

ANNUAL MONETARY POLICY REPORT



National Bank of Serbia

2025

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NATIONAL BANK OF SERBIA

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Introductory note

The National Bank of Serbia is required to submit to the Parliament its annual and semi-annual monetary policy reports, explaining all the factors that affected the implementation of monetary policy in the period under review. The annual report must be submitted by 30 June of the following year and the semi-annual by 30 September of the year under review.¹

Pursuant to the Statute of the National Bank of Serbia,² the above reports must present and analyse the monetary policy strategy, macroeconomic developments (international environment, balance of payments, the country's international investment position, movements in monetary aggregates, prices, wages and employment, and other macroeconomic movements), monetary policy defined and monetary policy implemented (defined vs. achieved monetary policy objectives, monetary policy instruments and measures applied, and other monetary policy-related issues), as well as outline the monetary policy planned.

The *Annual Monetary Policy Report 2025* was reviewed and adopted by the National Bank of Serbia's Executive Board on 11 June 2026.

Monetary policy reports are available on the National Bank of Serbia's website (<http://www.nbs.rs>).

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¹ Law on the National Bank of Serbia, RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015 – CC decision, 44/2018 and 19/2025.

² RS Official Gazette, Nos 12/2013, 18/2015, 72/2015 and 50/2018.

ABBREVIATIONS

bn – billion
bp – basis point
CPI – Consumer Price Index
ECB – European Central Bank
EMBI – Emerging Markets Bond Index
FAO – Food and Agriculture Organization
FDI – foreign direct investment
Fed – Federal Reserve System
GDP – Gross Domestic Product
H – half-year
IFEM – Interbank Foreign Exchange Market
IMF – International Monetary Fund
mn – million
NPL – non-performing loan
OPEC – Organization of the Petroleum Exporting Countries
pp – percentage point
Q – quarter
q-o-q – quarter-on-quarter
s-a – seasonally-adjusted
SORS – Statistical Office of the Republic of Serbia
y-o-y – year-on-year

Other generally accepted abbreviations are not cited.

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Overview

During 2025, the **global economy demonstrated a high degree of resilience to heightened global uncertainty**, primarily generated by pronounced geopolitical tensions, the escalation of trade tensions among leading world economies, and the imposition of higher tariffs by the US. These developments fuelled concerns about a possible simultaneous rise in inflation and a slowdown in global economic activity. Trade tensions particularly raised the risk of disruptions in global supply chains and a significant increase in the prices of goods directly affected by tariffs. Nevertheless, in anticipation of higher tariffs, global trade intensified and inventories were built up, spurring global economic growth. It transpired that the new effective tariff rates were, however, lower than initially announced, providing relief and improving global growth prospects. In the second half of the year, adjustment to the new tariff regime followed, while key drivers of growth included increased investment in digital technologies, stronger fiscal stimuli in certain economies, and more favourable financing conditions. Global uncertainty declined but remained elevated due to ongoing trade and geopolitical tensions, as reflected in the nearly continuous rise in global gold prices, which repeatedly reached new record highs. According to the IMF's April 2026 report, **global economic growth in 2025 stood at 3.4%**, matching the level recorded in 2024 but remaining below the long-term average of 3.7%. **External demand for Serbia's exports remained relatively subdued**, largely determined by economic growth in our key trading partner – the euro area – whose growth accelerated to 1.4% in 2025 (from 0.9% in 2024), with growth in Germany and Italy (individually the most important partners within the euro area) remaining relatively modest (0.2% and 0.5%, respectively).

Global inflation continued its downward trajectory in 2025, driven by lower global energy prices. The **global oil price** declined for the third consecutive year, falling by nearly 20% in 2025 – the largest drop since 2020. Although at a slower pace, global core inflation also declined, reflecting less tight labour market conditions and the still restrictive monetary

policy stance of most central banks. According to IMF data, **global inflation slowed to 4.1% in 2025** (from 5.8% in 2024), though remaining above its pre-pandemic average.

Assessing that the disinflation process in the euro area is unfolding in line with expectations, the **ECB continued to ease monetary policy during the first half of the year**, reducing its key rates by 100 bp, **while keeping them unchanged in the second half**. Prevailing assessments suggested that, following the June cut, interest rates were likely in or close to neutral territory, standing at 2.00%, 2.15%, and 2.40% on deposit facility, main refinancing operations, and marginal lending facility, respectively. In contrast, the **Fed** did not change its target range for the federal funds rate until September 2025, due to uncertainty regarding the effects of increased US tariffs. **It then opted for monetary easing of 25 bp in September, followed by additional cuts of 25 bp each in October and December**, bringing the target range down to 3.50–3.75%. These decisions were driven by concerns about sluggish employment growth, despite somewhat elevated inflation. As the year progressed, optimism regarding economic growth increased, primarily due to the smaller-than-expected short-term effects of higher tariffs. According to projections published after the December Fed meeting, only one further reduction in the rate range was expected in 2026. **Central banks in Central and Southeast Europe** operating under inflation-targeting regimes were also in a monetary easing cycle during 2025, though the pace varied. The central banks of Poland and the Czech Republic lowered their policy rates, while those of Hungary and Romania kept them unchanged.

The NBS also kept its key policy rate unchanged in 2025, maintaining it at 5.75%, where it has stood since September 2024. Deposit and lending facility rates likewise remained at 4.50% and 7.00%, respectively. In line with unchanged key rates, the **weighted average repo rate at one-week reverse repo auctions** moved within a very narrow range (4.50–4.51%) throughout 2025. The Executive Board

based its **decisions to keep the policy rate on hold** on medium-term inflation projections, particularly in light of **persistent geopolitical tensions, rising protectionism in global trade**, and stronger-than-expected **food price growth during the summer**. Y-o-y **inflation** gradually slowed from the beginning of the year, reaching 3.8% in May, largely due to lower energy prices and a slowdown in core inflation (excluding the prices of food, energy, alcohol, and cigarettes from CPI). However, owing to higher prices of unprocessed food caused by adverse weather conditions and soaring global oil prices following the escalation of the Middle East conflict between Iran and Israel, y-o-y inflation accelerated to 4.6–4.9% during June–August, with more than half of the increase driven by food and non-alcoholic beverages. Following the coming into force of the **Government Decree on Special Conditions for Trade in Certain Types of Goods**, which capped wholesale and retail margins at 20% for six months starting in September, **y-o-y inflation slowed markedly to 2.9% in September and further to 2.7% in December**. Food and non-alcoholic beverage prices even recorded a y-o-y decline of 0.9% in December. **Core inflation** remained at around 4% y-o-y in the final months of 2025, with services prices accounting for the largest share.

In its monetary policy decisions during 2025, the NBS Executive Board also considered that short- and medium-term **inflation expectations** of the financial sector remained within the target band (where they have been since early 2024), albeit still above the midpoint. One-year ahead corporate sector expectations were mostly around 5% throughout the year, with similar expectations for two and three years ahead.

Although the key policy rate remained unchanged, **interest rates on dinar loans declined further** in 2025, supported by favourable bank funding conditions, competition among banks, and the implementation of the NBS supervisory expectations from September 2025, aimed at enabling access to more favourable loans for citizens with regular monthly incomes of up to RSD 100,000. As a result, **interest rates on dinar household loans** fell by 1.8 pp to 8.1% in December, with the largest decrease observed in the final quarter, primarily due to the drop in the cash loan rate to a historical low of 8.2% in December. **Interest rates on credit card debt and current account overdrafts also declined significantly** – by 7.6 pp and 10.8 pp, respectively, in December 2025 relative to a year ago – owing to the NBS caps. The

interest rate on dinar corporate loans fell by 0.7 pp to 6.2% in December, mainly due to lower rates on working capital and other non-categorised loans. **Euro loans to households also became cheaper**, declining by 0.9 pp to 4.6% in December, largely reflecting the implementation of the government-subsidised Youth Housing Loan Programme. The **interest rate on euro-indexed corporate loans** declined by 0.8 pp to 4.8% in December, with reductions broadly dispersed across loan categories, particularly for working capital and investment loans. More favourable borrowing terms and further easing of credit standards supported continued growth in **lending activity**. Excluding the exchange rate effect, lending to the non-monetary sector accelerated to **15.4% in 2025**. **Lending to corporates stepped up to 11.3%**, driven almost equally by liquidity, working capital, and investment loans, while **growth in household lending accelerated to 19.5%**, supported by faster growth in cash and housing loans.

The growth in lending, alongside preserved bank asset quality, **reduced the share of NPLs in total loans to a historical low of 2.1% in December 2025**, down by 0.4 pp from end-2024. The **capital adequacy ratio** stood at 20.2% in December, indicating high capitalisation (regulatory minimum: 8%) and resilience of the banking sector to both external and domestic risks.

The past year was also marked by **continued growth in household savings, which reached record levels** – dinar savings rose to RSD 206.2 bn and FX savings to EUR 16.2 bn in December – indicating confidence in the domestic financial sector and a sound basis for future credit growth.

Throughout 2025, the NBS maintained relative stability of the dinar against the euro, closely monitoring domestic and international factors affecting the FX market and responding in a timely and well-calibrated manner. End-of-period, **the dinar lost 0.2% nominally against the euro in 2025**. Due to the significant appreciation of the euro against the US dollar, the dinar strengthened considerably against the dollar, by 12.5%. Depreciation pressures dominated during the first five months of the year but gradually weakened, with strong appreciation pressures prevailing from June to end-September. In the final quarter, depreciation pressures reemerged, particularly in December, influenced not only by seasonal factors but also by **uncertainty surrounding the operations of the Oil Industry of Serbia (NIS) following the imposition of US sanctions**. Even

under such conditions, the NBS maintained relative exchange rate stability through interventions in the interbank FX market, recording a net sale of EUR 580 mn in 2025 – the first annual net sale since 2020.

The current account deficit amounted to EUR 4.3 bn (4.9% of GDP) in 2025, an increase of 13.6% compared to 2024. Observed by current account component, the widening deficit was driven by a reduction in the surplus in services trade and a higher primary income deficit, while a reduction in the goods trade deficit and an increase in the secondary income surplus worked in the opposite direction.

The **goods trade deficit declined by 4.2%** to EUR 6.5 bn, owing to faster growth in exports than imports. **Goods exports** rose by 8.7% to EUR 32.5 bn, while **goods imports** increased by 6.3% to EUR 38.9 bn. Export growth was primarily driven by manufacturing, whose exports expanded by 8.7% despite weak external demand and uncertainty surrounding trade policies of leading world economies. Import growth was mainly influenced by higher imports of intermediate and consumer goods (by 5.2% and 9.1%, respectively), while equipment imports were up by 2.6%.

On the **financial account, net capital inflows amounted to EUR 3.1 bn** in 2025, largely driven by financial loans (up by EUR 2.6 bn) and FDI. **FDI inflows reached EUR 3.5 bn**, about one-third lower than the record level in 2024, reflecting a weaker investment sentiment due to global trade and geopolitical tensions, as well as domestic socio-political developments. Increased foreign investment by residents (EUR 1.2 bn) resulted in a net FDI inflow of EUR 2.3 bn. The FDI structure remained favourable, with most investment channelled to tradable sectors.

These current and financial account developments contributed to a reduction in Serbia's FX reserves by EUR 1.5 bn in 2025 (according to the balance of payments methodology, i.e. excluding currency changes, changes in the market value of securities, and changes in the price of gold). **At end-2025, NBS gross FX reserves stood at EUR 29.0 bn** (EUR 286.2 mn less than at end-2024), **still well above adequacy criteria.** They covered 156.1% of money supply M1 and 6.7 months' worth of the country's import of goods and services, which is more than twice the level prescribed by the relevant adequacy standard. In line with the principles of safety and liquidity, funds were invested in highly liquid securities issued by the most advanced economies and international financial

institutions, as well as with top-tier institutions (central banks, international institutions, and foreign banks). Accordingly, at end-2025, **FX reserves were composed** primarily of foreign securities (54.7%), gold (21.4%), FX deposits abroad (18.6%), foreign cash (5.1%), and SDR with the IMF (0.2%).

At the consolidated level, the **government deficit in 2025 amounted to 2.4% of GDP** (below the planned 3.0%), while the **primary income deficit stood at 0.8%.** **Central government public debt reached 44.4% of GDP at end-2025**, down by 2.3 pp from end-2024. The decline was mainly due to economic growth and a reduction of part of the US dollar debt following the dollar's depreciation. A continued downward trajectory of public debt relative to GDP is projected in the medium term, despite the implementation of the "Leap into the Future – Serbia Expo 2027" programme.

Economic activity in 2025 faced numerous challenges, including pronounced global trade and geopolitical tensions, as well as protests and blockades in the country. Furthermore, reduced output at NIS following sanctions prevented a stronger acceleration of growth in the final quarter. According to the estimate of the Serbian Statistical Office, **GDP growth for 2025 amounted to 2.0%.** The NBS estimates that **growth was driven by domestic demand**, with positive contributions from all components. Net exports, however, made a negative contribution due to faster real growth in goods and services imports than exports, largely reflecting investments under the "Leap into the Future – Serbia Expo 2027" programme and rising disposable income. On the production side, GDP growth is estimated to have been **led by service sectors, with the industry also contributing positively.** Agriculture had a nearly neutral effect, while construction activity declined. The NBS expects growth to accelerate this year and next, with positive contributions from both consumption and fixed investment, supported by investments planned under the "Leap into the Future – Serbia Expo 2027" programme, while in 2027 net exports are also expected to contribute positively owing to "Expo".

Labour market developments in 2025 were relatively stable, with further increases in both average and minimum wages, a decline in the number of registered unemployed, and a slight decrease in employment. The **average nominal net wage** in 2025 amounted to RSD 109,462, up by 11.5% from 2024. The total number of **formally employed persons** decreased on average by around five thousand in

2025, with reductions recorded in both the private and public sectors. On average, employment stood at around 1.75 million persons in the private sector, and around 611 thousand in the public sector. **Registered unemployment** averaged 346,459 persons in 2025, around 25 thousand fewer than a year earlier, which is its lowest level since comparable statistics became available. According to the Labour Force Survey, which covers both formal and informal segments of the labour market, the **unemployment rate** stood at 8.9% in the final quarter of 2025, which is 0.3 pp higher than a year earlier, while the **employment rate** declined by 0.9 pp to 50.5%.

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 incoming data, the outlook for inflation and its key drivers, and the assessment of the effects of implemented monetary policy measures**. Delivering price and financial stability in the medium run will remain the monetary policy priority, including support to further economic and employment growth, further expansion of the export sector, and the preservation of a favourable investment environment in the country.

I Strategic monetary policy framework

The NBS has been implementing a **fully-fledged inflation targeting regime** since early 2009, with elements of the regime gradually introduced into practice since 2006. In December 2008, the NBS adopted the Memorandum on Inflation Targeting as a Monetary Strategy, defining formal implementation of the inflation targeting regime from 1 January 2009. The Memorandum was drafted along the lines of the Agreement on Inflation Targeting between the NBS and the Government of the Republic of Serbia, adopted at the Government session of 19 December 2008. In the best collective judgement of the NBS and the Government, this is the most appropriate monetary policy regime under the given circumstances.

The inflation targeting regime is pursued by a large number of central banks worldwide as a pragmatic response to the deficiencies of other monetary policy regimes. The choice of the regime was strengthened by the awareness that high rates of inflation dampen economic growth and employment and that the monetary policy focus should therefore be shifted from short-term demand management to medium-term price stability which lies at the core of inflation targeting. More of a framework than a set of rigid monetary policy rules, this regime is based on a numerical target for inflation in the medium term and a discretionary right to respond to economic shocks in the short term.

The NBS inflation target is defined in terms of the headline inflation rate (with a tolerance band) measured as the annual percentage change in the Consumer Price Index (CPI). In order to define the framework for medium-term monetary policy decision-making and to anchor and stabilise inflation expectations, inflation target is set in advance. In the case of Serbia, inflation target is set for three years ahead. As the process of nominal, real and structural convergence to the EU is ongoing, inflation target is slightly above the quantitative definition of price stability and the target inflation level in advanced

countries (2.0% or 2.5%). Thus, at end-2025, **inflation target was set at 3.0% until end-2028, with the tolerance band of ± 1.5 pp.**¹

By keeping the midpoint at 3.0%, the NBS reaffirms its **determination to maintain inflation at a low level in the medium run, which is one of the key prerequisites for the preservation of business and consumer confidence.** This reflects a favourable macroeconomic performance, maintained even during the pandemic, and achieved owing to full coordination of monetary and fiscal policies. Moreover, amid changeable prospects of global growth and volatile trends in the international commodity and financial markets, by keeping the target unchanged, monetary policy contributes to a further increase in Serbia's resilience to potentially negative external influences, and thus to the preservation of a solid growth outlook for our economy.

The width of the target tolerance band was kept at ± 1.5 pp, which diminishes the need for frequent monetary policy interventions and contributes to greater predictability of monetary conditions. Being a small and open economy, Serbia is exposed to developments in the international commodity and financial markets, which may cause **temporary** volatility of headline inflation. The target band leaves to the NBS broader room to work on its second objective – financial stability, and to support the Government's economic policy, which encourages sustainable economic growth.

The inflation target is a medium-term objective, which means that inflation can deviate from the target in the short term due to exogenous shocks. The NBS will allow temporary deviations from the target if bringing inflation back to the target in the short term warrants monetary policy changes that would cause disruptions to macroeconomic processes. This also applies to sudden shocks in primary commodity prices or deviations from the planned growth in prices under direct or indirect government regulation.

¹ The NBS's Memorandum on Inflation Targets until 2028 was adopted at the meeting of the NBS Executive Board of 11 December 2025.

The NBS strives to achieve the inflation target **by changing its key policy rate, i.e. the interest rate applied in the main open market operations**. This interest rate is the key monetary policy instrument and the decisions on its level are based on the analysis of economic situation, assessment of future developments and the medium-term inflation projection. Other monetary policy instruments play a supporting role – they contribute to the smooth transmission of the impact of the key policy rate on the market, as well as to the development of the financial market, without jeopardising financial system stability.

The NBS implements **a managed float exchange rate regime**. Interventions in the FX market aim to ease excessive short-term volatility of the exchange rate, safeguard price and financial stability, and maintain an adequate level of FX reserves.

To strengthen the transparency of its monetary policy and the effectiveness of communication with the public, the NBS Executive Board makes monetary policy decisions in line with the agreed schedule of meetings and regularly informs the public about the implementation of inflation targets and measures taken to achieve them. Also, monetary policy decisions and macroeconomic projections are explained in detail when presenting the *Inflation Report*.

II Monetary policy and achievement of the inflation target

1 Monetary policy in 2025

The NBS Executive Board pursued monetary policy in accordance with the NBS Monetary Policy Programme in 2025,² thereby contributing to the preservation of macroeconomic and financial stability amid significant challenges from the international environment. The Programme envisaged that, in the decision-making process, the NBS would assess the nature and strength of inflationary pressures and thus maintain the necessary monetary policy flexibility in terms of the scope of the response and use of instruments in order to ensure price and financial stability in the medium term, but also to further support sustainable economic growth. It also envisaged that macroprudential and microprudential policy measures would be used in a complementary manner so as not to undermine the efficiency of monetary policy.

