



National Bank of Serbia

Introductory speech at the presentation of the
Inflation Report – November 2025

Dr Jorgovanka Tabaković, Governor

Belgrade, 19 November 2025

Ladies and gentlemen, esteemed members of the press, dear colleagues,

Welcome to the presentation of the November *Inflation Report* where we will give you a summary of our views of the current macroeconomic movements, new macroeconomic projections and monetary policy decisions made in the period since the previous *Report*.

Before I move on to the specific numbers and projections, allow me to briefly reflect on the developments in the international environment that have left their mark on the period since our last meeting in August. Here I primarily mean the growing protectionism and trade policies of leading world economies, which have been the major source of global uncertainty for almost a year, as well as the still pronounced geopolitical tensions that have repercussions on Serbia too.

Though it may seem that the world economy has so far demonstrated admirable resilience to the shocks it has been exposed to, there are still fears that the consequences of increased tariffs for the global economy could be much more serious in the coming period than expected, causing halts in global supply chains and dampening investment and consumer confidence. In addition, prolonged conflict in the Middle East and Ukraine, as well as the tight situation in the Caribbean Sea, are further fuelling the volatility of prices of primary commodities globally, limiting trade and investments among countries. Pronounced geopolitical tensions are also taking their toll on Serbia, evident in the enforcement of sanctions against NIS due to its majority Russian ownership. An additional challenge comes from announcements that in order to protect its output, the European Union could cut quotas for importing steel from other countries, including Serbia. Still, even in such complex circumstances, I am hopeful

Chart 1 Indicators of global uncertainty
(index)

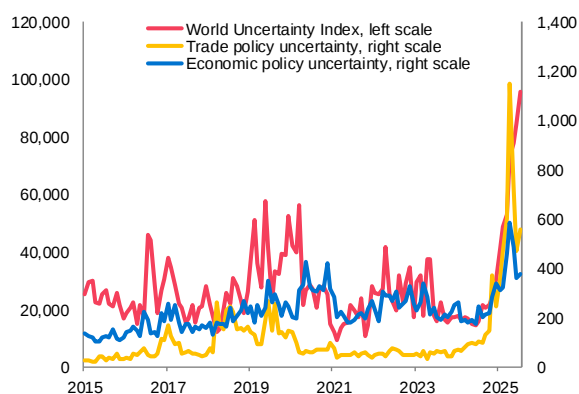
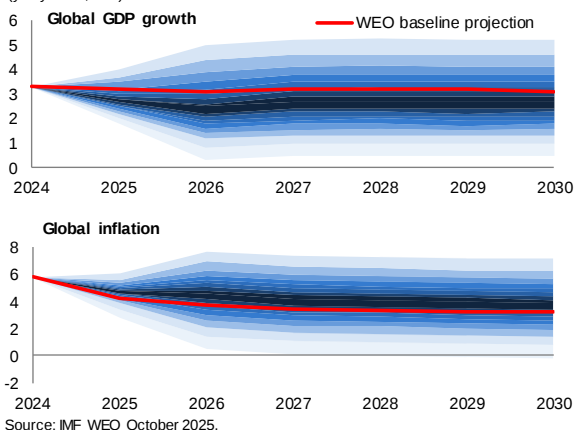


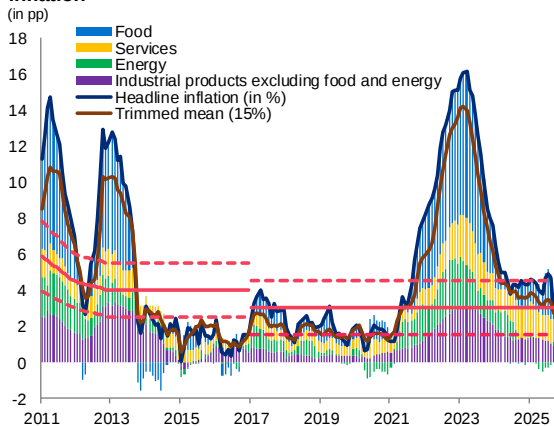
Chart 2 Uncertainty surrounding global growth and inflation
projections
(y-o-y rates, in %)



that our responsible conduct of economic policy, strengthened fundamentals and built-up reserves will help us maintain favourable growth prospects and show a high level of resilience to external risks, as has been the case so far.

