NATIONAL BANK OF SERBIA
Economic Research and Statistics Department

TRENDS IN LENDING

Fourth quarter 2021

Belgrade, March 2022

Introductory note

Trends in Lending is an in-depth analysis of the latest trends in lending, which aims to ensure better understanding of the conditions prevailing in the domestic lending market. It looks into lending developments, cost of borrowing by households and corporates and lending market conditions, by examining factors behind loan supply and demand.

Credit aggregates, as a quantified expression of movements in the lending market, are calculated based on banking sector balance sheet statistics as a source of data on the balance of domestic banks' loan receivables. Given the relatively high share of foreign currency-indexed loans in loan portfolios, the increment and growth rates are calculated excluding the effect of changes in the dinar exchange rate against other currencies in the loan portfolio.

The report also draws on the results of the bank lending survey conducted by the National Bank of Serbia since early 2014. Participation in the survey is voluntary. This survey has greatly improved the understanding of developments in the domestic lending market, allowing insight into bankers' perceptions of actual and expected changes with regard to loan supply and private sector loan demand.

The report also relies on the results of the survey developed by the European Investment Bank in the context of the Vienna Initiative 2 to monitor deleveraging by cross-border banking groups and the resultant constraints on lending activity. This survey, conducted since October 2012 on a semi-annual basis, monitors subsidiaries of international banking groups in Central and South-Eastern Europe, focusing on their strategies, market conditions and expectations. The purpose of the survey is to observe the effects of movement in supply and demand on lending activity, and to gauge the impact of domestic and international factors on supply and demand conditions. Assets of banks participating in the survey account for 50% of total banking assets in the region.

ABBREVIATIONS

GDP – gross domestic product
EIB – European Investment Bank
mn – million
bn – billion
y-o-y – year-on-year
NPL – non-performing loan
pp – percentage point
Q – quarter

Other generally accepted abbreviations are not cited.

Contents

Overview

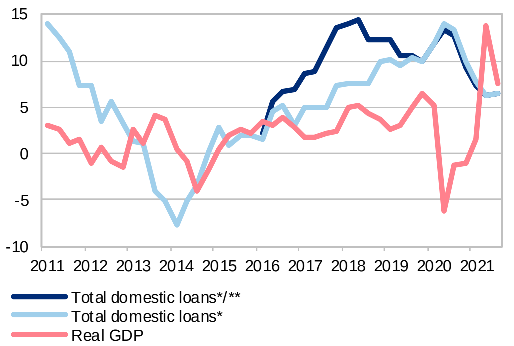
In 2021, lending activity posted almost two-digit growth (9.9%) for the fourth year in a row. The acceleration in credit growth, which began in Q3 and gathered momentum in Q4, was due to the waning of the high base effect from last year, reflecting the loan repayment moratoria, but also to higher lending, particularly to the corporate sector. As a result, 2021 **credit growth in Serbia was among the highest in the region,**[1] and **was driven more by lending to corporates than to households**.

Sustained by lending activity growth, **total bank receivables from the non-monetary sector** (which, in addition to loan receivables, also include receivables in respect of investment in securities, interest and fees and other receivables) posted an almost two-digit growth rate (9.8%) in 2021.

Corporate loans, excluding the exchange rate effect, **increased by RSD 58.9 bn in Q4, overshooting the record increase posted in Q1 2020.** This growth was almost entirely due to liquidity and working capital loans and investment loans. Banks lent to companies of all sizes, but mostly to large and medium-sized ones. Companies from all sectors, other than agriculture, stepped up their borrowing, particularly those from the energy sector, real estate business and manufacturing.

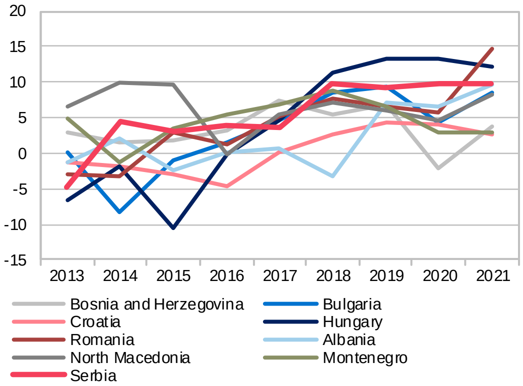
Led by housing loans, **loans to households increased by RSD 28.8 bn** in Q4, excluding the exchange rate effect. **More than two-thirds of this increase referred to housing loans.** Y-o-y, their growth stepped up further to 17.4% in December from 16.4% in September. Continued sound performance of household loans in Q4 was supported by the measures adopted by the NBS in 2020 (reduced minimum downpayment for first-time home purchases, lower degree of completion, payment term extension by maximum five years for housing loans and by maximum eight years for other refinanced loans (other than housing), loan refinancing with a six-month grace period for borrowers facing difficulties in regular loan repayment due to the pandemic, etc.), as well as by favourable terms of borrowing and higher disposable income. Stronger housing loans performance also reflected elevated real estate demand and the continuous rise in the supply of flats. Housing loans will continue to be supported by the NBS measures in 2022, since their application has been extended to this year as well.