The conditions in the domestic and international environment called for continued caution in monetary policy decision-making. **Throughout 2025 the NBS Executive Board kept the key policy rate unchanged** at 5.75%, its level from September 2024. It is since then that the deposit and lending facility rates were also kept at 4.50% and 7.00%, respectively. The Executive Board decided to keep the key policy rate on hold in view of the medium-term inflation projections, above all lingering elevated geopolitical tensions, rising protectionism in global trade, and higher than anticipated growth in food prices during summer.

Actual **inflation** was consistent with the Executive Board's expectations until May – y-o-y headline inflation decelerated gradually since early 2025 to 3.8% in May, mostly on the back of lower prices of energy, especially petroleum products, and a slowdown in core inflation (CPI excluding the prices of food, energy, alcohol and cigarettes). However, owing to a rise in unprocessed food prices due to unfavourable weather (first frost in spring, followed by extremely

hot and dry weather in the summer) and higher global oil prices after the outbreak of the conflict between Israel and Iran, y-o-y inflation accelerated to 4.6–4.9% in the period June–August, with more than half of its rise being driven by food and non-alcoholic beverage prices. With the entry into force of the Government Decree on Special Conditions for Trade in Certain Types of Goods, which capped wholesale and retail margins at 20% for a period of six months starting in September, inflation slowed significantly in September to 2.9% y-o-y, and declined further towards the end of the year, reaching 2.7% y-o-y in December. Prices of food and non-alcoholic beverages even recorded a 0.9% y-o-y decrease in December. In keeping the key policy rate unchanged, the Executive Board took into account the expected adoption of systemic laws aimed at preventing unfair trading practices and thus keeping trade margins from returning to their pre-Decree levels. The Board also had in mind that inflation is expected to move around 4% from September 2026 due to the low base effect from the previous year on account of the Decree. As regards core inflation, it moved around 4% y-o-y in the final months of 2025, the same as in December. Around three quarters of core inflation stemmed from the prices of services, which accelerated their y-o-y growth due to an increase in real disposable income, while the prices of products within core inflation slightly slowed their y-o-y growth.

In its monetary policy making in the period observed, the Executive Board also took into account that short- and medium-term **inflation expectations** of the financial sector continued to move within the target band in 2025, where they have been since early 2024, albeit still above the target midpoint. Corporate inflation expectations for one year ahead have stayed unchanged at 5% in the best part of the year, and were at the same level for two and three years ahead.

When assessing developments in the **real sector**, the Executive Board bore in mind that global uncertainty and geopolitical tensions, along with socio-political

² RS Official Gazette, No 99/2024.

developments at home, weighed on Serbia's economic growth, resulting in lower growth in investments and consumption than expected early in the year, despite high and favourable sources of financing. The increase in household disposable income was primarily driven by the **real growth in average wages, higher pensions, as well as more favourable lending conditions and two-digit y-o-y growth in bank lending**, which reached 15.4% in December 2025. In addition to the effects of past monetary policy easing by the NBS and the ECB, strong growth in lending also reflects the easing of credit standards, increased loan demand by corporates and households, as well as the NBS and government measures enabling lending to young first-time home buyers and low-income citizens. Lending was also propped by measures limiting interest rates for certain types of loans to natural persons, in line with the Law on the Protection of Financial Service Consumers. The Executive Board highlighted that GDP growth is expected to accelerate in 2026 and 2027, with positive contributions from both consumption and fixed investments, driven by the implementation of investments planned under the "Leap into the Future – Serbia Expo 2027" programme. In 2027, a positive contribution is also expected from net exports due to the hosting of the specialised "Expo" exhibition.

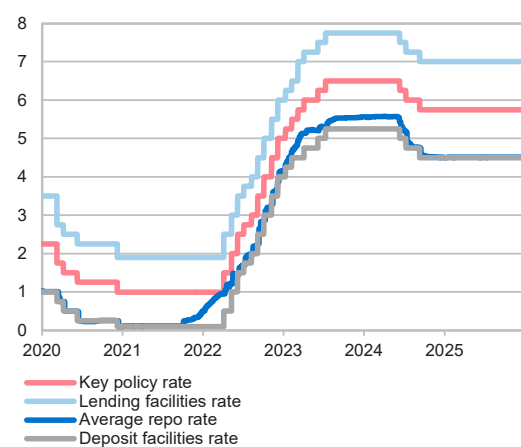
In making monetary policy decisions in 2025, the Executive Board paid close attention to **international factors**, emphasising the need for a continued cautious

monetary policy stance, as global uncertainty, though lower in H2 than in H1, remained elevated throughout the year. This is best illustrated by the increased demand for gold as a safe-haven asset and its price, which rose almost continuously throughout 2025, reaching new record highs. During H1, **uncertainty surrounding protectionist measures and global market fragmentation was particularly pronounced**, which raised concerns over a possible simultaneous increase in inflation and a slowdown in global economic activity. Trade tensions increased the risk of global supply chain disruptions and price hikes for goods directly affected by tariffs. From mid-year, the tariff regime stabilised to some extent, though uncertainty persisted regarding the concrete effects of higher tariffs, given that trade had intensified during H1 in anticipation of their implementation. Concerns remained particularly elevated with regard to trade tensions between the United States and China. Uncertain assessments of global supply and demand, along with **geopolitical tensions and conflicts in the Middle East and Ukraine**, generated volatility in global **crude oil markets**, as well as **in other energy commodities and primary products**, giving rise to uncertainty regarding their price movements. As for the domestic oil and petroleum products market, its stability was preserved; however, caution and proactive action were also required by the NBS in the FX market, including exchange operations, given the temporary but strong surge in demand for euros. This surge was driven by concerns among corporates and households that potential US sanctions on NIS, due to its majority Russian ownership, could lead to market disruptions and a broader crisis.

Despite pronounced imbalances between FX supply and demand in certain months, **the dinar maintained relative stability against the euro throughout 2025**, supported by the NBS interventions in the IFEM. End-of-period, the dinar depreciated nominally against the euro by 0.2% in 2025, while, under the influence of the euro's appreciation against the US dollar in the international market, the dinar strengthened nominally against the dollar by 12.5%.

Monetary policy caution was also warranted with respect to **global food prices**. The Executive Board took into account the effects of earlier increases in the prices of certain food commodities on global exchanges (cocoa and coffee), as well as the possibility

Chart II.1.1 Movement in the key policy rate and average repo rate (in %)



Source: NBS.

that protectionist measures and trade restrictions could push food prices upwards. In addition, exceptionally adverse weather conditions during the spring and summer at home and in the region resulted in lower yields of fruits and vegetables, and affected their prices.

In the **euro area**, our key trade partner, inflation stabilised around the 2% target in 2025 and inflation expectations were anchored, primarily owing to lower energy prices, as well as a mild slowdown in the growth of prices of services and industrial goods. At the same time, euro area economic activity has proven more resilient than previously assessed. Domestic demand remained the main driver of euro area economic growth, supported by the real wage growth and higher employment, amid stable labour market conditions and a record-low unemployment rate. In addition, a strong fiscal impulse was expected from a new package of infrastructure and defence-related government investment in Germany, which improved the EU's economic outlook and is expected to have a positive spillover effect on Serbia's economic growth.

As expected, the **ECB** continued its monetary policy easing. It cut its key interest rates in H1 and kept them on hold in H2, assessing that they are close to neutral. On a parallel note, the ECB continued to downsize its balance sheet according to plan, at a moderate dynamic. The ECB emphasised that it would continue to make monetary policy decisions in the period ahead not pre-committing to a particular rate path.

Changes in the US trade policy mandated increased caution in the **Fed's** conduct of monetary policy, and the target range for the federal funds rate was kept unchanged all the way until September 2025 (4.25–4.50%). The Fed assessed that the economic effects of tariffs would include higher inflation and slower growth. Although inflation was somewhat elevated, the Fed assessed that, in view of developments in the real sector, it should lower its federal funds rate range by 25 bp in September, and then again in October and December, to 3.50–3.75%, marking the lowest level in the past three years. It also downsized its balance sheet assets at the previously defined pace.

The NBS will continue to monitor and analyse trends in the domestic and international markets and make monetary policy decisions on a **meeting-**

to-meeting basis, depending on the pace of inflation's slowdown. The priority of monetary policy will remain to ensure price and financial stability in the medium term, while supporting further economic growth, employment and a favourable investment environment.

2 Monetary policy instruments

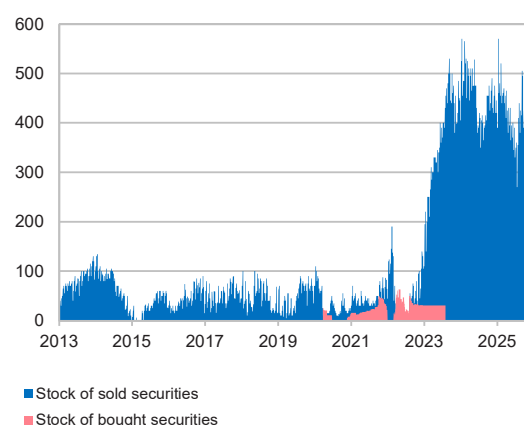
The main monetary policy instrument of the NBS is the **key policy rate**, i.e. the **interest rate on the main open market operations**. The role of the key policy rate is supported by the **corridor of interest rates on deposit and lending facilities and by other open market operations**. In addition to the key policy rate, the NBS uses other instruments of monetary regulation, notably **required reserves and FX market operations**.

Open market operations

The main open market operations of the NBS in 2025 were one-week reverse repo transactions of securities sale (liquidity absorption).

The NBS implemented repo transactions using its own securities. As in the prior years, for the purposes of repo sale, one series of T-bills was issued in 2025, in the total nominal amount of RSD 1,000.0 bn. The

Chart II.2.1 **Stock of repo sold/bought NBS securities**
(RSD bn)



Source: NBS.

issuance of a larger volume of T-bills is a result of the need to provide a sufficient amount of market material for smooth conduct of repo transactions in an environment of pronounced excess dinar liquidity in the banking system.

In 2025, fifty-two repo sale auctions were organised. Auctions were held once a week, applying the variable multiple interest rate model. The achieved volume of securities sale in 2025 (RSD 21,410.0 bn) was lower than in 2024 (RSD 24,047.8 bn) due to a decline in excess dinar liquidity, primarily as a result of government activities and the NBS's net sale interventions in the IFEM amid prevailing depreciation pressures on the dinar.

The stock of NBS T-bills in banks' portfolios averaged RSD 413.3 bn in 2025, which is a decrease relative to 2024 (RSD 454.5 bn). Relative to end-2024, the stock of sold repo securities decreased by RSD 100.0 bn, to RSD 290.0 bn at end-2025.

Deposit and lending facilities

In 2025, banks continued to place overnight deposits with the NBS (deposit facilities). The average daily stock of bank deposits with the NBS in 2025 came at RSD 138.9 bn, which is RSD 0.9 bn less than in 2024. The highest average monthly stock was recorded in January (RSD 230.3 bn) and the lowest in May (RSD 89.1 bn).

Two banks used lending facilities in the form of intraday loan in the total amount of RSD 0.8 bn, while overnight loans were not used at all.

Required reserves

In 2025, the amount of calculated required reserves allocated in foreign currency increased by EUR 185.8 mn (6.1%), reaching EUR 3.2 bn. This increase is a result of the growth in all categories of liabilities which make the FX base, mostly driven by the rise in FX savings and corporate deposits with the maturity of up to two years.

In the same period, the amount of calculated required reserves allocated in dinars increased by RSD 38.1 bn (8.4%), reaching RSD 489.7 bn at end-year. This increase is chiefly due to the above growth in

FX liabilities (given that a portion of the FX required reserves is allocated in dinars), and to a lesser extent also to an increase in purely dinar required reserves on account of the higher dinar deposits of households and corporates.

Interest rates

The key policy rate was kept at 5.75% in 2025 (unchanged from September 2024), reflecting the caution of the NBS Executive Board in an environment of global geopolitical uncertainties, even though inflation stabilised in Q4 at a level slightly below the target midpoint ($3 \pm 1.5\%$). The deposit and lending facility rates were kept at 4.50% and 7.00%, respectively.

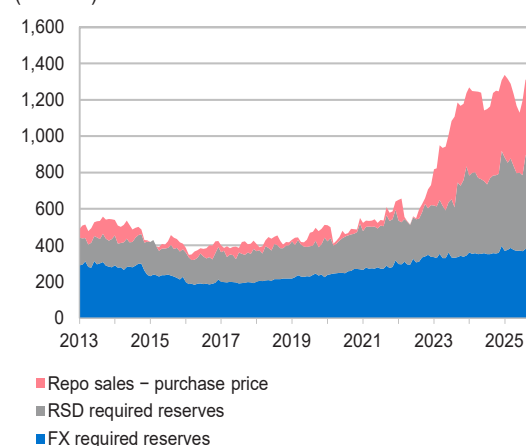
Concurrently, the weighted average interest rate at one-week reverse repo auctions moved within a very narrow range (4.50–4.51%), averaging 4.51%. At end-2025, the weighted average repo rate stood at 4.50%, unchanged relative to end-2024.

In 2025, the interest rate at which the NBS calculates and pays interest on the average daily balance of allocated dinar required reserves was kept at 0.75%.

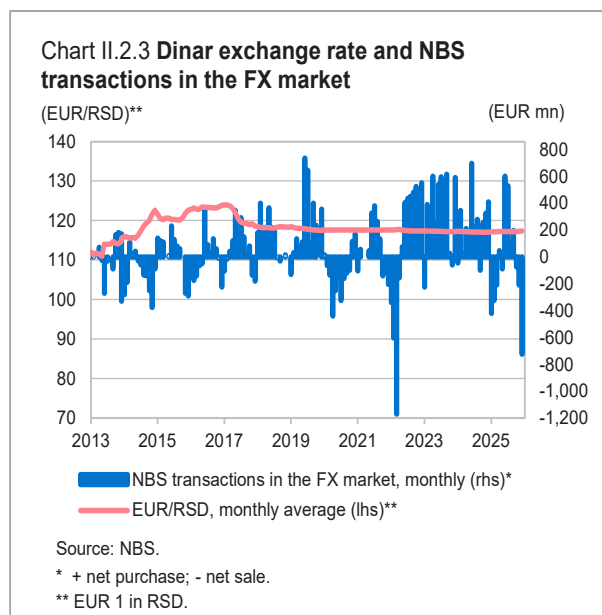
FX market operations

Under the 2025 Monetary Policy Programme, the NBS continued implementing the managed float exchange

Chart II.2.2 Volume of sterilisation by monetary policy instruments
(RSD bn)



Source: NBS.



rate regime, with the possibility to intervene in the FX market with a view to easing the volatility of the dinar against the euro and maintaining price and financial stability and an adequate level of FX reserves.

In 2025, the dinar lost 0.2% against the euro in nominal terms, and the NBS net sold EUR 580.0 mn in the IFEM.

From January to end-May 2025, depreciation pressures prevailed, mostly due to stronger seasonal FX demand of energy importers at the start of the year, which intensified further following news on the introduction of sanctions on NIS and the need to replenish energy stocks. This period also recorded an increase in household FX demand, while FX supply from other domestic companies, which typically act as FX sellers, declined, partly reflecting lower FDI inflows. In the first five months, the NBS net sold EUR 1.0 bn in the IFEM.

From June to end-September 2025, appreciation pressures on the dinar against the euro prevailed, primarily as a result of increased approval of FX-indexed loans to corporates and natural persons, also supported by the approval of subsidised housing loans for young people. In addition, during this period, FX supply of domestic companies increased owing, inter alia, to lower FX demand of energy importers. On the supply side, there was also an effect of banks' net purchases of foreign cash from authorised exchange dealers and natural persons. Over these four months, the NBS net purchased EUR 1.43 bn in the

IFEM, more than offsetting its net FX sales in the first five months.

From October to end-December, depreciation pressures prevailed, partly as a result of seasonal factors, including higher FX demand of energy importers, as well as FX demand related to dividend payments to foreign owners. From end-November, stronger FX demand of natural persons was observed, influenced by psychological factors amid heightened uncertainty following the entry into force of sanctions on NIS. To enable smooth functioning of the foreign exchange market in this period, the NBS intervened with FX sales. Moreover, the NBS also responded by amending regulations in the area of exchange operations, facilitating the supply of foreign cash to authorised exchange dealers by banks, as well as by abolishing fees for exchange operations. From mid-December until year-end, owing to the measures taken, household FX demand decreased significantly, with a gradual return to normal trends. From October to end-December, the NBS net sold EUR 1.01 bn in the IFEM.

FX swaps

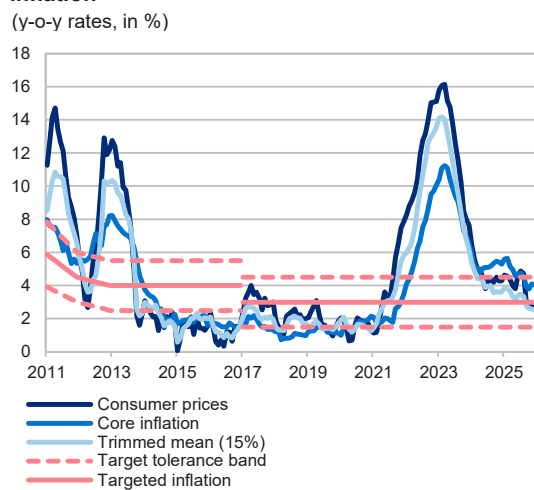
In 2025, banks continued to have the possibility to conclude bilateral transactions of swap purchase and sale of foreign currency (euros) with the NBS. The aim of these transactions is not only to provide assistance to banks in their liquidity management, helping them overcome insufficient limits for interbank transactions, but also to ensure greater flexibility regarding the moment of concluding transactions and their maturity. In 2025, NBS bilateral swap transactions amounted to EUR 3,814.0 mn (swap purchase and sale worth EUR 1,907.0 mn each).

3 Achievement of the inflation target in 2025

According to SORS data, average inflation in 2025 equalled 3.8% (compared to 4.6% in 2024), while average core inflation stood at 4.5% (compared to 5.2% in 2024).