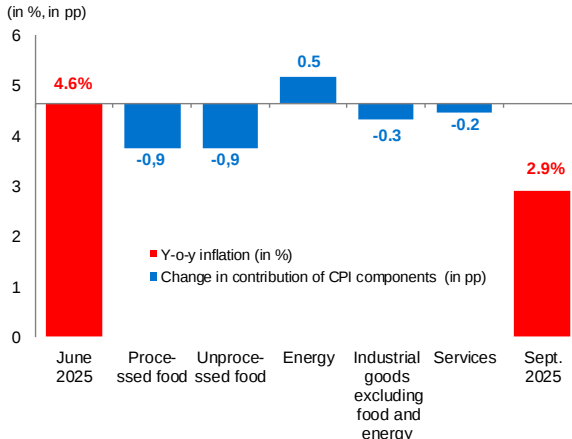
Having trended around the upper bound of the target tolerance band over the previous months, y-o-y inflation slowed significantly in September, to 2.9%, and then in October to 2.8%. Inflation mostly decelerated under the impact of the effects of the Decree on Special Conditions for Trade in Certain Types of Goods, which capped trade margins on food items and certain household cleaning products at 20% for a period of six months, starting from September. Of 167 items making up the food component of inflation, 147 items recorded a monthly price decrease in September, therefore y-o-y growth of prices of food and non-alcoholic beverages dropped to 1.7%, from 7.8% in August. More details about the effects of the Decree are available in one of our text boxes in the *Report*. Another text box elaborated on the degree of cost pass-through to prices along the industrial food products chain, concluding that in general, the effect on prices was stronger when the costs increased, compared to when they weakened. However, we estimate that inflation would have slowed even without the adoption of the Decree. This view is substantiated by core inflation (calculated excluding the prices of food, energy, alcohol and cigarettes), which slowed to 3.9% in September, and then to 3.8% in October, because of both decelerating prices of industrial products and slower growth in services prices.

Chart 3 Contribution of main CPI components to y-o-y inflation (in pp)



Sources: SORS and NBS calculation.

Chart 4 Y-o-y inflation and change in the contribution of main CPI components to y-o-y inflation (in %, in pp)



Sources: SORS and NBS calculation.

According to our new central projection, while the Decree is in force, i.e. until end-2025 and in early 2026, y-o-y inflation will move below or around the central midpoint. In the remaining part of 2026 and over the medium term, y-o-y inflation should continue to

move within the bounds of the target tolerance band of $3\pm1.5\%$, with low base from September 2025 resulting in inflation measuring around 4% at end-2026. In addition to the effects of this Decree and the establishment of an appropriate legal framework to enhance market regulation and prevent the emergence of unfair trading practices aimed at preserving price stability, the continued easing of cost-push pressures from the international environment will also influence inflation to move within the target boundaries. Also, the arrival of the new agricultural season, assuming that it turns out better than this year's, should have a disinflationary effect, leading to lower fruit and vegetable prices. Increase in wages and, by extension, disposable income for consumption, should act in the opposite direction, though we do not anticipate major inflationary pressures on this account as wage growth will be accompanied by growth in productivity to a significant extent.

