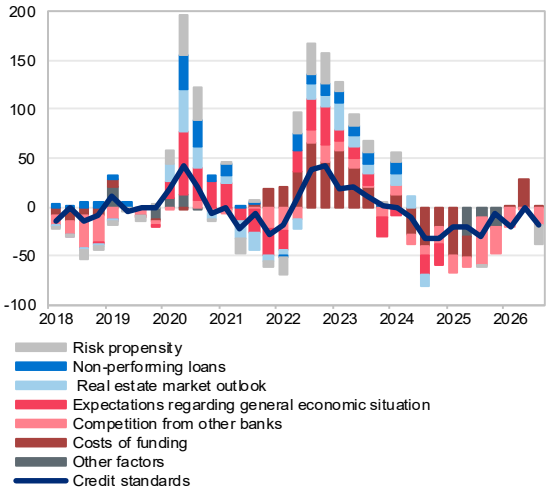
As estimated by the SORS, real GDP growth in Q3 amounted to 4.0% y-o-y and was, in our estimate, driven by domestic demand, with both consumption and fixed investment providing a positive contribution. A slightly negative contribution, on the other hand, came from net exports.

Domestic demand

According to our estimate, **household consumption** stepped up its y-o-y growth in Q3 to 4.7%, contributing 3.1 pp to GDP growth. The continued growth in private consumption is indicated by developments in retail trade, where turnover increased by 7.8% y-o-y in Q3, as well as in catering, where turnover rose by 4.3% y-o-y in the July–August period. Positive trends are also confirmed by tourism data, which show that the number of domestic tourist arrivals and overnight stays went up in Q3 by 9.4% and 6.5% y-o-y, respectively. The growth in private consumption is also reflected in the increase in imports of consumer goods, which recorded y-o-y growth of 1.4% in Q3.

As regards the sources of household consumption, the wage bill, its most significant source, continued to record almost double-digit nominal y-o-y growth, amounting to 9.9% in the July–August period, while real growth stood at 7.5%. At the same time, pensions recorded nominal y-o-y growth of 12.1% in Q3, or 9.1% in real terms. Household consumption was further supported by the still relatively favourable lending conditions, as reflected in the sustained double-digit y-o-y growth in loans intended for consumption. In addition, remittance

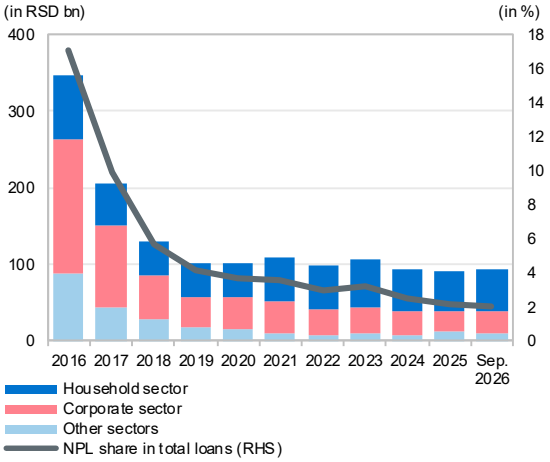
Chart IV.2.8 **Change in household credit standards and contributing factors**
(in net %)



Source: NBS.

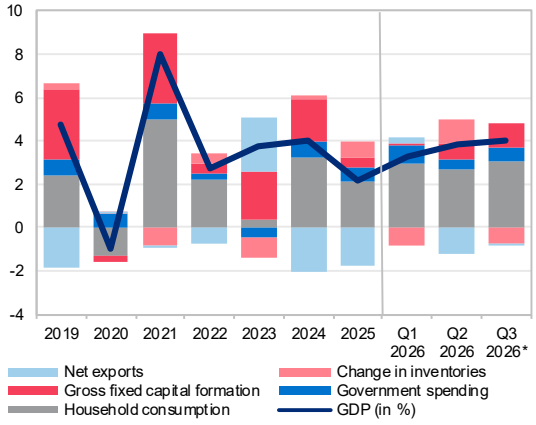
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

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



Source: NBS.

Chart IV.3.1 **Contributions to y-o-y GDP growth rate, expenditure side**
(in pp)



Sources: SORS and NBS calculations.

* NBS estimate.

[6] Inlcudes natural persons, entrepreneurs and private households.

[7] Includes companies and public enterprises. Looking at companies only, the share of NPLs in total loans stayed unchanged as well, equalling 1.5% in September.

inflows amounted to EUR 1.6 bn in Q3, marking a y-o-y increase of 4.5%.

According to our estimate, **government consumption** increased by 3.5% y-o-y in Q3, continuing to make a positive contribution of 0.6 pp to GDP growth. This increase was driven by higher expenditure on public sector employees, as well as on the procurement of goods and services. As a result, **total consumption** expanded by 4.5% y-o-y in Q3.

We estimate that **total fixed investment** recorded y-o-y growth of 4.5% in Q3, contributing 1.1 pp to GDP growth. The continued growth in investment activity is primarily indicated by developments in the production and imports of capital goods. Specifically, the production of capital goods increased in y-o-y terms by 9.1%, the production of machinery and equipment by 18.5%, and imports of equipment by 1.8%. Positive developments were also recorded in construction, as confirmed by a 12.6% y-o-y increase in the value of construction works performed in Q3, a 2.4% y-o-y increase in the number of construction permits issued in the July–August period, as well as upturns in the production and imports of construction materials of 3.6% and 3.5% y-o-y, respectively.

As regards the sources of investment financing, we estimate that private investment was financed predominantly from companies' own funds, supported by the high profitability they had achieved in previous years. Investment activity was also supported by FDI inflows, which amounted to EUR 894.2 mn in Q3, as well as by the 16.0% y-o-y growth in investment loans. An additional boost to investment came from government capital expenditure, which increased by 79.8% y-o-y in Q3.

We estimate that the **reduction in inventories** of industrial products, primarily energy products, made a negative contribution of 0.7 pp to GDP growth in Q3.

Table IV.3.1 **Movement in key indicators and sources of household consumption**
(real y-o-y growth rates, in %)

	2025		2026	
	Q4	Q1	Q2	Q3
Household consumption	**3.7**	**4.9**	**4.0**	**4.7***
Indicators				
Retail trade turnover	8.0	9.0	5.5	7.8
Catering turnover	2.5	11.5	8.5	4.3**
Number of domestic tourists	-0.2	8.2	7.9	9.4
Number of domestic tourist overnight stays	-4.5	6.3	3.3	6.5
Consumer goods imports (BEC classification), nominal	2.2	-1.6	6.9	1.4
Sources				
Total wage bill, nominal	12.0	11.0	10.2	9.9**
Remittances inflow, nominal	26.2	22.4	13.9	4.5
Stock of loans intended for consumption, nominal	21.0	22.5	22.8	20.8

Sources: SORS and NBS calculations.
* NBS estimate.
**July-August.

Table IV.3.2 **Investment indicators**

	2025		2026	
	Q4	Q1	Q2	Q3
Real y-o-y growth rates (in %)				
Total investment (national accounts)	8.9	0.3	3.3	4.5*
Construction (national accounts)	10.6	-9.7	9.1	9.0*
Government investment, nominal	-0.5	68.7	-17.9	79.8
Number of issued construction permits	1.0	8.9	6.8	2.4**
Production of construction material	-3.1	-5.8	2.8	3.6
Value of works performed	6.6	-9.9	9.0	12.6
Equipment imports, nominal	15.6	2.0	-2.3	1.8
Production of domestic machinery and equipment	0.7	5.1	13.6	18.5

Sources: SORS and NBS calculations.
* NBS estimate.
**July-August.

Text box 1: Personal consumption and its main financing sources in 2022–2026

In Serbia, personal consumption (comprising household expenditure on goods and services) accounted for an average of 63% of GDP in 2022–2025, i.e. its dynamics largely shaped the overall pace of economic activity. Given the importance of personal consumption, this text box analyses its trends and the structure of its main financing sources from 2022 to end-H1 2026. The period under review was marked by diverse macroeconomic conditions, ranging from strong global inflationary pressures and monetary tightening in 2022 to slowing inflation, growth in real incomes and gradual monetary easing in subsequent years.

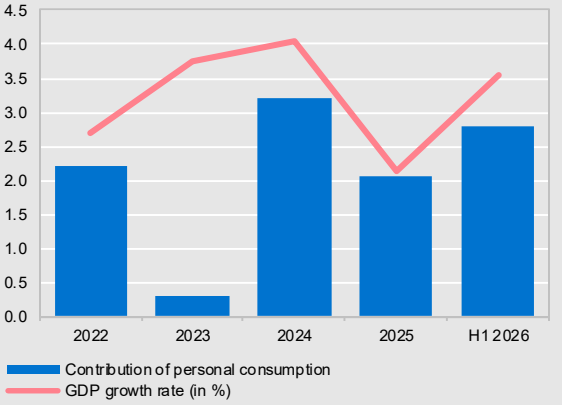
Over the period under review, personal consumption recorded continuous real growth and made a significant positive contribution to Serbia's GDP growth. Following growth of 3.5% in 2022, it slowed to 0.5% in 2023, against the backdrop of elevated inflation. As inflation slowed and real incomes recovered, real personal consumption growth stepped up to 5.1% in 2024, while in 2025 it stood at 3.3%.

For the purposes of this analysis, the sources of financing personal consumption have been broken down into wage bill, pension bill, social transfers, remittances and an increase in household loans intended for consumption, with the remainder comprising other income, such as dividends, interest and rents. On the other hand, the increase in household term deposits with banks is a deductible, as a part of available funds is channelled into savings rather than current consumption.

Wages were the most important source of financing personal consumption over the period under review, accounting for an average of 45% of total sources. In 2022, high inflation constrained their real growth and contribution to consumption growth. Gradual recovery in employees' purchasing power followed from 2023 onwards, driven by stronger nominal wage growth. Real wage growth was more pronounced in 2024, supported by wage increases in both the private and public sectors, as well as a rise in the minimum cost of labour. Positive trends continued in 2025 and H1 2026, albeit at a more moderate pace of real growth. In this way, wage growth, also supported by economic policy measures, remained the mainstay of household consumption, contributing more than 50% to its growth.

Chart O.1.1 **Contribution of personal consumption to Serbia's GDP growth, 2022 – H1 2026**

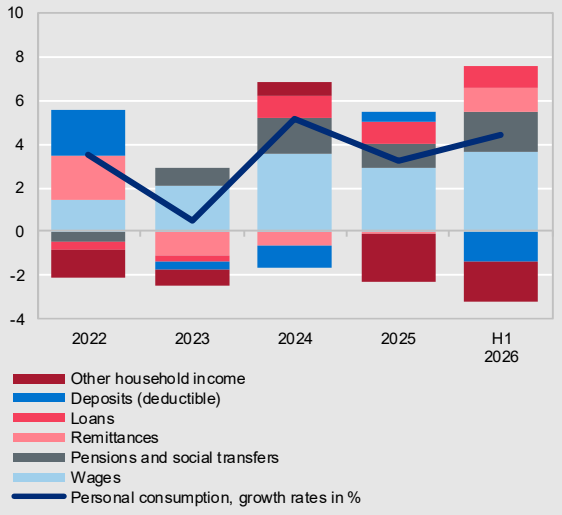
(in pp)



Sources: SORS and NBS calculations.

Chart O.1.2 **Contributions of growth in different sources of consumption to private consumption growth**

(in pp)



Source: NBS estimate.

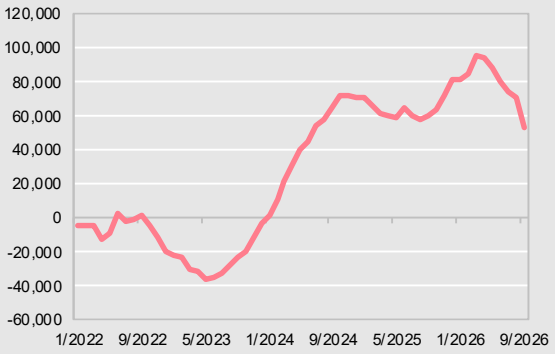
Pensions and other social transfers were the second most important source of consumption financing, accounting for an average of 18%. After elevated inflationary pressures in 2022 constrained pensioners' purchasing power, pension increases in the subsequent period (by 8.4% in 2023, 15% in 2024 and 6.8% in 2025 in real terms), together with slowing inflation, contributed to their real growth. Their contribution to consumption was particularly strong in 2023, while it was somewhat lower in 2024 and 2025, in line with the pace of pension indexation and base effects. Real pension growth continued in H1 2026, meaning that pensions and social transfers, as sources largely dependent on economic and social policy measures, continued to provide relatively stable support to consumption.

Remittances represented a significant additional source of consumption financing, accounting for an average of 9.3%. Following a more pronounced positive contribution in 2022, their contribution to consumption growth was negative in 2023 and 2024, before turning positive again in H2 2025. These developments may partly be attributed to the dynamics of economic activity in European countries from which the bulk of remittances originate, primarily Germany, Switzerland and Austria. In H1 2026, remittances continued to fuel consumption growth.

Household loans, primarily cash loans, were an additional source of financing personal consumption, whose importance increased over the period under review, although loans still accounted for a small share of total consumption financing sources, averaging

less than 2%. Following moderate growth in 2023, lending recorded more robust growth in 2024, particularly in 2025, supporting personal consumption growth. This is also reflected in the 12-month credit impulse,[1] which has been positive since early 2024 and accelerated further in late 2025 and early 2026. Lending growth was supported by higher real incomes and improved household creditworthiness, eased credit standards, as well as more favourable borrowing conditions following NBS monetary easing initiated in June 2024. A further impetus came from the measures introduced in September 2025, which provided for more favourable lending terms for employees and pensioners with monthly incomes of up to RSD 100,000, as well as the implementation of the Law on the Protection of Financial Services Consumers. The average interest rate on newly approved cash loans declined from 10.2% in December 2024 to 8.4% in August 2026. In H1 2026, lending activity continued to support consumption, although, following strengthening in Q1, the 12-month credit impulse weakened in Q2, indicating a more moderate intensity of additional credit support. The contribution of loans intended for consumption to y-o-y personal consumption growth amounted to 1.0 pp in 2025 and 0.9 pp in H1 this year, below the contributions of wages and pensions.

Chart O.1.3 **Credit impulse - loans intended for consumption**
(in RSD mn)



Source: NBS.

Household deposits act as a constraint on current consumption. After slowing in 2025 compared with the previous year, their growth accelerated in early 2026, particularly in Q2, dampening current consumption.

The relationship between disposable income (approximated by the identified sources of consumption financing, comprising wages, pensions, remittances and loans intended for consumption) and personal consumption is also confirmed by the results of an econometric analysis obtained using an Autoregressive Distributed Lag (ARDL) model, which indicate a statistically significant long-term relationship between these categories. According to the obtained estimates, a 1% increase in real disposable income is associated with an around 0.6% increase in real personal consumption in the long run. The results also show that personal consumption adjusts relatively quickly to changes in disposable income, with almost half of the deviation from the long-term trend being adjusted already in the following quarter.

Table O.1.1 **Effects of disposable income on personal consumption**

Long run	
Dependent variable: real household consumption	
Real disposable income for consumption (identified sources)	**0.62*** **
C	5.51***
F-Bounds test	32.00***
Short run	
Speed of adjustment ($CointEq_{t-1}$)	**-0.47*** **
Δ Real household consumption $_{t-1}$	-0.17***
Δ Real household consumption $_{t-2}$	0.18***
Δ Real household consumption $_{t-3}$	0.24***
Dummy variable 2020:Q2	0.97***
Analysed period:	Q12005 -Q2 2026

Source: NBS calculations.
***Denotes statistical significance at the 1%level, ** at the 5%level and * at the 10%level.
Note: All variables were previously log-transformed and seasonally adjusted. The F-Bounds test in the model indicates the existence of cointegration, i.e. a long-run relationship between the variables, as the estimated F-statistic is above the upper bound of I(1) at all significance levels.

Overall, the analysis shows that personal consumption growth in Serbia has been driven primarily by growth in regular household income – wages and pensions – while remittances and lending activity provide for additional sources of financing. The pick-up in lending activity in 2025 increased its importance for household consumption. In H1 2026, lending growth slowed, alongside a simultaneous increase in the channelling of a part of disposable income into savings.

[1] The credit impulse used in this analysis is calculated as the difference between cumulative financial flows over the last 12 months and those over the preceding 12 months, where the financial flow represents the difference between newly approved loans and loan repayments. The credit impulse calculated in this way indicates whether credit support to consumption is accelerating or slowing.

Net external demand

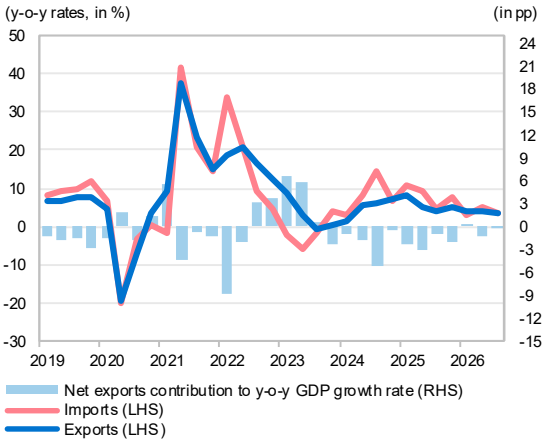
According to our **estimate**, **real growth in exports of goods and services** amounted to 3.8% y-o-y in Q3, continuing the positive export momentum despite still subdued external demand. At the same time, **real growth in imports of goods and services** stood at 3.4% y-o-y. Although exports grew faster than imports, due to the larger share of imports in GDP, the contribution of **net exports** to GDP growth remained slightly negative (-0.1 pp).

Goods exports, expressed in euros, increased by 10.1% y-o-y in Q3, driven primarily by a 10.1% y-o-y increase in **manufacturing** exports, recorded in 15 out of 23 manufacturing branches. The largest positive contribution came from higher exports of motor vehicles, reflecting investment in this area and the ramp-up of serial production of electric cars. In addition, exports of metal and chemical products, as well as food industry products, increased. At the same time, **mining** exports rose by 13.0% y-o-y, largely reflecting the higher global price of copper, while a more favourable agricultural season this year compared with the previous year contributed to a 13.7% y-o-y increase in **agricultural** exports. By contrast, **electricity** exports declined by 36.0% y-o-y, partly due to adjustments to the implementation of the CBAM.

Goods imports, expressed in euros, increased by 7.3% y-o-y in Q3, indicating slower growth than exports. Import growth was driven primarily by higher demand for intermediate goods, especially energy products, alongside an increase in imports of consumer goods. In addition, imports of equipment also increased in Q3.

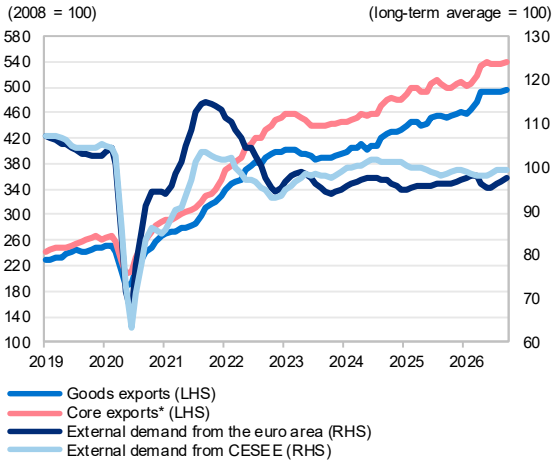
Foreign trade in services maintained its positive momentum in Q3, recording a surplus of EUR 207 mn. The surplus was lower than in the previous two quarters, chiefly because of a strong increase in imports of tourism services. In y-o-y terms, both exports and imports of services continued to grow. Exports of services increased by 11.3% y-o-y, with growth recorded across all categories, while ICT and business services made the largest contributions. At the same time, imports of services rose by 14.6% y-o-y, mainly on the back of higher imports of tourism and transport services.

Chart IV.3.2 **Exports and imports of goods and services**
(in previous-year constant prices, ref. 2021)



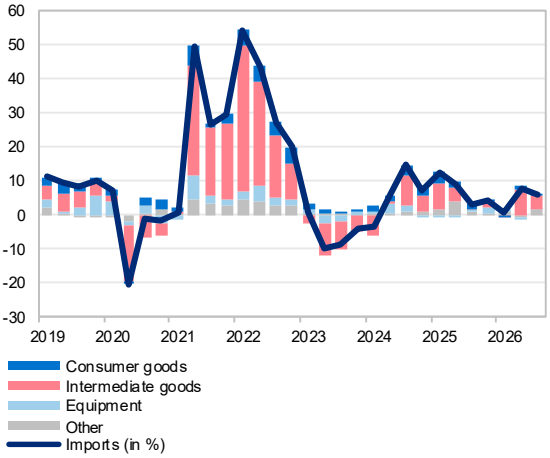
Sources: SORS and NBS calculations.
Note: NBS estimate for Q3 2026.

Chart IV.3.3 **Movement in external demand indicators for Serbian exports**
(3M moving average, s-a)



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

Chart IV.3.4 **Movement of key import components**
(contributions to y-o-y growth, in pp)

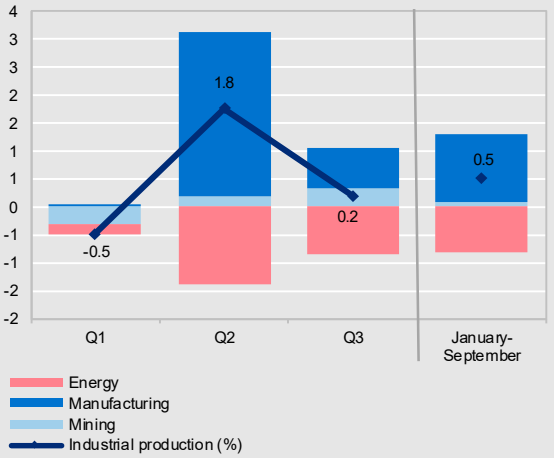


Sources: SORS and NBS calculations.

Text box 2: Detailed analysis of developments in industrial production and commodity exports in 2026

Amid a series of negative developments since the beginning of 2026, industrial production in Serbia increased only mildly in January–September – by 0.5% y-o-y. By industrial branch, mining and manufacturing upped production, while the energy sector saw a decline (Chart O.2.1).

Chart O.2.1 **Contributions to industrial production y-o-y growth rate in 2026**
(in pp)



Sources: SORS and NBS calculations.

In 2026, mining benefited from favourable global conditions for copper production, but received headwinds from unfavourable domestic conditions for crude oil and coal extraction. Consequently, mining output recorded y-o-y growth of 0.8% in the January–September period. However, growth was recorded only in metal ore mining, which increased by 3.0% y-o-y, while coal and crude oil extraction declined by 1.4% and 0.7% y-o-y, respectively. A decline was also recorded in other mining and quarrying (2.2% y-o-y), which mainly comprises the extraction of construction materials (sand, gravel, stone, etc).