In line with our expectations, **y-o-y inflation** slowed down since early 2025, dropping to 3.8% in May, mostly under the impact of lower petroleum product prices and slower growth in service prices. After

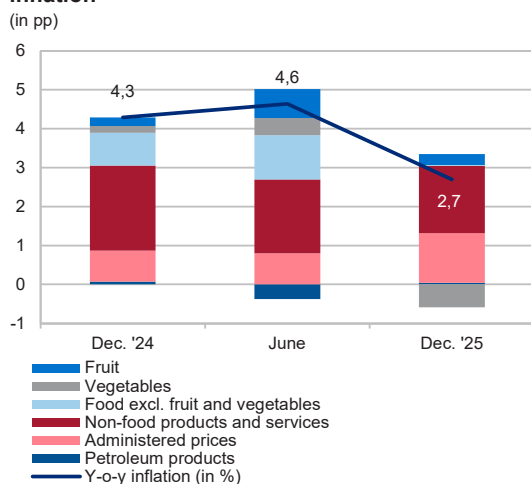
Chart II.3.1 **Headline, core and trimmed mean inflation**
(y-o-y rates, in %)



Sources: SORS and NBS calculations.

standing somewhat above the upper bound of the target tolerance band from June to August, **y-o-y inflation returned to within the $3\pm 1.5\%$ range from September**, chiefly as a result of the implementation of the Government Decree.³ By end-2025, inflation moved slightly below the target midpoint, at 2.7% y-o-y in December. Measured by the change in CPI excluding food, energy, alcohol and cigarettes, **core inflation** declined from an average of 5.0% y-o-y from January to August to 4.0% y-o-y from September to December. The **trimmed mean** measure of inflation (calculated upon the exclusion of 15% of products

Chart II.3.2 **Contribution of CPI components to y-o-y inflation**
(in pp)



Sources: SORS and NBS calculations.

and services whose prices recorded major changes in both directions) moved below headline inflation throughout 2025, averaging 3.0% y-o-y.

Looking at basic CPI components, the **prices of food and non-alcoholic beverages** accelerated their y-o-y growth from January to July due to unfavourable weather conditions which reduced the supply of fruit and vegetables in the domestic market, as well as due to the record high growth in global prices of coffee and cocoa that drove up the prices of confectionery products. Following the adoption of the Decree, which predominantly relates to food products, fruit prices decelerated their y-o-y growth to 11.7% by the end of the year (with a 0.3 pp contribution to inflation), while vegetable prices declined by 13.6% (with a negative 0.6 pp contribution to inflation). At end-2025, the **prices of food, both processed and unprocessed**, declined by 0.9% y-o-y each, with a negative 0.3 pp aggregate contribution to y-o-y inflation, 1.5 pp lower compared to end-2024.

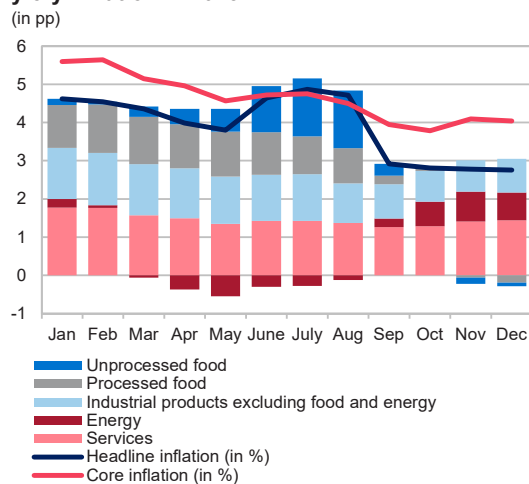
Energy prices recorded a 4.6% y-o-y growth in December (with a 0.7 pp contribution to inflation), primarily due to the October adjustment in electricity prices, while the price of gas for households remained unchanged. Mirroring the movement in the global oil price, the prices of petroleum products in the domestic market provided a neutral contribution to inflation in December. The prices of solid fuels increased 4.4% y-o-y in December (with a 0.1 pp contribution to inflation), reflecting a seasonal hike in the prices of firewood.

The **prices of industrial products (excluding food and energy)** slowed down their y-o-y growth in 2025, averaging 3.0% from September until year-end, mainly as a result of the implementation of the Decree, which also covered certain household chemicals. Y-o-y growth in these prices stood at 3.1% in December, contributing 0.9 pp to inflation, with around three-quarters of the increase stemming from the December adjustment in cigarette prices (7.5%) and higher prices of medicines (6.0%) and alcoholic beverages (4.7%).

The **prices of services** slowed down their y-o-y growth for the best part of 2025, coming to 5.8% in December (with a 1.4 pp contribution to inflation).

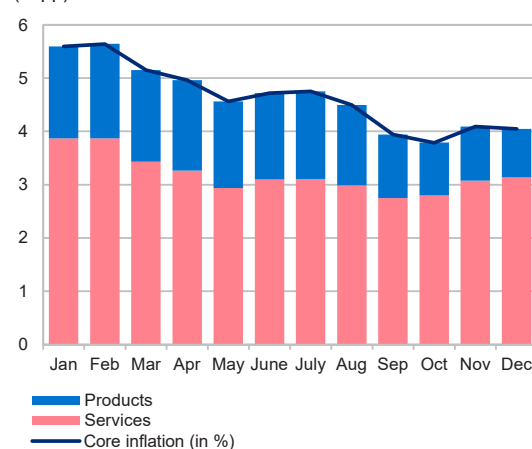
³ Under the Decree on Special Conditions for Trade in Certain Types of Goods, which starting from 1 September capped trade margins at 20% for a period of six months for 23 categories of products within food and household chemicals that together account for around 35% of the CPI.

Chart II.3.3 Contribution of CPI components to y-o-y inflation in 2025
(in pp)



Sources: SORS and NBS calculations.

Chart II.3.4 Contribution of components to y-o-y core inflation in 2025
(in pp)



Sources: SORS and NBS calculations.

The y-o-y rise in the prices of services in December is owed primarily to higher prices of utility services, catering, transport, financial and recreation services. As in most countries of the region and the euro area, it was the prices of services that predominantly dictated the y-o-y dynamics of core inflation in 2025, which reached 4.0% y-o-y in December and contributed 1.9 pp to headline inflation.

At end-2025, **administered prices**, under government regulation, grew by 7.0% from a year earlier (with a 1.3 pp contribution to inflation), due to the adjustments in the prices of electricity and cigarettes, and higher prices of utility services.

III Macroeconomic environment

1 International environment

Economic activity

In 2025, global economy showed a commendable level of resilience to the adverse effects of significantly elevated global uncertainty amid escalating trade and geopolitical tensions. During H1, global economic activity rose on the back of accelerated trade activity and the accumulation of inventories before the introduction of higher customs tariffs, and during H2 due to increased investments in digital technologies, larger fiscal incentives in some countries and eased financial conditions. According to the IMF's report from April 2026, **global economy rose 3.4% in 2025** (the same as in 2024), though this is still below the multiyear average of 3.7%. Also, during 2025 global economic growth remained uneven across groups of countries. In **advanced countries** growth was estimated at 1.9%, and in **emerging and developing ones** it reached 4.4%, which is above initial projections.

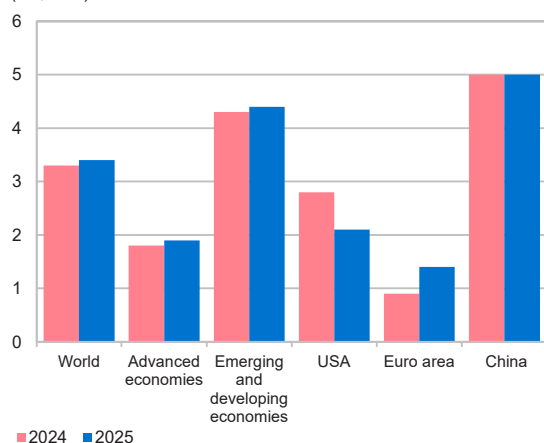
The euro area economy recorded growth of 1.4% in 2025 (vs. 0.9% in 2024), primarily thanks to increased household consumption and fixed investments (1.4 pp aggregate contribution to GDP), and to a lesser extent to the increase in government consumption and goods

inventories (contributing 0.3 pp each to GDP). The fall in net exports acted in the opposite direction (0.7 pp negative contribution to GDP) on account of imports rising faster than exports. In 2025, the services sector was again the main driver of the euro area's economic activity, with all economic branches providing a positive contribution to GDP growth. Activity in the manufacturing industry bounced back in 2025 (after falling for two years straight), but stagnated in the construction sector (after a drop in 2024). The euro area unemployment rate was kept at a record low 6.2% in December 2025 (the same as a year earlier), whereas formal employment in 2025 slowed its rise to 0.8% (from 1.0% in 2024), parallel with subdued demand for labour force.

In Germany and Italy, our key foreign trade partners in the euro area, economic activity rose slightly in 2025. **German economy** edged up 0.2% (after falling 0.5% in 2024), mostly owing to increased household consumption and goods inventories, and to a lesser degree to increased government consumption (2.0 pp aggregate contribution to GDP). Amid subdued external demand, net exports declined in 2025 (1.8 pp negative contribution to GDP). **Italy's economy** rose by 0.5% in 2025 (vs. 0.8% in 2024), on account of higher fixed investments and growth in final consumption (1.5 pp aggregate contribution to

Chart III.1.1 Real GDP growth by country and country group

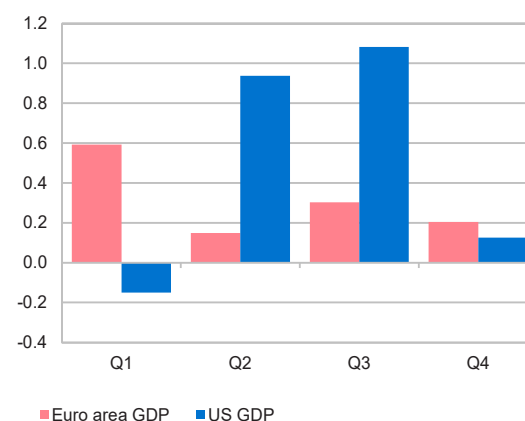
(s-a, in %)



Source: IMF WEO (April 2026).

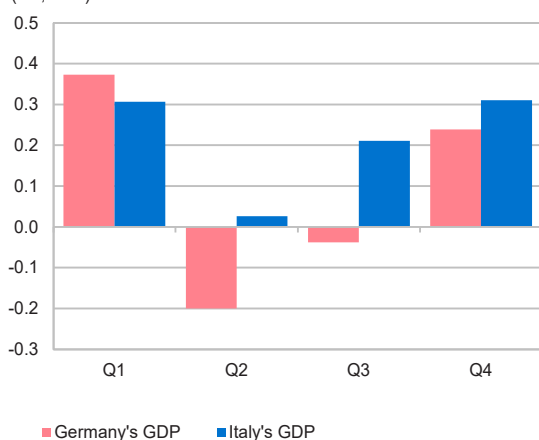
Chart III.1.2 Real GDP growth in the euro area and the USA in 2025

(s-a, in %)



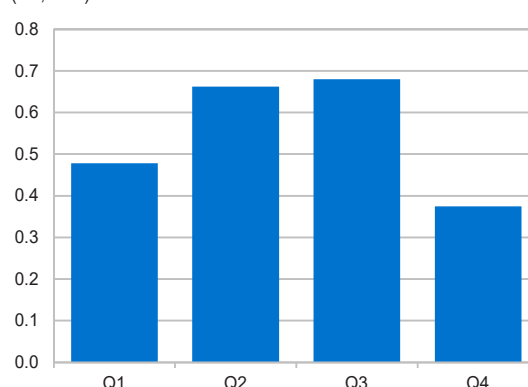
Sources: Eurostat, U.S. BEA and NBS calculations.

Chart III.1.3 Real GDP growth in Germany and Italy in 2025
(s-a, in %)



Source: Eurostat.

Chart III.1.4 Real GDP growth in Central and Southeast Europe* in 2025
(s-a, in %)



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

GDP growth), while net exports and goods inventories contracted (1.0 pp aggregate negative contribution to GDP growth).

Central and Southeast Europe⁴ saw GDP growth of 2.4% in 2025 (after 2.2% in 2024), largely stemming from growth in household consumption (contribution 1.6 pp), while aggregate contribution of other components of domestic demand equalled 1.7 pp. A negative contribution to GDP growth in 2025 (of 1.0 pp) came from net exports contracting amid weaker external demand, notably from euro area countries. In April this year, Consensus Economics estimated that in 2025, the group of Central European countries recorded GDP growth of 2.6%, and the group of Southeast European countries 1.8%. The highest GDP growth rates in 2025 were registered in Poland (3.6%), Croatia (3.2%) and Bulgaria (3.1%), and the lowest in Hungary (0.4%). In almost all countries of the region (except the Czech Republic) economic activity in 2025 decelerated relative to 2024. According to the World Bank's estimate from January 2026, at the level of the **Western Balkan region** economic growth slowed to 2.7% in 2025 (from 3.6% in 2024) amid elevated global uncertainty, limited access to EU funds, as well as weaker import demand from the euro area – the key trade and financial partner to countries in both regions.

In 2025, the **US economy** rose 2.1%, thanks to increased household and government consumption, as well as growth in fixed investments (aggregate contribution of 2.4 pp), while a drop in net exports and goods inventories acted in the opposite direction (aggregate negative contribution of 0.3 pp). However, GDP growth in 2025

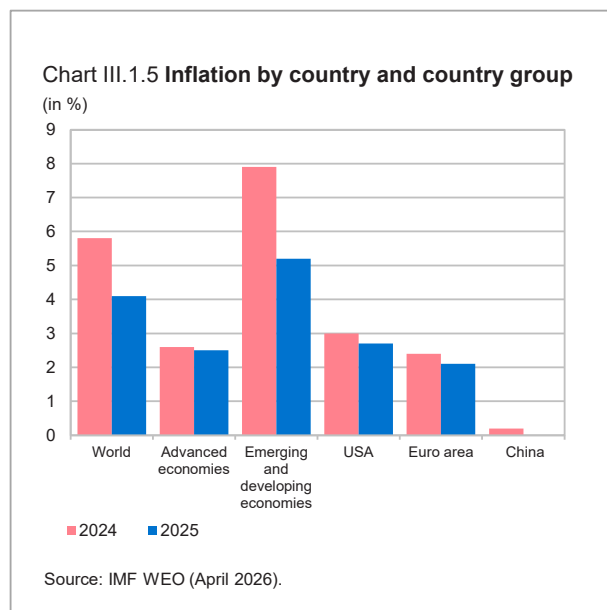
slowed notably relative to 2024 (2.8%) primarily due to elevated import of raw materials and goods during H1 in an attempt to evade the announced higher tariffs, as well as a fall in government consumption in Q4 due to the partial federal government shutdown, whose negative effect on economic growth was estimated at 1 pp. The US labour market is characterised by subdued labour demand and the unemployment rate, which equalled 4.4% in December 2025, i.e. it stood above the level recorded at the end of the previous four years.

Supported by comprehensive financial and fiscal incentives, in 2025 the **Chinese economy** posted growth of 5.0% (the same as in 2024), mostly as a result of increased final consumption (contribution 2.6 pp), net exports (1.6 pp), and gross investments (0.8 pp). Activity in the services sector maintained a similar growth pace in 2025 as well, while activity in manufacturing accelerated relative to 2024.

Inflation

Though it remained above the pre-pandemic average, **global inflation slowed additionally in 2025, to 4.1%** (from 5.8% in 2024). In a number of countries, inflation came close to target values, its dynamics remaining divergent by groups of countries. In advanced economies, inflation measured 2.5% in 2025 (vs. 2.6% in 2024), while in emerging and developing countries it slowed to 5.2% (from 7.9% in 2024). This is in line with the IMF's assessments that changing trade policies of leading economies cause a shock on the demand side

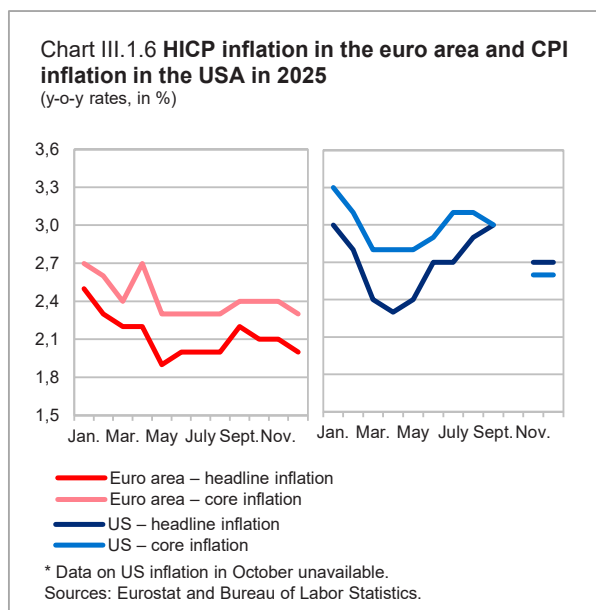
⁴ Central and Southeast Europe includes Romania, Hungary, the Czech Republic, Slovenia, Bulgaria, Croatia, Slovakia and Poland.



in countries faced with increased tariffs, where they have a disinflationary effect, and a shock on the supply side in countries raising the tariffs, where they act inflationary. The World Bank estimated that the impact of the newly introduced tariffs on inflation was still of limited reach, especially in the US, since American companies had accumulated inventories. Lower product prices within core inflation, together with slower growth in service prices during 2025 attributable to slower wage growth, dictated the gradual slowdown of global core inflation.

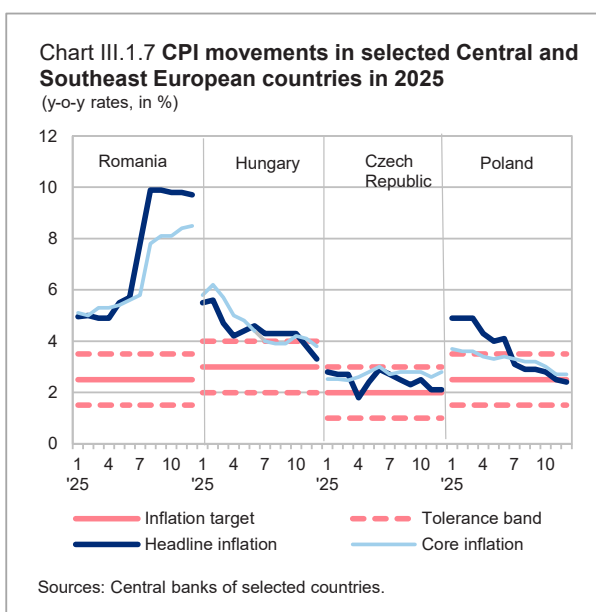
Inflation in the euro area averaged 2.1% in 2025 (vs. 2.4% in 2024). In y-o-y terms, inflation dominantly trended down, first descending to 2.2% in March and then to 2.0% in June, primarily due to the falling energy prices. Due to the base effect with energy prices, the fall was mitigated in the remainder of the year, which was reflected on mild inflation growth to 2.2% in September. Even so, by the end of the year y-o-y inflation returned to the target 2.0% thanks to the continued decrease in energy prices, as well as slower growth in prices of food and industrial products (excluding food and energy). On the other hand, service prices were elevated during 2025 owing to wage growth. This dictated the movement of **euro area core inflation** (measured by the HICP excluding food, energy, alcohol and cigarettes), which trended above headline inflation during the entire year, measuring 2.3% y-o-y in December.