Chart 5 Inflation projection
(y-o-y rates, in %)

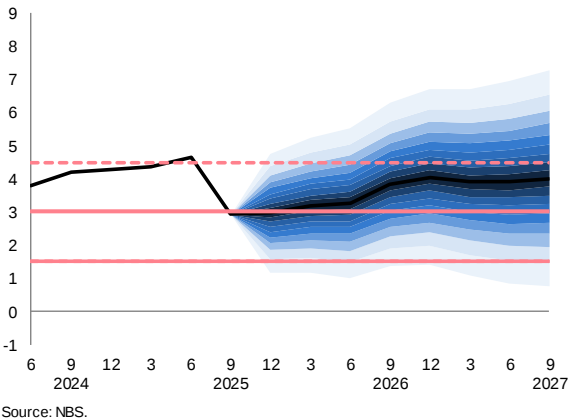
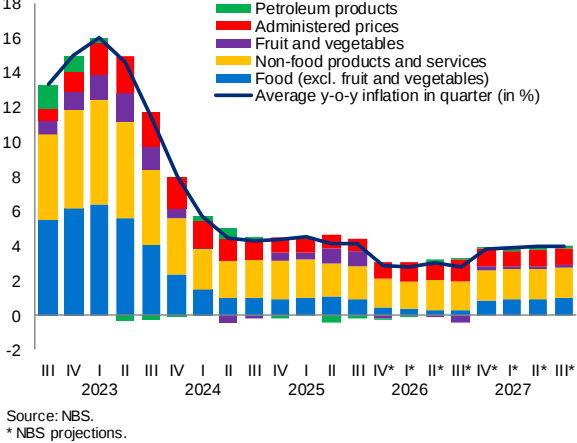


Chart 6 Contributions to y-o-y inflation by component
(average y-o-y rates, in pp)

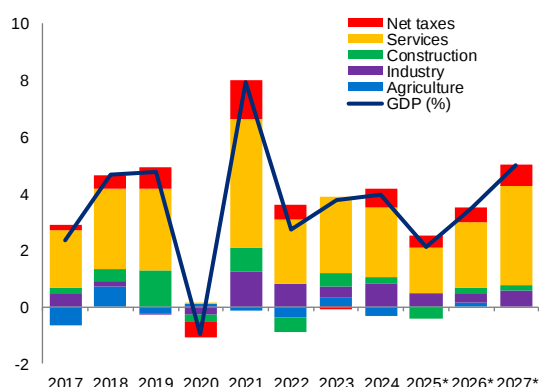


In Q3, economic activity upheld the 2% y-o-y growth dynamic from the first half of the year, whereas our August projection expected it to pick-up significantly. Although growth in production and exports in the automotive industry continued as expected, the services sector did not recover to the extent we had anticipated, and activity in the construction sector continued to decline. Furthermore, data from the Serbian Statistical Office on the production of certain autumn crops indicate that this year's agricultural production was at a similar level to last year's or slightly lower, whereas in August we had estimated a slight increase. Taking all of this into account, the GDP growth in the

third quarter was lower than expected, therefore we now estimate that annual growth will measure 2.1%.

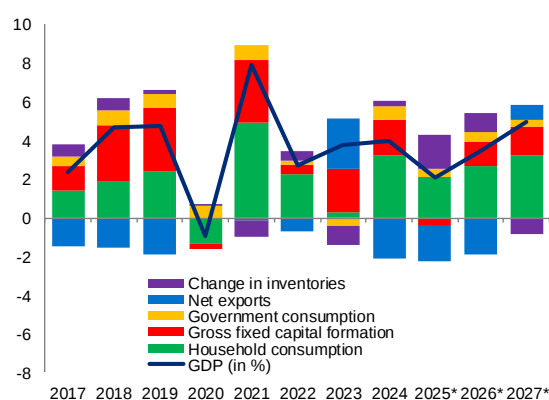
Prolonged global uncertainty, rising protectionism, and pronounced geopolitical tensions, coupled with socio-political tensions within the country, are resulting in a weaker carry-over effect of trends from this year into the next. Consequently, our GDP projection for 2026 is now 3.5%. This growth will be driven by domestic demand, with both consumption and fixed investments making positive contributions. Consumption growth will be supported by higher disposable income resulting from increased wages and pensions, as well as more favourable credit conditions. Meanwhile, the implementation of infrastructure projects planned under the “Leap into the Future – Serbia Expo 2027” programme will contribute to investment growth. Due to faster projected growth in imports compared to exports, in an environment of still weak external demand, coupled with growth in investments and disposable income, we expect a negative contribution from net exports. Furthermore, potential limitations in the production and export of oil and base metals, alongside stronger effects of trade and geopolitical tensions on consumer and investment confidence, could result in growth lower than projected, potentially closer to 3%. You can read about this in more detail in one of our text boxes, where, as usual, we analyse alternative scenarios for our projections. In 2027, we project GDP growth to measure around 5%, with the acceleration in its momentum compared to 2026 being driven by increased service exports due to the hosting of the specialised international exhibition “Expo 2027.”