The decline in coal extraction was also reflected in lower output in the energy sector. In the January–September 2026 period, output in this sector decreased by 4.6% y-o-y, primarily as a result of reduced export competitiveness in the EU following the entry into force of the CBAM, which particularly affects electricity generation from fossil fuels. Energy sector output was also affected by unfavourable hydrometeorological conditions and low hydropower potential during the summer months, which constrained electricity generation from renewable energy sources as well.

Developments in manufacturing varied across branches, with output recording y-o-y growth of 1.5% in the period under review. Output increased y-o-y in 14 of the 24 branches. Positive trends continued in the manufacture of motor vehicles, which has been the largest individual contributor to overall industrial growth since mid-last year, owing to the ramp-up of serial production of new car models at the Stellantis plant in Kragujevac. In the first nine months of this year, motor vehicle production recorded y-o-y growth of 40%, contributing 1.4 pp to overall industrial growth. Within the automotive cluster, growth continued in the production of tyres and other automotive components, which was also reflected in the positive contributions of the production of rubber and plastic products and the production of electrical equipment to developments in manufacturing. Smaller positive contributions also came from the production of machinery and equipment and chemical products. In addition, following a recovery in Q3 amid a better agricultural season this year, food production, which has the largest individual share in manufacturing, recorded y-o-y growth of 1.3%.

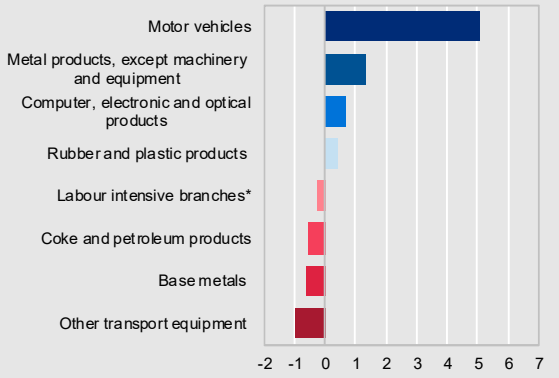
On the other hand, a number of adverse circumstances led to lower output in several branches accounting for a significant share of manufacturing. In the January–September 2026 period, petroleum product production declined by 0.6% y-o-y, reflecting the operational difficulties faced by NIS, whose operations were suspended in January due to OFAC sanctions and which remains under the supervision of that institution, with temporary operating licences being renewed periodically. The unfavourable hydrological conditions during the summer months also hampered the production of petroleum products by disrupting the transport of crude oil along the Danube. A decline in output was also recorded in base metals production, which contracted by 14.3% y-o-y, reflecting the adjustment of steel production to the new duty-free export quotas for the EU, which were reduced by around 50% as of July this year compared with the previous period. Lower output of base metals also partly spilled over into a decline in the manufacture of metal products (9.9% y-o-y). In addition, lower output was recorded in several labour-intensive branches – the production of textile, clothing, leather products and footwear – which declined by 5.5%, 12.3% and 8.7% y-o-y, respectively. These developments may partly be attributed to the reduced cost competitiveness of domestic producers compared with manufacturers in North African and Southeast Asian countries, to which large international companies are gradually relocating production due to lower labour costs. The decline in production volumes at some companies manufacturing automotive components in Serbia was also undoubtedly driven by the crisis in the European automotive industry and the associated weaker external demand. Nevertheless, thanks to the aforementioned growth in motor vehicle production, strong growth was recorded in this branch as a whole.

Despite numerous challenges, industrial production remains the main driver of commodity export growth. In the January–September period, commodity exports recorded nominal y-o-y growth of 9.5%, contributing to a further narrowing of the trade deficit this year (by EUR 555 mn). Manufacturing made the largest contribution to export growth, with exports increasing by 9.4% y-o-y, dispersed among 16 of the 23 branches. The high global price of copper also made a significant contribution to overall

export growth, boosting the value of mining exports by 31.3% y-o-y. The increase in manufacturing and mining exports reflected not only price growth, but also the expansion of export volume.[1] Manufacturing exports went up 4.5% y-o-y, while in the case of mining, the real export growth rate came at 2.4% y-o-y (Chart O.2.2).

Within manufacturing, the largest positive contribution to real export growth came from motor vehicle exports (5.1 pp, up by 41.7% y-o-y), reflecting a substantial increase in the export capacity of the Stellantis plant in Kragujevac. The value of car exports in the first nine months of this year amounted to EUR 1.7 bn, compared with EUR 470 mn in the same period of 2025, bringing their share in total commodity exports to 6%. Among other branches, significant positive contributions also came from exports of metal products (1.3 pp) and computers and electronic equipment (0.6 pp), despite lower production volumes, as well as from exports of rubber and plastic products (0.4 pp), which continued to grow following last year's strong performance. Exports of electrical equipment were also a positive contributor (0.3 pp), reflecting the recovery in battery and electric motor production. The largest negative contribution to real export growth in manufacturing came from exports of other transport equipment (-0.9 pp), owing to a base effect related to tram production at the Siemens plant, followed by exports of base metals (-0.6 pp). Coke and petroleum product exports made a similarly negative contribution, due to measures aimed at restricting exports of petroleum products. Lower output in labour-intensive subsectors (textile, clothing, leather and footwear) was also reflected in their export performance, although the impact on exports was relatively smaller than on production, with a combined negative contribution to real export growth of -0.3 pp. Reduced export competitiveness in the EU following the entry into force of the CBAM also led to a decline in electricity exports of around EUR 273 mn (-43.9% y-o-y). On the other hand, imports of electricity and coal used for electricity generation also decreased, mitigating the net negative effect on the trade balance in goods in this area, which amounted to EUR 177 mn.

Chart O.2.2 **Largest positive and negative contributions to real growth in manufacturing**
(in pp)



Source: SORS and NBS calculations.
* Includes aggregate contribution on account of export of textile, clothing and leather products.

We expect industrial production to recover in Q4, supported by a low base in the same period last year, when operations at the Pančevo oil refinery were suspended due to sanctions imposed on NIS, as well as by the continued output growth in branches that have contributed positively to industrial growth this year (the automotive industry and metal ore mining). We expect manufacturing output and exports to continue growing next year, underpinned by investments made in the previous period and further capital inflows into both ongoing and new projects. In the preceding period, Serbia has consolidated its position as an attractive and safe investment destination and successfully integrated into global production chains. We also expect the acceleration of economic growth in the euro area in the coming years to stimulate demand for our exports, while the free trade agreements we have concluded with numerous countries should help expand export markets. Naturally, further industrial development also requires adapting the structure of industry and the education system to new technologies, as well as investing in renewable energy sources. The conclusion of strategic agreements with the world's most advanced economies, such as the United States and China, also contributes to achieving these objectives. Positive examples, such as the launch of robot production and the start of serial production of a new electric car model, which is already seeing strong demand, demonstrate that the transformation of our industry is well under way and that industry will remain one of the drivers of economic growth in the period ahead.

[1] To estimate developments in real (volume) export growth, we used the SORS data on monthly producer export price indices by manufacturing branches.

4 Economic activity

In our estimate, GDP growth accelerated to 4.0% y-o-y in Q3, driven primarily by faster growth in the services sectors. Construction and agricultural production were also positive contributors, while the contribution of industrial production was almost neutral.

The **services sectors**, taken together, are estimated to have recorded y-o-y growth of 4.0% in Q3, adding 2.3 pp to GDP growth. Positive developments in the services sectors are primarily reflected in data on trade and catering, as indicated by the y-o-y real increase in turnover. Tourism also picked up, as evidenced by a rise in tourist arrivals and overnight stays in Q3. The ICT sector continued to expand, as shown by further growth in the exports of these services, despite the high last year's base.

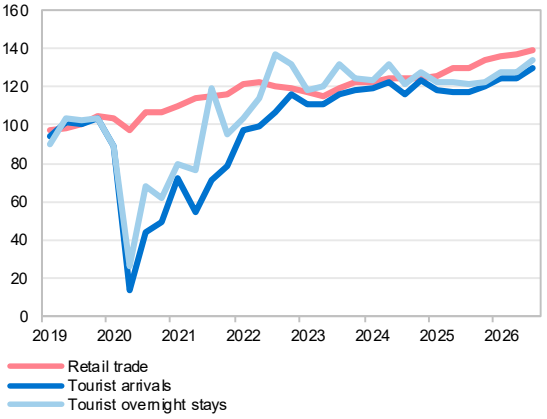
Industrial production is estimated to have recorded y-o-y growth of 0.2% in Q3, making an almost neutral contribution to GDP growth. The upturn in industrial activity was largely driven by manufacturing, where production volume rose by 0.8% y-o-y. Production went up in 13 of the 24 manufacturing branches, with particularly robust growth recorded for the manufacture of motor vehicles (28.1% y-o-y), reflecting an increase in the serial production of electric vehicles in Kragujevac. Growth was also recorded in the manufacture of machinery and equipment, as well as food and chemical products. Following a decline in Q1, the recovery in mining, initiated in Q2, continued in Q3, with the production volume expanding by 3.5% y-o-y, primarily as a result of higher coal and metal ore extraction. By contrast, electricity production slumped by 5.2% y-o-y, partly due to adjustments to the CBAM and partly owing to lower hydropower potential.

In our estimate, **construction** rose by 9.0% y-o-y in Q3, adding 0.4 pp to GDP growth. The upturn in this sector is primarily reflected in a 12.6% y-o-y increase in the value of construction works performed in Q3, a 2.4% y-o-y rise in the number of construction permits issued in July–August, as well as growth in the production of construction materials (3.6%) and their imports (3.5% y-o-y). Also, the extraction of gravel, sand and stone gained 1.1% y-o-y in Q3.

Net taxes are estimated to have risen by 4.3% y-o-y in Q3, contributing 0.7 pp to GDP growth, on account of higher consumption and improved tax revenue collection.

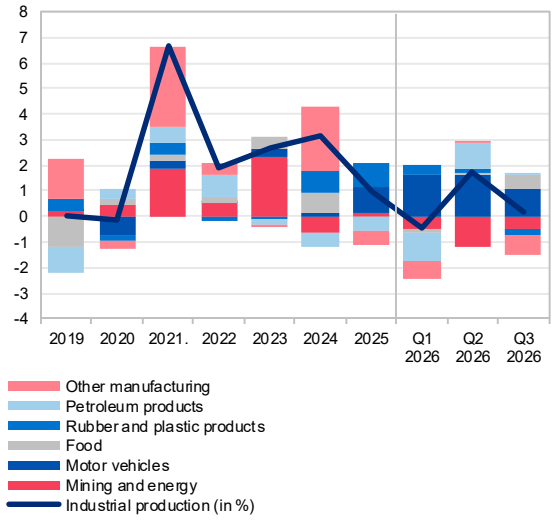
We estimate that **agricultural production** increased by around 10% y-o-y in Q3, contributing 0.5 pp to GDP growth. The estimate is based on SORS data on wheat production and expected yields of other field crops, fruit and viticulture, which point to more favourable outturns for wheat, apples and plums, but also to lower-than-expected yields of certain industrial crops. Nevertheless, some uncertainty remains as to the final estimate of

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



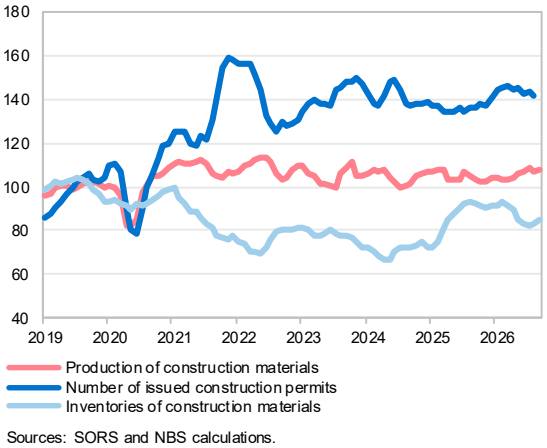
Sources: SORS and NBS calculations.

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



Sources: SORS and NBS calculations.

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



Sources: SORS and NBS calculations.

agricultural production, primarily due to possible deviations in livestock production, for which official data are not yet available.

5 Labour market developments

The y-o-y decline in formal employment, in place for a year, continued into Q3, while unemployment plunged to its new low against the backdrop of sustained relatively high real wage growth.

Wages

The average nominal net wage in July and August amounted to RSD 119,314 (EUR 1,017), up by 11.2% y-o-y. The average net wage recorded real y-o-y growth of 8.8% (7.8% in Q2). In July–August, the median net wage equalled RSD 94,181, up by 11.8% y-o-y. In January–July, the average wage covered 108.7% of the average consumer basket, while the minimum wage covered 113.5% of the minimum consumer basket.

The growth in average nominal net wages was somewhat stronger in the **private** (11.3%) than in the **public sector** (10.8%), with double-digit growth recorded in most **economic sectors**. The highest y-o-y growth, ranging from 13.3% to 14.9%, was observed in catering, water supply, manufacturing, healthcare and education.

In July–August, the **nominal net wage bill**, as the main source of consumer demand, went up by 9.9% y-o-y, entirely as a result of wage growth.

According to preliminary data, **overall economic productivity** increased by 4.9% y-o-y in Q3, driven by economic growth amid somewhat lower employment.

Employment

According to SORS data, **total formal employment** averaged 2.35 mn persons in Q3, around 19,000 fewer than a year ago, with the y-o-y decline edging up to 0.8% (from 0.6% in Q2). During Q3, the number of employees working for entrepreneurs increased, while the number of registered farmers and employees of legal entities declined.

In Q3, formal employment declined in both the **private and public sectors**. In the private sector, the number of employees averaged 1.74 mn, down by 1.0% y-o-y (following a 0.8% decline in Q2), while the public sector recorded a 0.4% y-o-y decline (0.1% in Q2). Among activities predominantly belonging to the private sector, registered employment in Q3 increased the most in administrative and support services and professional, scientific, innovation and technical activities, while the largest downturns were observed in manufacturing, trade and mining.

According to the National Employment Service, **registered unemployment** stood at 329,412 persons in September, this being around 10,000 fewer than in the same period of the previous year and, at the same time, its lowest level on record.

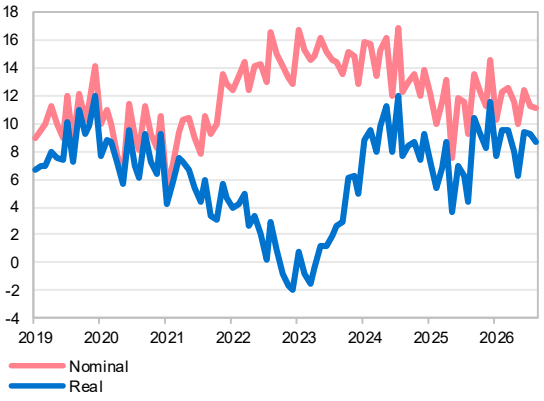
According to the **Labour Force Survey**, covering both the **formal and informal segments of the labour market**, the participation rate of working-age population (15–64) stood at 72.1% in Q2, while the activity rate (population aged 15 and over) stood at 54.9%, down by 1.1 pp and 1.3 pp y-o-y,

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

	2025		2026		
	Q3	Q4	Q1	Q2	Q3*
GDP (in %, y-o-y)	**2.0**	**2.2**	**3.2**	**3.8**	**4.0**
Agriculture	0.0	0.0	0.4	0.4	0.5
Industry	0.5	-0.6	-0.1	0.3	0.0
Construction	-0.6	0.5	-0.4	0.4	0.4
Services	1.7	1.6	2.5	2.1	2.3
Net taxes	0.5	0.6	0.8	0.6	0.7

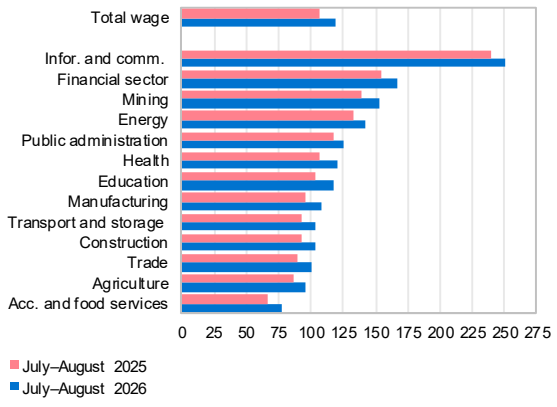
Sources: SORS and NBS calculations.
* NBS estimate.

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



Source: SORS.

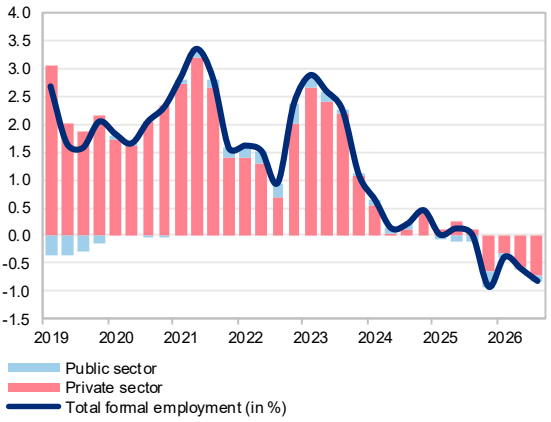
Chart IV.5.2 **Nominal net wage by economic sector**
(in RSD thousand)



Source: SORS.

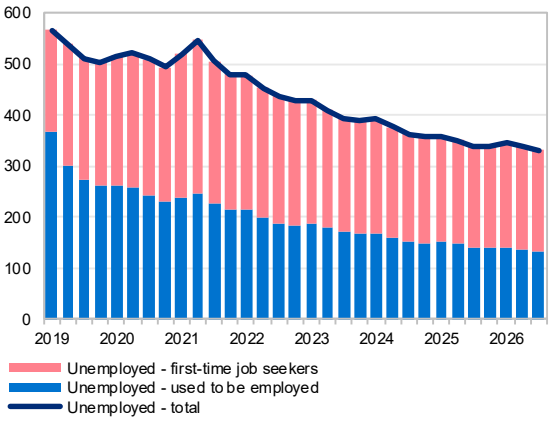
respectively. The unemployment rate declined by 1.3 pp to 7.2%, its lowest level since comparable data have been available. The employment rate stood at 50.9% in Q2, down by 0.6 pp y-o-y. These developments are partly attributable to demographic factors and labour force migration, i.e. transition to population outside the labour force.

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



Sources: SORS and NBS calculations.

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



Source: National Employment Service.

Text box 3: Impact of labour productivity on gross value added growth

In the context of adverse demographic trends, reflected primarily in population decline and ageing in the majority of highly and medium developed countries worldwide, the scope for increasing the employment of domestic workers as a source of economic growth is gradually narrowing. Consequently, boosting the labour productivity is becoming one of the key factors underpinning sustainable economic growth. Building on the theoretical premise that the importance of labour productivity for economic activity growth can be assessed through its contribution to gross value added (GVA) growth, as well as on similar studies on this subject,[1] this text box decomposes the dynamics of GVA in Serbia's economy into three components: (1) **the employment change effect** (assuming unchanged productivity), (2) **the within-sector productivity change effect**, and (3) **the productivity change effect arising from the migration of employees across sectors**, as shown in the following equation::

$$\dot{Y}_t = \underbrace{\Sigma_i \omega_{t-1}^i \dot{L}_t^i}_{(1)} + \underbrace{\Sigma_i \alpha_{t-1}^i \dot{A}_t^i}_{(2)} + \underbrace{\Sigma_i \left(\alpha_{t-1}^i - \omega_{t-1}^i\right)\left(\dot{L}_t^i - \dot{L}_t\right)}_{(3)} + Residual_t$$

where:
- $\dot{Y}_t$ is the GVA growth rate for the economy as a whole,
- $\dot{L}_t^i$ is the employment growth rate within each sector,
- ω_t^i is the share of employees in each sector in the total number of employees,
- α_t^i is the share of each sector's GVA in the GVA of the economy as a whole, and
- $\dot{A}_t^i$ is the labour productivity growth rate within each sector.

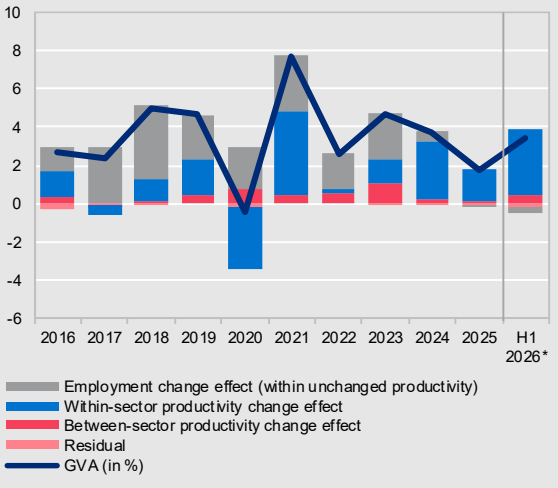
Table O.3.1 **Contribution of components to GVA growth for the economy as a whole, total and by subperiod**

	2015-2019	2020-2022	2023-2025	2015-2025
GVA (in %)	**3.7**	**3.3**	**3.4**	**3.5**
Employment change effect (with unchanged productivity)	2.6	2.4	1.0	2.0
Within-sector productivity change effect	1.0	0.5	2.0	1.1
Between-sector productivity change effect	0.2	0.6	0.5	0.4
Residual	-0.1	-0.1	0.0	-0.1

Sources: SORS and NBS calculations.

GVA growth can, therefore, be driven by employment growth, productivity gains within each sector of the economy and productivity gains resulting from the migration of employees from less productive to more productive sectors of the economy. **In the entire period under review (2015–2025),**[2] **the average GVA growth rate stood at 3.5% and was mostly driven by rising total employment, while overall labour productivity gains – both within-sector and between-sector – also made a positive contribution.**

Chart O.3.1 **Contributions of components to the annual GVA growth rate**
(y n.n.)



Sources: SORS and NBS calculations.
Note: Data for H1 2026 are not final.

However, the significance of individual sources of GVA growth varied over the period observed, with the structure of growth gradually changing. We have therefore identified three sub-periods, as shown in Table O.3.1. **In the pre-crisis period (2015–2019), average GVA growth stood at 3.7% and was driven primarily by employment growth** (2.6 pp), reflecting strong FDI inflows and the resulting increase in demand for labour, while the combined contribution of overall labour productivity gains, both within and between sectors, amounted to 1.2 pp. Although GVA growth was somewhat lower in the years marked by the coronavirus pandemic and the outbreak of the Ukraine conflict (2020–2022), the structure of contributions to that growth remained broadly unchanged from the pre-crisis period. Though global uncertainty remained elevated, **GVA growth in 2023 and 2024 averaged 4.2%, exceeding the pre-crisis rate,** before slowing significantly to 1.7% in 2025, amid a decline in global investment and consumer confidence, and protests and blockades in the country (Chart O.3.1). **The structure of GVA growth changed during these years – the contribution of employment declined, and that of within-sector productivity increased,** while the contribution of between-sector productivity stayed similar as in previous periods.