Measured by the change in the HICP, **inflation in Germany** slowed to an average of 2.3% in 2025 (from 2.5% in 2024). Y-o-y, inflation was on a downward path from January until July, under the impact of the falling



energy prices and slower food price growth, returning to the target 2.0% by the end of the year. **Inflation in Italy** measured 1.6% on average in 2025 (vs. 1.1% in 2024). Y-o-y, inflation was on a downward trajectory for a major part of 2025, retreating to 1.2% in December, driven primarily by the fall in energy prices.

Y-o-y inflation by **country of the region** recorded divergent movements during 2025. First it slowed in all countries in March, due to lower energy prices. In June it decelerated additionally in Poland and Hungary due to lower core inflation, while in the Czech Republic and Romania it picked up driven by higher food and energy prices where the base effect played out. Then, in September, y-o-y inflation again slowed in the majority



of countries in the region, except in Romania, where it rose due to the increase in VAT and excise taxes. In December, y-o-y inflation in the Czech Republic and Poland decelerated again to 2.1% and 2.4%, respectively, coming close to the level targeted by these countries' central banks. In December, y-o-y inflation retreated to 3.8% in Hungary and to 9.7% in Romania. Consensus Economics' analysts estimated that despite the slowdown, inflation in countries of the region was higher than expected during 2025. According to data of the national statistical offices of countries in **Central and Southeast Europe** with a similar monetary framework as the NBS, the average annual inflation in 2025 equalled 7.3% in Romania, 4.4% in Hungary, 3.6% in Poland and 2.5% in the Czech Republic, which is above the levels recorded in 2024.

Y-o-y, inflation picked up in all **Western Balkan** countries in Q2, primarily due to higher food prices and increased prices of petroleum products amid rising global prices of oil and low last year's base. During H2, y-o-y inflation recorded divergent movements by country of the region, measuring 2.3% in Albania, 4.0% in Montenegro and 4.1% each in Bosnia and Herzegovina and North Macedonia. Average annual inflation in 2025 measured 4.1% in North Macedonia, 4.0% in Bosnia and Herzegovina and 3.9% in Montenegro, which is above the level recorded in 2024, while in Albania it stayed unchanged at 2.2%.

Measured by the change in the CPI, **headline inflation in the USA** equalled 2.6% at the level of 2025 (vs. 3.0% in 2024). In y-o-y terms, US inflation first slowed to 2.4% in March due to the receding prices of petroleum products and gas, only to pick up to 2.7% in June on account of a slower fall in energy prices and higher prices of products and services. An additional hike in product prices drove inflation up to 3.0% in September, after which it returned to 2.7% by the end of 2025 owing to the fall in petroleum product prices where the base effect also played out, as well as to the cheaper vehicle prices. Personal consumption indices – which the Fed monitors and projects – recorded similar y-o-y dynamics in 2025 – 2.9% and 3.0%, respectively.

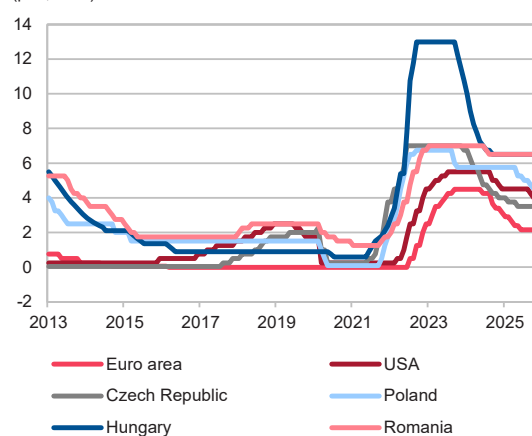
Monetary policy

Central banks' monetary policy decisions during 2025 were also varied, depending on specific factors and the assessment of the effects of pronounced trade and geopolitical tensions on domestic economies.

The **ECB** continued to ease monetary policy during H1, cutting key interest rates by a total of 100 bp, keeping them unchanged during H2. As a result, after the June meeting, the deposit facility rate stood at 2.00%, the main refinancing operations rate at 2.15%, and the marginal lending facility rate at 2.40%. The prevailing assessments suggested that the ECB's rate-cut cycle was ending, as after the June decrease rates were likely at or near the neutral zone. At the same time, from the beginning of the year the ECB continued to reduce its balance sheet according to plan, at a moderate pace, which acted towards monetary policy tightening.

The ECB underlined that the disinflation process is on a sound track and that, in line with expectations, both headline and core inflation declined since the start of 2025. Mid-year, headline inflation retreated to the level of the 2% medium-term target, while at the end of the year it trended slightly below it. The still elevated wage growth was a source of concern, but the ECB's assessments indicated that it had moderated and that its impact on inflation was being partially absorbed by lower corporate profits. Trade tensions during H1 were particularly worrying. However, the agreement reached by the EU with the new US administration at the end of July – on tariffs that are half the rate originally announced – helped avert a broader trade war that would have encompassed nearly a third of global trade. Although reduced, uncertainty surrounding trade policies and geopolitical tensions persisted throughout the remainder of the year. The ECB highlighted them as factors weighing on the outlook for investment and exports, and thereby for economic growth in the euro

Chart III.1.8 Policy rates across selected countries
(p.a., in %)



Sources: Central banks of selected countries.

area, primarily in the short term. In the medium term, it pointed out that rising government investment in defence and infrastructure would boost economic growth. It emphasized the importance of preserving financial stability, given geopolitical uncertainty and possible sudden changes in global financial markets. Furthermore, it stated that monetary policy decisions in the coming period would still be made based on the assessment of the inflation outlook in light of incoming economic and financial data, inflation dynamics, and the strength of monetary policy transmission, without committing to a specific path for the policy rate.

Unlike the ECB, the **Fed** did not change the federal funds rate range until September 2025 in anticipation of more data to gain a clearer picture of inflation movements and economic activity. The increased US tariffs were expected to push inflation up and employment down, but there was also considerable uncertainty as to the strength and duration of these effects.

The Fed decided to ease its monetary policy in September, and then again in October and December – lowering its target range for the federal funds rate by 25 bp each time, to 3.50–3.75%. The decisions to ease monetary policy were made even though inflation was somewhat elevated, due to concerns about slow employment growth. The Fed itself highlighted the challenging situation it faced, given that the risks to inflation were skewed to the upside and the risks to employment to the downside. As the year progressed, FOMC members became more optimistic about economic growth, primarily in view of the fact that the short-term effect of higher tariffs was smaller than anticipated. Projections released after the December meeting indicated that most FOMC members expected only one more 25 bp cut in 2026, which was also in accordance with the September projections.

As for the inflation targeting central banks in **Central and Southeast Europe**, within the observed period the **central bank of Poland** trimmed its policy rate the most, by 175 bp to 4%, followed by the **central bank of the Czech Republic** by 50 bp to 3.5%. In line with expectations, the **central banks of Romania and Hungary** did not change their policy rates, which equalled 6.5% at end-2025. As expected, the central bank of **Romania** pursued a cautious monetary policy in view of rising inflation, amplified by the planned VAT and excise tax increase as of mid-2025, as well as the removal of the cap on electricity price growth.

Financial and commodity markets

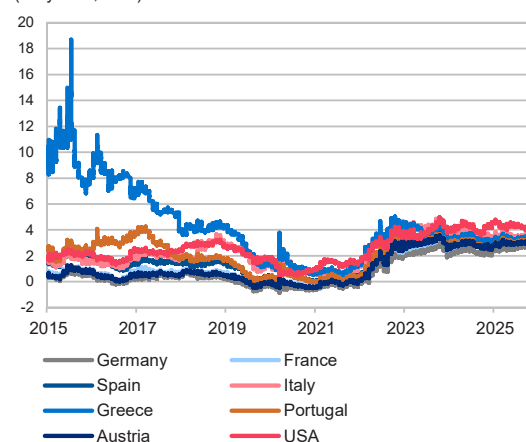
Yields on ten-year government bonds of advanced European countries rose in 2025 by 28 bp on average. Growth in yields was largely associated with market expectations in terms of the ECB's monetary policy going forward, i.e. estimates of market participants that the cycle of monetary policy easing has ended. In the case of Germany, growth in yields was more pronounced, which can be associated with expectations of a larger issue of government bonds in line with the announced fiscal package for economic recovery support. In contrast, **yields on ten-year US Treasuries** contracted by 40 bp due to the weaker macroeconomic indicators of the US economy, which fuelled expectations that the Fed might embark on a cycle of monetary policy easing sooner.

During 2025, the euro and the majority of leading currencies strengthened against the dollar on the international financial market – in response to a decline in investor confidence in the US dollar following the downgrade of the US credit rating by Moody's, with expectations of faster monetary policy easing by the Fed.

At end-2025, the **implied measure of financial market volatility (VIX)** stood at a somewhat lower level than at end-2024, while the Trade Policy Uncertainty Index (TPU)⁵ concluded the year at a higher level. Still, both indices posted significant growth in H1 during the periods of elevated tensions in foreign trade policy, only to gradually stabilise in H2.

Chart III.1.9 Yields on ten-year bonds of euro area countries and the USA

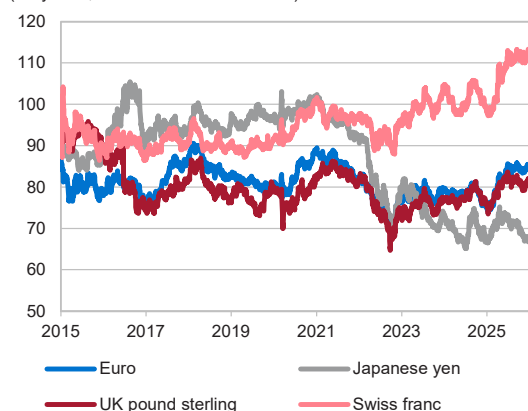
(daily data, in %)



Source: Bloomberg.

⁵ Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020). "The Economic Effects of Trade Policy Uncertainty," *Journal of Monetary Economics*, 109, pp. 38–59.

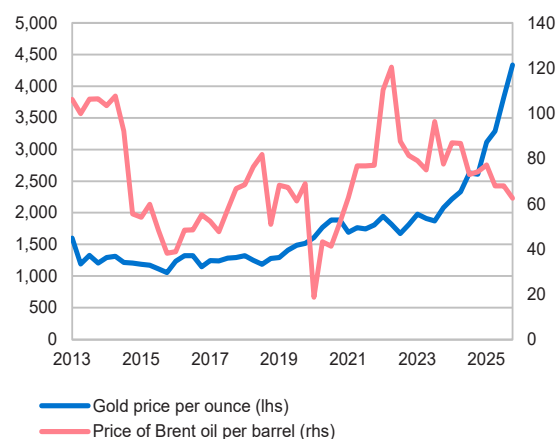
Chart III.1.10 **Exchange rates of selected national currencies against the dollar***
(daily data, 31 December 2013 = 100)



Source: IMF database.

* Growth indicates appreciation.

Chart III.1.12 **World gold and oil price movements**
(end quarter, in USD)



Source: Bloomberg.

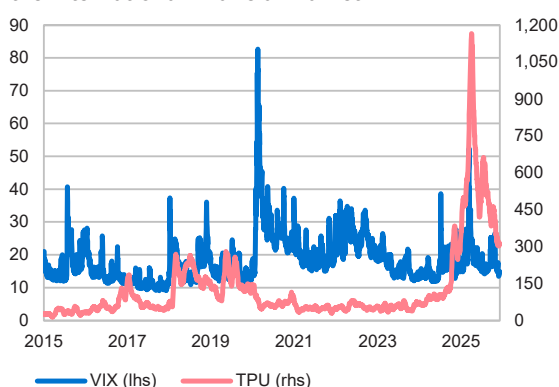
Under the impact of stepped-up demand for safe assets against the backdrop of permanently elevated global tensions, the **global price of gold** continued on the upward path during 2025, reaching the highest levels since comparable data have been recorded. Monetary policy easing by leading central banks, as well as the dollar weakening, also drove the price of gold up. On an annual basis, the **global price of gold increased by 66.2%**, equalling around USD 4,337 per ounce at end-December.

Having risen moderately in early 2025 due to depleted inventories in the US and a new package of sanctions against the Russian energy sector, the **global Brent**

oil price trended dominantly down until the end of the year, notably under the impact of excessive global supply as OPEC+ members and the US stepped-up their output, while demand slowed simultaneously, and due to an increase in global inventories. At end-2025, the Brent oil price retreated to around USD 62 per barrel, which is 15.7% lower than at end-2024.

The benchmark price of natural gas for Europe (Dutch TTF hub) trended up in January and February 2025 under the impact of increased demand due to colder weather, low inventories and lower supply from Russia after the termination of the agreement on gas transport through Ukraine at end-2024. In contrast, the price declined later in the year, measuring around EUR 28 per MWh at end-December, 41.6% lower than a year ago. The decline in natural gas prices during 2025 was influenced by the seasonally typical lower demand after the end of the heating season in Europe and North America, increased supply from the US and Norway, as well as the stepped-up negotiations to end the conflict in Ukraine towards the end of the year. **The benchmark price of electricity for Europe (German stock exchange)** followed the dynamics of natural gas prices during H1 2025, after which it moved predominantly upward in H2, primarily due to increased demand, reduced production from renewable sources, and higher costs of carbon dioxide emission allowances. Even so, in December 2025 it was 11.7% lower compared to the same period a year ago, averaging about EUR 98 per MWh.

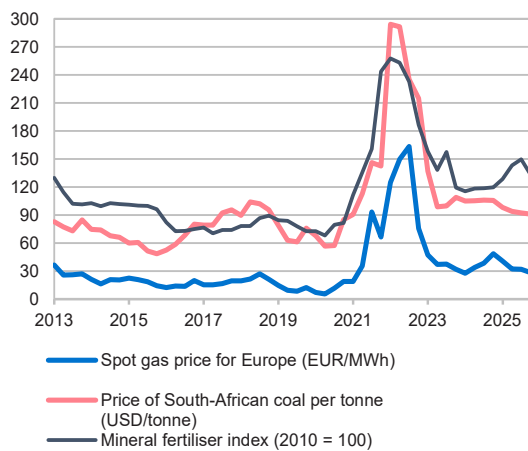
Chart III.1.11 **Measures of volatility and uncertainty in the international financial market***



Source: Bloomberg, Caldara et. al. (2022).

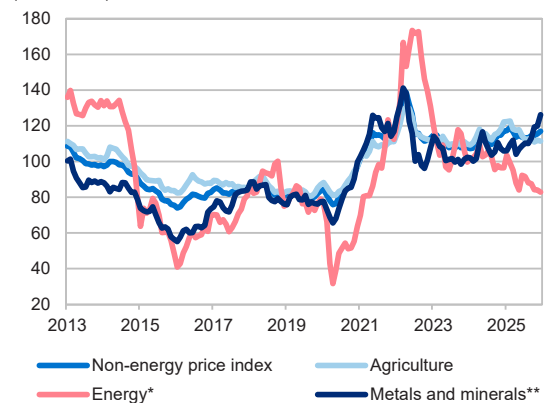
* VIX (Chicago Board Options Exchange Market Volatility Index) is a measure of implicit volatility of a S&P 500 stock option; TPU – Trade Policy Uncertainty Index) is the index of trade policy uncertainty.

Chart III.1.13 Movement in prices of natural gas, thermal coal and mineral fertilisers (end quarter)



Sources: Refinitiv and World Bank.

Chart III.1.14 World primary commodity price index (2010 = 100)



Source: World Bank.

* Crude oil, natural gas and coal.

** Copper, aluminium, iron ore, lead, nickel, zinc and tin.

The **global price of thermal coal** declined moderately during 2025, averaging about USD 90 per tonne in December, which represents a y-o-y decrease of 13.8%. Increased supply from leading global producers, primarily China, Indonesia and Australia, high inventories and diminishing global demand influenced the decline in coal prices, while occasional upward deviations were influenced by production caps in China. In contrast, **the prices of mineral fertilizers** moved predominantly upward during 2025, due to strong demand and limited supply from major exporting countries, given China's export restrictions and sanctions imposed on Belarus. Mineral fertilizer prices decreased at the end of 2025 due to lower input prices, primarily natural gas, but nevertheless in December they were still 11.1% higher y-o-y.

Global metal and mineral prices moved predominantly up during 2025, according to the World Bank index, with December prices 19.2% higher than a year earlier. The rise in metal and mineral prices was driven mainly by increased demand from market participants at the beginning of 2025, due to anticipated price increases following the announced higher US tariffs, falling inventories, as well as the weakening of the dollar.

Global food prices, measured by the FAO index, moved predominantly upward until August 2025, after which they declined through the end of the year and were 2.3% lower y-o-y in December. Looking at individual categories, the largest decline was

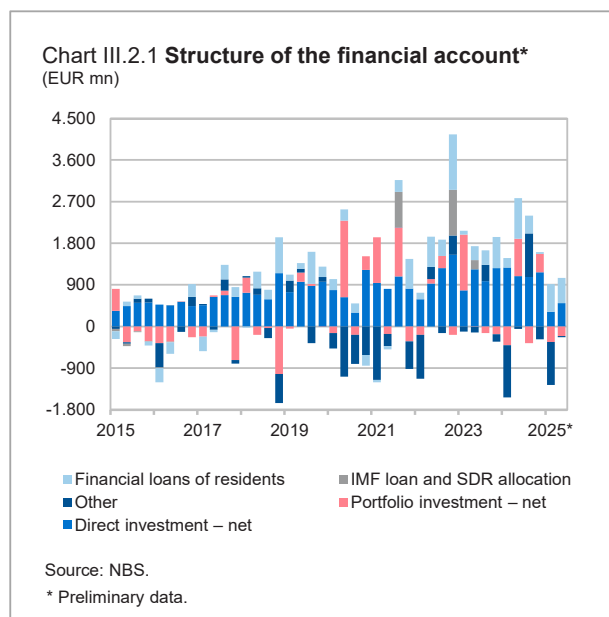
recorded in sugar prices (24.0%), followed by dairy products (9.2%) and cereals (3.7%). In contrast, meat and vegetable oil prices increased during 2025, recording y-o-y gains of 3.9% and 1.9% respectively in December. The **global price of cocoa** fell by 42.5% during 2025, to about USD 5,930 per tonne, while the **global price of coffee** continued to show volatile movements throughout the year, though the composite coffee index published by the International Coffee Organisation was only 1.2% higher y-o-y at end-December.

2 International transactions

Balance of payments and FX reserves

According to preliminary data, the **current account deficit** measured EUR 4.3 bn in 2025 (4.9% of GDP). Observed by component, the current account deficit widened by 13.6% relative to 2024 as a result of a lower surplus on foreign trade in services and a higher deficit on the primary income account, while a lower deficit on trade in goods and a higher surplus on the secondary income account worked in the opposite direction.