Chart 7 Contributions to real GDP growth, production side
(in pp)



Sources: SORS and NBS calculation.
* NBS estimate.

Chart 8 Contributions to real GDP growth, expenditure side
(in pp)



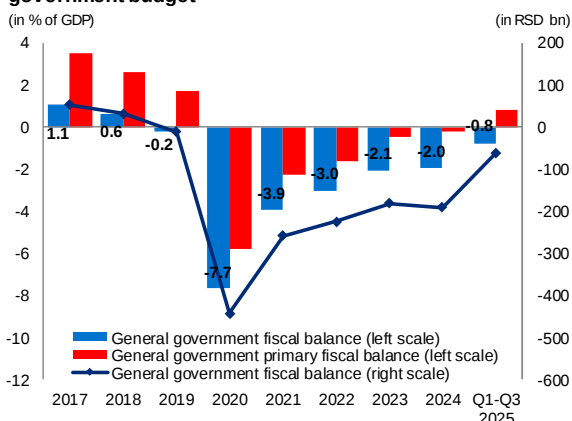
Sources: SORS and NBS calculation.
* NBS estimate.

Despite somewhat weaker economic growth prospects this year than initially expected, both the fiscal and external positions have been preserved. This, along with the built-

up reserves, indicates the resilience of our economy to external challenges. The fiscal deficit in the first nine months of this year stood at 0.8% of GDP, with an equivalent primary budget surplus. Although the medium-term fiscal framework projected a fiscal deficit of 3% of GDP by end-2027, we believe this will not disrupt the declining trajectory of the public debt-to-GDP ratio, which fell to 43.4% at the end of September. Furthermore, within the new framework, capital expenditures maintain a relatively high share, in the range of 6–7% of GDP, which contributes to the growth of output potential.

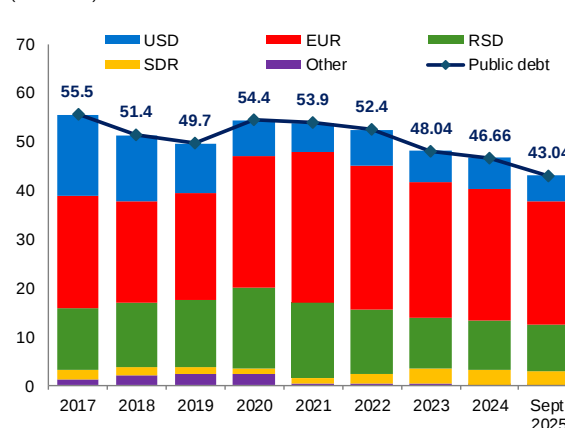
The 2025 current account deficit will most probably be lower than projected in August and will measure around 5% of GDP. Goods exports gained 9.5% y-o-y in the nine months of the year, guided by increased exports of the manufacturing industry, where 19 out of 23 branches posted growth and branches associated with the automotive industry – production of motor vehicles, and of rubber and plastic – provided the strongest impulse. Goods imports increased somewhat more slowly, at a y-o-y rate of 8.0%, on the back of imports of intermediate and consumer goods. The narrowing of the surplus on trade in services reflected primarily higher net imports of tourist services, with exports of information-communication services continuing to rise at double-digit rates. The largest inflow on the financial account came from FDIs, measuring EUR 2.5 bn in the nine months of the year. Residents stepped up their investment abroad, which resulted in a net inflow of EUR 1.5 bn on this account. FDI inflows declined from a year earlier in other countries of the region as well, as global uncertainty surged amid tighter trade policies and marked geopolitical tensions. In Serbia, FDI inflows were also lower due to one-off inflows from last year and the social and political tensions which led to the deferral of some investments.