[1] See the analysis by the Central Bank of Brazil in its Inflation Report (2023) and the OECD's analysis in its Compendium of Productivity Indicators 2025.

[2] In the analysis, 2015 was taken as the base year.

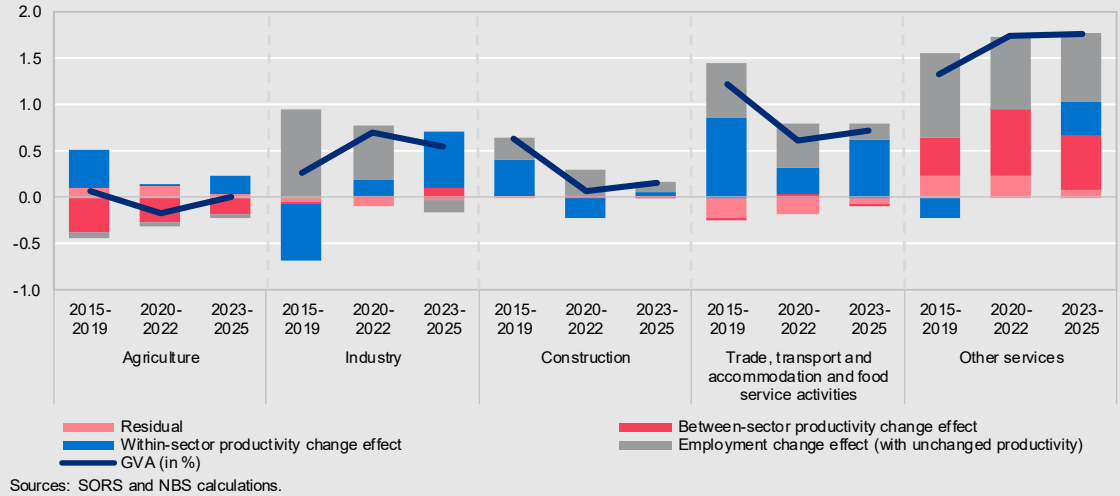
These developments over the 2023–2025 period were driven by the gradual convergence of the Serbian economy towards full employment, which progressively narrowed the scope for further employment, while growth in overall labour productivity became an increasingly important source of economic activity growth. In addition to the findings for the economy as a whole, the following section presents the results of the decomposition of GVA dynamics by groups of activities (Chart O.3.2), with a view to identifying their contributions to overall GVA growth. **In the 2015–2019 period, other services** (sections J–T)[3] **made the largest positive contribution to GVA growth, amounting to 1.3 pp**, with most of this contribution stemming from increased employment (0.9 pp) and, to a lesser extent, from growth in between-sector productivity (0.4 pp). Trade, transport and accommodation and food service activities followed, contributing 1.2 pp to GVA growth, of which 0.9 pp was attributable to within-sector productivity and 0.6 pp to employment. Construction and industry also made positive, albeit smaller, contributions to GVA growth over this period, of 0.6 pp and 0.3 pp, respectively.

In the 2020–2022 period, the structure of contributions to GVA growth by sector remained broadly unchanged. Other services further increased their contribution to GVA growth, to 1.7 pp, with similar contributions from increased employment (0.8 pp) and between-sector productivity (0.7 pp). The contribution of industry also went up, to 0.7 pp, with employment continuing to make a significant contribution (0.6 pp), while the contribution of within-sector productivity shifted from negative to positive territory (0.2 pp). The contribution of trade, transport and accommodation and food service activities declined to 0.6 pp, as these sectors were among those particularly hard hit by the pandemic. In contrast to other activities, agriculture made a negative contribution (-0.2 pp), primarily due to a decline in between-sector productivity. While employment growth remained a strong driver of GVA growth in most sectors during this period, the contribution of overall labour productivity was noticeably higher, particularly in industry and services.

In the period 2023–2025, a clearer shift can be observed in the structure of GVA growth across individual sectors. Services remained the dominant driver of GVA growth, contributing 1.8 pp, with a marked increase in the contribution of overall labour productivity within this group – to 0.4 pp for within-sector productivity and 0.6 pp for between-sector productivity – while employment continued to make a significant contribution (0.7 pp). Trade, transport and accommodation and food service activities contributed 0.7 pp, of which 0.6 pp was attributable to within-sector productivity and 0.2 pp to employment, representing a notable decline compared with previous periods. A similar shift occurred in industry, where within-sector productivity contributed 0.6 pp, while the contribution of employment turned slightly negative (-0.1 pp). Thus, almost all GVA growth in industry during this period, as well as a significant share of GVA growth in trade, transport and accommodation and food service activities, stemmed not from an increase in employment, but from higher productivity.

Available data point to a continuation of similar trends so far in 2026 (Chart O.3.1). Specifically, in **H1 2026, GVA grew by 3.4%, with growth, as in the previous two years, driven almost entirely by within-sector labour productivity gains** (which contributed 3.4 pp). Between-sector productivity also made a positive, albeit smaller, contribution (0.5 pp), while the contribution of employment was negative (-0.3 pp). This further confirms that the scope for economic activity growth through further employment gains continues to narrow, and that productivity growth is becoming an increasingly important determinant of sustainable growth of Serbia's economy

Chart O.3.2 **Contributions of components to the annual GVA growth rate by group of activity**
(average, in pp)



Sources: SORS and NBS calculations.

[3] The services group comprises information and communications, financial and insurance activities, real estate activities, professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, and other service activities.

V Projection

We have revised up our GDP projection for 2026, from 3.2% to 3.5%, because economic activity outturns in the year to date have been better than we anticipated in August. On the other hand, the projection for 2027 was downgraded from 4.5% to 4.0% due to this year's higher base, lingering geopolitical tensions, uncertainty surrounding global energy prices and the speed of recovery of external demand. In the medium term, we expect the impact of temporary factors to dissipate and growth to stabilise at around 3.5% p.a., which is consistent with the estimated potential growth. Domestic demand will remain the key driver of economic activity in the coming period, with both consumption and fixed investment making a positive contribution, supported by further growth in disposable income and continued implementation of infrastructure projects. When it comes to foreign trade developments, we now project a slightly higher negative contribution of net exports to GDP growth in 2026, though we still expect it to turn positive in 2027, albeit less so than in the previous projection, primarily due to higher exports of services associated with the Expo.

Under our new central projection, y-o-y inflation will move around the upper bound of the target band until the end of this year. Next year, it will be higher than we projected in August, measuring 4.9% on average, due to continued growth in global prices of oil and other commodities and their anticipated slower decline in the coming period according to futures, as well as on account of elevated imported inflation and somewhat faster-than-anticipated growth in real wages. Higher inflation will also reflect this year's low base for fruit and vegetable prices due to an excellent harvest. The anticipated slowing of core inflation amid a gradual easing of cost-push pressures from the international environment and the expected slackening of real wage growth compared to 2026 ought to work in the opposite direction. Because of the extended energy shock, we now expect inflation to be above the upper bound of the target band for most of 2027. After peaking in Q3 next year due to the low base for fruit and vegetable prices, inflation is expected to retreat within target bounds in late 2027 and continue to converge towards the target midpoint of 3% until the end of the projection horizon.

As before, the greatest risk to our inflation and GDP projections stems from heightened geopolitical tensions and their effects on global economic growth and inflation. Other significant risks to the projections include the new agricultural season, both globally and at home, the pace of domestic demand growth and the effects of the specialised Expo exhibition.

External assumptions

Economic activity

Thanks to accelerated development of new technologies, application of safeguard mechanisms and countries' adaptation to disruptions in energy markets, **global economic activity in H1 turned out to be better than expected**. Thus, as in the past three years, the global economy demonstrated significant resilience to the consequences of the polycrisis. **In October, the IMF projected world economic growth of 3.1% for 2026**, which is 0.1 pp above the July projection, while the projection for 2027 was kept at 3.4%. Still, economic prospects across countries remained divergent, depending on countries' involvement in technological value chains and the degree of resilience of their energy systems. The October economic growth projection for 2026 for the group of advanced economies was revised upward compared with July – by 0.4 pp, to 2.1% – while for the group of emerging and developing countries it was trimmed by 0.1 pp, to 3.7%. For the same group of countries, the projection for 2027 was also lowered by the same amount, to 4.4%, while the projection for the group of advanced economies was kept at 1.8%. **Risks to**

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

	2026		2027	
	October	Deviation from July	October	Deviation from July
World	3.1	0.1	3.4	0.0
Advanced economies	2.1	0.4	1.8	0.0
Euro area	1.1	0.2	1.2	0.0
USA	2.3	0.0	2.3	0.1
Emerging and developing economies	3.7	-0.1	4.4	-0.1
Russia	0.9	-0.2	0.9	-0.2
China	4.5	-0.1	4.0	-0.1

Source: IMF WEO (October 2026).

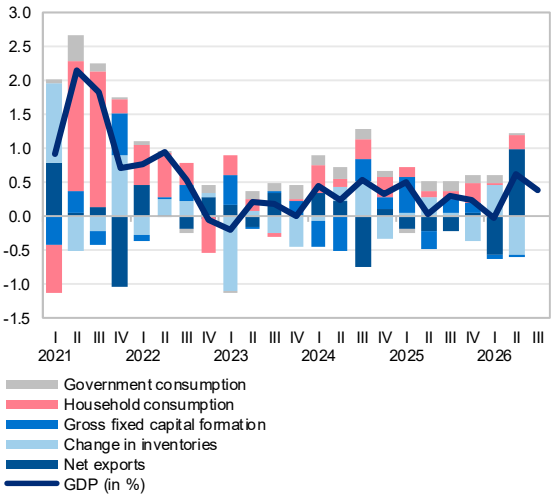
the October projection outturn remained skewed to the downside and relate primarily to uncertainty regarding the duration and intensity of the Middle East conflict and the net effects of countries' investment in artificial intelligence on productivity and economic growth.

The **euro area economy** rose 0.6% s-a in Q2 (1.2% y-o-y), mainly as a result of increased net exports and, to a lesser extent, total consumption growth, while goods inventories were the only component in decline. Excluding data for Ireland, the realised GDP growth at the euro area level was 0.3% s-a. In **Germany** and **Italy**, our main foreign trade partners within the euro area, GDP growth of 0.3% and 0.2% s-a, respectively, was recorded in Q3. Despite uncertainty regarding developments in the Middle East, the ECB assessed in September that sound economic activity in the euro area in the earlier part of the year continued in Q3 as well, which is also supported by the PMI rising within the range that indicates economic expansion. Activity in manufacturing should continue to be driven by countries' investment in defence and infrastructure, while the recovery in the services activity should be encouraged by strong demand for AI-related digital services. According to the Eurostat's preliminary flash estimate, s-a GDP growth in Q3 equalled 0.4% in the euro area, 0.2% in Germany, while in Italy it stagnated.

Given that the euro area economy showed greater resilience to the consequences of the energy shock than expected, **in September the ECB raised its June GDP growth projections for the euro area for this year and the next** – by 0.1 pp to 0.9% in 2026, and by 0.2 pp to 1.4% in 2027, while the projection for 2028 was kept at 1.5%. Risks to the realisation of the September projection remain skewed to the downside, primarily due to the prolongation of the Middle East conflict. Starting from the same assumptions as in June – namely, the intensity and duration of the energy shock, the second-round effects of the shock, and the associated uncertainty – the **ECB published three alternative scenarios in September as well**: favourable (milder), adverse, and severe. Relative to the baseline scenario, projected euro area GDP growth for 2027 and 2028 is lower in the adverse and severe scenarios, especially for 2027 (0.4% and 1.1%, respectively), while in the favourable scenario it is slightly higher (1.5% in 2027 and 1.6% in 2028). The euro area unemployment rate remained at 6.5% in September, where it has stood since July this year.

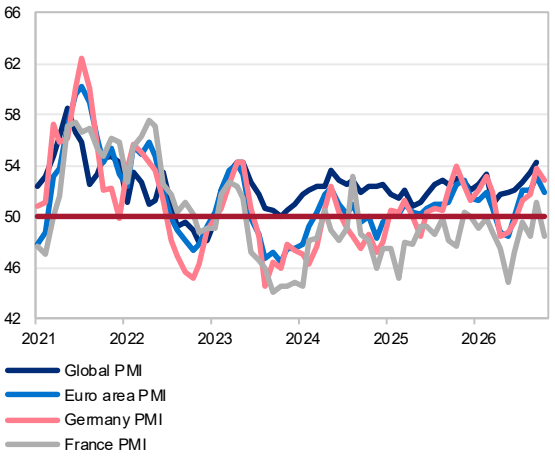
Taking into account the continued recovery of industrial activity in Germany and stepped-up activity in Spain and Italy's services sectors, as well as the favourable dynamics of the euro area PMI during Q3, **in October Consensus Economics analysts projected euro area GDP growth at 1.0% in 2026** and 1.3% in 2027, which is 0.3 pp and 0.1 pp above the August projections. However, analysts particularly emphasized the poor economic outlook for France due to the public debt

Chart V.0.1 **Contribution of components to the real GDP growth rate in the euro area**
(s-a, quarterly, in pp)



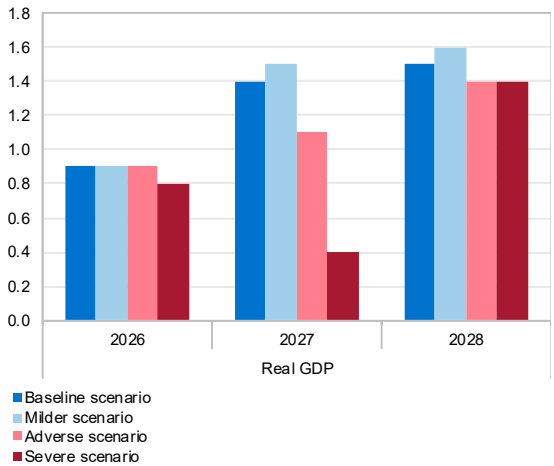
Source: Eurostat.

Chart V.0.2 **Composite PMI dynamics**
(average, in %)



Source: S&P Global.
* PMI above 50 indicates expansion, below 50 contraction.

Chart V.0.3 **Euro area GDP projections under the baseline and three alternative scenarios**
(in %)



Source: ECB (September 2026).

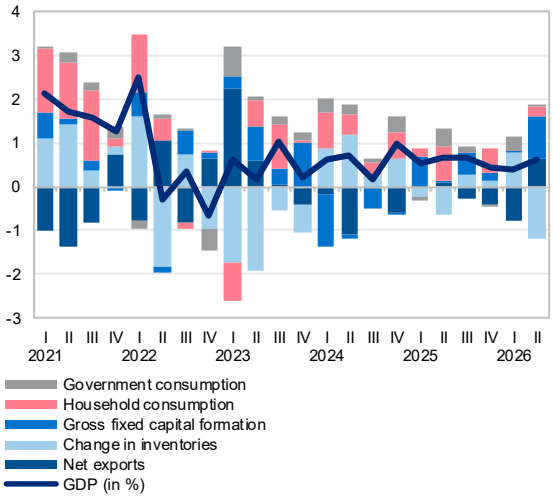
increase, political uncertainty and weak economic growth. This was mirrored in the falling value of French bonds and the associated weakening of the euro against the dollar, which could trigger a public debt crisis in the euro area similar to the one from 2009–2012. In our November projection, we assumed that euro area growth will measure 1.0% this year, and then pick up gradually to 1.3% in 2027 and 1.5% in 2028, which is 0.2 pp higher than in our August estimates for this year and 0.1 pp higher than the estimates for the following year.

Economic activity in **Central and Southeast Europe rose by 0.6% s-a in Q2** (2.1% y-o-y), mostly due to increased investments in fixed assets, and to a lesser degree a rise in net exports and household consumption. Conversely, the release of previously accumulated stock led to a contraction of goods inventories in Q2. In s-a terms, GDP growth in Q2 was broadly dispersed across the region, with the highest rate recorded in Slovenia (1.9%) and Poland (1.0%). After contracting for three consecutive quarters, the Romanian economy stagnated in Q2 as robust growth of fixed investment offset the decline in other components of GDP. However, due to the increase in the costs of energy and debt servicing, which are reflecting negatively on households' purchasing power and private investment, in October Consensus Economics analysts lowered their July GDP growth projection for the group of Southeast European countries by 0.2 pp to 1.0% in 2026 and by 0.1 pp to 2.5% in 2027. The October GDP projections for the Central Europe group of countries remained unchanged from July for both this and the next year (2.7% in each year).

Having assessed that economic activity in the **Western Balkans region** proved resilient despite heightened global uncertainty, in October the **World Bank** projected its growth at 3.1% in 2026 and 3.4% in 2027, still driven by growth in domestic demand. Outcomes across countries will be affected by the success of the tourist season, the dynamics of exports, remittances and infrastructure investment, as well as economic policy measures. Risks to the projection remained tilted to the downside owing to the prolonged energy shock, weaker demand from the EU and continued trade fragmentation, the negative effects of El Niño on food prices, as well as tighter global financial conditions.

The **US economy** recorded growth of 0.5% s-a (2.2% annualised) in Q2, thanks to growth in household consumption and investment in fixed assets, while the decline in net exports and goods inventories acted in the opposite direction. In view of the sound GDP growth in H1, in September the **Fed** assessed that a similar growth pace would be achieved in H2 as well, on the basis of strong private investment, especially in the development of AI, sound personal consumption, and supportive financial conditions. According to the estimate of the US Bureau of Economic Analysis, US GDP accelerated to 0.8% s-a in Q3 (3.4% annualised), driven by growth in domestic demand. In September, the Fed raised its June

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



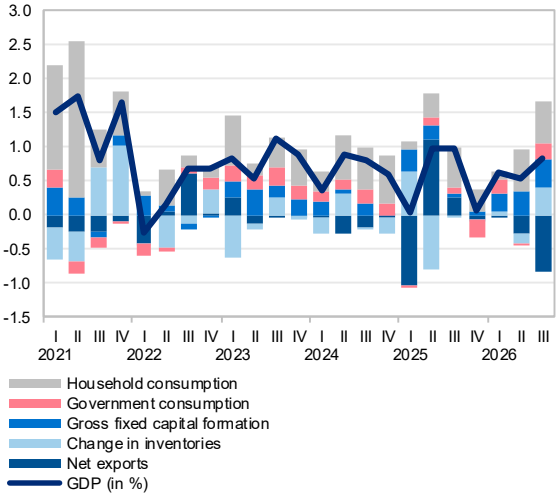
Source: Eurostat.
* Including Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania, Slovenia and Slovakia.

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

	2026		2027	
	October	Deviation from July	October	Deviation from July
Poland	3.5	0.1	3.0	0.0
Czech Rep.	1.9	-0.2	2.4	0.0
Hungary	1.8	0.0	2.5	-0.1
Romania	-0.6	-0.4	2.2	-0.1
Albania	3.6	0.1	3.5	1.0
Bosnia and Herzegovina	2.2	0.0	2.7	0.0
North Macedonia	3.2	0.1	3.1	0.1
Montenegro	3.1	0.4	3.1	0.0

Source: Consensus Economics (October and July 2026).

Chart V.0.5 **Contribution of components to the real GDP growth rate in the USA**
(s-a, quarterly, in pp)



Sources: U.S. BEA and NBS calculations.

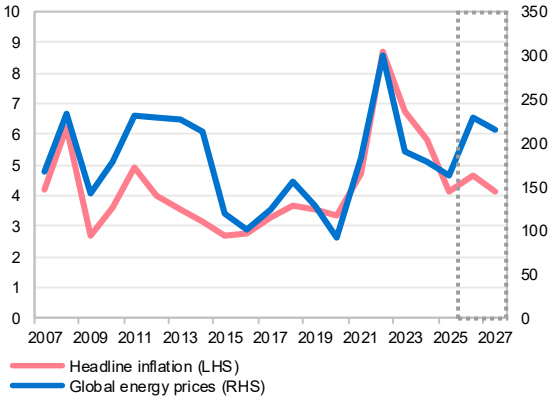
projections of US economic growth for 2026 and 2027 by 0.1 pp each, to 2.3% and 2.4%, respectively, while the projection for 2028 was kept at 2.2%. Although it assessed risks to the September projection as broadly balanced, the Fed noted that the projection is accompanied by a significant level of uncertainty regarding the net effects of investment in AI and geopolitical developments, as well as the persistently elevated inflation. US labour market conditions continued to be assessed as stable, with signs of gradual tightening, and in September the Fed lowered its June projections of the unemployment rate in 2026 and 2027 by 0.2 pp each, to 4.1%, which is also the forecast for 2028.

In Q3, the **Chinese economy** recorded growth of 1.2% s-a (4.5% y-o-y) thanks to increased goods export, notably of components related to AI products, high-tech industrial products and electric cars. Also, because of the persistently weak domestic demand, the supportive fiscal policy continued to prop China's economic growth, which the IMF's October projections placed at 4.5% in 2026 and 4.0% in 2027. Each of these figures was still 0.1 pp below the July projections considering the volatility of global energy prices and structural issues in the real estate market.

Inflation

Driven by the renewed rise in world energy prices after a short-lived ceasefire in the Middle East, **global inflation** increased since August, while core inflation was stable. Because of the prolonged consequences of the energy shock, energy-importing economies outside the global technology value chain will be hit the hardest, therefore in October the IMF **projected an acceleration of global inflation** from 4.1% in 2025 **to 4.7% in 2026**, before a return to 4.1% in 2027. The October projection of global inflation for this year was unchanged from July, while the projection for next year was revised upward by 0.2 pp. It was assessed that inflation dynamics will remain uneven across countries, depending on the impact of the exchange rate, the persistence of cost-push pressures in the services sector, movements in administered prices and labour market conditions, as well as the credibility of economic policies.

Chart V.0.6 **Global inflation***
(in %)



Source: IMF WEO (October 2026).
* Data for 2026 and 2027 data are projections.