The trade in goods account improved, with the deficit narrowing by 4.2% to EUR 6.5 bn, as exports rose faster than imports. **Goods exports** gained 8.7%, climbing to EUR 32.5 bn, despite subdued external



demand caused by problems in the European industry and uncertainty surrounding US tariffs, particularly in H1. Like in earlier years, goods export growth was guided by manufacturing exports (8.7%), which increased in 19 out of 23 branches thanks to the fact that earlier investments were diversified by product and geography. Exports were particularly robust in branches associated with the automobile industry – motor vehicles (32.5%) and rubber and plastic products (16.5%). They accounted for more than a half of the contribution to total export growth as a result of intensified investment in the automotive industry and the start of serial production of electric cars and car tyres. Robust contribution to export growth also came from the export of food products, machinery and equipment, pharmaceutical products and base metals. Working in the opposite direction were lower exports of electrical equipment, clothing and petroleum products. Exports of oil and petroleum products subsided by 17.0%, amid operational difficulties faced by NIS from October onwards after sanctions were imposed. Mining exports continued rising in 2025 (22.8%), guided by the exports of copper, with electricity exports going up as well (19.6%). On the other hand, two drought years in a row resulted in lower inventories and a drop in agricultural exports (17.5%).

Goods imports rose by 6.3% to EUR 38.9 bn, led by the imports of intermediate and consumer goods which went up by 5.3% and 9.1%, respectively. Equipment

imports gained 2.5%, with notable increment in the import of capital goods recorded in November and December. According to the SITC classification, the largest increase was recorded for the imports of medical and pharmaceutical products, road vehicles, electrical appliances, electricity, non-ferrous metals, fruit and vegetables. Though both electricity and gas imports went up, total energy imports declined (by 3.5% to EUR 4.4 bn), due to lower imports of oil, petroleum products and coal. In the case of oil, this was due to lower prices and smaller imported quantities, while for petroleum products, higher imported quantities were largely offset by lower prices. As a result, the energy balance improved, with the deficit falling to EUR 3.1 bn in 2025 (from EUR 3.4 bn in 2024).

The surplus on trade in services contracted by 17.6% in 2025 to EUR 2.3 bn, as services imports rose faster than exports (10.9% vs. 5.3%). This was due mostly to higher imports of tourism services, reflecting an increase in households' disposable income, followed by a higher deficit on trade in transport services. The surplus on trade in ICT services continued up, with exports of these services topping EUR 4.5 bn. The surplus on trade in business services increased as well.

The deficit on the primary income account rose by 6.8% to EUR 5.6 bn, due to increased FDI expenditures. This was expected given the high level of FDIs in Serbia entailing higher dividend payments.

The surplus on the secondary income account measured EUR 5.4 bn, up by 1.0% from 2024. Of this, net remittances inflow gained 2.2%, climbing to EUR 4.6 bn. Other transfers increased as well, while net inflows in respect of official assistance and transfers to the Government decreased.

Net capital inflow on the **financial account of the balance of payments** measured EUR 3.1 bn in 2025, and its bulk came from financial loans and FDIs.

FDI inflow to Serbia measured EUR 3.5 bn, down by a third from the record-high level in 2024. A dented investment sentiment in 2025 can be associated with global trade tensions and social and political developments in Serbia. The composition of FDIs stayed favourable, with over 70% of inflows in the form of equity and reinvested earnings. Investments

Table III.2.1 Serbia's balance of payments (EUR mn)		
	2024	2025*
I CURRENT ACCOUNT	-3,787.5	-4,302.0
1. Goods	-6,769.7	-6,487.1
1.1. Credit	29,858.5	32,457.1
1.2. Debit	-36,628.2	-38,944.1
2. Services	2,820.0	2,323.0
2.1. Credit	14,458.8	15,229.1
2.2. Debit	-11,638.9	-12,906.1
3. Goods and services	-3,949.7	-4,164.1
3.1. Credit	44,317.4	47,686.2
3.2. Debit	-48,267.1	-51,850.2
4. Primary income	-5,219.5	-5,574.4
5. Secondary income	5,381.6	5,436.6
II CAPITAL ACCOUNT	145.6	163.3
III FINANCIAL ACCOUNT (excluding reserve assets)	6,030.1	3,100.6
1. Direct investment, net	4,602.5	2,278.2
2. Portfolio investment, net	428.1	-881.0
3. Financial derivatives, net	35.5	37.1
4. Other investment, net	964.0	1,666.3
4.1. Trade credit and advances, net	-129.3	-1,283.5
4.2. Financial loans, net	1,509.3	2,579.7
4.3. Currency and deposits, net	-471.4	336.4
4.4. Other, net	55.5	33.6
IV Reserve assets	2,834.5	-1,547.7
V NET ERRORS AND OMISSIONS	446.3	-509.5
VI OVERALL BALANCE	2,834.5	-1,547.7

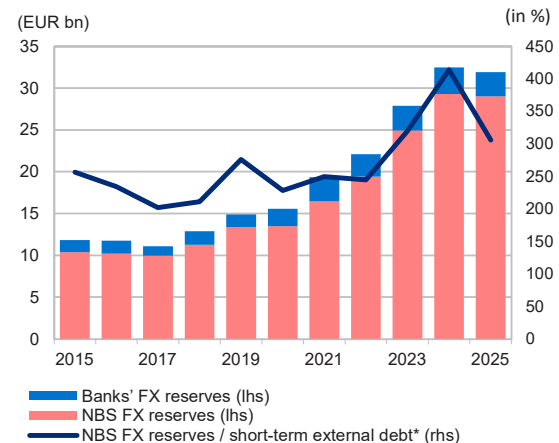
Source: NBS.
* Preliminary data.
1) BPM6 methodology, except sign convention.

were mostly channelled to manufacturing, mining, professional, scientific, innovation and technical activities, and construction. FDIs continue to be highly diversified by geography. At the same time, and mostly under the impact of one-off factors, resident investment abroad (EUR 1.2 bn) doubled relative to 2024. As a result, net FDI inflow measured EUR 2.3 bn in 2025.

In 2025, non-resident investment in securities in the domestic market subsided, as net sales in the secondary market exceeded investment in corporate bonds and government securities in the primary market. In addition, residents, especially banks, purchased foreign securities, which, together with the maturing of previously issued government securities, resulted in a net capital outflow of EUR 881.0 mn in respect of **portfolio investment**.

An inflow of EUR 1.7 bn was recorded under **other investment**, mostly due to resident borrowing from foreign creditors. A net inflow of EUR 2.6 bn came from **financial loans**, with companies borrowing the most (EUR 1.6 bn), while the rest referred to the borrowing by banks and the Government. On the other

Chart III.2.2 FX reserves and coverage of short-term external debt



Source: NBS.
* Short-term debt by remaining maturity

hand, an outflow of EUR 1.3 bn was recorded under **trade loans** and advances. At the same time, domestic banks reduced their balances in accounts abroad, and this decrease was more pronounced than the decline in non-residents' balances in the accounts with domestic banks. As a result, an inflow of EUR 336.4 mn was recorded in respect of **currency and deposits**.

As a result of the above flows in the current and financial accounts, the **NBS FX reserves** decreased by EUR 1.5 bn in 2025 (according to balance of payments methodology).⁶

In nominal terms, gross NBS FX reserves measured EUR 29,008.3 mn on 31 December 2025, having decreased by EUR 286.2 mn relative to end-2024. This level covered 156.1% of money supply M1 and 6.7 months' worth of imports of goods and services, more than twice the relevant standard. Net FX reserves measured EUR 24,636.2 mn, down by only EUR 57.1 mn from end-2024.

Consistent with the principles of safety and liquidity, funds were invested in highly liquid securities issued by the world's most advanced economies and international financial institutions, and placed with prime institutions (central banks, international institutions and top-tier foreign banks). Therefore, as at end-2025, foreign securities accounted for the highest share of FX reserves (54.7%), followed by gold (21.4%), FX balances in accounts abroad (18.6%), foreign cash (5.1%) and SDRs with the IMF (0.2%).

⁶ Excluding exchange rate changes, changes in the market value of securities and the price of gold.

The bulk of FX inflows in 2025 came from the use of loans for the RS in the total amount of EUR 1,084.1 mn. Next is inflow from investment in foreign securities and interest on FX assets, which measured EUR 516.9 mn. Inflow also came from temporary payment transactions with Kosovo and Metohija⁷ worth EUR 437.1 mn, from the net sale of RS government securities issued in the domestic financial market – EUR 241.2 mn and from grants – EUR 223.8 mn. Banks allocated EUR 94.0 mn net in respect of FX required reserves.

The key outflows from the NBS FX reserves came from regular repayment of RS obligations to foreign creditors (principal and interest), worth a total of EUR 2,472.6 mn, and from the settlement of other FX obligations of the government in the total amount of EUR 1,175.6 mn. Outflows of EUR 490.0 mn were recorded in respect of NBS net FX sales in the IFEM.⁸

International investment position

Serbia's net international investment position, i.e. the difference between Serbian residents' foreign assets and liabilities, was negative and came at **EUR 53.2 bn** at end-2025, up by EUR 2.3 bn compared to end-2024. Relative to our economy's strength, however, and **thanks to economic activity growth, the share of the negative international investment position in estimated GDP declined in 2025 for the fifth year in a row – by 1.1 pp to 60.0%. An important factor**

behind this decline in external vulnerability is the fact that FDIs made up around 106% of the net international investment position.

Within foreign financial assets, which amounted to EUR 53.4 bn at end-2025 (up by EUR 1.5 bn from end-2024), **FX reserves still accounted for over a half** (54.3%). Next were other investments with a share of 29.5%, which mostly refer to receivables from non-residents under trade loans and advances and currency and deposits, while the share of receivables in respect of direct and portfolio investments measured 12.1% and 4.0%, respectively.

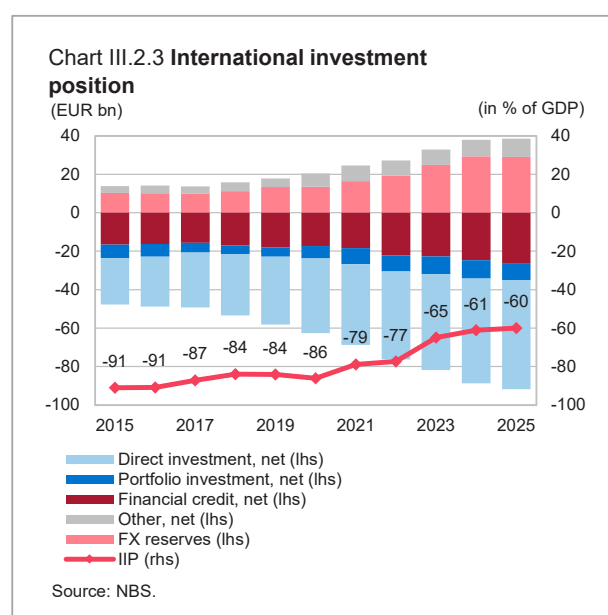
Within financial liabilities, which amounted to EUR 106.6 bn at end-2025 (up by EUR 3.8 bn from end-2024), it is positive that **FDIs** continue to rise the most, despite numerous challenges. As the most favourable, long-term type of foreign investment, they still well exceed a half of total foreign liabilities (**59.2%**), while **financial loans and portfolio investment** made up a smaller share of liabilities: 25.3% and 10.0%, respectively.

3 Financial market trends

Interest rates

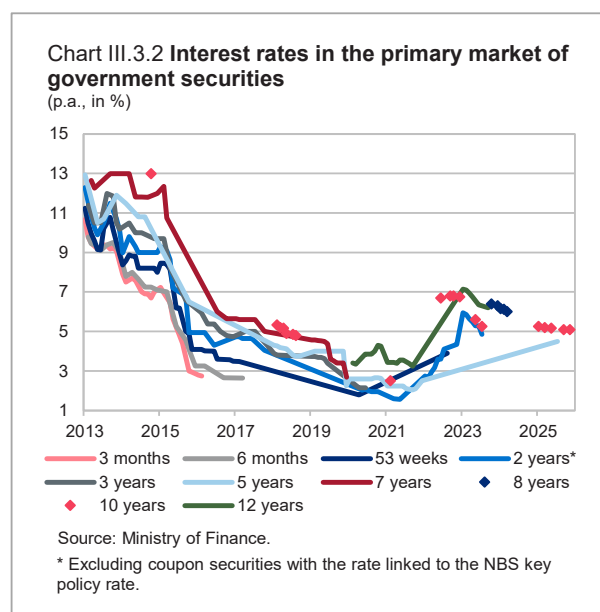
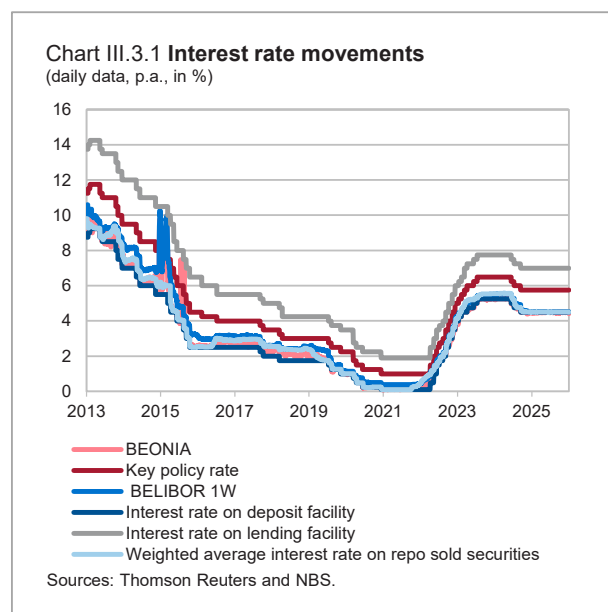
Consistent with the flatlining of NBS's key policy rate, interest rates in the **interbank money market** in 2025 saw no major oscillations, their end-year level being similar to that from the beginning of the year. The interest rate in the overnight interbank market BEONIA equalled 4.42%, while BELIBOR rates moved from 4.51% for the shortest to 4.73% for six-month maturity.

In the **primary market of dinar government securities** in 2025, five auctions were held for the sale of 10.5Y government bonds and one auction for the sale of 5Y bonds. Overall, investor demand at auctions exceeded the nominal value of the bonds sold by around 50%. The January auction, held after Standard & Poor's awarded the investment grade rating to Serbia, saw the record sale of dinar securities. A total of RSD 111.3 bn worth of 10.5Y dinar bonds were sold at nominal value, almost quadruple the planned sale size, while the demand reached RSD 158 bn, making this auction the most



⁷ Under the Law on Temporary Execution of Certain Payment Operations in the Territory of the FRY (FRY Official Gazette, No 9/01).

⁸ In accordance with accounting rules, transactions in respect of NBS interventions in the IFEM are disclosed on the execution day and not on the trading day.



successful to date. The coupon and effective rate levelled at 5.25%. A significant interest of foreign investors in these securities was recorded in primary auctions as well as in the secondary market. Given that the planned issue of RSD 120 bn was fully realised already at the first auction, the Public Debt Administration issued additional RSD 60 bn in February, increasing the total volume of 10.5Y bond issue to RSD 180 bn. March, May, September and November re-openings saw the sale of bonds nominally worth RSD 57.1 bn against the demand of RSD 83.9 bn. The yield rate in that period edged down slightly, to 5.10% at the last auction. In the auction of 5Y dinar bonds in July, RSD 35 bn worth of bonds were sold, while the demand reached RSD 65.3 bn. The effective rate was almost equal to the coupon rate, at 4.49%.

Given the simultaneous maturing of previously issued 2Y dinar securities worth RSD 100 bn and 5.5Y dinar securities worth RSD 106.4 bn, the portfolio of dinar government securities slightly decreased at the annual level, to RSD 853.6 bn at year-end.

Two auctions of 12Y **euro government bonds** were held in 2025, in July and December. A total of EUR 450 mn was sold, against the demand of EUR 640.7 mn. The effective rates at auctions measured 4.99% and 4.97%, respectively, i.e. slightly below the 5.00% coupon rate. After the maturing of earlier issued securities worth EUR 207.3 mn, the stock of eurobonds increased to EUR 1,791.2 mn at year-end.

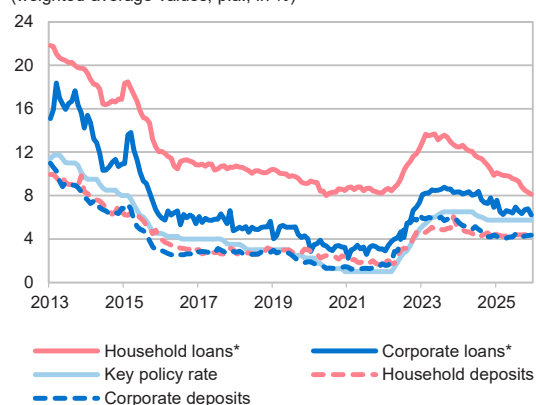
The turnover in the **secondary market of dinar government securities** contracted by RSD 49.1 bn relative to 2024, equalling RSD 260.1 bn in 2025. The weighted average yield rates of government securities increased along the yield curve, in part mirroring the movements in international financial markets and the persisting heightened global uncertainty. Average yields in December moved from 4.63% for the remaining maturity of around one month, to 5.07% for the remaining maturity of up to 10Y.

The interest rate on new **dinar household loans** edged down by 1.8 pp in 2025, to 8.1% in December. The major drop was seen in Q4, mainly due to the falling interest rate on cash loans, by 2.0 pp, to the historical minimum of 8.2% in December. This decrease resulted from alignment with the NBS's supervisory expectations from September 2025, focused on enabling access to more favourable loans for citizens with monthly income of up to RSD 100,000. The interest rate on **dinar corporate loans** edged down by 0.7 pp, to 6.2% in December, owing to softened credit standards in 2025 and lower costs of bank financing. In terms of loan purpose, the decline was led by the decrease of the interest rate on working capital loans and other non-categorised loans by 0.8 pp each to 6.1%.

The ECB's monetary relaxation reflected on the **cheapening of domestic euro loans in 2025**. The interest rate on **euro-indexed household loans** lost 0.9 pp, coming to 4.6% in December. This was

Chart III.3.3 Interest rates on new dinar loans and deposits

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



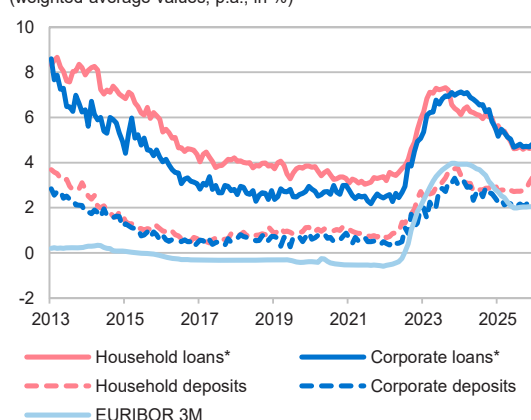
Source: NBS.