Chart 9 Fiscal and primary balance of the general government budget



Source: Ministry of Finance.

Chart 10 Public debt (central government)
(in % of GDP)



Source: Public Debt Administration.

Chart 11 Current account and FDI projection
(in % of GDP)

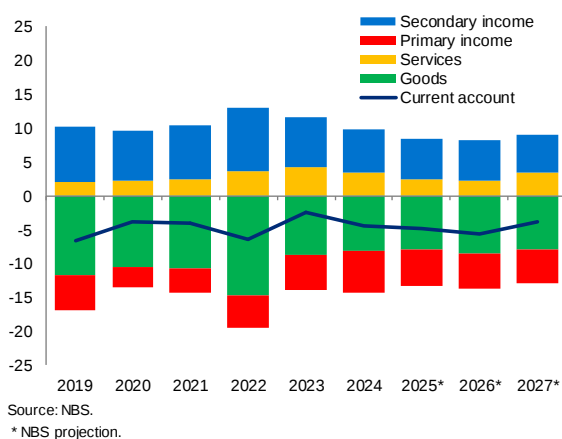
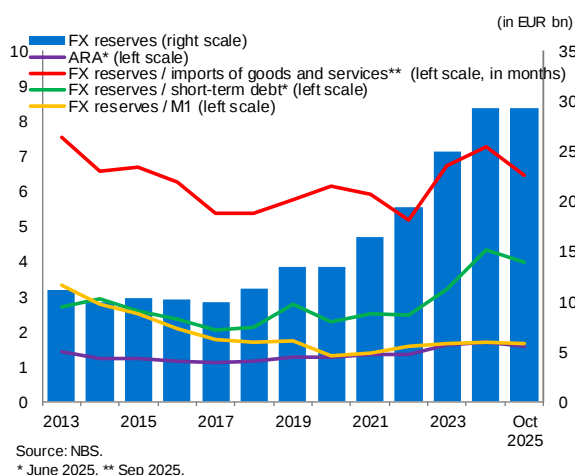


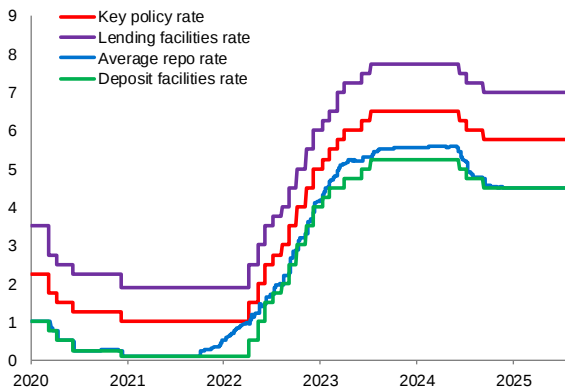
Chart 12 FX reserves and relevant adequacy indicators



Appreciation pressures prevailed in Q3 as well. In order to preserve the relative stability of the dinar exchange rate against the euro, the NBS mostly acted as a net FX buyer in the FX market. In October, however, heightened FX demand of domestic corporates gave rise to occasional depreciation pressures. Since the start of the year until end-October, net FX purchases by the NBS equalled EUR 355 mn. Together with a higher price of gold, this pushed the country's FX reserves past their record-high end-2024 level, to EUR 29.4 bn at end-October. Being well above reserve adequacy metrics, FX reserves are an important pillar of defence against external risks. The share of gold holdings in FX reserves reached around 20% and the quantity of gold – over 52 tonnes, these being the highest levels on record.