Driven by a substantial rise in energy prices, which stood at 18.9% y-o-y in September, **headline inflation in the euro area** accelerated during Q3, reaching 3.8% y-o-y in September, its highest level in three years. In y-o-y terms, food inflation in September was slightly lower than in June (1.3% vs 1.5%). Services price growth in September was the same as in June, while industrial product prices grew more and dictated the somewhat higher **core inflation in the euro area** – 2.5% y-o-y in September (at the average level in the period since the escalation of the Middle East conflict). Measured as the change in the HCPI, **inflation in Germany** rose to 3.3% y-o-y in September, and **inflation in Italy** to 4.2% y-o-y, owing

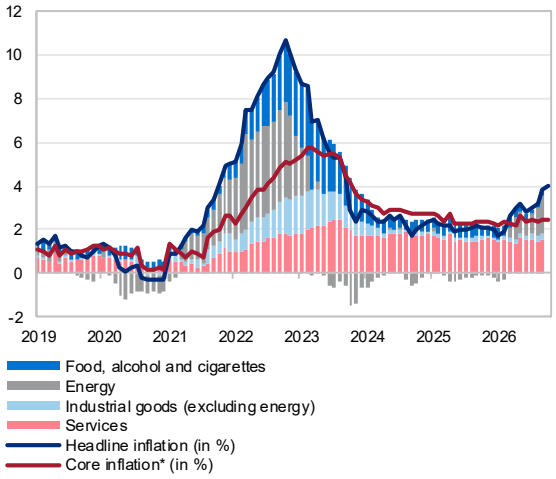
to a significant increase in energy prices due to the prolongation of the Middle East conflict. According to the Eurostat's preliminary flash data, y-o-y inflation in October was 4.0% in the euro area – its highest level since September 2023 – 2.8% in Germany, and 5.6% in Italy.

In September, the **ECB** kept its June projection of average annual inflation in the euro area at 3.0% in 2026, while revising the projections for 2027 and 2028 upward by 0.2 pp and 0.1 pp, to 2.5% and 2.1%, respectively, with an assessment that risks remained skewed to the upside. Core inflation in the euro area was projected at 2.5% in 2026 (the same as in June), 2.6% in 2027, and 2.3% in 2028 (0.1 pp above the June level in each case). To illustrate the level of uncertainty accompanying the inflation projection, in September, as in June, the ECB published **three alternative scenarios** alongside the baseline scenario. Relative to the baseline scenario, the *adverse* and *severe scenarios* assumed more pronounced and more persistent consequences of the energy shock than in the baseline scenario, therefore in the adverse scenario inflation was projected at 3.1% in 2026, 3.2% in 2027, and 2.3% in 2028, while in the severe scenario it was projected at 3.3% in 2026, 5.4% in 2027, and 3.2% in 2028. On the other hand, the *milder scenario* assumed a faster fall in world oil and gas prices from existing levels, as a result of which inflation would be 2.9% in 2026, 1.9% in 2027, and 1.8% in 2028. In October, Consensus Economics analysts projected average annual inflation in the euro area of 3.0% in 2026 and 2.7% in 2027, which is 0.2 pp and 0.4 pp, respectively, above the August projection. We used these projections as assumptions for the preparation of our new inflation projection, while for 2028 we used the ECB projection (2.1%).

During Q3, inflation in **Central and Southeast Europe** predominantly followed an upward path. Y-o-y inflation in **Poland** and the **Czech Republic**, driven by higher petroleum product prices, accelerated during Q3, reaching 4.1% and 2.5% in September, respectively. At the same time, in September, for the first time since June last year, inflation in Poland moved outside the target tolerance band (2.5±1%). Y-o-y inflation in **Hungary** was slightly lower in September than in June (1.6% vs 1.7%), primarily due to the reduced y-o-y contribution of food prices. Compared with June, y-o-y inflation in **Romania** slowed to 6.6% in September as the electricity price growth and the VAT and excise increases dropped out of the y-o-y calculation. In October, Consensus Economics analysts kept their July inflation projections for the group of Southeast European and Central European countries for 2026 at 6.4% and 2.8%, respectively, while revising their projections for 2027 up by 0.4 pp and 0.2 pp, to 3.1% and 4.1%, respectively.

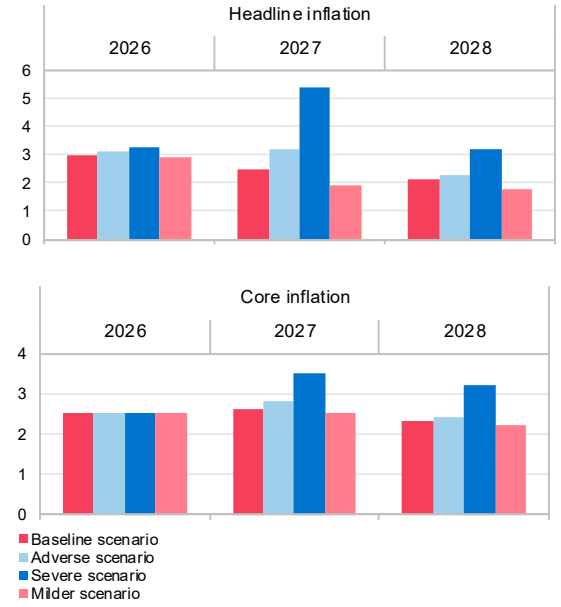
In the **Western Balkan region**, inflation recorded divergent movements during Q3. Y-o-y inflation in **Montenegro** and **Bosnia and Herzegovina** stood at

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



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

Chart V.0.8 **Inflation projections in the euro area in three scenarios**
(in %)

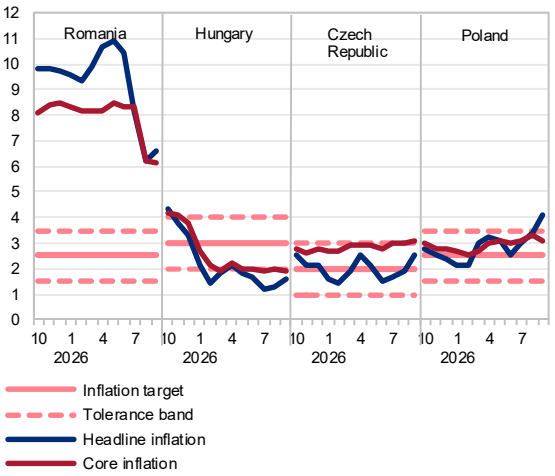


Source: ECB (September 2026).

5.2% and 6.0% in September, respectively, and was higher than in June. Conversely, y-o-y inflation in **Albania**, after rising in July, followed a downward path until end-Q3, falling to 2.9% in September, which is below its June level. In **North Macedonia** y-o-y inflation in September (2.7%) was also lower than in June. In October, the World Bank assessed that headline inflation remained elevated at the level of the Western Balkan region owing to persistent core inflation and rising energy prices, although food inflation was mitigated.

Measured by the change in the CPI, **headline inflation in the US** slowed slightly in July and August, only to accelerate in September to 3.7% y-o-y, primarily due to higher gas and petroleum product prices. Core inflation was the same in September as in June (2.6% y-o-y), with the y-o-y dynamics of industrial product and services prices almost unchanged. Food inflation in the US slowed during Q3, to 2.5% in September, its lowest level since January 2025. The y-o-y growth of the personal consumption expenditures index in September was 3.6%, and 3.1% excluding food and energy. In September, the **Fed** projected these inflation measures at 3.7% and 3.4% in 2026, which is 0.1 pp above the June projections in each case, while the projections for 2027 were unchanged (2.3% and 2.5%, respectively). The risks to the September projection of these inflation measures remained skewed to the upside, as price pressures could turn out to be more persistent than expected.

Chart V.0.9 **Y-o-y inflation in selected CESEE countries in the previous year (until September 2026)**
(y-o-y rates, in %)



Sources: Central banks of selected countries.

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

	2026		2027	
	October	Deviation from July	October	Deviation from July
Poland	3.1	0.1	3.3	0.4
Czech Rep.	2.1	0.0	2.8	0.3
Hungary	1.9	-0.5	2.8	-0.4
Romania	8.3	0.2	4.7	0.6
Albania	3.0	0.1	3.0	0.1
Bosnia and Herzegovina	4.8	-0.5	3.1	-0.1
North Macedonia	4.2	-0.4	3.4	-0.5
Montenegro	3.9	0.2	3.7	0.5

Source: Consensus Economics (October and July 2026).

Text box 4: Elevated global inflationary pressures and inflation projection revisions

Since our previous projection in August, inflation in many countries has been running above central bank targets, with rising energy prices an important factor worsening its outlook for the coming period. **Although the easing of geopolitical tensions and the opening of the Strait of Hormuz were expected which, in line with the baseline scenario of central bank and IMF projections, and with developments in the futures market, would lead to a fall in the prices of oil and other primary commodities, they continued to rise**. Oil reserves, which were used to mitigate price increases during the first few months of the conflict, have meanwhile been reduced, putting additional upward pressure on oil prices. Also, due to the destruction of refineries in the Middle East and Russia, **refining margins** have increased, especially for diesel. Thus, these margins in Europe – i.e. the difference between diesel prices and crude oil prices (crack spreads) – exceeded USD 70 per barrel, more than three times the level recorded before the outbreak of the Middle East conflict. The prolonged duration of the energy shock and pronounced geopolitical tensions have caused not only a rise in crude oil and petroleum product prices, but also **heightened pressures on natural gas and electricity markets**, which increases the risk of energy costs remaining elevated for an extended period. Natural gas prices have risen significantly, and particular concern is caused by low storage levels, especially in Europe. This could put pressure on prices during the coming winter, especially in the event of unusually cold weather. Given the importance of natural gas in electricity generation, electricity prices could also record higher growth on that basis, which could then be passed through to other consumer prices.

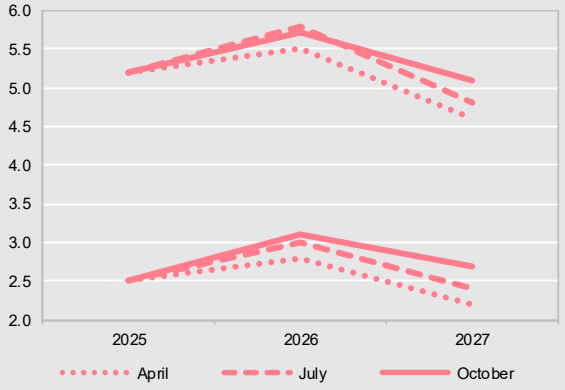
The impact of the energy shock on inflation is not exhausted by its immediate effects. **With a time lag, it can also be passed through to the prices of other goods and services** through production, transport, and distribution costs. In addition, higher fertiliser prices, caused by the energy shock, together with the impact of one of the most intense El Niño phenomena on record, could put **additional pressure on the prices of food production inputs**. Central banks are particularly concerned about **second-round effects** – that is, that through rising inflation expectations and wages, the energy shock may be transmitted to the growth of other prices. **The longer energy prices remain high and volatile, the greater the risk that their increase will be passed through more broadly to inflation expectations, wages, and the prices of other goods and services**. In addition, **the transmission may be disproportionately more pronounced** the larger and longer-lasting the energy shock is, because companies have increasingly less ability to absorb cost increases at the expense of their profits.

Since the expected normalisation of conditions on energy markets did not occur, numerous central banks and relevant international institutions **revised their inflation projections upward**, pointing to more pronounced and longer-lasting inflationary pressures than had been expected in the previous projection round. **Assumptions that had previously been characteristic of the pessimistic scenario are now incorporated into the baseline projection scenario**. Differences in inflation dynamics across countries point to country-specific features in the transmission of the common external energy shock, as well as to differences in the scope and duration of government measures to mitigate the energy shock, the dynamics of adjustment of administered prices, base effects, food price developments, etc.

Since April of this year, the **IMF** has successively raised the assumed level of the world crude oil price in its projections, which has also been reflected in higher projections of global inflation. According to the institution's latest, October projection, global inflation is expected to rise to 4.7% this year, primarily due to higher energy and food prices. Next year, inflation is expected to slow to 4.1%, which is 0.2 pp higher than the July projection and 0.4 pp higher than the April projection. In the coming period, inflation dynamics is expected to continue to differ across countries, reflecting differences in the degree of exchange rate pass-through to prices, the persistence of inflation in the services sector, labour market conditions, the credibility of economic policy, and administered price systems.

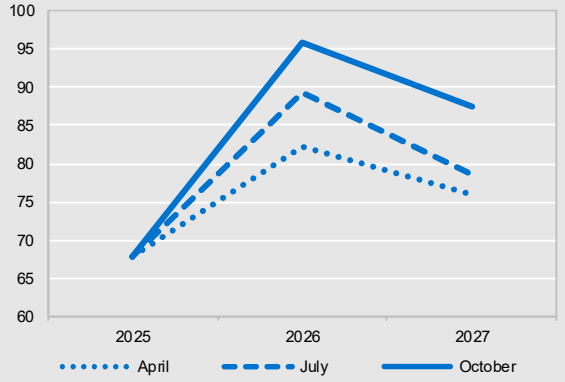
As for the euro area, our key foreign trade partner, according to the **ECB's** September projections, the prolonged energy shock will keep

Chart O.4.1 **Inflation projection for emerging and developing countries**
(in %)



Source: WEO, April, July and October 2026, IMF.

Chart O.4.2 **IMF assumptions for movements in global crude oil price**
(in USD)

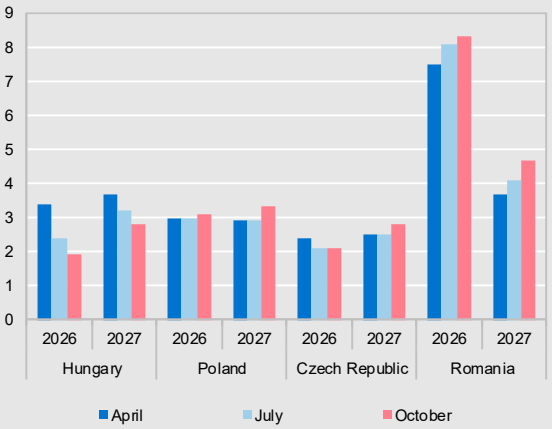


Source: WEO, April, July and October 2026, IMF.
Note: UK Brent, Dubai Fateh and West Texas Intermediate average.

inflation above the target level longer than expected. The abrupt rise in the prices of oil, refined petroleum products and natural gas, accompanied by the futures yield curves tilting upward, indicated that inflationary pressures could be longer-lasting. Though uncertainty as to the broader impact of the energy shock on inflation is still high, the baseline inflation projection for 2026 remained unchanged from June, while projections for 2027 and 2028 were revised up. Under the baseline scenario, the average headline inflation should measure 3.0% in 2026, 2.5% in 2027 and 2.1% in 2028. Compared to June projections, inflation projection for 2027 was increased by 0.2 pp, and for 2028 by 0.1 pp. Without the impact of the EU Emissions Trading System 2 (EU ETS 2), projected inflation for 2028 would be 1.9%. Higher energy prices are expected to be gradually passed through to core inflation and food prices. Improved economic prospects should also contribute to somewhat higher core inflation, which is expected to continue rising until the beginning of 2027 and to remain elevated during the rest of the year, while a gradual slowdown is expected in 2028.

In **countries of the region** the expected inflation dynamics is mirroring the combined impact of energy price growth, as well as the specificities of domestic economic conditions, reflected in various alterations to inflation projections. According to the latest, September projection of the central bank of **Hungary**, average inflation this year is expected to be 1.8%, unchanged relative to the previous projection. In the period May–August 2026, inflation in Hungary was on a downward trajectory. However, the impact of the stronger exchange rate will be offset in the remainder of the year due to energy price growth. Bearing in mind the indirect effects of crude oil and natural gas price increases, as well as growth in excise tax on tobacco products, in September the Hungarian central bank raised its projection of average inflation for 2027 from 2.3% in the June report to 3.1%. Y-o-y inflation is expected to arrive at a new target of 2.5% in mid-2028. Conversely, according to the October survey, Consensus Forecasts expects average inflation in Hungary to measure 1.9% in 2026, which is 0.5 pp below the figure in the July survey. Expectations for 2027 were also revised down from July, by 0.4 pp, hence they now average 2.8%, which is lower than the official projection of the Hungarian central bank.

Chart O.4.3 **Consensus Forecasts projection of y-o-y inflation in countries of the region**
(in %)



Source: Consensus Forecasts.

Y-o-y inflation in **Poland** during 2026 remained within the Polish central bank's target tolerance band until September, when it went above the upper bound of the tolerance band due to rising fuel prices for private means of transport. The Polish central bank's July report highlighted the risk of energy price growth for the realisation of the inflation projection, which stood at 2.9% for 2026, 2.7% for 2027, and 2.2% for 2028. These projections were revised upward compared with the previous, March report, according to which inflation was expected to average 2.3%, 2.4%, and 2.3% for 2026, 2027, and 2028, respectively. The upward revision in the July projection is largely a consequence of the direct and indirect impact of energy price growth in 2026. In 2027 and 2028, the energy shock is expected to gradually fade, with core inflation remaining at around 3%. Analysts participating in the October Consensus Forecasts survey expect y-o-y inflation in Poland to remain above the upper bound of the target tolerance band until August 2027. According to the same source, average inflation in 2026 would be 3.1%, which is 0.1 pp higher than in the July survey, while in 2027 it would be 3.3%, which is 0.4 pp higher than in July.

Y-o-y inflation in the **Czech Republic** moved around the target value of 2.0% during the year to date, although in the previous three months, due to rising fuel prices, it was on an upward path. According to the August monetary policy report of the Czech central bank, which does not take into account the aforementioned actual outcomes, a slight acceleration of inflation is expected in the coming period. Average inflation in 2026 is projected at 2.0%, which is 0.2 pp lower than in the previous projection, while the projection for 2027 was revised slightly upward, by 0.1 pp, to a level of 2.5% on average. According to the same source, average inflation in 2028 should be 2.4%. The largest contribution to inflation in the July projection is attributed to the expected dissipation of the disinflationary contribution of food, alcoholic beverages, and cigarette prices to headline inflation starting from Q4 2026, as well as to double-digit fuel price growth and persistently elevated core inflation. A fall in administered prices acted in the opposite direction. According to the October Consensus Economics projections, inflation in the Czech Republic is expected to trend upward in the coming months. Average inflation in 2026 would be 2.1%, unchanged from the expectations in the July survey. On the other hand, somewhat higher inflation is expected for 2027, at 2.8% on average, compared with 2.5%, which was the expectation of Consensus Economics analysts in July.

Y-o-y inflation in **Romania** during 2026 remained the highest in the EU, but in Q3 it moved to lower levels, mostly because the direct effects of the removal of the electricity price cap dissipated, as did the increases in VAT rates and excise duties that occurred in the same period last year. After falling in July and August, y-o-y inflation rose again in September, driven by higher petrol and diesel prices, as well as by higher prices of food and non-food products. According to the August inflation report of the Romanian central bank, the inflation projection for end-2026 was revised upward by 0.6 pp, to 6.1%, compared with the May projection, due to unfavourable base effects stemming from the fall in fuel and electricity prices in Q4 2025. For the end of 2027, the projection

is 3.4%, which represents an upward revision of 0.5 pp compared with the previous report. The central bank expects inflation to return within the target tolerance band (2.5%±1 pp) in Q4 2027. According to the October Consensus Forecasts report, average inflation in Romania in 2026 is expected to be 8.3%, a slight increase compared with the July expectations of 8.1%. Expectations for the following year were revised in the same direction, with inflation expected to measure 4.7%, which is an upward revision of 0.6 pp compared with July.

Finally, it should be noted that **inflation outlooks remain highly uncertain in the new projections of both central banks and relevant international institutions**, primarily because of the possible prolonged duration of the energy shock and its stronger pass-through to other prices, but also, conversely, because of the possible resolution of the current geopolitical conflict and a consequent decline in the world oil price and inflationary pressures. In such circumstances, **alternative scenarios** represent an important supplementary tool for considering the range of possible outcomes regarding inflation. Also, when conducting monetary policy in uncertain times, it is particularly important to continuously monitor movements in world energy prices, inflation expectations and wages, as well as indicators pointing to the pass-through of cost-push pressures to the prices of other goods and services, while adjusting the assessment as new information arrives.

Monetary policy

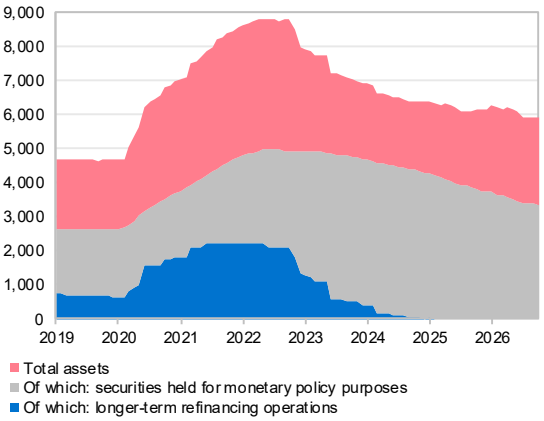
In an effort to return inflation to its medium-term target of 2%, and after raising the rates in June, the **ECB** raised its three main interest rates again in September by 25 bp. The deposit facility, main refinancing operations, and lending facility rates now stand at 2.50%, 2.65%, and 2.90%, respectively. The decision to lift the rates was taken in an environment of inflation that continues to exceed the target level, with a projection of its further growth, peaking at 3.6% on average in Q4 this year (average inflation in euro area in Q3 measured 3.3%). After that, inflation should gradually decline and return to a level close to the 2% target by the end of 2027. The ECB noted that core inflation indicators have so far not changed significantly, as the full inflationary effects of the energy shock have not yet manifested. Nevertheless, higher energy prices are expected to be gradually passed through to core inflation and food prices. The ECB also published new projections indicating stronger economic activity in the euro area than expected in June, which, according to analysts' assessment, could leave additional room for the continuation of a restrictive monetary policy.

Inflation expectations for shorter time horizons remained elevated, while most indicators of long-term inflation expectations moved around 2%. Inflation expectations continued to be primarily conditioned by energy price developments, and the renewed conflict between the US and Iran increasingly began to be seen as a more lasting source of disruption and, accordingly, elevated inflationary pressures were expected to persist longer than initially anticipated. Concern over persistently high energy prices, further reinforced by rising food prices, led to an increase in inflation expectations and expectations regarding interest rate movements in the euro area. Ahead of the September ECB meeting, market participants fully expected an interest rate increase at that meeting, and additional increases totalling 84 bp by end-2027, compared with 64 bp at the time of the July meeting. This meant that the expected peak ECB deposit facility rate in the current monetary policy tightening cycle exceeded 3% for the first time. In contrast, participants in the Survey of Monetary Analysts had lower expectations – the median response indicated an expectation of only one more, final interest rate increase at the September meeting.

Given the unstable global environment and elevated uncertainty, which could lead to abrupt changes in the situation, the ECB stated that future decisions on interest rates will continue to be based on an assessment of the inflation outlook and the associated risks, while taking into account newly arrived economic and financial data, as well as core inflation dynamics and monetary policy transmission.