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

primarily driven by the drop in the interest rate on housing loans, by 0.4 pp to 4.5%, driven by the disbursement of subsidised loans at more favourable terms under the **Youth Housing Loan** programme. The interest rate on **euro-indexed corporate loans** edged down by 0.8 pp in 2025, to 4.8% in December, with the rate decline being broadly dispersed across loan categories. However, the strongest contribution to the drop in the overall interest rate came from the cheapening of working capital loans, by 0.9 pp to 4.5%, and investment loans, by 0.6 pp to 5.1%, these categories accounting for a major part of euro-indexed lending to corporates.

Chart III.3.4 Interest rates on new euro and euro-indexed loans and deposits

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

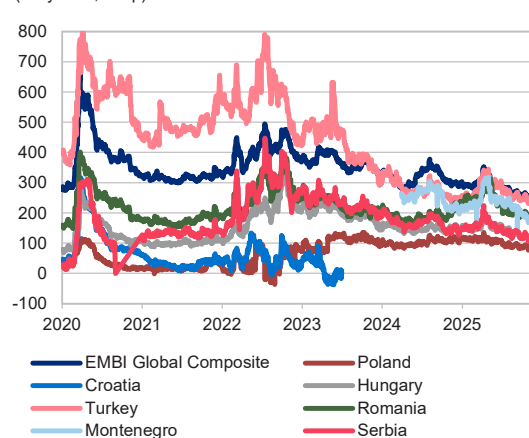


Sources: NBS and European Banking Federation.

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

Chart III.3.5 Risk premium indicator for dollar debt – EMBI

(daily data, in bp)



Source: JP Morgan.

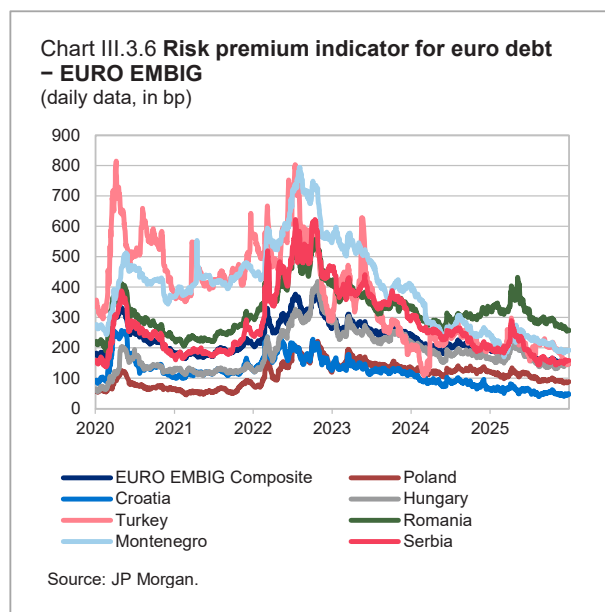
The NBS adopted the Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers in 2025, thereby ensuring the application of caps defined by the Law on the Protection of Financial Service Consumers until its coming into force on 14 March 2025. The 5% cap for housing loans was extended by end-2025, while in 2026 and 2027 it will equal the weighted average rate increased by one-fifth of the rate, and as of 2028, by one-fourth.

The Law also capped the nominal interest rates on dinar cash, consumer and other non-categorised loans approved to natural persons. In 2025, these caps were gradually lowered, dropping to 12.69% for dinar loans and 6.89% for FX-indexed loans at the end of the year.

At end-2025, the caps on current account overdrafts equalled 19.75%, and on credit card debt in dinars and foreign currency – 17.75% and 14.15%, respectively. **Their application reflected on a significant decline in interest rates in December 2025 relative to December 2024 – by 7.6 pp to 14.7%, for credit card debt and by 10.8 pp to 17.1%, for current account overdrafts.**

Country risk premium and credit rating

In early 2025, global risk premium was on an upward path, reflecting market participants' concerns that rising tariffs and trade barriers at the global level could spur new inflationary pressures and dent economic growth.



Conversely, the alleviation of trade tensions and continued easing of monetary conditions by leading central banks led to the premium decline in the remainder of the year. In 2025, Serbia's risk premium moved at a similar dynamics as in other countries in the region, with the exception of the year-end, when it edged up mildly, which can be associated with the heightened uncertainty fuelled by the enforcement of sanctions on NIS.

A composite benchmark for US dollar-denominated emerging market debt, derived based on **EMBI Composite**, dropped by 64 bp in 2025, to 231 bp at year-end. At the same time, US-dollar EMBI for Serbia dropped by 16 bp to 131 bp, continuing to move considerably below the composite risk benchmark for emerging economies. EMBI Composite for emerging economies' euro debt, derived based on **EURO EMBIG Composite**, dropped by 46 bp in 2025, to 149 bp at year-end, while Serbia's EUR risk premium dropped to the same degree, to 159 bp.

Table III.3.1 Credit rating (change of rating and outlook)					
	2020	2021	2022	2024	
S&P	BB+ /stable ³⁾	BB+ /positive ⁷⁾	BB+ /stable ⁴⁾	BB+ /positive ²⁾	BBB- /stable ⁶⁾
Fitch				BB+ /positi -ve ⁵⁾	
Moody's		Ba2 /stable ¹⁾		Ba2/positi- ve ⁵⁾	

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

In January and July 2025, **Fitch affirmed Serbia's positive outlook for obtaining investment-grade rating, while keeping the rating at BB+.** As the key factors behind such decision, the agency cited adequate economic policy conduct, primarily responsible public finance management and a rise in FX reserves, as well as the higher level of economic development compared to the average for countries with the same credit rating. A positive rating outlook is underpinned by the expected investment-led economic growth in the context of the "Leap into the Future – Serbia Expo 2027" programme, strengthening of the country's external position and a declining path of public debt, as well as the stabilisation of inflation.

4 Money and loans

Monetary aggregates M1, M2 and M3

In 2025, monetary aggregates continued up, though moderating their pace compared to the prior period. In December, the growth of M1, M2 and M3 equalled 6.9%, 7.0% and 6.6%, respectively. The deceleration of money supply growth largely reflects the slower dynamics of demand deposits, amid the moderate rise in economic activity, with the slower growth of time dinar deposits and FX deposits contributing to a lesser extent.

In terms of individual category, **demand deposits** rose by RSD 110.8 bn in 2025, with household and corporate deposits equally contributing to growth. In the corporate segment, the increase was the most pronounced in construction and services, primarily transportation, storage, food and accommodation, as well as in the ICT sector.

Time dinar deposits went up by RSD 47.4 bn in 2025, receiving equal boost from household and corporate deposit growth (services and industry). Rising deposits of other financial organisations contributed to growth to a somewhat lesser extent. Dinar savings of residents reached a new record level of RSD 203.6 bn in December 2025.⁹

FX deposits gained EUR 1.2 bn in 2025, largely reflecting substantial growth in FX resident savings, by around EUR 1 bn (to the new highest level of EUR 15.4 bn in December¹⁰⁾, while the remainder

⁹ Including only resident assets. With non-resident assets included, dinar savings at end-December came to RSD 206.2 bn.

¹⁰ With non-resident assets excluded, FX savings amounted to EUR 16.2 bn at end-December.

Table III.4.1 **Monetary survey**
(RSD mln)

	2024	2025	Changes in 2025
Net foreign assets	3,293,136	3,153,040	-140,096
Bank net foreign assets	-151,062	-265,514	-114,451
Net domestic assets of the banking sector	1,870,101	2,348,854	478,752
Net domestic loans	3,536,595	4,252,349	715,754
Net claims on government	-27,094	141,926	169,020
Government loans	917,144	975,521	58,377
Government deposits	-944,238	-833,595	110,643
Loans to other resident sectors	3,563,689	4,110,424	546,735
Loans to households	1,625,247	1,941,975	316,728
Loans to the corporate sector	1,830,615	2,024,545	193,930
Loans to other financial corporations	72,707	71,213	-1,493
Loans to local authorities	34,680	71,660	36,980
Loans to non-profit and other organisations	441	1,031	590
Other net assets	-1,666,494	-1,903,496	-237,002
Money supply M3	5,163,237	5,501,894	338,657
Money supply M2	2,685,365	2,874,126	188,761
Money supply M1	2,038,281	2,179,608	141,326
Currency in circulation	399,640	430,183	30,543
Sight deposits	1,638,641	1,749,424	110,783
Dinar savings and term deposits	647,084	694,518	47,435
FX deposits	2,477,872	2,627,768	149,896

Source: NBS.

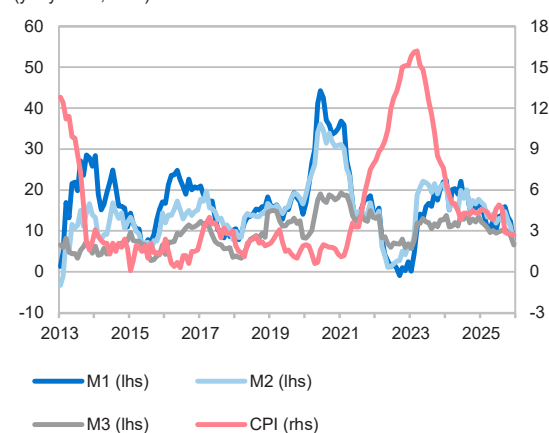
of growth referred to the rise in deposits of other financial organisations. On the other hand, corporate FX deposits remained almost unchanged. Deposit growth in construction was offset by subsiding deposits in industry and some services.

Bank loans

Supported by softened credit standards and favourable cost of financing, **total domestic loans** to the non-monetary sector rose by 15.4% in 2025, excluding the exchange rate effect.¹¹ This growth was led by **household lending**, which increased by 19.5%, and **corporate lending**, also rising in double digits – 11.3%.

Excluding the exchange rate effect, **corporate loans** added RSD 190.7 bn in 2025, almost equally led by the rise in liquidity and working capital loans (RSD 93.9 bn) and investment loans (RSD 92.6 bn). Borrowing under export loans and current account overdrafts also went up, while liabilities under import loans and other non-categorised loans decreased. Such trends pushed

Chart III.4.1 **Monetary aggregates and consumer prices**
(y-o-y rates, in %)



Sources: SORS and NBS.

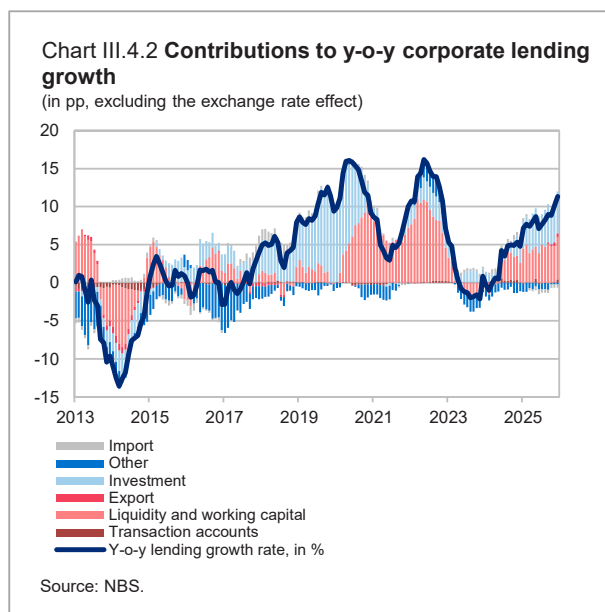
the share of investment in total corporate loans up by 0.6 pp to 43.4%, and that of liquidity and working capital loans by 0.2 pp to 47.3%, while their annual growth amounted to 12.8% and 11.8%, respectively. Corporates across sectors increased their borrowing, mostly in energy, trade, real estate and construction. Loans approved to the segment of micro, small and medium-sized enterprises went up by 11.2%, while their share in total corporate loans stood at 60.6% in December, almost unchanged from end-2024.

Household loans, excluding the exchange rate effect, rose by RSD 315.3 bn in 2025. This growth was led by rising cash loans (RSD 167.2 bn) and housing loans (RSD 117.7 bn), underpinned by the measures enabling more favourable terms of borrowing for lower-income households. Housing loan growth was also boosted by the loan programme targeting youth, which accounted for the 35% increase in housing loans in 2025. Household borrowing under consumer loans also went up, while mild growth was also seen under credit card debt and current account overdrafts. Such trends pushed the share of cash in total household loans up by 1.1 pp to 47.4% in December, while the share of the next largest category, housing loans, measured 38.2%. Both cash and housing loan growth accelerated further y-o-y, adding 22.3% and 19.0%, respectively in 2025.

Household lending was underpinned by **facilities for borrowers**. **Interest rate caps** for housing loans effective until end-2025 equalled 5%. Apart from these interest rates, the new Law on the Protection of Financial Service Consumers¹² also caps the rates

¹¹ Calculated at the new programme exchange rate on 30 September 2024.

¹² RS Official Gazette, No 19/2025.

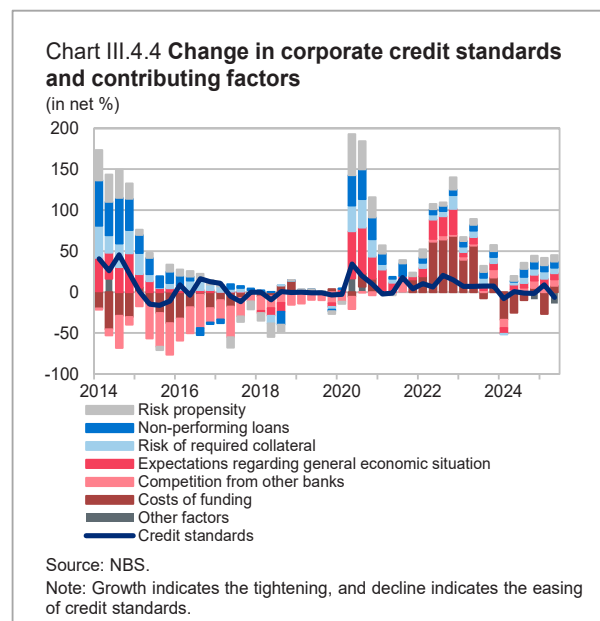
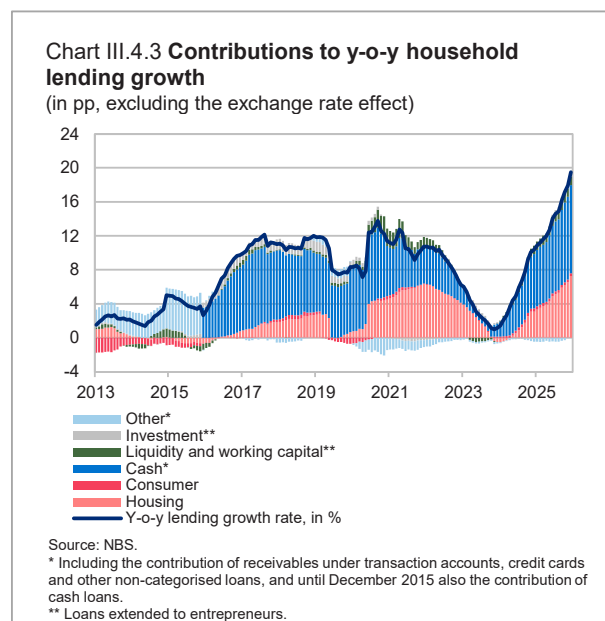


on cash and consumer loans, credit card debt and current account overdrafts.¹³ As of 15 September 2025, bank offers include **lower rate loans for lower income households** – housing loans for first-time home buyers, dinar cash, consumer and refinancing loans.¹⁴

The results of the NBS Bank Lending Surveys show that after the Q1 tightening, banks softened corporate credit standards in the ensuing quarters. In banks' view, this was underpinned by special client-focused campaigns (covered under "other factors" in the survey), and in some periods also lower costs

of credit financing. In the household segment, credit standards were eased throughout the year, primarily for dinar cash and refinancing loans, as well as FX-indexed housing loans and consumer loans. Household credit standard relaxation was mostly driven by competition and, in H1, also the lower cost of financing. Banks assess that dented corporate loan demand in Q1 mainly concerned long-term loans, due to lower demand of large enterprises. In subsequent quarters, corporates upped their demand both for dinar and FX-indexed loans, the growth being more pronounced in the segment of small and medium-sized enterprises. The underlying drivers were working capital and investment financing needs. Households increased their demand mainly for dinar cash and refinancing loans, followed by FX-indexed housing loans and consumer loans. In banks' view, the rise in demand was driven by the refinancing of existing loans, purchase of durable consumer goods, wage increase and, as of Q2, also real estate purchases. Some banks deem that interest rate caps have played a role in higher loan demand.

Gross **NPL ratio** dropped to its lowest level thus far, 2.11% in December, down by 0.4 pp from end-2024. Corporate NPL ratio decreased to the same degree,¹⁵ coming to 1.4%, while in the household sector¹⁶ this ratio declined by 0.7 pp to 2.7%. NPL coverage remained high – allowances for impairment of total loans stood at 112.4% of NPLs, while allowances for impairment of NPLs measured 61.5% of NPLs.



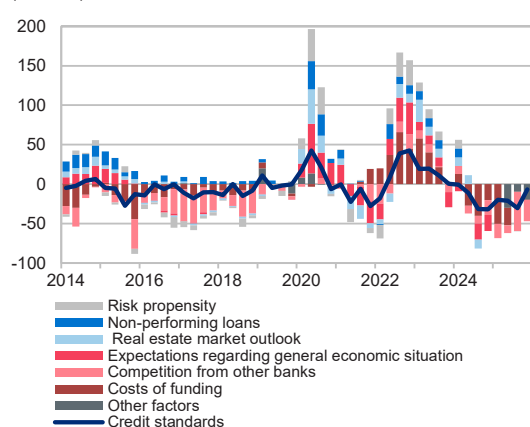
¹³ For more details about interest rate caps see *Inflation Report* – May 2025, Text box 1.

¹⁴ For more details about measures for more favourable lending to lower-income households see *Inflation Report* – November 2025, Text box 3.

¹⁵ Includes companies and public enterprises. Looking at companies only, the NPL share in total loans also decreased by 0.4 pp, to 1.6% in December.

¹⁶ With natural persons, entrepreneurs and private households included.

Chart III.4.5 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.

The **capital adequacy ratio** at end-2025 equalled 20.2%, indicating high capitalisation (regulatory minimum – 8.0%) and resilience of the banking sector to external and domestic risks.

Taking into account the current guidelines and recommendations of the European Systemic Risk Board, the NBS made a decision in December to **raise the countercyclical capital buffer rate to 0.5%**¹⁷ (from 0%), mandating its application by banks as of 15 December 2026. Although Serbia's banking sector is highly capitalised, liquid and profitable, by lifting this rate the NBS acts proactively, aiming to additionally strengthen financial stability, especially

in conditions of heightened global uncertainty. By increasing this rate in periods of excessive credit growth, an additional buffer of Common Equity Tier 1 capital is created, which may be released in case of materialisation of systemic risks.