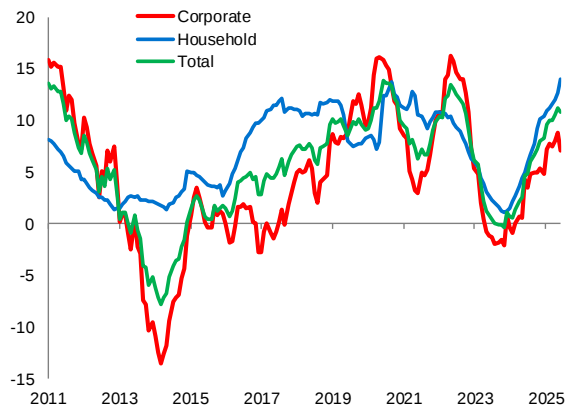
In the period since the previous *Report*, we have kept the key policy rate on hold – at 5.75% since September 2024. Our decision to keep the key policy rate unchanged was guided by current and projected inflation, but primarily by the still present geopolitical and trade tensions among major global economies, which could affect primary commodity prices, supply chains and capital flows. Moreover, in the conditions of achieved price and financial stability, our measures and activities have continued to support economic growth also through maintaining the relative stability of the exchange rate and more favourable credit financing conditions. This has resulted in double-digit y-o-y growth in lending to the corporate and household sectors, which reached 12.8% in September.

Chart 13 Key policy rate and average repo rate
(in %)



Source: NBS.

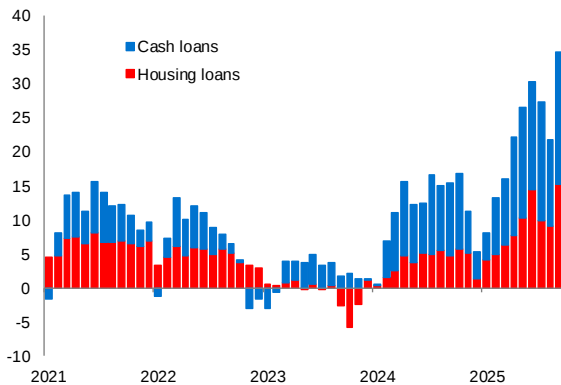
Chart 14 Corporate and household lending
(y-o-y growth rates, in %, at constant exchange rate, 30 September 2024)



Source: NBS.

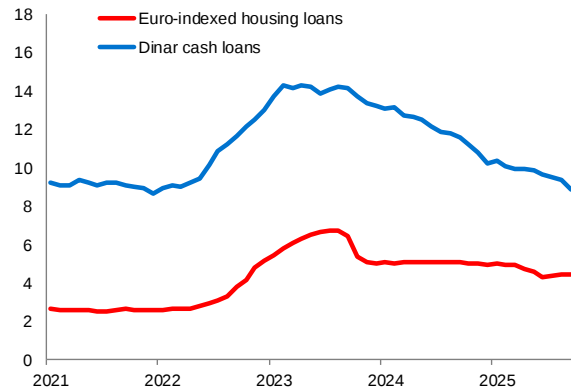
In connection to this, I would like to remind you that, following the systemic regulation of interest rate caps on household borrowing through amendments to the Law on the Protection of Financial Service Consumers, the NBS facilitated a further reduction in interest rates on cash and consumer loans for lower-income employees and pensioners, effective from September, which has led to a lowering of the weighted average interest rate on dinar household loans to 8.8%. The NBS also enabled the implementation of the Youth Housing Loan Programme with terms more favourable than market conditions, and the reduction of interest rates for first-time homebuyers by up to 0.5 pp. Alongside the effects of past monetary policy easing, these measures helped accelerate y-o-y growth in household lending to 16.1% in September. One of the text boxes in this *Inflation Report* details the effects of these measures. Still, from the standpoint of safeguarding price and financial stability, it should be emphasised that all measures were designed to prevent excessive household indebtedness, including by capping the maximum cash and consumer loan amount eligible for more favourable terms at RSD 1 mn. Lending to the corporate sector also grew faster in Q3, reaching 9.0% y-o-y in September, driven primarily by working capital and investment loans. The expansion of lending, combined with the preservation of bank asset quality, led to the NPL share in total loans declining to a new low of 2.2%.

