

MONETARY POLICY PROGRAMME OF THE NATIONAL BANK OF SERBIA IN 2025

1. Pursuant to the Law on the National Bank of Serbia, the primary objective of the National Bank of Serbia is to achieve and maintain price stability. Without prejudice to the achievement of this objective, the National Bank of Serbia contributes to the maintaining and strengthening of financial system stability and to sustainable economic growth.
2. The monetary policy objective of the National Bank of Serbia is defined numerically as the annual percentage change in the consumer price index at 3.0%, with a tolerance band of ± 1.5 pp. In cooperation with the Government, the National Bank of Serbia has set the target at that level until the end of 2027.¹ By preserving price stability in the medium run, the National Bank of Serbia contributes to the further improvement of the business and investment environment, and hence to employment growth, improved competitiveness of our economy and higher living standard of our citizens. Low and stable inflation in the medium term also contributes to the greater use of the dinar in the domestic financial system, which increases monetary policy efficiency and reduces the exposure of economic agents to foreign exchange risk.
3. The National Bank of Serbia will strive to achieve the defined inflation target by using the instruments available within the inflation targeting regime, as the monetary strategy applied since the beginning of 2009. In its monetary policy decision-making, the National Bank of Serbia will assess the nature and strength of the impact of factors from the domestic and international environment, including climate change effects on inflation, and, consistent with this, maintain the necessary monetary policy flexibility regarding the scope of response and use of instruments, so as to ensure efficient functioning of the transmission mechanism and deliver price stability in the medium term, while contributing to the overall macroeconomic and financial stability.
4. The main monetary policy instrument remains the key policy rate, as the highest interest rate at which the National Bank of Serbia may withdraw excess dinar liquidity through the main open market operations – one-week reverse repo operations. Owing to the conduct of repo auctions under the variable multiple interest rate method, by determining the amount of liquidity it wishes to withdraw and, by affecting indirectly the weighted average repo rate, the National Bank of Serbia can adjust monetary conditions even between meetings of the Executive Board of the National Bank of Serbia, without changing the main interest rates – which enables flexibility in the conduct of monetary policy.
5. The National Bank of Serbia will contribute to regulating the level of liquidity in the banking sector with its reserve requirement policy. The reserve requirements will also be used as a prudential instrument that encourages greater use of the dinar and long-term sources of funding in the financial system.
6. The National Bank of Serbia will continue to pursue the managed floating exchange rate regime. It will intervene in the interbank foreign exchange market to ease volatility of the exchange rate of the dinar against the euro, preserve price and financial stability, and maintain an adequate level of foreign exchange reserves.

¹Memorandum on the National Bank of Serbia's Inflation Target until 2027, adopted at the Executive Board meeting of 12 December 2024.

7. At a level considerably above the one determined as adequate, the country's foreign exchange reserves are an important element of the resilience of the domestic economy to external uncertainties and a buffer against external risks. In 2025, the National Bank of Serbia will remain consistent in keeping adequate structure and level of foreign exchange reserves, guided in their management primarily by the principles of safety and liquidity.
8. The National Bank of Serbia will implement microprudential and macroprudential policy activities in order to maintain financial system stability and prevent and mitigate systemic risk, making sure to implement them transparently and without impairing the efficiency of the main monetary policy instrument. In this regard, the National Bank of Serbia will regularly implement regulatory measures and activities aimed at identifying potential risks – external and internal, and will test the resilience of the financial system to macroeconomic and systemic risks. The maintained financial stability will support the strong positive feedback loop between the financial and the real sector going forward as well.
9. The National Bank of Serbia will maintain a comprehensive approach and proceed with the activities aimed at reducing the existing and preventing new non-performing loans. Preserving their low and sustainable level contributes to increasing monetary policy efficiency and further growth in lending activity on sound and sustainable grounds.
10. The National Bank of Serbia will continue to help financial service consumers in the exercise of their rights by implementing individual and collective protection procedures as well as to improve the segment of financial service consumer protection by amending relevant regulations, thus contributing to financial stability at large.
11. The National Bank of Serbia will continue implementing the dinarisation strategy in line with the Memorandum on the Dinarisation Strategy.² With preserved macroeconomic stability, as its first pillar, the National Bank of Serbia will contribute to a greater use of the dinar in the financial system. A higher degree of dinarisation is conducive to a more favourable rating of the country and its further improvement. In the coming period, the activities of the National Bank of Serbia will be aimed at further development of the local financial market, greater use of FX hedging instruments and greater use of the dinar in domestic economic flows. The National Bank of Serbia will continue to support the process of dinarisation by establishing appropriate means of financial collateral for monetary operations (accepting as collateral only dinar securities of appropriate issuers), by its reserve requirement policy and other prudential measures, as well as by promoting savings in the domestic currency.
12. Continuously stable and efficient performance of payment and card systems operated by the National Bank of Serbia ensures smooth functioning of payment operations in the country, helps accelerate money flows in the market, and contributes to monetary policy efficiency. In the period ahead, the National Bank of Serbia will keep up its effort to develop cashless payments in the payment services market, contributing to the digitalisation process.
13. Without any prejudice to its own independence, the National Bank of Serbia will continue to pursue a monetary policy aligned with fiscal policy and with the structural

²The Strategy of Dinarisation of the Serbian Financial System was adopted in March 2012 and was upgraded with the Memorandum on the Dinarisation Strategy, signed by the National Bank of Serbia and the Government of the Republic of Serbia in December 2018.

policies of the Government of the Republic of Serbia, as their joint goals are to ensure medium-term price and financial stability as well as sound public finances, and thus, long-term sustainable economic growth. This will reinforce the resilience of our economy to any negative effects from the international environment, which is of paramount importance in times of heightened global uncertainty and pronounced risks.

14. In cooperation with the Government of the Republic of Serbia, the National Bank of Serbia will remain committed to the European integration process, contributing to the fulfilment of all obligations of the Republic of Serbia arising from the European Union accession process.
15. Communication with the public is an important part of the National Bank of Serbia's monetary strategy as it contributes to greater monetary policy efficiency, inflation expectations anchored within the target band, and, by extension, to increased resilience to external uncertainties. Being accountable and transparent, the National Bank of Serbia will continue to communicate with the public through a) press releases, b) press conferences, c) official accounts on social networks, d) the Inflation Report, d) the Financial Stability Report, and e) other publications.