5 Dinarisation

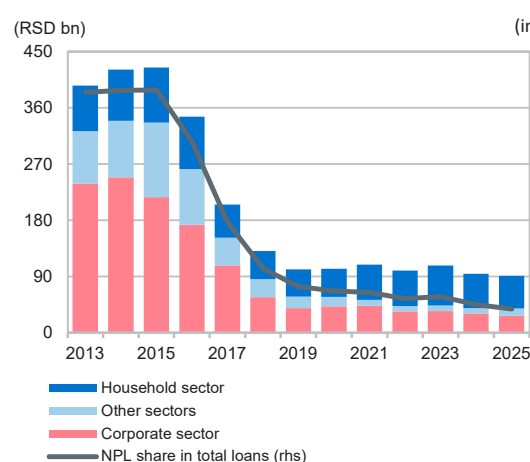
In 2025, the NBS continued to carry out activities aimed at increasing the use of the dinar in Serbia's financial system.

The monetary policy measures implemented by the NBS contribute to preserving macroeconomic stability, the relative stability of the dinar exchange rate against the euro, as well as the stability of the financial system, which represents the main prerequisite for strengthening confidence in the dinar.

In 2025, the reserve requirement policy continued to encourage banks to make greater use of dinar sources of funding. Reserve requirement ratios on dinar sources remain significantly lower compared to those on foreign currency sources. Regarding the remuneration policy of required reserves, the NBS still does not pay interest to banks on allocated foreign currency required reserves, unlike those in dinars.

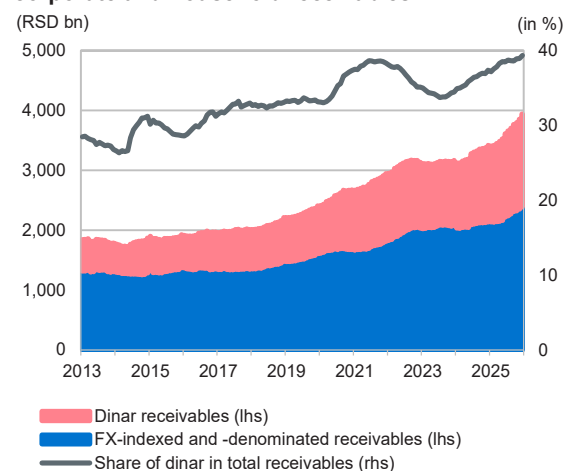
In addition, dinar-denominated government securities and dinar-denominated corporate bonds with acceptable credit quality are, unlike FX-denominated

Chart III.4.6 NPL share in total loans, gross principle



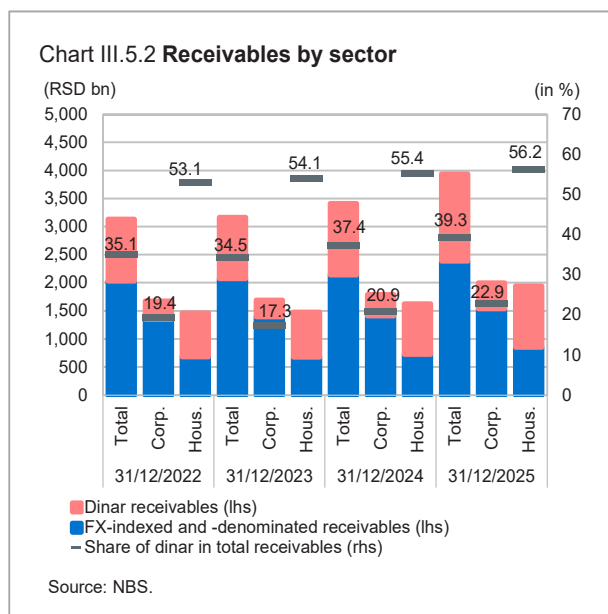
Source: NBS.

Chart III.5.1 Share of dinar receivables in total corporate and household receivables



Source: NBS.

¹⁷ For more details about the raising of the countercyclical buffer rate see *Inflation Report* – February 2026, Text box 4.



securities, included in the list of eligible collateral for the NBS monetary operations.

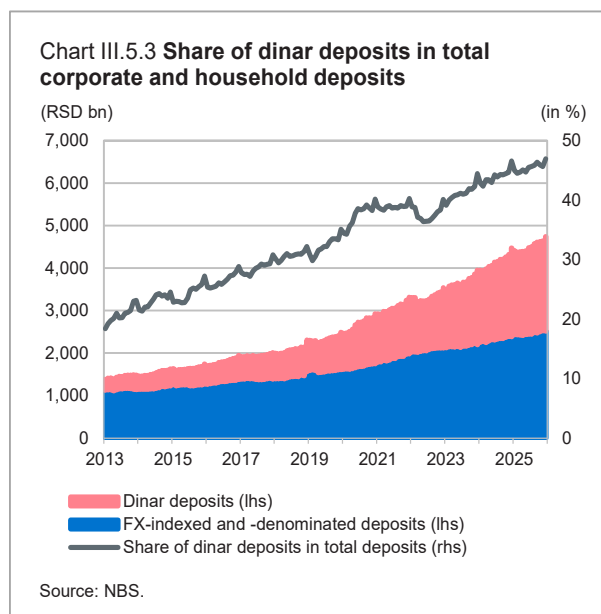
At end-2025, the most important dinarisation indicators were at or around their highest levels.

Measured by the **share of dinar receivables in total bank receivables to corporates and households**, the **degree of dinarisation** increased by 1.9 pp during 2025, reaching a record high level of 39.3% at the end of the year.

Sector-wise, the rise in dinarisation of receivables was more pronounced in the **corporate sector** (by 2.0 pp), reaching 22.9% at year-end.

This increase is associated with the continued growth of working capital loans during 2025, following a decline in such loans in previous years, partly due to the maturing of dinar loans granted under the guarantee schemes as part of state support to the economy during the coronavirus pandemic. In the same period, FX-indexed loans recorded relatively more modest growth.

The growth of dinarisation of corporate receivables is also supported by a measure of the NBS¹⁸ introduced in 2025, which envisages a capital deduction for banks whose share of newly approved FX-indexed loans and FX loans granted to the non-financial and non-government sector since 1 July 2023, as well as FX and FX-indexed dinar debt securities, exceeds a



defined limit. This limit is gradually reduced year after year (71% in 2025, 64% in 2026, 57% in 2027, and 50% thereafter). In this way, banks are incentivised to grant more dinar loans instead of FX and FX-indexed loans.

The degree of dinarisation of **household** receivables increased by 0.8 pp in 2025, to 56.2% at year-end.

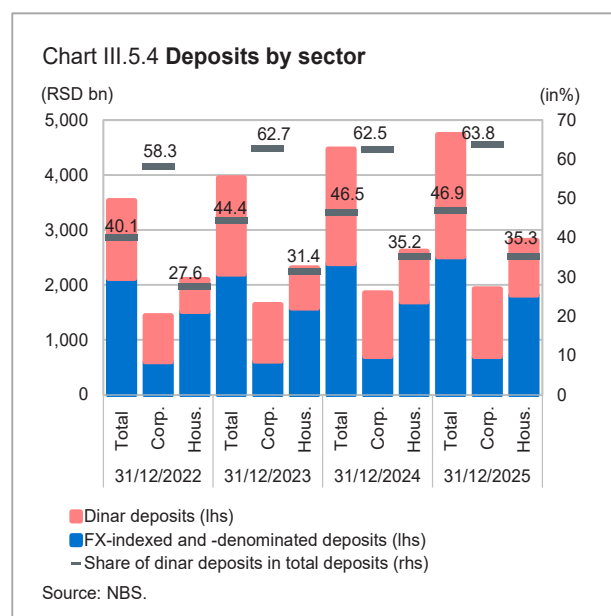
The rise in this indicator is associated primarily with the increase in cash loans, that are predominantly approved in dinars. They expanded on the back of a decline in dinar loan rates, induced by prior monetary policy accommodation and the effects of NBS's measures aimed at facilitating loan approval and repayment.

Among the abovementioned NBS's measures, especially important were interest rate caps for loans in both currencies, which are permanently regulated by the new Law on the Protection of Financial Service Consumers, as well as measures involving banks relating to the offer of cash, housing, consumer and refinancing loans at more favourable terms for lower-income households.

Corporate and household deposits dinarisation continued up in 2025 (by 0.4 pp) to the record-high 46.9% at year-end. The dinarisation increase was seen in both household and corporate segments.

In the **corporate** segment, this indicator rose notably in the period observed (by 1.3 pp) to the 63.8% peak

¹⁸ Decision on Capital Adequacy of Banks (RS Official Gazette, Nos 103/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020, 59/2021, 67/2022, 137/2022, 48/2023 and 110/2023, 102/2024, 41/2025, 70/2025, 101/2025 and 104/2025), Article 13a.



at year-end. Such movement reflected the growth in dinar deposits (by 6.0%), while FX deposits remained broadly unchanged.

The degree of dinarisation of **household** deposits kept its long-term rising trend. In September 2025, this indicator posted a record-high level (35.6%) but declined by the end of the year (to 35.3%), still remaining higher than at end-2024 (by 0.1 pp).

As for the currency composition of household deposits, dinar household deposits grew somewhat faster (by 7.8%), while FX deposits posted somewhat more moderate, but uninterrupted growth (7.3% in annual terms).

Especially important for deposit dinarisation was also the rise in dinar savings,¹⁹ which, though decelerating relative to prior years, remained significant (in 2025, this growth measured RSD 15.0 bn or 7.8%). At year-end, dinar savings reached the record amount of RSD 206.2 bn.

Dynamic growth in dinar savings was underpinned by their greater profitability compared to FX savings. According to the analyses that are regularly carried out and published by the NBS, thanks to the relative stability of the RSD/EUR exchange rate, higher interest rates on dinar than on FX savings, and the more favourable tax treatment of the interest on dinar savings (given that the interest on dinar savings is non-taxable), saving in dinars was more profitable than saving in euros, regardless of the terms, i.e. both in the short and long term, and the longer the term, the more remunerative dinar savings.

The measures and activities implemented and adopted by the NBS are expected to further boost dinarisation in the coming period.

6 Real estate market

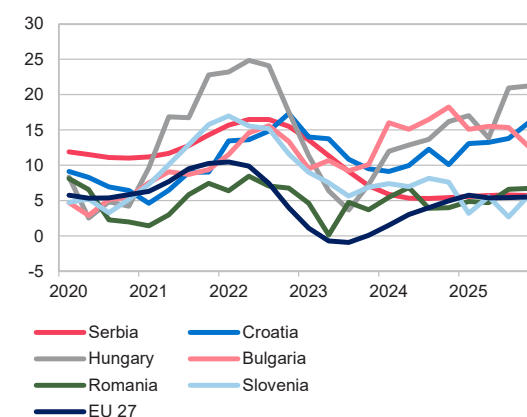
In 2025, the real estate market saw a further rise in value, sale/purchase transactions and prices.

According to data of the Republic Geodetic Authority, a total number of purchase/sale contracts in the real estate market in 2025 equalled 129,185, up by 1.8% compared to 2024. Total trading value in this market in 2025 came at EUR 8.1 bn, exceeding last year's figure by 8.6%.

The apartments market grew in 2025, both in terms of the number of purchase/sale transactions and the total value. The number of apartment purchase/sale agreements (49,771) went up by 5.5%, and the total market value (EUR 4.8 bn) by 17.4%, accounting for 60% of total money assets in real estate trade.

Data of the Republic Geodetic Authority indicate a continued **moderate rise in apartment prices**. The **average apartment price** in 2025 stood at 1,719 EUR/m² (1,717 EUR/m² for old and 1,706 EUR/m² for newly built apartments), up by 8.6% from a year ago. Measured by the apartment price index, the y-o-y growth rate of apartment prices in Q4 2025 rose by 5.7% for the whole of Serbia, with prices of both old and newly built apartments rising the same. In Belgrade, the prices rose 6.3% y-o-y.

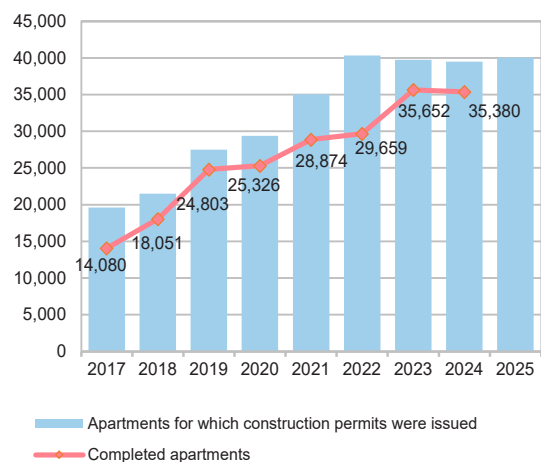
Chart III.6.1 Apartment price movements measured by the Apartment Price Index, in countries of the region
(y-o-y rates, in %)



Sources: Eurostat and Republic Geodetic Authority.

¹⁹Including non-resident savings.

Chart III.6.2 Number of issued construction permits and completed apartments



Source: SORS.

The number of credit-financed real estate purchases increased by 8 pp from 2024 – to around 31% of apartments purchased in 2025 (23% in 2024). Housing loans also rose on the back of the youth housing loan programme, which accounted for 35% of the housing loans increase in 2025.

As for the international environment, Q4 2025 Eurostat data show that apartment prices continued up in Serbia's regional peers as well, spiking in Hungary (21.2% y-o-y) and Croatia (16.1% y-o-y). In the EU, these prices went up by 5.5% y-o-y.

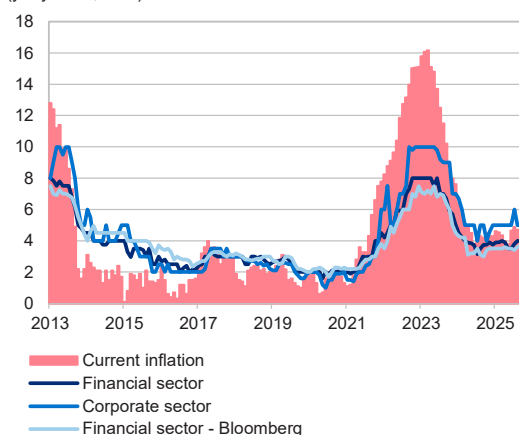
According to SORS data, the total number of building construction permits issued in 2025 (29,713 permits) edged down by 2.4%, and the value of total construction works on buildings by 3.9%. The number of apartment permits (40,021) rose by 1.3%.

7 Inflation expectations

Short-term inflation expectations of the financial sector moved within NBS target tolerance band in 2025, for the second year in a row, while the medium-term expectations have been within the band for a while now, which confirms the adequacy of the NBS monetary policy measures.

According to Ninamedia, one-year ahead inflation expectations of the financial sector in the January-December period, went down (with occasional oscillations) from 3.9% to 3.1%, their lowest level since September 2021. The expectations of almost all financial institutions were within the NBS target band throughout

Chart III.7.1 Current inflation and one-year ahead inflation expectations* (y-o-y rates, in %)



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

the period. According to **Bloomberg**, one-year ahead inflation expectations of the financial sector were for the major part of the year at 3.5%, while they averaged 3.6% in 2025 overall.

One-year ahead inflation expectations of the corporate sector moved at the level of 5.0% in most of 2025. The share of corporates expecting a rise in the prices of inputs in the next three, as well as in the next twelve months dropped by 12.2 pp and 3.8 pp, respectively. The share of those anticipating an increase in the prices of final products and services in the next three, as well as in the next twelve months also declined – by 7.0 pp and 10.1 pp, respectively.

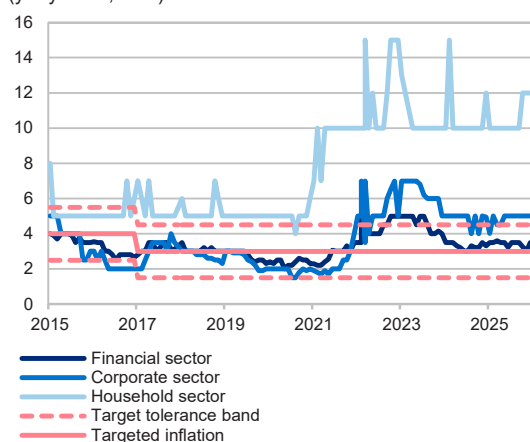
Short-term inflation expectations of households stood at 15.0% for most of the year. In November,

Chart III.7.2 Inflation perceived and expected by households* (in index points)



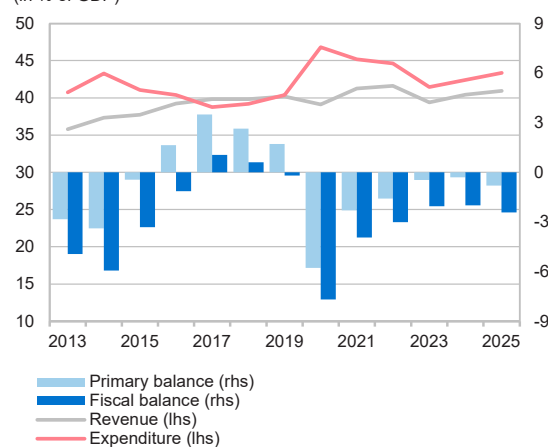
Sources: Gallup/Ipsos/Ninamedia and NBS.

Chart III.7.3 **Two-year ahead inflation expectations***
(y-o-y rates, in %)



Sources: Ipsos/Ninamedia and NBS.

Chart III.8.1 **Fiscal and primary balance of general government budget**
(in % of GDP)



Source: Ministry of Finance.

they increased to 18.0% but returned to 15.0% as early as in December. According to the qualitative survey, households expect inflation in the next twelve months to be lower than in the previous year, as indicated by the expected inflation index, which stood at 39.0 points in December and was below the perceived inflation index (56.1 points).

Two- and three-year ahead inflation expectations of the financial sector moved within the NBS target tolerance band, ranging from 3.0% to 3.5%. In H1 2025, **two- and three-year ahead expectations of the corporate sector** ranged between 4.0% and 5.0%, and, in June, they were both anchored at 5.0%. **Inflation expectations of households** for two and three years ahead measured 10.0% for the major part of the year. Since October until the end of the year, two-year ahead expectations measured 12.0% and three-year ahead expectations 11.0%.

8 Fiscal trends

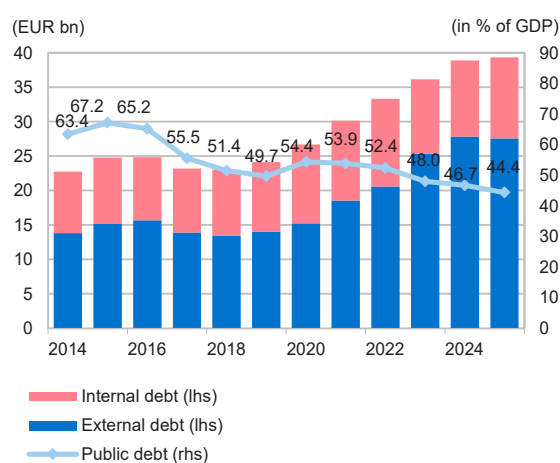
In 2025, **government deficit equalled 2.4% of GDP**, lower than planned (3.0% of GDP), while primary balance deficit came at 0.8% of GDP. This is a result of lower than planned expenditures for the purchase of goods and services, payment of interest and capital expenditures, but also higher than expected revenues from personal income and corporate profit tax, as well as excise revenues.