Chart 15 **Monthly increase in cash and housing loans**
(in RSD bn, excluding the exchange rate effect)



Sources: NBS.

Chart 16 **Interest rates on new cash and housing loans**
(weighted average values, per annum, in %)



Source: NBS.

In the savings month, it is important to note that our household savings have been on a steady rise. In the past thirteen years, dinar savings have increased almost twelvefold, to over RSD 206 bn at end-October, while FX savings doubled to close to EUR 16 bn. This is an indicator of confidence in the domestic financial sector and of healthy sources of future lending growth.

None of this would have been possible without the committed work of the people in our institution. We have been very successful in fulfilling all our legal mandates, but we also made sure to resolve all issues important for our citizens. Most of all, I am referring to our mandate in the area of monetary policy and financial stability which we have fulfilled to the maximum extent, in the face of difficult global circumstances such as slower world growth, pronounced trade tensions and stubborn inflationary pressures. It is precisely these facts that were taken into account by the Global Finance international magazine at the time of grading the work of governors worldwide and ranking me, the Governor of the National Bank of Serbia, among central bankers with the highest grade for 2025. Of the European governors, the highest grades (A+, A or A-) were awarded only to the governors of the central banks of Denmark (A+), Czech Republic (A-), European Central Bank (A-) and Serbia (A-). This recognition confirms that, as is often highlighted in the press releases issued by the IMF and credit rating agencies, we are pursuing an appropriate and responsible monetary policy, in circumstances which have probably never been as complex and challenging. I am proud of this recognition, which is not only intended for me as the governor, but for my entire team and the people in the National Bank of Serbia who share the same

commitment, the same values and the same goal – to live and work in a stable, reliable and prosperous Serbia.

Ladies and gentlemen, dear colleagues,

We will continue to work along the same lines in order to keep inflation stable and as low as possible, and to safeguard the interests of our citizens, but also of our corporates, as this is the only way that we can speed up our economic growth. We have demonstrated that, even in challenging times, we have been able to develop the right mix of economic measures and policies and to produce results, and we will continue to do so in the future.

In the remainder of the conference, my colleagues from the Economic Research and Statistics Department will present our projections in more detail. After that, we will be happy to answer any questions you may have.

Central Banker Report Cards 2025

Europe

Country	Banker	2025 Grade	2024 Grade
Albania	Gent Sejko	B	N/A
Armenia	Martin Galstyan	B	N/A
Belarus	Roman Golovchenko	TETS	N/A
Bosnia & Herzegovina	Jasmina Selimović	B	TETS
Bulgaria	Dimitar Radev	B+	B
Czech Republic	Aleš Michl	A-	B+
Denmark	Christian Kettel Thomsen	A+	A+
European Union	Christine Lagarde	A-	A-
Georgia	Natia Turnava	C	D
Hungary	Mihály Varga	TETS	N/A
Iceland	Ásgeir Jónsson	B-	B
Norway	Ida Wolden Bache	B+	A-
Poland	Adam Glapiński	B	C
Romania	Mugur Isarescu	B-	B+
Russia	Elvira Nabiullina	N/A	N/A
Serbia	Jorgovanka Tabaković	A-	N/A
Sweden	Erik Thedéen	B	A-
Switzerland	Martin Schlegel	TETS	N/A
Turkey	Fatih Karahan	B	TETS
Ukraine	Andriy Pyshnyy	N/A	N/A
United Kingdom	Andrew Bailey	B-	B+

* TETS (To Early To Say).

Source: Global Finance.