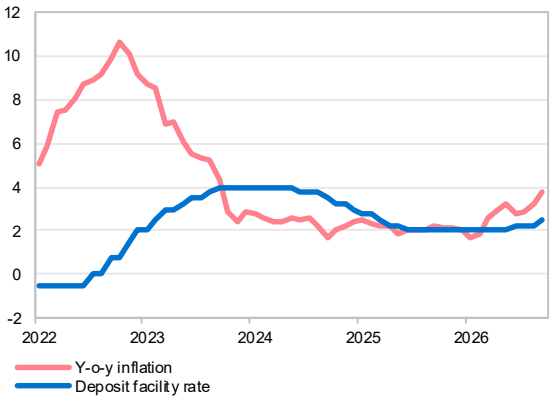
In line with expectations, the **Fed** also raised the federal funds target range by 25 bp in mid-September, to 3.75–

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



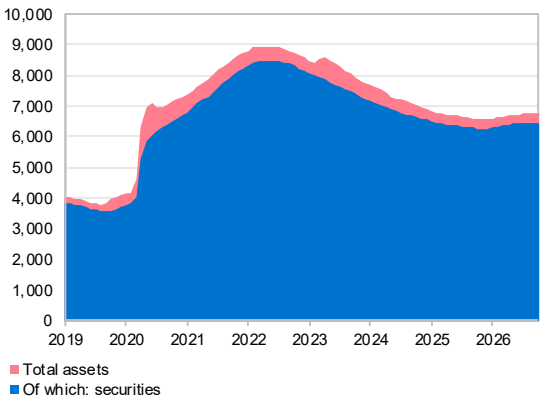
Source: ECB.

Chart V.0.11 **Deposit facility rate and inflation in the euro area**
(in %)



Sources: ECB and Eurostat.

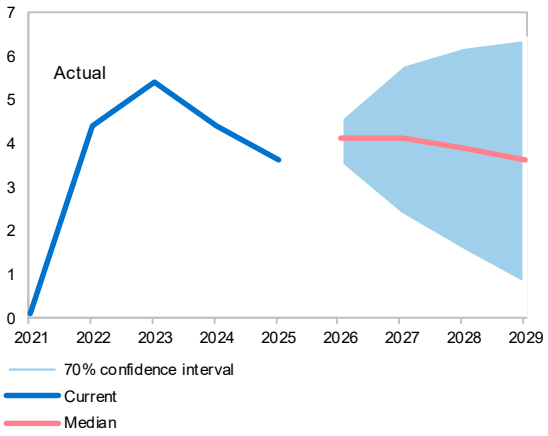
Chart V.0.12 **Fed's total assets**
(monthly average, in USD bn)



Source: Fed.

4.00%, in order to return inflation to its 2% target, where it last stood in 2021. A press release following the meeting highlighted that both headline and core inflation were higher than a year earlier, as a result of higher tariffs, higher energy prices and other costs stemming from geopolitical developments, as well as rising prices of consumer goods due to the accelerated development of artificial intelligence. The Fed also published new projections for economic growth and inflation, which are higher than in June. As for inflation, the Fed assesses that it will decline by the end of the year, given the expected fall in retail petrol prices and a slight slowdown in core inflation. The decline in inflation will continue over the next two years as the impact of the aforementioned factors that raised it dissipates, therefore the 2% target will be reached in 2029. At the same time, economic activity continues to develop at a solid pace. Although uncertainty remains high, domestic spending is showing resilience, productivity growth remains strong, and capital investment is at a high level, all of which contributes to more favourable prospects for economic activity and the labour market compared with the previous projection.

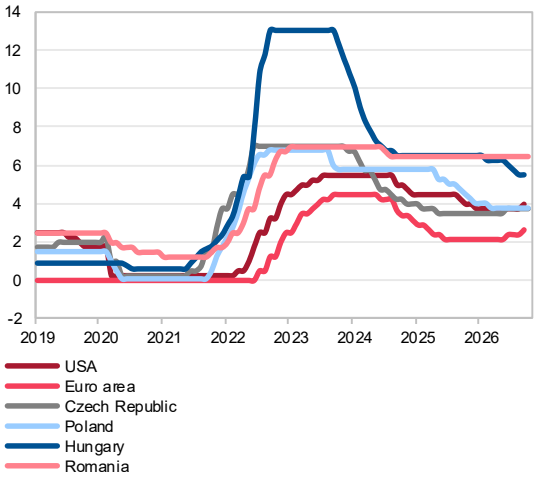
Chart V.0.13 **Uncertainty and risks to the projection of the Fed funds rate**
(in %)



Source: Fed, Summary of Economic Projections (June 2026).

Expectations are also higher than in June with regard to the federal funds range – the median projection of FOMC members stands at 4.1% for the end of this year and next year and 3.9% for end-2028. Fed Chair Kevin Warsh highlighted his concern about persistent inflation, but did not want to present a personal forecast on rate movement or to give the market clear guidance on upcoming decisions. Fed members unanimously took a more restrictive stance regarding the further conduct of monetary policy. This resulted in a rise in yields on US and other developed countries' securities, which indicates that global financial conditions will be more restrictive in the coming period and that investors will demand higher yields on emerging countries' securities as well.

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



Sources: Central banks of selected countries.

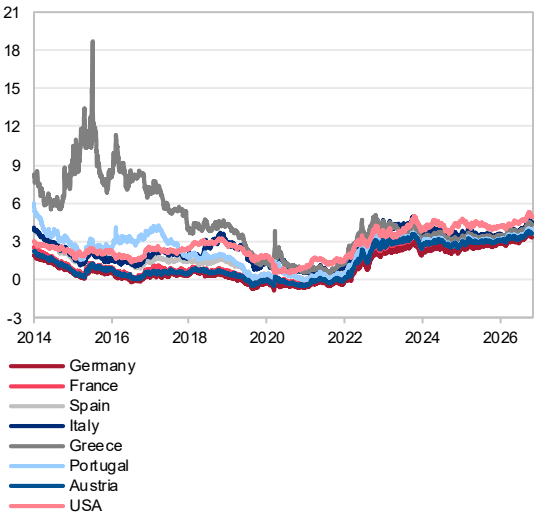
As for the **inflation-targeting central banks in the region**, most opted to keep their policy rates unchanged during Q3. Thus, the central banks of the **Czech Republic**, **Poland, and Romania** highlighted the risk of more pronounced inflationary pressures, primarily due to the prolonged energy shock, as well as their readiness to react if necessary. Only the **central bank of Hungary**, for the fourth time this year, trimmed its policy rate by 25 bp in August, to 5.5%, but kept it unchanged in September. Also, the central bank of Hungary decided to lower its medium-term inflation target rate from 3.0% to 2.5%, starting from 1 January 2028. The tolerance band of ±1 pp around the target will be retained. The statement noted that, when reviewing the inflation target, the central bank carried out a detailed assessment of international practice and the appropriate level of the inflation target for the domestic economy. This move is considered the first step toward the adoption of the euro, which is planned for the beginning of the next decade. Governor Varga highlighted that the Executive Board

will decide on interest rates at its eight meetings a year, aligning with the ECB's practice.

Financial and commodity markets

Yields on ten-year government bonds of advanced euro area countries and the US rose significantly during Q3 2026, with growth being the most pronounced in July and September. At end-Q3, the yields of observed euro area countries were on average around 90 bp higher than at end-Q2, and yields on ten-year US Treasuries by 82 bp. Yield growth largely reflected market participants' expectations of further monetary policy tightening by the ECB and the Fed. Such expectations were triggered by elevated inflationary pressures and risks stemming from high energy prices and persisting tensions in the Middle East, and in case of the US, also by September macroeconomic data turning out better than anticipated. In September, the ECB raised its interest rates by 25 bp, and the Fed increased its federal funds target range by 25 bp, to 3.75–4.00%, their first range increase since July 2023. Concern over fiscal risks and countries' increased borrowing needs, both in the euro area and the US, also led to a rise in yields. Among euro area countries, this was particularly pronounced in France, where the yield range expanded by almost 50 bp relative to German bonds. During October, yields on ten-year bonds decreased in the majority of observed euro area countries, by 19 bp on average, and in the US by 36 bp. The fall in yields occurred against the backdrop of stepped-up demand for safe assets, triggered by market participants' concern as to the profitability of investments in AI, and tensions in the Middle East. In Germany, the fall in yields was further propped by investors' shift to safer German bonds amid heightened fiscal and political uncertainty in France, whose yields increased by 11 bp, contrary to movements in the majority of euro area countries. In the US, the contraction in yields was also supported by expectations that the Fed would put off the next federal funds rate increase until December, while the still pronounced inflationary pressures limited a larger fall in yields.

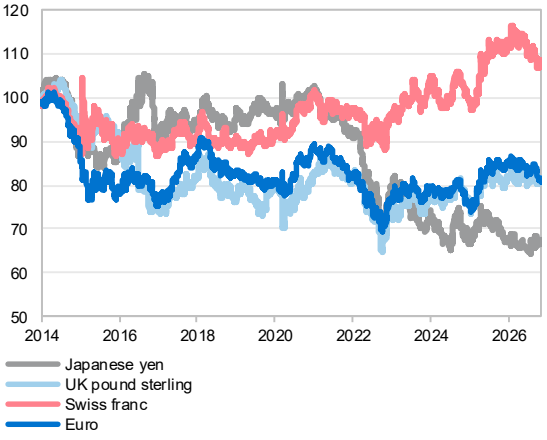
Chart V.0.15 **Yields on ten-year bonds of euro area countries and the USA**
(daily data, in %)



Source: Bloomberg.

After moving within a narrow band in July, **the euro appreciated vis-à-vis the dollar from end-July until the second half of August**. This was facilitated by the unfavourable data from the US labour market and consumption, uncertainty as to the Fed's actions after the rate was kept unchanged in July, and the periodic optimism about the talks between the US and Iran. As of end-August, and notably in September, the dollar strengthened, primarily amid expectations of the Fed's more restrictive monetary policy and better-than-anticipated macroeconomic data for the US. Renewed conflict in the Middle East also contributed to this, as it triggered demand for the dollar as a safe asset. The euro's weakening was also dictated by factors specific for the euro area – heightened fiscal and political uncertainty in France, and weaker than expected economic activity

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



Source: IMF.

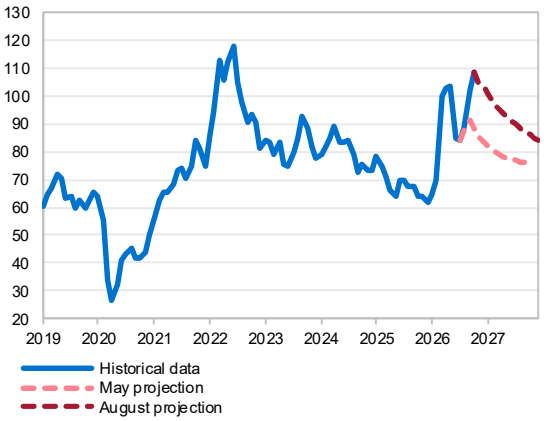
* Growth indicates appreciation.

indicators. In October, the euro weakened against other leading currencies as well.

In an environment of increased demand due to rising global uncertainty, the **world gold price** moved predominantly upward until the end of August, after which, in the remainder of Q3 and in October, it declined under the influence of the Fed's federal funds rate increase, rising yields on US Treasuries, and the strengthening of the dollar. Observed at the quarterly level, the gold price in Q3 averaged about USD 4,260 per fine ounce, which is 5.4% lower than in Q2, though still 23.3% higher than in the same period last year.

After dropping to around USD 70 per barrel in early July in the wake of a temporary ceasefire between the US and Iran, the **global Brent oil price trended predominantly up until end-Q3 and in October**. The oil price increase was driven by the renewed escalation of the Middle East conflict, with additional pressure arising because of the conflict that broke out between Yemen's Houthi movement and Saudi Arabia, as it poses a threat to Red Sea transport. Even so, observed at the quarterly level, the oil price in Q3 was 5.6% lower than in Q2, averaging around USD 91 per barrel, though in y-o-y terms it was 33.9% higher. According to assessments by relevant institutions, the price of oil will trend downward in the coming period, assuming a de-escalation of geopolitical tensions and a gradual normalisation of the global oil supply. However, due to the falling global oil inventories, as well as restrictive conditions in the diesel market, there might be pressures pushing the oil price up in order to meet the demand for diesel fuel. Consensus Economics expects the oil price to contract to around USD 98 per barrel by end-2026, and then to around USD 75 per barrel by end-2027. The US Energy Information Administration estimated that the oil price should measure around USD 99 and USD 72 per barrel at the end of 2026 and 2027, respectively. According to our projection, which is based on market futures, the oil price will stand at around USD 104 per barrel at end-2026, and then decline to around USD 84 per barrel by the end of 2027.

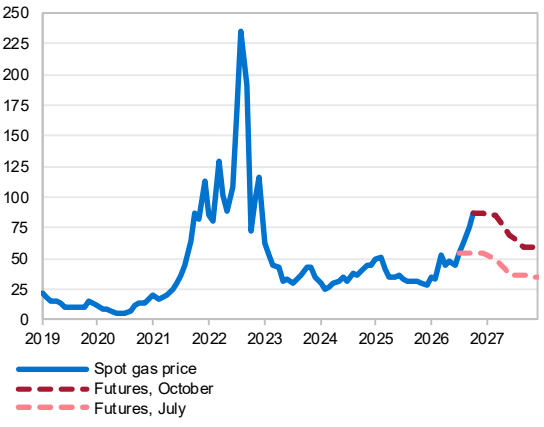
Chart V.0.17 **Assumption for Brent oil prices**
(USD/barrel)



Source: Refinitiv.

The **benchmark price of natural gas for Europe (Dutch TTF hub)** trended up during Q3 and in October, owing to the restricted global availability of liquid natural gas, the rising costs of transport and insurance amid elevated geopolitical risks, high demand during summer months due to the strong heatwave in Europe, and low storage levels at the onset of the new heating season. In October, gas price rose to around EUR 87 per MWh, which is as much as 152.2% higher than in the same period a year ago, and is also the highest level since December 2022. According to market futures, the gas price is expected to remain at a similar level until end-Q1 2027 and then recede to around EUR 60 per MWh by the end of the year. Consensus Economics expects the natural gas price to measure around EUR 78 per MWh at

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



Source: Refinitiv.

end-2026, declining thereafter to around EUR 44 per MWh by end-2027.

The rise in the **benchmark electricity price in Europe** (German exchange) during Q3 and in October reflected the growing demand due to high temperatures in the summer months, high natural gas prices, as well as reduced production from renewable sources. Observed at the quarterly level, the electricity price on the German exchange in Q3 averaged about EUR 130 per MWh, which is 30.5% higher than in Q2, while in y-o-y terms, it was higher by 53.5%. The **electricity price on the Hungarian exchange** had similar dynamics, but at a higher level, therefore in Q3 it averaged about EUR 160 per MWh. According to market futures, the electricity price on the German exchange will move upward until end-Q1 2027, when it will reach about EUR 188 per MWh, thereafter declining to about EUR 145 per MWh by the end of the year.

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

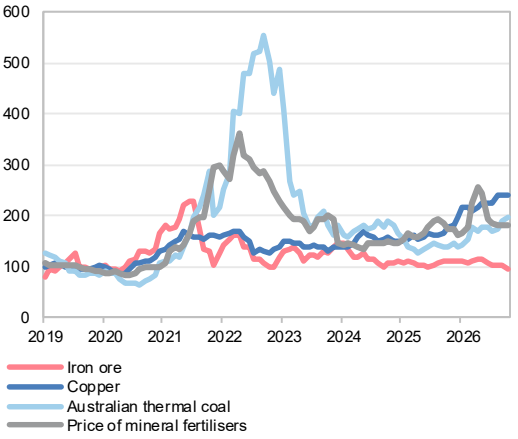


Source: Refinitiv.

After contracting in July due to subdued demand in China and India, **thermal coal price trended up in the following months** under the impact of high prices of alternative energy sources in electricity production, as well as uncertainty as to the supply from Indonesia. In October, the price of coal averaged around USD 150 per tonne, which is 41.7% more than in the same period a year ago. Consensus Economics expects the coal price to decrease slightly in the period ahead, measuring at end-2027 around 15% less than at end-2026.

Despite higher prices of natural gas, which is an important lower input in production, **mineral fertiliser prices declined** during Q3 under the impact of China's decision to ease the restrictions on urea export, as well as the seasonally common demand slump in the northern hemisphere. As in the previous period, movements in mineral fertiliser prices were largely determined by changes in the price of urea, which averaged around USD 410 per tonne in September, a y-o-y decrease of 11.6%.

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



Source: Commodity Prices, World Bank.

Metal and mineral prices recorded divergent movements in Q3 – after a decline in July, they went up in August and September. The price fall early in the quarter was dictated by lower aluminium prices due to the stepped-up supply from the UAE, and by lower iron ore prices, under the impact of dampened demand in China. In contrast, the price of copper continued up, supported by strong demand associated with AI development and application, as well as by restricted global supply. Also, in September the **price of copper** averaged around USD 14,475 per tonne, which is 45.0% more than in the same period last year and is also its new record. Going forward, Consensus Economics expects a slight decline in metal prices. Even so, the world base metals price index[8] will be 10.3% higher at end-2026

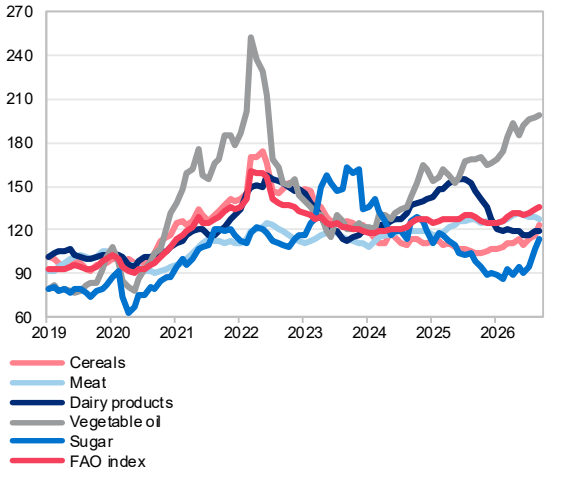
[8] This index has been calculated by The Economist, and the shares of individual metals reflect their respective shares in world metal trade: iron ore (49.3%), copper (21.7%), aluminium (14.8%), silver (6.4%), zinc (3.4%), nickel (2.9%), and lead (1.5%).

than at end-2025, while at the end of 2027 it will be 3.3% lower compared to the end of 2026.

World food prices, measured by the FAO index, moved upward during Q3, measuring 4.5% more in September than in June, while y-o-y, they were 5.8% higher. The price increase relative to June was driven by the higher prices of sugar, cereals, vegetable oils, and dairy products, while lower meat prices acted in the opposite direction. Under the influence of adverse weather in major production regions, **world cocoa and coffee prices** rose during July and August. In contrast, the cocoa price fell in September and October owing to reduced global demand caused by the previously reached high price level. In October, the cocoa price averaged about USD 5,730 per tonne, which is 6.6% lower than in the same period last year. At the same time, the coffee price also contracted due to high yields in Brazil, therefore in October it was 19.9% lower than in the same period of the previous year.

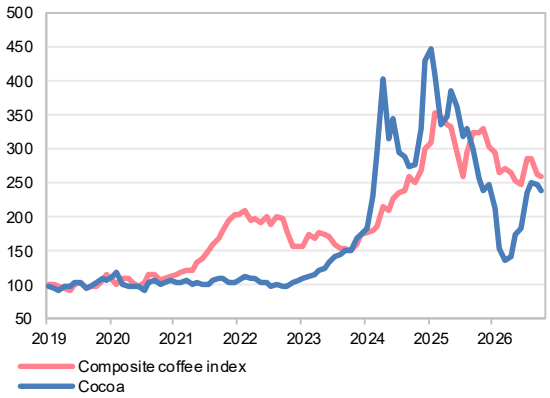
World prices of primary agricultural commodities (wheat, corn and soybean) trended up during Q3 and in October, under the impact of elevated geopolitical tensions, a stronger US dollar and the heatwave in Western Europe. According to our projection, which is based on market futures, primary agricultural commodity prices will continue their upward trajectory in the period ahead and stand 30.0% higher at end-2026 than at end-2025, declining thereafter by 7.0% during 2027.

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



Source: UN FAO.

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



Source: Refinitiv.

Internal assumptions

Unlike **primary agricultural commodity prices** in the international market, which recorded an increase during 2026, prices of these products **in the domestic market** stagnated, generating no inflationary pressures. In quarterly terms, the composite index of domestic agricultural commodity prices even recorded a slight decline in Q3 compared to Q2. Given the increase in the costs of energy, mineral fertilisers, transport and other inputs used in agricultural production, a further rise in world prices of primary agricultural commodities is expected, as is the pass-through of higher production costs and world prices to the domestic market. Accordingly, prices of primary agricultural commodities in the domestic market are anticipated to start rising in Q4 this year, with the upward trend continuing in 2027. In 2028, the gradual easing of cost-push pressures and the normalisation of conditions in international markets are likely to lead to stabilisation and even a slight decline in domestic primary agricultural commodity prices.

As for the **domestic agricultural season**, based on the performance so far, we have revised upward our assumption regarding agricultural production growth in the current year, from 7% to 10%. However, the final outcome of the season will depend on the assessment of livestock production, for which data are not yet available. For next year, we assume that agricultural production

will be at its multi-year average. Although climate factors will remain one of the key challenges for agricultural production going forward, the implementation of the long-term strategy for climate change adaptation is expected to gradually mitigate their negative effects and support production growth.

Administered price growth, having measured 7.0% in 2025, is assumed to slow to 3.1% in the current year, lower than our August projection (5.7%). Over the next two years, we expect administered price growth to remain stable at around 5%. We assume that administered price growth will be driven primarily by increases in utility and cigarette prices.

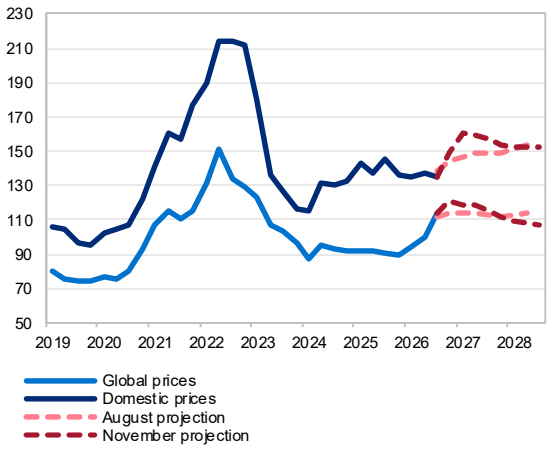
As for the factors affecting **domestic consumption**, we expect **wages** to remain a key source of consumer demand. Still, we expect labour market pressures to ease over the projection horizon, with real wage growth slowing and becoming more closely aligned with productivity growth. Average real wage growth in the private sector is assumed to amount to around 7.5% this year, followed by around 4% next year. Consumer demand growth will also be supported by rising **pensions** in the period ahead, whose share in GDP should continue to move in line with fiscal rules, as well as by **remittances**, which we project at over EUR 5 bn for both this and next year. The increase in income disposable for consumption will also be underpinned by the expected continued **growth in household lending**, reflecting still relatively favourable borrowing conditions.