In 2025, public revenues increased by 4.0% in real terms, driven by the higher personal income tax amid a continued real rise in wages underpinned by higher

public sector wages and an increase in the minimum wage. A boost to budget revenues also came from one-off non-tax revenues, i.e. payment of NBS profit from 2024 and revenues from the auction for 5G licence, as well as VAT and excise revenues. **Public expenditures** recorded real growth of 5.0%, largely reflecting an increase in pensions and public sector wages as well as expenditures for the purchase of goods and services. Capital expenditures reached a record high level of RSD 715.4 bn.

The share of central government public debt in GDP came at 44.4% in December 2025, a 2.3 pp decline from end-2024. The decline was chiefly driven by the rise in nominal GDP and a decline in the dollar debt on account of the US currency's depreciation.

Chart III.8.2 **Public debt***



Source: Ministry of Finance.
* Central government.

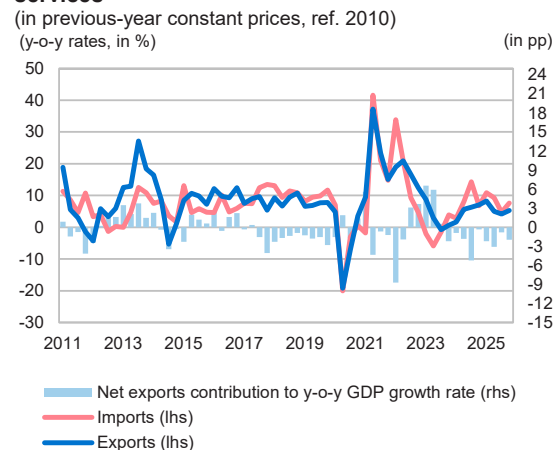
According to the **medium-term fiscal framework** presented in the Revised Fiscal Strategy for 2026 with Projections for 2027 and 2028, and in line with the 2026 budget, the fiscal policy will be moderately expansionary this year. The deficit in this and next year is projected at around 3% of GDP, after which it will gradually adjust to the fiscal rule in effect from 2029. Capital expenditures are projected to stay relatively high on account of investments planned under the “Leap into the Future – Serbia Expo 2027” programme and to range between 6% and 7% of GDP annually.

9 Aggregate demand

Real GDP growth came at 2.0% in 2025, driven by domestic demand, with a positive contribution coming from all its components. On the other hand, net exports provided a negative contribution to economic growth on account of a faster rise in imports than in exports.

Household consumption increased by 3.1% at the level of 2025, contributing 2.0 pp to GDP growth. Private consumption growth is indicated by the real retail trade turnover which went up by 4.3% in 2025, while the real turnover in catering increased by 0.1% from 2024. Household consumption growth is indicated also by the import of consumer goods in 2025, higher by 9.1% owing to a rise in disposable household income. On the other hand, the number of domestic tourist arrivals and overnight stays dropped in 2025 by 2.4% and 5.4%, respectively. Looking at the sources of private consumption, household consumption growth in 2025 was driven

Chart III.9.2 Exports and imports of goods and services



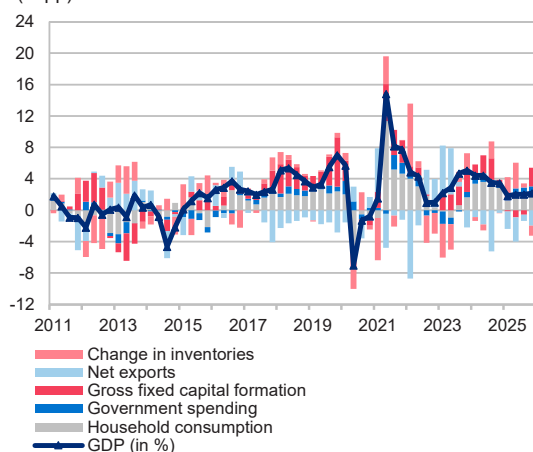
Sources: SORS and NBS calculations.

by its main source – the wage bill, which recorded a double-digit y-o-y growth of 11.4% in nominal terms, while the real wage bill growth reached 7.2% in 2025. At the same time, pensions grew by 11.0% in nominal and 6.8% in real terms. More favourable borrowing terms, resulting from the past NBS and ECB monetary policy easing and since September 2025 from supervisory measures aimed at securing more favourable borrowing terms for lower-income population groups, provided additional support to household consumption through the rise in loans intended for consumption which accelerated y-o-y growth to a double-digit level. Further, household remittances, having dropped in H1, recovered since early H2 and recorded 8.8% growth at the level of the year.

Government consumption went up by 3.1% in 2025 (with a 0.5 pp contribution to GDP), led by higher expenditures for public sector employees and procurement of goods and services. Accordingly, total domestic consumption increased by 3.1% y-o-y with a 2.5 pp contribution to GDP growth.

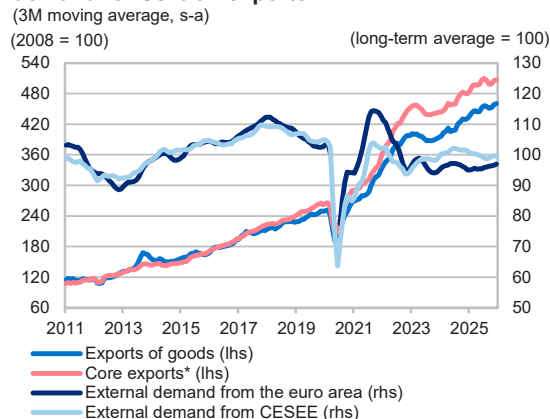
Private investments preserved positive dynamics in 2025 and rose by 1.2% despite pronounced global uncertainty and social and political tensions at home which weighed down on overall investment confidence. Investment growth is suggested by the 7.5% increase in the volume of production of capital goods, as well as the 2.5% rise in equipment imports in 2025. The production of construction materials went slightly up (0.3%). On the other hand, despite the initiated recovery at the end of the year, the value of executed works in 2025 declined by 5.4%, while

Chart III.9.1 Contributions to y-o-y GDP growth rate – expenditure side
(in pp)



Sources: SORS and NBS calculations.

Chart III.9.3 Movement of indicators of external demand for Serbian exports
(3M moving average, s-a)



Sources: European Commission, SORS and NBS.

* Core exports are exports excluding the exports of agricultural products, base metals, motor vehicles, petroleum products and electricity.

the number of issued construction permits dropped by 2.4%. As for the sources of investment financing, we estimate that the bulk of private investments was financed from own sources owing to high corporate profitability recorded in previous years (RSD 866 bn in 2024). Also, a part of investment was financed by FDI inflow, which amounted to EUR 3.5 bn in 2025. A part of this growth was supported by investment loans, which went up by 13.1% in 2025. Continued implementation of government-financed infrastructure projects helped **government investment** growth to pick up by 0.1% in 2025. Accordingly, total fixed investments went up by 0.8% in 2025, adding 0.2 pp to GDP growth.

We estimate that the rise in **inventories** had positively contributed to GDP growth in 2025, largely reflecting a relatively low last year's base, given that a large portion of inventories built up over previous years was used for domestic consumption and exports in 2023 and 2024.

On the other hand, **net exports** provided a 2.0 pp negative contribution to GDP growth in 2025, which was expected considering higher real import (8.0%) than export growth (5.6%) amid higher imports of consumer goods and tourist services as a result of increased disposable income, as well as stronger imports of raw materials, intermediate goods and equipment for investment cycle needs. Export growth was mainly driven by previous investments in tradable sectors, which significantly increased the export supply of the manufacturing industry.

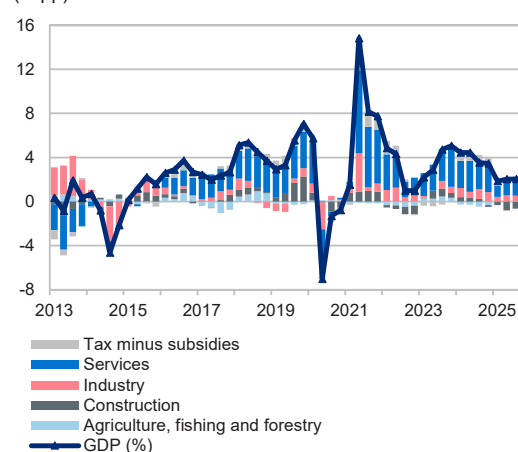
10 Economic activity

In 2025, economic activity was negatively affected by several factors: increased global uncertainty and social and political developments at home which acted as a drag on investment and consumer confidence, bad agricultural season and sanctions to NIS imposed in October. According to SORS estimate, real GDP growth came at 2.0% in 2025. Growth drivers were services, with a positive contribution coming from industry as well. Agriculture exerted an almost neutral influence on economic activity, while the construction sector recorded a decline at the level of the year, despite recovery in Q4.

Service sectors, collectively, went up by 2.7% in 2025, with a 1.5 pp GDP growth contribution. This is indicated primarily by trade data, as the real retail trade turnover went up by 4.3% in 2025. Real turnover in catering also went up – by 0.1% in 2025. Higher activity in the ICT sector indicates further upward trend in the export of this group of products, which continued to record double-digit growth rates (10.2% in 2025). Data on tourist turnover show that the number of tourist arrivals and overnight stays dropped relative to 2024, by 1.9% and 3.0%, respectively.

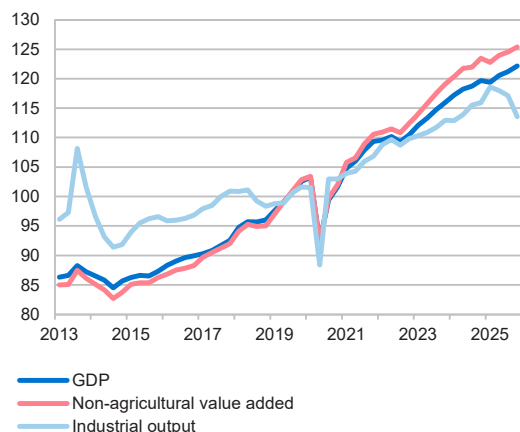
Industrial production growth came at 1.1% in 2025, driven by manufacturing and mining, while receiving headwinds from the **energy sector** where the volume of production contracted by 1.8%. The rise in manufacturing in 2025 reached 1.1% and it would have been even higher had it not been for the US sanctions to NIS on account of its majority Russian ownership. The volume of production increased in 10 out of 24

Chart III.10.1 Contributions to y-o-y GDP growth rate – production side
(in pp)



Sources: SORS and NBS calculations.

Chart III.10.2 **Economic activity indicators**
(s-a data, 2019 = 100)



Sources: SORS and NBS calculations.

branches of manufacturing, and the strongest positive contribution came from the production of motor vehicles (up by 35.4%) and rubber and plastic products (16.7%), which can be associated with the onset of serial production of electric vehicles in Kragujevac and automobile tyres. The highest negative contribution to manufacturing growth stemmed from the reduced volume of production of clothing, coke and petroleum products, as well as from the decline in the production of domestic machinery. The volume of production in **mining** grew by 4.7% in 2025 owing to the accelerated pace of coal and metal ore exploitation.

The **construction** sector recorded a fall in 2025 (5.5%) due to a reduced volume of activity in the first three quarters which could not be offset by a rebound

of 10.6% y-o-y in Q4. The decline in construction is indicated by the value of executed works, which went down by 5.4% in 2025, and the number of issued construction permits, which dropped by 2.4% from 2024. On the other hand, the import of construction materials increased by 3.8% in 2025, while its production edged up by 0.3%.

As for **agriculture**, SORS data on preliminary GDP growth estimate in 2025 indicate a mild decline in agricultural production at the level of the year (-0.3%) and a neutral contribution to GDP as the production of most autumn crops and fruits was lower than in 2024.

Owing to the increase in consumption and tax revenues, **net taxes** rose by 3.5%, contributing 0.6 pp to GDP growth.

11 Wages and employment

The labour market was relatively stable in 2025, recording a mild y-o-y decrease in employment and registered unemployment, but also a continued rise in the average and minimum wage.

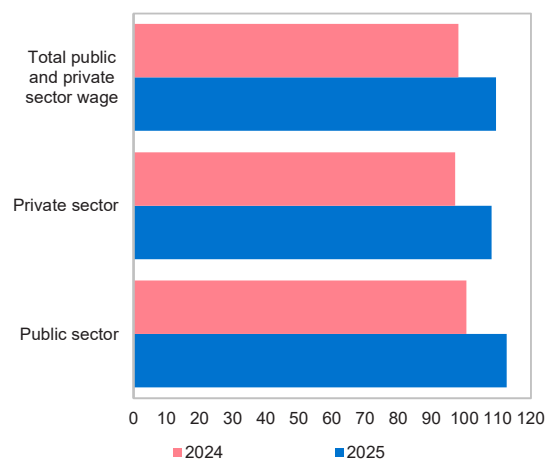
At the level of entire 2025, the average **nominal net wage** amounted to RSD 109,462, having increased by 11.5%. Public sector wages rose somewhat faster (12.1%) than those in the private sector (11.3%), but the gap between them stayed almost unchanged relative to 2024, at 1.04. Minimum labour cost increased early in the year to RSD 308 per hour, while an extraordinary raise in October pushed it up

Chart III.10.3 **Construction activity indicators**
(quarterly averages s-a, 2019 = 100)



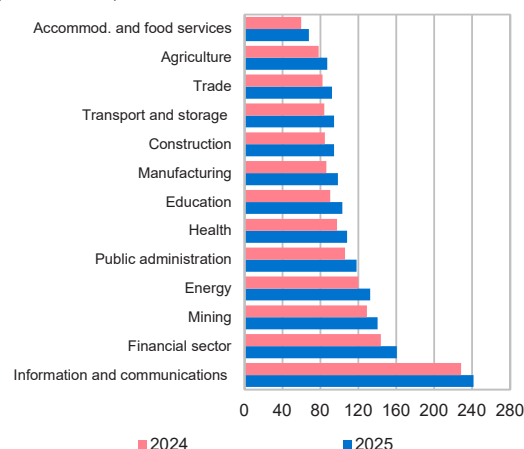
Sources: SORS and NBS calculations.

Chart III.11.1 **Average nominal net wage**
(RSD thousand)



Source: SORS.

Chart III.11.2 Average nominal net wage by economic sector (RSD thousand)



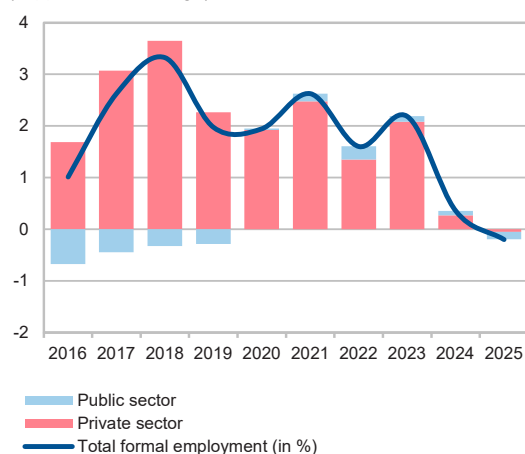
Source: SORS.

to RSD 337 per hour. As a result, the minimum wage exceeded the level of EUR 500 for the first time since we have comparable data. Median net wage averaged RSD 84,623 in 2025, which is a 12.0% increase from 2024.

In 2025, the y-o-y growth in wages remained broadly dispersed, with a double-digit increase in almost all sectors (except for mining and ICT). The sharpest rise was recorded by education (14.2%), art, entertainment and recreation (14.1%) and manufacturing (13.9%).

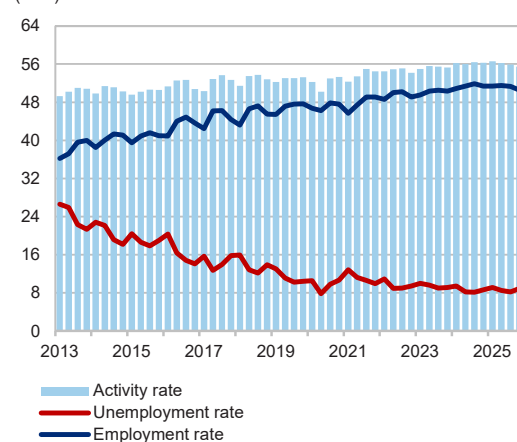
As a dominant source of consumer demand, the total nominal **net wage bill** expanded by 11.4% in 2025, entirely thanks to the nominal wage growth in all sectors.

Chart III.11.3 Composition of y-o-y growth in formal employment (in pp, annual average)



Source: SORS and NBS calculations.

Chart III.11.4 Labour market indicators under the Labour Force Survey* (in %)



* Data from 2021 in accordance with the 2022 Census.
Source: SORS.

We estimate that the **overall economic productivity** rose by 2.2% in 2025 primarily as a result of economic activity growth.

Formal employment in 2025 declined by around 5 thousand on average (0.2%) on account of a decrease in employment with legal entities (by around 7 thousand) and individual farmers (by around 4 thousand), while, at the same time, employment with entrepreneurs went up (by around 6 thousand). Formal employment went down in both private and public sector. Private sector employment stood at around 1.75 mn persons on average, recording a 0.1% y-o-y decline. Average employment in the public sector in 2025 came at around 611 thousand persons, having dropped by 0.6% from 2024.

In 2025, the highest number of new recruits on average was recorded in administrative and service activities, as well as in the ICT sector (by around 11 thousand and 3 thousand, respectively), followed by catering (by around 2 thousand). When observing the dominantly private sector activities, it can be concluded that in 2025, registered employment decreased the most in manufacturing and professional, scientific, innovation and technical services (by around 12 thousand and 5 thousand, respectively). A decline in public sector employment was entirely caused by the reduction in public administration employment, while the education and health sectors recorded a rise in employment numbers.

The multiannual trend of **registered unemployment** decrease continued into 2025. Registered unemployment

came at 346,459 on average, its lowest level on record and down by around 25 thousand from the year before according to the National Employment Service.

According to the LFS, inclusive of both formal and informal labour market segments, the working age (15–64) participation rate in Q4 2025 stood at 72.7%, while the activity rate of population older than 15 measured 55.5%, both rates marking a 0.2 pp and 0.8 pp decrease relative to the same period in 2024, respectively. The unemployment rate of 8.9% in Q4 2025 went up by 0.3 pp y-o-y, while the employment rate dropped by 0.9 pp in the same period, to 50.5%.

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