As in the previous projection, we assume that **NIS** will continue to operate and supply the market with petroleum products without major disruptions to the production process. This assumption is supported by the OFAC decision to extend the NIS operating licence until 11 December, as well as the deadline granted to the Hungarian company MOL to conduct negotiations on the acquisition of the Russian stake in NIS.

The **production of base metals** could undergo further adjustment to the **new EU regulatory framework for steel imports**, which entered into force on 1 July 2026. The new measures have significantly reduced tariff-free import quotas, while the tariff on imports above the quota has been raised to 50% (double the rate under the previous regime), alongside stricter rules on monitoring the origin of steel along the production chain. These measures aim to protect the European steel industry from the effects of global steel overcapacity.

In force since early 2026, the **CBAM** may lead to higher production and export costs in some industrial sectors subject to this regulation (iron and steel, aluminium, cement, fertilisers, hydrogen and electricity). The share of these industrial products in total goods exports to the EU in 2025 stood at 11.3%, with iron and steel accounting for the largest share (around 5%), followed by electricity and aluminium (around 3% each).

Chart V.0.23 **Assumption for prices of primary agricultural commodities***
(Q4 2013 = 100)

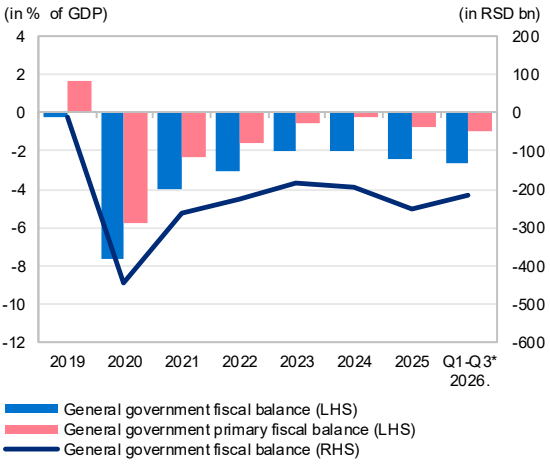


Sources: Novi Sad Commodity Exchange, CBOT, Euronext and NBS calculations.
* Measured by the composite index of wheat, corn and soybean prices.

Consequently, price competitiveness in these sectors could decline to an extent as of next year, although electricity production is already adjusting to the introduction of this levy, prompting a decline in electricity exports. In response to the introduction of the CBAM levy, Serbia adopted the Law on Tax on Greenhouse Gas Emissions, stipulating the taxation of carbon dioxide emissions in the above industrial sectors. This fulfils the preconditions for reducing domestic producers' costs through lower tariffs, mitigating negative effects on exports. Revenues collected under this tax remain in Serbia's budget, enabling greater support for domestic demand.

In January–September 2026, the general government fiscal deficit amounted to RSD 216.6 bn (2.6% of GDP), with almost half of it recorded in September, primarily as a result of one-off payments to pensioners and adult citizens. The general government primary balance recorded a deficit of RSD 92.2 bn (around 1% of GDP).

Chart V.0.24 **General government fiscal and primary fiscal balance**



Sources: Ministry of Finance and NBS.

* Share in projected nominal GDP for the period Q1–Q3.

Public revenue in the first nine months of 2026 increased by 8.7% in real y-o-y terms, primarily driven by higher revenue from wages (personal income tax and social security contributions), amid continued real wage growth propped up by increases in public sector wages and in the minimum wage. Non-tax revenues and VAT revenues also made a significant contribution to public revenue growth, on account of continued growth in personal consumption, supported by rising wages, cash payments to pensioners and, to an extent, household lending. A somewhat smaller contribution came from increased profit tax revenues, reflecting higher corporate profitability in 2025 (up by 11% compared to 2024). By contrast, as expected, revenues from excise duties on petroleum products declined as a result of the measures taken to mitigate the global energy shock. **Public expenditure** increased by 13.3% in real y-o-y terms, primarily due to higher expenditure on pensions and social transfers, as well as capital expenditure and outlays for employees, reflecting public sector wage increases.

The share of **general government debt** in GDP stood at 43.6% in September 2026, up by 0.7 pp compared to June.

As the 2027 budget and the new government's economic programme are not yet known, the projection is based on the assumption that fiscal policy will continue to be conducted in accordance with the valid fiscal rules and the framework set out in the Fiscal Strategy for 2027, with the fiscal deficit-to-GDP ratio declining over the coming years. We also assume that capital expenditure related to infrastructure projects will continue. Following a moderately expansionary fiscal stance this year, the fiscal impulse is expected to be slightly contractionary in 2027, based on the above assumptions.

GDP projection

We have revised up our GDP projection for 2026, from 3.2% to 3.5%, because economic activity outturns in the year to date have been better than we anticipated in August. The projection for 2027 was downgraded from 4.5% to 4.0% due to this year's higher base and lingering geopolitical tensions, as well as continued growth in global energy prices. Over the medium term, we expect stable economic growth of around 3.5% p.a., in line with its potential rate.

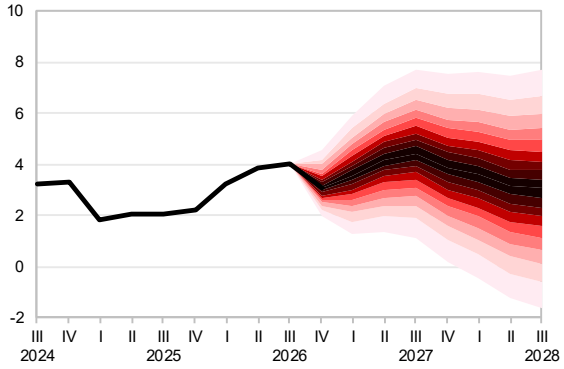
Domestic demand will remain the key driver of economic growth in the period ahead. A positive impulse will come from consumption, propped up by higher disposable income, and from fixed investment. Investment growth will be underpinned by continued implementation of infrastructure projects in the area of transport, energy and utility infrastructure. Net exports are expected to make a positive contribution to GDP growth in 2027, primarily thanks to higher exports of goods and services associated with the specialised Expo exhibition.

In terms of individual components, **private consumption,** which makes up the most of GDP, will remain the key driver of economic growth, and its contribution is expected to measure 2.8 pp in 2026 and 2027 and 2.3 pp in 2028. Its contribution for 2026 was revised slightly up from the previous projection, reflecting favourable outturns so far in the year, and down for 2027, mostly due to the higher base from the current year. Private consumption growth will continue to be supported by higher disposable income of households, mostly on account of increased wages and pensions, and partly also by banks' lending activity. However, the pace of private consumption will be somewhat moderated by heightened inflationary pressures from the international environment fuelled by elevated energy prices, which could contain growth in households' real purchasing power.

Government consumption will continue to make a positive contribution to GDP growth, measuring around 0.6 pp in 2026 according to the November projection, which is 0.2 pp more than in the previous projection. Although the budget for the next year is unknown at the moment, we expect government consumption to continue to make a slightly positive contribution of 0.2 pp in 2027 and 0.5 pp in 2028, assuming that public sector wages will be raised in accordance with the fiscal rules, and that spending for the procurement of goods and services will be rational.

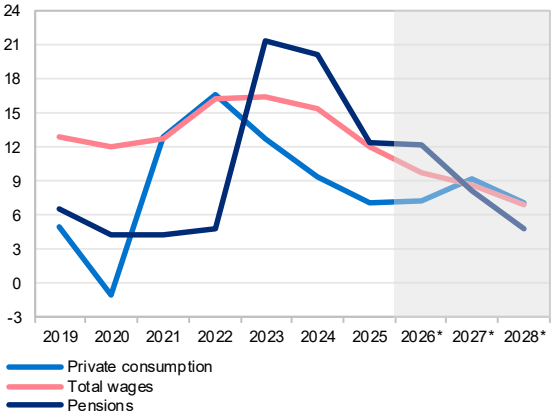
After slowing in 2025, **fixed investment** is expected to rise by around 3.0% in 2026, contributing 0.8 pp to GDP growth, almost unchanged from the August projection. A similar contribution on average is expected in 2027 and 2028 as well. Such investment activity dynamics take into account continued implementation of infrastructure

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



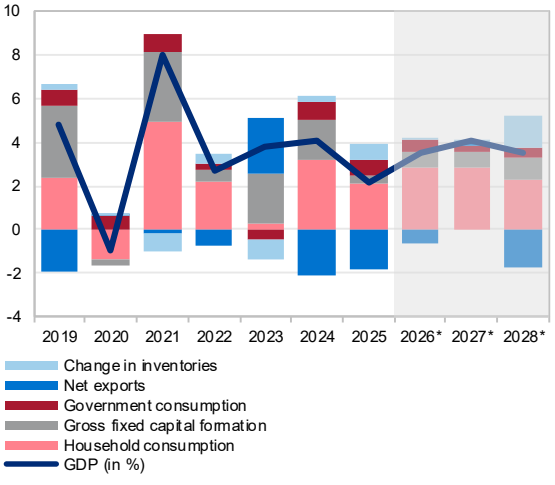
Source: NBS.

Chart V.0.26 **Rate of growth in private consumption and its sources**
(nominal y-o-y rates, in %)



Sources: SORS and NBS calculations.
* NBS estimate.

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



Sources: SORS and NBS.
* NBS estimate.

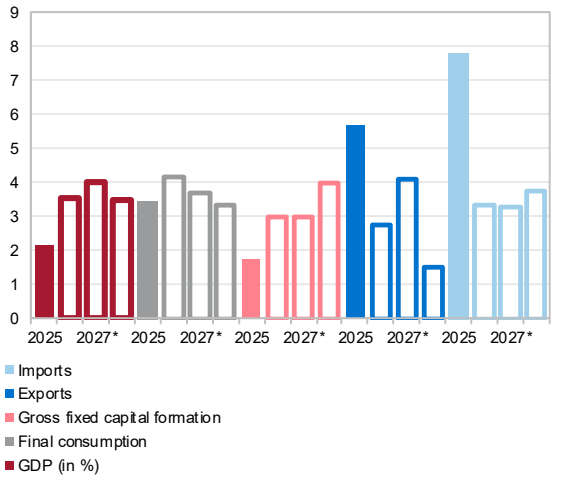
projects, and announcements that the future government's economic programme will be focussed on encouraging domestic private investment. When it comes to sources of investment growth, it will be propped up by the rise in profitability of the domestic economy and continued FDI inflows. Moreover, although the ECB has started tightening its monetary policy, which could potentially lead to some increase in the cost of euro-indexed investment and housing loans, we expect credit sources to continue to provide a positive contribution. Assuming that the next budget will also have a development component, government investment should also make a neutral or slightly positive contribution. By contrast, marked global uncertainty, geopolitical tensions, energy price movements and weaker external demand continue to pose risks to the projection.

The November projection assumes an almost neutral contribution of change in **inventories** to GDP growth in 2026 and 2027. In 2028, inventories are expected to recover and make a positive contribution to economic growth.

The new projection also assumes continued growth in **exports of goods and services** in 2026, despite persistently elevated global uncertainty, geopolitical tensions and the potential adverse effects of the Middle East conflict on energy prices, international trade flows and economic growth of Serbia's key trading partners. The real export growth projection was slightly downgraded from the previous projection. However, export growth is still expected to be propped up by increased production and export capacities in the automotive industry and associated branches, higher mining exports, and continued rise in exports of services, especially business and ICT services. Conversely, the projection of real import growth was revised slightly up, consistent with outturns so far in the year and the anticipated rise in domestic demand. At the same time, higher energy prices continue to pose a risk to foreign trade developments. In such circumstances, we expect the contribution of net exports to GDP growth to be negative in 2026, measuring -0.6 pp. This contribution is expected to turn positive in 2027, equalling 0.2 pp, mostly on account of the anticipated acceleration of growth in the exports of services, primarily tourism and business services, due to the arrival of foreign visitors to the Expo specialised exhibition. The positive contribution of net exports will also be supported by higher goods exports amid the anticipated recovery in external demand. These effects could, however, be lessened by the extended energy shock which partly reflects on increased energy imports and may result in a lower-than-expected number of visitors to the Expo.

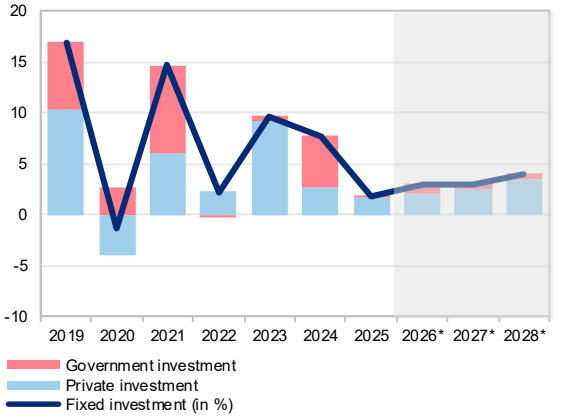
On the production side, we expect GDP growth in the current and the following two years to be driven primarily by the **service sectors**, with their projected contribution remaining almost unchanged from August. The contribution of service activities is estimated at 2.1

Chart V.0.28 **Real growth in GDP and its components, expenditure side**
(in %)



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

Chart V.0.29 **Fixed investment**
(y-o-y growth, in pp)



Sources: SORS and NBS calculations.
* NBS estimate.

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

Project	By 2026	2026	2027	2028	2029	After 2029	Total value
1. Expo	769	361	76	0	0	0	1,206
2. Transport infrastructure; construction of highways, expressways, bridges, tunnels, etc.	4,190	854	557	595	419	1,120	7,734
3. Railway infrastructure; Hungarian-Serbian railway project, reconstruction and modernisation of the Belgrade-Niš railway, etc.	1,728	545	517	312	174	1,491	4,766
4. Air and water transport and hydropower; Đerdap 2, "Arilje" dam, extension of capacity of the existing ports, etc.	161	22	62	41	58	144	487
5. Utility infrastructure	467	79	118	116	118	2,496	3,394
6. Other projects; modernisation of public sector infrastructure, education, science, health, sport, etc.	884	512	304	147	61	67	1,974
TOTAL	8,199	2,373	1,633	1,210	830	5,317	19,561

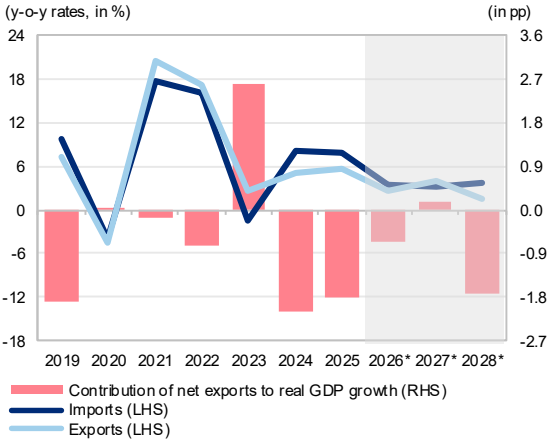
Source: Fiscal Strategy for 2027 with Projections for 2028 and 2029.

pp in 2026 and expected to rise to around 3.0 pp in 2027, partly reflecting the effects of hosting the Expo. In 2028, it is expected to slow to around 2.2 pp. At the same time, growth in consumption and service-sector activity will support tax revenue collection, with **net taxes** projected to continue making a positive contribution, of around 0.6 pp p.a. on average, to GDP growth.

The November projection also envisages growth in **production sectors**, whose combined contribution to GDP growth is projected at 0.8 pp in 2026, 0.3 pp in 2027 and 0.8 pp in 2028. The projection for total **industrial production** growth in 2026 has remained unchanged from August, with some changes in individual sectors. Based on the outturns so far, **mining** is now expected to see some increase in activity, instead of the previously projected mild decline. The **energy** sector is, on the other hand, expected to undergo a somewhat sharper activity decline compared to the August projection, primarily due to production adjustments following the introduction of the CBAM and unfavourable hydrological conditions, as confirmed by its performances so far. At the same time, the **manufacturing industry** growth projection was slightly downgraded, consistent with developments in the year to date. We still expect a positive contribution from manufacturing, though, especially from the automotive industry thanks to a further expansion of production of electric vehicles in Kragujevac and the positive effects of normalisation of petroleum product and chemical industry production. Manufacturing is therefore expected to continue making the largest positive contribution among the production sectors, of 0.2 pp in 2026, 0.3 pp in 2027 and 0.4 pp in 2028, reflecting primarily past investments and the anticipated rallying of external demand. In the coming years, activity in the energy and mining sectors is also expected to recover gradually, supported by the implementation of planned structural reforms in accordance with the IMF arrangement and further expansion of renewable electricity generation capacities.

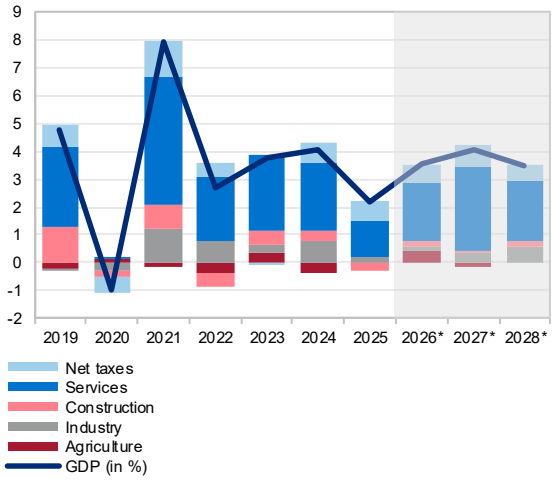
Following a decline **in construction in 2025**, the sector is expected to make a mild, positive contribution to GDP

Chart V.0.30 **Real export and import growth**



Sources: SORS and NBS.
* NBS estimate.

Chart V.0.31 **Contributions to real GDP growth, production side**
(in pp)



Sources: SORS and NBS.
* NBS estimate.

growth both this year and in the coming years (0.2 pp p.a. on average). Its recovery will be supported by continued housing construction, and the implementation of planned infrastructure projects in transport, energy, utility and information infrastructure.

As regards **agriculture**, based on the performances so far and the latest SORS data on the anticipated production of arable crops and fruit, we have revised up our estimate of agricultural production growth in 2026 from 7% in August to around 10% in our November projection. According to SORS data as at 5 September, strong growth in the production of some fruit cultures – mostly apples and plums – is expected, as is an increase in the production of corn, wheat and sunflower, while soybean and sugar beet are expected to see a decline. Still, some uncertainty regarding the final outcome of this year's agricultural season persists, given the possible departures from the assumed volume of production in some areas, particularly in livestock production, which makes up an important part of total agricultural production and the estimates for which have not yet been published. In the coming years, the implementation of a long-term climate change adaptation strategy should provide additional support to agriculture.

Table V.0.5 **Growth in production of selected agricultural crops, 2025-2026**
(in %)

	2025	2026*
Wheat	26.9	7.7
Corn	-16.8	12.0
Sugar beet	-6.1	-21.7
Sunflower	-3.5	1.8
Soybean	-4.7	-9.5
Sour cherries	-42.3	96.3
Apples	-13.5	43.1
Plums	-15.8	109.2
Raspberries	-21.8	14.6
Grapes	8.5	6.3

Source: SORS.
* Estimate.

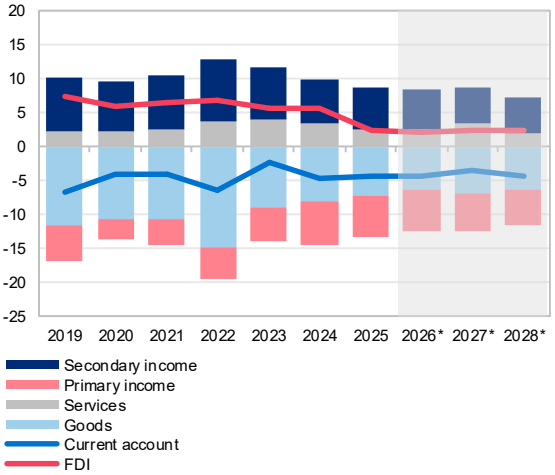
Projection of Serbia's external position

Taking into account the performances in the year to date, the anticipated foreign trade developments and higher-than-expected energy prices, the November projection points to a slightly higher current account deficit in the absolute amount than in August, with deficit in 2026 measuring 4.2% of GDP. It is expected to narrow to around 3.6% of GDP in 2027, amid a recovery in external demand and continued growth in goods exports on account of increased export capacities, but also due to higher exports of services associated with the hosting of the Expo. The extended duration of the energy shock poses a risk to the materialisation of the anticipated effects. In 2028, the deficit should move around its estimated equilibrium level of around 4.5% of GDP. The projection assumes continued growth in exports of goods and services, propped up by a rise in production and export capacities in the automotive industry, higher mining, business and ICT services exports, and a gradual recovery of external demand.

With regard to other current account components, the projection assumes that the secondary income surplus will be slightly below 6% of GDP and that it will almost entirely offset the primary income deficit, mostly on account of income from FDI and labour.

We expect FDI inflows to remain highly diversified by geography and project, with the bulk of inflows continuing to be directed towards export-oriented sectors. Our estimate of net FDI inflows is somewhat more conservative than in the previous projection, averaging 2.3% of GDP p.a. in the coming years, given

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



Source: NBS.
* NBS projection.

the environment of heightened global uncertainty and the ongoing transformation of European and global value chains, which may affect the scale and timing of investment projects.

Inflation projection

Under our new central projection, **y-o-y inflation is expected to move around the upper bound of the target band until the end of this year. For most of 2027, inflation will be above the upper bound of the target band due to the materialisation of the risks from the previous projection and the extended duration of the energy shock.** Inflation is expected to peak in Q3 2027 and to subside gradually thereafter, **retreating within the target band in late 2027.** It is then expected to slow further and approach the target midpoint of 3% by the end of the projection horizon.

Our new inflation projection is higher than in August, as global prices of oil and other commodities have continued up and, according to futures, are expected to decline more slowly in the coming period. Also, imported inflation is higher and real wages have increased somewhat more rapidly than expected. Inflation growth next year will also reflect this year's low base for fruit and vegetable prices due to an excellent harvest. The expected slowing of core inflation, amid a gradual easing of cost-push pressures from the international environment, and the anticipated slackening of real wage growth compared to this year, ought to work in the opposite direction. Under the impact of the above factors, **headline inflation should average 3.2% in 2026 and 4.9% in 2027.**

As in the previous projection, **global prices of oil** remain one of the key factors shaping the projected inflation path. Based on the futures, we have assumed elevated oil prices throughout the projection horizon. Global prices of oil and other energy products spiked with the outbreak of the war in the Middle East and remain surrounded by a great deal of uncertainty. Though crude oil deliveries from the Middle East have lately rallied substantially (reaching their 2025 average), the global price of oil has continued up. Higher prices of petroleum products, especially of diesel, also partly reflect the structural supply problems that were present even before the conflict and stem from insufficient investment in refinery capacities, as well as the cuts in diesel production in Russian refineries due to Ukrainian drone attacks.

For Serbia, as a small and open economy that is highly dependent on energy imports, an elevated global price of oil directly affects the **prices of petroleum products in the domestic market**, while **indirect effects** are transmitted through higher transport and production costs and increased prices of other goods and services. Higher costs of inputs could generate greater cost-push pressures from global prices of primary agricultural commodities,

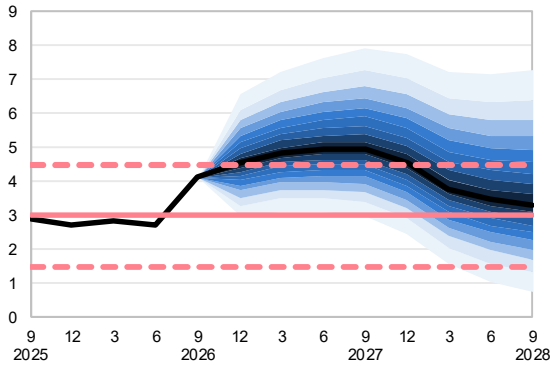
Table V.0.6 **Key projection assumptions**

	2026		2027		2028	
External assumptions	Aug	Nov	Aug	Nov	Aug	Nov
Euro area GDP growth	0.8%	1.0%	1.2%	1.3%	1.5%	1.5%
Euro area inflation (average)	2.9%	3.0%	2.3%	2.7%	1.9%	2.1%
3M EURIBOR (December)	2.8%	2.9%	2.9%	3.4%	2.9%	3.0%
International prices of primary agricult. commodities (Q4 to Q4)*	26.3%	30.0%	-13%	-7.0%	-0.1%	-4.6%
Brent oil price per barrel (end of year, USD)	83	104	75	84	72	77
Internal assumptions						
Administered prices (Dec. to Dec.)	5.7%	3.1%	5.1%	4.9%	5.0%	5.0%

* Composite index of soybean, wheat and corn prices.

Sources: ECB, Consensus Economics, Euronext, CBOT, Bloomberg and NBS.

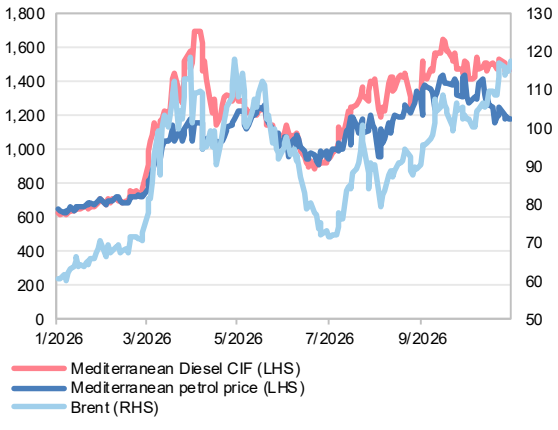
Chart V.0.33 **Inflation projection**
(y-o-y rates, in %)



Source: NBS.

The fan chart depicts the probability of various inflation outcomes in the next eight quarters. The central projection is within the darkest central band and the probability that inflation would lie in it is 10%. Each following shade includes 10% probability, which means that outturns 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%.

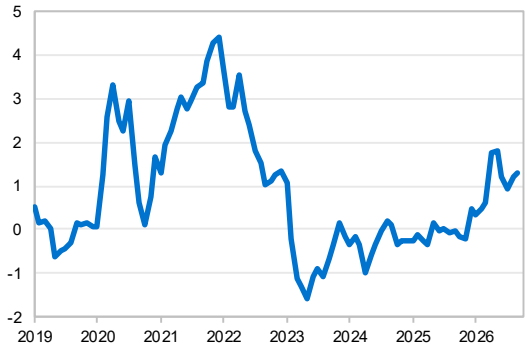
Chart V.0.34 **Comparison of quotation prices in the Mediterranean and the global oil price**
(USD/t) (USD/barrel)



Source: Refinitiv.

as also signalled by the futures. Furthermore, forward-looking indicators, including the **Global Supply Chain Pressure Index**, which is at its highest level since 2022, point to the possibility of a gradual build-up of cost-push pressures in the coming period, which could reflect on **import prices and cost-push pressures in the domestic economy**. There is a risk that the energy shock could lead to more persistent inflation through **second-round effects,** if higher inflation expectations spill over into firms' pricing decisions or wage growth pressures. Though some second-round effects can be expected, we assume that cost-push pressures from the energy shock will progressively wane during the projection horizon. This will gradually contain the inflationary pressures from the international environment and support domestic inflation's return to the target.

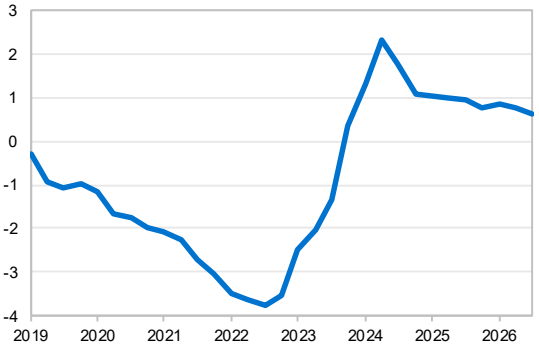
Chart V.0.35 **Global supply-chain pressures**
(index, in standard deviations)



Source: Federal Reserve Bank of New York.

The one-week BELIBOR, in real terms (calculated based on the financial sector's one-year ahead inflation expectations), stood at 0.6% in Q3 2026, slightly lower than in the previous quarter.

Chart V.0.36 **Real interest rate**
(in %)

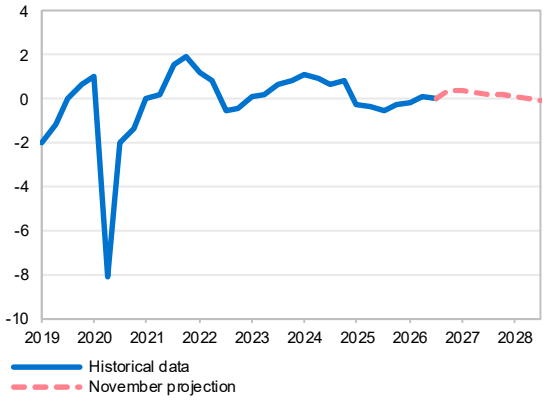


Source: NBS.

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.

Domestic factors, primarily **wage growth, fiscal policy** and **administered prices**, are not expected to generate significant inflationary pressures. As for **aggregate demand**, we estimate that the **output gap is at its neutral level** and that it will remain slightly positive until the end of the projection horizon, indicating that aggregate demand should not represent a major source of inflationary pressures. At the same time, a positive contribution to the output gap estimate comes from real wage growth throughout the projection horizon, primarily through disposable income and household consumption, while weak external demand is working in the opposite direction. This year, the fiscal impulse will also make a positive contribution to the output gap estimate. Although the wage gap will remain positive over the entire projection horizon (due to the estimated faster growth in real wages than their long-term trend), inflationary pressures from this source are expected to weaken, **as real wage growth is expected to slow over the projection horizon and move closer to productivity growth**. As for **external demand**, the conflict in the Middle East and the resulting uncertainty are slowing global economic growth. Therefore, we expect external demand to remain weak in the short term, under pressure from the energy shock and global instability, with a more significant recovery expected in the medium term.

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



Sources: SORS and NBS.

* Output gap is estimated on the basis of GDP.

Looking at individual components, we expect the contribution of **food prices (excluding fruit and vegetables)** to y-o-y inflation to be influenced by the increase in global prices of primary agricultural commodities, the indirect effects of higher petroleum product prices, and the low base effect from 2026. The contribution of food prices to y-o-y inflation has been rising due to the effect of the above factors and will shift to positive territory in Q4 this year. It will then continue to rise gradually to 1.4 pp in Q3 next year, only to subside to 0.9 pp until the end of the projection horizon.

Specifically, based on futures for primary agricultural commodities, we estimate that input costs in food production (excluding fruit and vegetables) will be above their neutral level in the coming period, and therefore expect them to exert inflationary pressure on food prices. Food price growth will also be affected by the indirect effects of higher petroleum product prices and, to some extent, by increased labour costs.

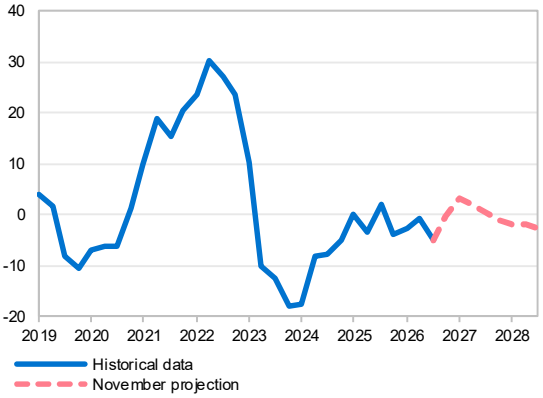
After a sharp decline in Q3 2026, **fruit and vegetable** prices are assumed to return gradually to their long-term trend. The contribution of fruit and vegetable prices to y-o-y inflation should, therefore, be around zero in the next two quarters and turn slightly positive from Q2 2027 onwards.

We expect the contribution of **non-food product and service prices** to y-o-y inflation to move at around 2 pp until the end of next year, after which it is expected to decline gradually to 1.6 pp at the end of the projection horizon. As prices of non-food products and services greatly depend on the prices of a large number of imported products, the increase in this group's contribution will be driven primarily by elevated imported inflation, as well as by the indirect effects of higher petroleum product prices. A positive contribution to non-food inflation will also come from increased labour costs, reflected to an extent in higher costs of the service sectors and the rise in income disposable for consumption, but no major inflationary effects are anticipated on these accounts as real wage growth is expected to slow over the projection horizon and move more closely in line with productivity growth.

Due to the extended duration of the global energy shock, we expect the contribution of **petroleum product prices to y-o-y inflation** to increase further in Q4 this year to 1.0 pp and stay at that level in Q1 next year. Assuming a decline in the global price of oil according to futures, we expect this contribution to subside thereafter and move into negative territory in Q4 next year, where it will stay until the end of the projection horizon (between -0.2 pp and -0.3 pp). We also assume that full-scale production by NIS will be ensured and that the domestic market will be adequately supplied with petroleum products.

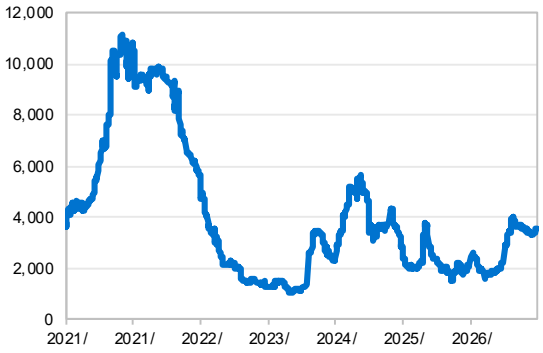
Our new projection assumes a smaller increase in **administered prices** compared to August – by 3.1% (instead of 5.7%) in 2026 and 4.9% (instead of 5.1%) in 2027. As a result of such an administered price trajectory, the contribution to y-o-y inflation until mid-next year should be lower compared to the year before. This contribution will range between 0.5 and 0.7 pp, and then between 0.8 and 0.9 pp until the end of the projection horizon.

Chart V.0.38 **Real marginal costs gap in food production**
(% deviation from trend)



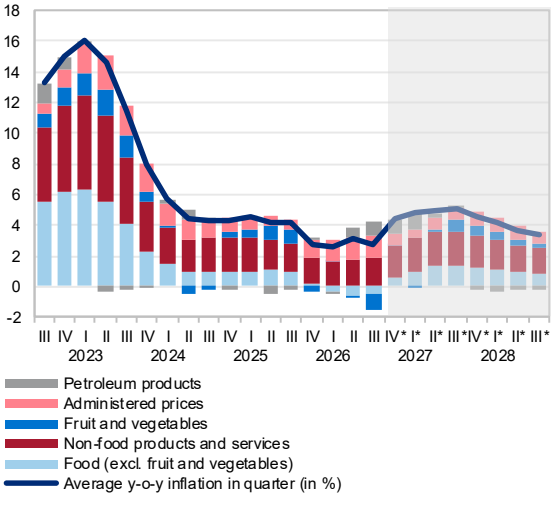
Source: NBS.

Chart V.0.39 **Cost of container transport**
(in USD)



Source: Refinitiv.

Chart V.0.40 **Contributions to y-o-y inflation by component**
(average y-o-y rates, in pp)



Source: NBS.
* NBS projection.

Other institutions' projections for Serbia and comparison with the NBS's projections

In the October WEO, the **IMF revised up its June projection of Serbia's real GDP growth for 2026 by 0.5 pp, to 3.3%.** The same growth is **expected by Consensus Economics,** and our projection is marginally higher. The **World Bank** expects somewhat lower growth this year – of 3.1%, assessing that economic activity will be propped up by industrial recovery, robust export performances and fiscal support. **Next year, all institutions expect Serbia's real GDP growth to accelerate** and range between 3.5% and 4.0%, supported by a continued rise in households' disposable income due to wage growth and the hosting of the Expo. The IMF and the World Bank place 2028 growth at 3.5%, which is consistent with our projection.

In October, the IMF revised down its June projection of Serbia's current account deficit for 2026 by 1.4 pp to 4.6% of GDP, while the **World Bank** expects a deficit of 4.0% of GDP, similarly as in our projection. These downward revisions reflect better outturns so far in the year, thanks to increased export capacities of the economy. Both institutions foresee a temporary narrowing of the deficit next year, to around 3.5% of GDP, amid increased tourism inflows due to the hosting of the Expo. In 2028, the current account deficit is expected to widen to 4.3–4.4% of GDP, which is consistent with our projection.

Table V.0.7 **Projections of macroeconomic indicators of Serbia** (in %, annual average)

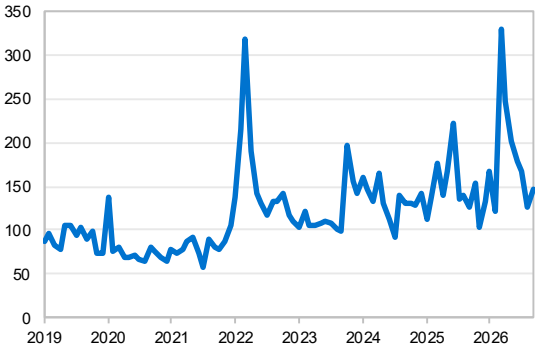
		Release date	GDP	Current account deficit (share in GDP)	Inflation
NBS	2026	Nov 2026	3.5	-4.2	3.2
	2027		4.0	-3.6	4.9
	2028		3.5	-4.3	3.6
IMF	2026	Oct 2026	3.3	-4.6	3.1
	2027		4.0	-3.5	4.2
	2028		3.5	-4.4	3.1
Consensus Forecasts	2026	Oct 2026	3.3		3.5
	2027		3.5		3.8
	2028				
World Bank	2026	Oct 2026	3.1	-4.0	3.2
	2027		3.7	-3.7	4.3
	2028		3.5	-4.3	3.1

Sources: IMF, Consensus Economics and World Bank.

Risks to the projection

The greatest risks surrounding our new inflation and GDP projections continue to stem from the international environment and refer mainly to **energy price movements due to the Middle East conflict**. The relatively high level of the GPR index, albeit much lower compared to its peak in March 2026, indicates that the geopolitical risk is still elevated.

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



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

Rising energy prices worldwide represent a **negative supply-side shock,** with pronounced and diverse macroeconomic **consequences that are difficult to foresee, as this shock spills over to international trade, global supply chains, commodity and financial markets.** Similarly to most other countries, Serbia's inflation outlook continues to hinge on the scope and duration of the energy price shock and on the manner in which higher energy prices move through the economy. Extended conflicts amplify the imbalance between global energy supply and demand, and the fallout is more serious. And while second-round effects have so far been limited in scope, the stronger and longer-lasting the energy shock is, the more pronounced the risk of second-round effects will be.

In the conditions of prolonged disruptions, the adjustment mechanism shifts to a greater extent from prices to quantities, i.e. it involves greater rationalisation

of consumption, which could have more significant economic consequences. Higher prices have an inflationary effect, while rationalisation of spending has a direct negative effect on economic growth. Sudden political decisions affect not only global commodity markets but also financial markets, with exchange rates being particularly sensitive. It is always more difficult for monetary policy to achieve price stability in case of supply-side shocks which push prices up and drag GDP down at the same time, so greater caution is warranted. On the other hand, global economic fundamentals have stayed relatively resilient, supported by fiscal stimuli. If the conflict is resolved soon, energy markets could normalise more rapidly and the adverse economic effects could be smaller than currently anticipated. In addition, global economic activity could receive a stronger boost from the application of artificial intelligence and the resulting productivity gains and business dynamism. In any event, the situation remains highly uncertain, with risks on this account tilted to the upside for inflation and to the downside for economic growth

The extension of the operating licence for NIS should ensure **uninterrupted continuation of production and supply of the market with petroleum products.** With this in mind, we assess that the risk to both GDP and inflation on this account is much lower than in the November 2025 projection, when the sanctions imposed by the US OFAC took effect.

Though mitigated by deals among leading global economies, **heightened protectionism and uncertain global trade policies** continue to pose a risk to the projection. Trade fragmentation could intensify, potentially undermining production and leading to higher prices. Any further tariffs would weigh on global economic growth and, if targeted at specific sectors, could create bottlenecks and have a disproportionately large impact on prices and economic activity. In the coming years, the new EU regulatory framework (EES, CBAM, PPWR, EUDR, IAA) also represents a risk, as it could increase operating costs and reduce the competitiveness of our exports. Indirectly, it could also make it more difficult for companies operating in Serbia to integrate into EU production chains, which calls for a timely and adequate response from economic policymakers. On the other hand, progress in trade relations and new regional trade agreements could help reduce trade costs and boost trade flows. This would increase the predictability of economic policies, facilitate better investment planning, and have a positive impact on economic growth. Against this backdrop, we assess that the risks arising from protectionist measures at the global level are balanced.

Depending on the global agricultural season, and given the persisting risks stemming from geopolitical and trade tensions on the one hand, and risks to global economic growth on the other hand, there are risks that **global prices of primary agricultural commodities** may

Table V.0.8 **Key risks to the GDP and inflation projection**

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

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.

deviate from the levels assumed in the baseline scenario in either direction.

Another risk to the inflation and GDP projections is the **domestic agricultural production,** which we revised up for this year relative to August (from 7% to 10%), though departures are still possible in some areas, particularly livestock production. We expect that the next year's agricultural yields will be at the level of the multiyear average, but departures from the baseline scenario are possible in either direction.

The risks surrounding the GDP and inflation projections are also associated with future **movements in domestic demand,** as the budget for the next year and the economic programme of the new government elected in the extraordinary parliamentary elections are still unknown at this point. Faster than expected growth in domestic demand would add to inflationary pressures, while having a positive effect on economic growth, and vice versa. Risks refer primarily to the **real wage growth**, which could be either higher or lower than assumed in the new projection, reflecting on personal consumption and imports. We expect fiscal discipline to be maintained going forward, with the share of the fiscal deficit in GDP gradually subsiding. The implementation of infrastructure projects and stimuli to private investment activity are expected to continue. At the same time, the new economic programme could also provide further impulse to domestic demand or, in the initial stage, be more oriented towards savings than towards consumption and government investment. Another risk to the projection is the number of visitors to the Expo exhibition, due to the extended duration of the energy shock and its effects on global economic activity, which is why the effect on GDP and inflation could be smaller than expected. To a degree, this effect could also depend on how much focus the new government will place on promoting the Expo.

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

Text box 5: Alternative projection scenarios

As in the previous period, the main risk to the projection stems from the further development of global geopolitical relations, considering that the expected easing of tensions did not occur in the past period; rather they intensified further. In regard to this, disruptions in energy supply, as well as higher container transport and insurance costs, continued to create additional cost-push pressures at the global level. Specifically, the Brent crude oil price reached around USD 117 per barrel at end-October, while at the same time the global container transport index was 82.1% higher than at the end of February, immediately before the outbreak of the Middle East conflict. Against such backdrop, our new inflation projection is higher than the August one, with inflation projections revised up in most other countries as well, including the assessments of international financial institutions (see text box 4). Bearing in mind the continuing uncertainty regarding the development of geopolitical relations, **in this text box we analysed the potential effects of their further intensification within the pessimistic scenario, and of their gradual easing within the optimistic alternative scenario**.

In the pessimistic alternative scenario, we assumed that, owing to the protracted conflict in the Middle East, **the prices of oil and other primary commodities would remain elevated longer than expected in the baseline scenario**. The intensification of attacks by the Yemeni Houthis in the Red Sea region, including attacks on energy infrastructure in Saudi Arabia, also supports the possibility of such a development, as this endangers alternative transport routes for energy supply from the Middle East. In addition, uncertainty regarding the outcome of US–Iran negotiations, as well as the possibility of new US military strikes after the elections, are an additional risk of the conflict deepening and causing new disruptions in global energy markets.

On the other hand, **in the optimistic alternative scenario we assumed that a gradual easing of geopolitical tensions would enable a faster and more pronounced fall in the prices of oil and other energy sources than in the baseline scenario**. The possibility of a gradual easing of geopolitical tensions is indicated by the US–Iran negotiations, which were intensified in Qatar in early November, as well as by the easing of US sanctions on Russian diesel export, which could contribute to an increase in supply on the world market. Also, the possibility of relaunching negotiations on ending the conflict in Ukraine is being considered with increased frequency. At the same time, according to Consensus Economics' assessment, oil supply on the world market is expected to grow faster than demand in 2027, primarily due to increased production by OPEC member countries and the US. In the event of such a scenario, we expect a faster fall in the prices of oil and other energy sources, which would contribute to easing cost pressures and reducing global inflation.

Table O.5.1 **External assumptions of baseline and alternative scenarios**

	2026	2027	2028
Euro area inflation, y-o-y average, in % (baseline scenario)	**3.0**	**2.7**	**2.1**
Optimistic scenario		2.6	2.0
Pessimistic scenario		3.3	2.6
Euro area GDP growth, average, in % (baseline scenario)	**1.0**	**1.3**	**1.5**
Optimistic scenario		1.4	1.6
Pessimistic scenario		0.7	1.4
Oil price, average, in USD/barrel (baseline scenario)	**93**	**91**	**79**
Optimistic scenario		78	67
Pessimistic scenario		126	110
Gas price, average, in EUR/1000m³ (baseline scenario)	**593**	**634**	**450**
Optimistic scenario		513	351
Pessimistic scenario		1,060	761
Composite index of agric. products Q4/Q4, in % (baseline scenario)	**30.0**	**-7.0**	**-4.6**
Optimistic scenario		-8.3	-5.5
Pessimistic scenario		3.0	-16.7
Inflation projection, y-o-y average, in % (baseline scenario)	**3.2**	**4.9**	**3.6**
Optimistic scenario		4.5	3.6
Pessimistic scenario		5.5	3.8
GDP projection, average, in % (baseline scenario)	**3.5**	**4.0**	**3.5**
Optimistic scenario		**4.2**	**3.5**
Pessimistic scenario		**3.6**	**3.5**

Source: NBS calculations.

Pessimistic scenario

Under the pessimistic scenario, we assumed that the conflict in the Middle East, including the blockade of the Strait of Hormuz, would last longer than under the baseline scenario. Specifically, bearing in mind the importance of these transport routes for global energy supply, we assumed that there would be a rise in energy prices, resulting in the average world oil price next year at around USD 126 per barrel, with an expected peak in Q1 2027, after which it would gradually decline, reaching an average level of around USD 110 per barrel in 2028. The rise in energy prices would be reflected in stronger global inflationary pressures and reduced investment confidence, which would cause a contraction in economic activity and a deterioration in financing conditions at the global level. Accordingly, in this scenario, average inflation in the euro area, our most significant

trading partner, would be 3.3% in 2027 and 2.6% in 2028, while real GDP growth would be lower than in the baseline scenario, measuring 0.7% in 2027 and 1.4% in 2028.

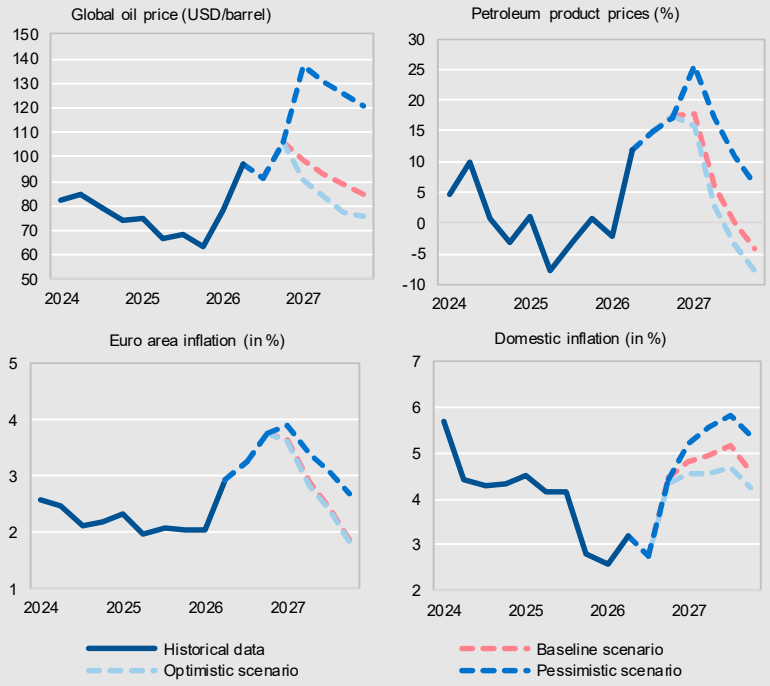
According to our estimates, the consequences of the pessimistic scenario for Serbia would be **average inflation 0.6 pp higher in 2027 and 0.2 pp higher in 2028 than under the baseline scenario**. The direct effect would stem from higher prices of petroleum products in the domestic market, while the indirect effect would result from higher production costs for other manufactured goods and food, as well as higher inflation in the euro area, through higher import prices. As regards the effects of this scenario on **domestic GDP, we estimated that real growth in 2027 would be 0.4 pp lower and in 2028 the same as under the baseline scenario**. Such developments would primarily reflect weaker domestic demand, i.e. slower growth in private consumption due to lower disposable income caused by higher prices, as well as lower investment growth owing to investors' greater risk aversion. At the same time, amid heightened inflationary pressures, leading central banks are expected to tighten monetary conditions, which, together with elevated cost-push pressures, supply chain disruptions and a higher risk premium, would weigh on global economic activity and, by extension, dampen external demand for our exports.

Optimistic scenario

In the optimistic scenario, we assumed that geopolitical tensions would be resolved faster than assumed in the baseline scenario, which would result in a faster and more pronounced fall in energy prices in the coming period. In this case, we expect the oil price to fall to around USD 78 per barrel on average in 2027, and then retreat further to around USD 67 per barrel in 2028. Such developments would result in lower transportation and production costs, which, combined with declining global uncertainty and investors' lower risk aversion, would support growth of global trade and economic activity. In addition, lower inflationary pressures would ease market participants' expectations of further monetary policy tightening by major central banks. Under this scenario, euro area inflation would be somewhat lower than under the baseline scenario – by 0.1 pp in both 2027 and 2028, i.e. it would stand at 2.6% and 2.0%, respectively. Likewise, euro area GDP growth would be somewhat higher than under the baseline scenario, measuring 1.4% in 2027 and 1.6% in 2028, which is 0.1 pp higher than under the baseline scenario assumptions.

In that case, **average inflation in Serbia in 2027 would be 0.4 pp lower than under the baseline scenario, i.e. it would stand at 4.5%**, owing to lower global prices of primary commodities and lower inflation in the euro area, **while in 2028 it would be the same as under the baseline scenario (3.6%)**. At the same time, lower euro area inflation would reinforce expectations that monetary conditions would not be tightened further in the coming period, thereby supporting growth in economic activity in the euro area and the recovery of external demand. These developments, together with the stronger domestic demand driven by higher disposable income and private consumption amid lower inflation, as well as stronger investment in an improved investment environment, would result in **domestic GDP growth being about 0.2 pp higher in the following year than under the baseline scenario**.

Chart O.5.1 **Alternative scenario assumptions and their effect on domestic inflation**



Source: NBS.

Table A Indicators of Serbia's external position

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q1 2026	Q2 2026	Q3 2026
EXTERNAL LIQUIDITY INDICATORS (in %)														
FX reserves/imports of goods and services (in months)	6.7	6.2	5.4	5.4	5.7	6.1	5.9	5.2	6.7	7.3	6.7	6.6	6.7	6.6
FX reserves/short-term debt	256.4	234.3	202.1	210.9	275.6	228.1	249.6	248.9	320.8	415.3	334.7	336.4	348.4	
FX reserves /GDP	27.9	26.7	24.4	25.2	27.8	27.5	29.4	30.6	33.1	35.1	32.2	31.6	32.2	31.9
Debt repayment/GDP	10.6	11.8	10.5	10.8	9.5	5.5	8.7	9.1	9.0	10.8	8.8	8.4	20.4	
Debt repayment/exports of goods and services	25.2	25.9	22.2	22.9	19.7	12.2	17.0	15.3	16.4	20.4	16.5	15.0	37.2	
EXTERNAL SOLVENCY INDICATORS (in %)														
External debt/GDP	70.4	69.4	62.4	59.5	58.4	62.4	64.8	65.4	58.6	58.4	56.7	57.6	59.3	
Short-term debt/GDP	10.9	11.4	12.1	11.9	10.1	12.1	11.8	12.3	10.3	8.5	9.6	9.4	9.2	
External debt/exports of goods and services	166.7	152.3	132.0	125.6	120.4	137.4	125.8	109.2	107.5	109.8	106.8	107.3	109.9	
FINANCIAL RISK EXPOSURE INDICATORS (in %)														
FX reserves/M1	250.2	207.3	176.2	168.0	174.1	130.0	138.1	158.7	166.6	168.2	156.1	161.7	165.2	152.5
FX reserves/reserve money	193.7	196.6	185.0	171.4	194.1	157.1	180.0	180.2	201.0	199.6	199.9	200.4	207.9	198.4
OPENNESS OF ECONOMY (EXPORTS + IMPORTS)/GDP	92.3	96.9	102.0	103.8	106.7	99.2	111.3	130.8	113.8	111.0	110.7	114.1	113.9	113.7
MEMORANDUM: (in EUR million)														
GDP[1)]	37,220	38,165	40,828	44,711	48,105	49,024	55,931	63,513	75,212	83,382	90,087	21,850	23,826	24,063
External debt	26,220	26,469	25,490	26,594	28,117	30,600	36,266	41,506	44,090	48,673	51,044	51,953	54,525	
External debt servicing	3,960	4,508	4,285	4,849	4,592	2,710	4,886	5,801	6,735	9,032	7,900	1,834	4,856	
Central bank foreign exchange reserves	10,378	10,205	9,962	11,262	13,378	13,492	16,455	19,416	24,909	29,295	29,008	28,486	29,609	29,859
Short-term debt[2)]	303	672	844	1,401	1,925	1,585	1,612	2,273	626	954	1,080	1,127	1,442	
Current account balance	-1,234	-1,075	-2,051	-2,076	-3,161	-1,929	-2,266	-4,162	-1,804	-3,788	-4,058	-139	-1,306	-1,087

CREDIT RATING (change of rating and outlook)	2015 Dec	2016 Jan/March/ June/Dec	2017 March/Dec	2018 Dec	2019 Sept/Dec	2020 May	2021 March/Dec	2022 June	2024 Aug/Oct	2026 Feb
S&P		BB- /positive	BB /stable	BB /positive	BB+ /positive	BB+ /stable	BB+ /positive	BB+ /stable	BBB- /stable	
Fitch	B+ /positive	BB-/stable	BB /stable		BB+ /stable				BB+ /positive	
Moody's		B1 /positive	Ba3 /stable		Ba3 /positive		Ba2 /stable		Ba2 /positive	Ba2 /stable

Methodological notes:

Foreign exchange reserves/imports of goods and services (in months) - ratio of end-
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
Debt repayment/exports (in %) - ratio of debt repayment (excl. early
External debt/GDP – 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 2026 is NBS estimate.
[2)] At original maturity.

Notes:

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

Table B Key macroeconomic indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q1 2026	Q2 2026	Q3 2026
Real GDP growth (in %)[1]	1.3	3.0	2.4	4.6	4.8	-1.0	7.9	2.7	3.7	4.0	2.1	3.2	3.8	4.0
Consumer prices (in %, relative to the same month a year earlier)[2]	1.5	1.6	3.0	2.0	1.9	1.3	7.9	15.1	7.6	4.3	2.7	2.8	2.7	4.1
NBS foreign exchange reserves (in EUR million)	10,378	10,205	9,962	11,262	13,378	13,492	16,455	19,416	24,909	29,295	29,008	28,486	29,609	29,859
Exports (in EUR million)[3]	15,728	17,385	19,312	21,166	23,349	22,271	28,818	38,004	41,018	44,317	47,780	12,229	13,070	13,115
- growth rate in % compared to a year earlier	8.8	10.5	11.1	9.6	10.3	-4.6	29.4	31.9	7.9	8.0	7.8	5.7	10.0	10.5
Imports (in EUR million)[3]	18,643	19,597	22,343	25,257	27,960	26,370	33,439	45,054	44,543	48,267	51,907	12,699	14,069	14,242
- growth rate in % compared to a year earlier	3.0	5.1	14.0	13.0	10.7	-5.7	26.8	34.7	-1.1	8.4	7.5	1.6	8.6	9.3
Current account balance[3]														
(in EUR million)	-1,234	-1,075	-2,051	-2,076	-3,161	-1,929	-2,266	-4,162	-1,804	-3,788	-4,058	-139	-1,306	-1,087
as % of GDP	-3.3	-2.8	-5.0	-4.6	-6.6	-3.9	-4.1	-6.6	-2.4	-4.5	-4.5	-0.6	-5.5	-4.5
Unemployment according to the Survey (in %)[6]	18.9	16.4	14.5	13.7	11.3	9.7	11.1	9.5	9.4	8.6	8.7	8.9	7.2	
Wages (average for the period, in EUR)[7]	367.9	374.5	394.5	419.8	466.0	510.9	560.2	637.9	733.5	838.2	934.0	1011.4	1023.9	1016.5
RS budget deficit / surplus (in % of GDP)[4]	-2.6	-0.2	0.7	0.6	0.2	-8.0	-4.4	-3.2	-2.0	-2.2	-2.6	-3.8	1.7	-5.4
Consolidated fiscal result (in % of GDP)[4]	-3.3	-1.1	1.1	0.6	-0.2	-7.7	-3.9	-3.0	-2.1	-2.0	-2.4	-4.4	2.0	-5.7
RS public debt, (central government, in % of GDP)[8]	67.2	65.2	55.5	51.4	49.7	54.4	53.9	52.4	48.0	46.6	43.7	40.6	42.6	43.3
RSD/USD exchange rate (period average)	108.85	111.29	107.50	100.28	105.28	103.03	99.49	111.86	108.41	108.20	103.79	100.34	101.01	102.01
RSD/USD exchange rate (end of period)	111.25	117.14	99.12	103.39	104.92	95.66	103.93	110.15	105.87	112.44	99.92	102.36	103.04	103.67
RSD/EUR exchange rate (period average)	120.73	123.12	121.34	118.27	117.85	117.58	117.57	117.46	117.25	117.09	117.20	117.39	117.39	117.38
RSD/EUR exchange rate (end of period)	121.63	123.47	118.47	118.19	117.59	117.58	117.58	117.32	117.17	117.01	117.28	117.42	117.37	117.52
MEMORANDUM:														
GDP (in EUR million)[5]	37,220	38,165	40,828	44,711	48,105	49,024	55,931	63,513	75,212	83,382	90,087	21,850	23,826	24,063

[1] At constant prices of previous year. Data for Q3 2026 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 BPM6. 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 2026 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 2026 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:

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

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Executive Board meetings and changes in the key policy rate

2025

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

2026

Date	Key policy rate (p.a, in %)	Change (in basis points)
12 January	5.75	0
12 February	5.75	0
12 March	5.75	0
9 April	5.75	0
7 May	5.75	0
11 June	5.75	0
9 July	5.75	0
13 August	5.75	0
10 September	5.75	0
8 October	5.75	0
12 November	6.00	0.25
10 December		

Press releases from NBS Executive Board meetings

Press release from Executive Board meeting held on 10 September 2026

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

In making this decision, the Executive Board primarily took into account actual and expected inflation, as well as risks from the international environment that could affect its trajectory.

Y-o-y inflation continued to move within the target band (3±1.5%), and has been below the target midpoint again since June. In July, it stood at 1.9%, primarily owing to lower food prices, particularly those of fruit and vegetables, which, due to an exceptionally good new harvest, were 18% lower than in July last year. Against this background, and given the absence of any significant second-round effects thus far and the greater-than-expected resilience of our economy to the energy shock, the NBS August projection envisages inflation being lower this year than projected three months ago and remaining within the target band throughout the projection horizon, i.e. over the next two years. Moreover, bearing in mind the low base from last year due to the application of the decree capping trade margins, as well as the effects of rising global prices of energy and other primary commodities, we expect inflation to move around 4% from September this year, and remain there during 2027 as well, thereafter gradually declining towards the end of the projection horizon. As for y-o-y core inflation (measured by the change in the CPI excluding food, energy, alcohol and cigarettes), its intensity and structure have not changed significantly since September last year, and it is moving around the upper bound of the 4.5% target, which was also its level in July this year.

Expectations regarding economic activity are also rosier, given that data from the Serbian Statistical Office show that real GDP growth in Q2 2026 accelerated to 3.8% y-o-y, which is higher than the flash estimate (3.6%). According to the Executive Board's estimate, the largest positive contribution came from the services sectors, as a result of private consumption growth, with the acceleration in economic growth also supported by the recovery of activity in manufacturing, mining, construction and agriculture. In the first half of the year, real GDP growth stood at 3.5% y-o-y. Due to better than expected economic activity outturns since the start of the year, the NBS revised its economic growth projection for 2026 upwards to 3.2% in August, while keeping the projection for 2027 at 4.5%. Key economic growth drivers should include domestic demand, with a positive impulse coming from both consumption and investment, which will be supported by higher disposable income and continued implementation of infrastructure projects under the "Leap into the Future – Serbia Expo 2027" programme. In the labour market, according to the Labour Force Survey, the unemployment rate fell to an all-time low of 7.2% in Q2 2026.

Though the effects of conflict flare-up in the Middle East and rising oil prices on global inflation and economic activity have so far been less intense than initially expected, uncertainty regarding future developments is still elevated, particularly since global oil prices remain higher compared to their pre-conflict levels. The effects on petroleum product prices at home have so far been contained by the use of available energy inventories and the trimming of excises on petroleum products. However, if the conflict in the Middle East persists or geopolitical tensions escalate further, one cannot rule out the possibility of a spillover of effects onto production and transportation costs at the global level, as well as on supply chains, capital flows, and consequently inflation. For Serbia, as a small and open economy that is significantly dependent on energy imports, it is necessary to continue to closely monitor these risks, the Executive Board underlined.

The NBS continues to pursue a cautious monetary policy while maintaining relative stability of the exchange rate. Going forward, the Executive Board will make decisions based on incoming data and their implications for inflation outlook. If assessed that the increase in global oil prices had stronger second-round effects on other prices through inflation expectations, the NBS will respond using all available instruments.

The next rate-setting meeting will be held on 8 October 2026.

Press release from Executive Board meeting held on 8 October 2026

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

In making the decision, the Executive Board primarily took into account actual and expected inflation, as well as risks from the international environment that could affect its trajectory.

Although the escalation of the conflict in the Middle East initially did not generate significant inflationary effects globally, challenges have increased further since the summer, as crude oil prices have resumed their upward trend, accompanied by rising natural gas and electricity prices. So far, the reduction in excise duties on petroleum products and the use of available energy reserves have helped mitigate more pronounced effects on petroleum product prices in the domestic market. Nonetheless, should the conflict in the Middle East persist or geopolitical tensions intensify further, the possibility cannot be ruled out that the effects could spill over to production and transport costs globally, supply chains and capital flows, and consequently to inflation. For Serbia, as a small and open economy that is heavily dependent on energy imports, it is essential to continue closely monitoring these risks, the Executive Board emphasized.

Y-o-y inflation accelerated slightly in August, to 2.2% from 1.9% in July, primarily due to the persisting energy shock and higher global oil prices. The Executive Board expects that the low last year's base arising from the application of the decree capping trade margins will cause inflation to hover around 4% as of September this year. The Board emphasized that, according to the NBS's latest medium-term projection from August, y-o-y inflation is expected to continue moving within the target tolerance band until the end of the projection horizon, i.e. over the next two years, although risks are now tilted upward due to the prolonged energy shock and higher-than-expected growth in global prices of other primary commodities.

Economic activity in the first half of this year was 3.5% higher than in the same period of the previous year, with the services continuing to make the largest positive contribution, driven by an increase in private consumption. Activity also increased in manufacturing, mining, construction and agriculture. Monthly indicators for July and August suggest that the services sectors continued to make the largest contribution to economic activity in Q3, while industrial production has been affected by the drought and lower water levels. The Executive Board expects economic growth to amount to at least 3.2% this year and to accelerate to around 4.5% next year. The main driver of economic activity growth is expected to be domestic demand, with both consumption and investment providing a positive contribution, supported by higher disposable income and further implementation of infrastructure projects under the "Leap into the Future – Serbia EXPO 2027" programme.

The NBS continues to implement a cautious monetary policy while maintaining relative stability of the exchange rate. Going forward, the Executive Board will make decisions based on incoming data and their implications for inflation outlook. If assessed that the increase in global oil prices has stronger second-round effects on other prices through inflation expectations, the NBS will respond using all available instruments.

The next rate-setting meeting will take place on 12 November.

Press release from Executive Board meeting held on 12 November 2026

At its meeting today, the NBS Executive Board decided to tighten monetary conditions by raising the key policy rate by 25 bp to 6%. The deposit and lending facility rates were also raised, to 4.75% and 7.25%, respectively.

In light of actual and expected inflation, as well as the risks stemming from the international and domestic environment that could affect the inflation trajectory, the Executive Board concluded that an increase in the key policy rate is an adequate and timely measure to prevent more pronounced second-round effects of the energy shock on other prices and ensure price stability in the medium run.

Prolonged uncertainty in the international environment, due to the conflict in the Middle East, has continued to affect developments in the global energy market, driving up not only the prices of oil, but also of natural gas and electricity. Moreover, oil inventories, used during the first months of the conflict to mitigate price pressures, have gradually been depleted, further intensifying pressures in the global energy market. Refining margins have also increased, particularly for diesel, due to the damage and destruction of refining capacities in the Middle East and Russia. Although the effects of the energy shock on global inflation and economic activity have so far been relatively limited, the risks of broader spillovers are increasing, given that energy prices have remained elevated for an extended period. In such circumstances, higher energy costs could be passed through to a greater extent to production and transport costs, supply chains, inflation expectations, wages and the prices of other goods and services.

Y-o-y inflation rose to 4.1% in September, consistent with the Executive Board's expectations, primarily reflecting the low base effect from the previous year for food and household chemical product prices subject to the margin capping decree. Inflation has also been driven by a y-o-y increase

of over 17% in petroleum product prices, reflecting higher global oil prices. The increase would have been even more pronounced had the government not reduced excise duties on fuel. In the Executive Board's estimate, the persistence of high energy prices, coupled with higher global prices of other primary commodities, elevated imported inflation and the low base effect for food prices this year, will lead to a further gradual increase in inflation, which is expected to exceed the upper bound of the target tolerance band of 3±1.5% next year. Nevertheless, inflation is expected to return within the target tolerance band by the end of 2027 and continue converging towards the target midpoint until the end of the projection horizon.

According to the flash SORS estimate, real GDP growth was even faster than anticipated in Q3 2026, measuring 4.0%. Growth was guided by rising service-sector activity, with agriculture and construction also providing a positive impulse. Owing to low water levels, which hampered electricity generation and transport, and to some extent disrupted production processes in the manufacturing industry, industrial production stagnated. The Executive Board expects this year's growth to be higher than anticipated in August, measuring at least 3.5%, because Serbia's economy has shown greater-than-expected resilience to developments in the international environment, but partly also because agricultural output exceeded expectations. At the same time, we have downgraded our growth projection for 2027 to 4.0% due to this year's higher base, lingering geopolitical tensions and continued growth in global energy prices. Domestic demand should remain the key driver of economic activity growth in the coming period, with both consumption and investment making a positive contribution, supported by further growth in disposable income and implementation of infrastructure projects.

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, depending on the incoming data. Delivering price and financial stability, along with support to further economic activity and employment growth, remains the monetary policy priority.

The next rate-setting meeting, where economic developments and outlook will be considered, will take place on 10 December.