Lending activity posted almost two-digit growth in 2021 as well
(y-o-y growth rates, in %)



Sources: NBS and SORS.
* Excluding the exchange rate effect.
** Excluding the effect of NPL write-off and sale since early 2016.

Serbia's 2021 credit growth was among the highest in the region
(nominal y-o-y growth rates, in %)



Sources: websites of central banks and NBS calculation.

Terms of borrowing in the local market remained favourable in Q4 as well and continued to bolster lending activity. In Q4 interest rates hovered close to their all-time lows, averaging 3.0% and 8.3% respectively for dinar loans to corporates and households, and 2.5% and 3.3% respectively for euro-indexed loans. Such trends were supported by the past monetary policy easing by the NBS, approval of loans from the Guarantee Schemes and persistently low interest rates in the euro area money market, as well as interbank competition.

End-2021 dinarisation of total corporate and household receivables was 38.3%, which is slightly below (by 0.3 pp) the maximum level recorded

[1] Includes Albania, Bosnia and Herzegovina, Bulgaria, Hungary, Romania, North Macedonia, Croatia and Montenegro.

in the June–September period (38.6%), and **1.0 pp higher than at end-2020.** The degree of dinarisation of corporate receivables climbed by 0.2 pp in Q4 (3.0 pp in 2021) to 24.0% in December, as dinar corporate receivables increased faster than FX-indexed ones. This was also due to the fact that interest rates on new dinar corporate loans came closer to interest rates on euro-indexed loans. Conversely, the pronounced increase in housing loans, which are mostly euro-indexed, lowered the share of dinar receivables in total household receivables by 0.4 pp (1.3 pp in 2021) to 54.6% in December.

The share of NPLs in total loans measured 3.5% in December, down by 0.1 pp relative to September. The fact that this share is **below the level recorded in the months leading up to the pandemic** (when it stood at 4.1%) indicates that the NBS and Government measures were timely, preventing a stronger negative effect on corporates and households and, by extension, on financial stability. This share subsided by 0.2 pp relative to end-2020 and by 18.9 pp relative to July 2015, i.e. just before the start of implementation of the NPL Resolution Strategy. NPL coverage remains high – allowances for impairment of total loans measured 90.6% of gross NPLs in December, while allowances for impairment of NPLs stood at 57.5% of gross NPLs.

I. Corporate sector

1. Corporate loans

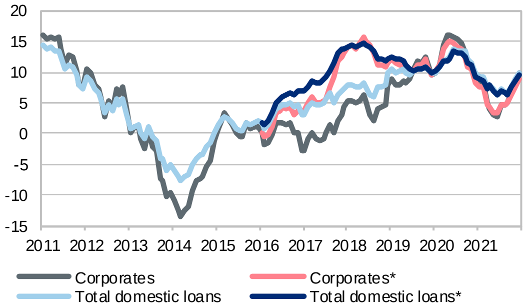
Y-o-y growth in corporate loans picked up further in Q4, measuring 9.9% in December (compared with 5.1% in September). This was supported by sound performance in Q4 and the waning of the high-base effect from 2020, as the loan repayment moratorium was in place until end-September. In nominal terms, the stock of corporate loans was RSD 1,495.2 bn in December, and their share in annual GDP – 23.9%, the same as in September.

Excluding the exchange rate effect, **corporate loans increased by RSD 58.9 bn or 4.1% in Q4.** This is the highest quarterly rise recorded in the past several years, exceeding even the high increases posted in Q1 2020 and Q4 2018. **In terms of purpose,** growth was driven by liquidity and working capital loans and investment loans, which gained RSD 30.8 bn and RSD 26.3 bn, respectively. Import loans also increased (by RSD 3.8 bn), as did other non-categorised loans (RSD 1.4 bn), while transaction account overdrafts and the stock of export loans subsided. Liquidity and working capital loans, the approval of which was supported by favourable terms under the Guarantee Schemes (the first and the second), were the predominant corporate loan category, accounting for 46.2% in December. They were followed by investment loans with a share of 41.7%. **By sector,** borrowing by companies from all sectors, other than agriculture, increased in Q4. Lending to companies from the **energy sector, real estate business and manufacturing** increased the most. Loans approved to micro, small and medium-sized enterprises accounted for slightly more than two-thirds of total corporate loans in December, and their y-o-y increase measured 6.8%. Long-term loans made up 85.2% of total corporate loans in December, almost unchanged from September.

The volume of new corporate loans in Q4 equalled RSD 357.3 bn, which is 38.4% higher than in Q4 2020. This is the strongest quarterly increase in new corporate loans since data are available,[2] both as a total figure and excluding annexed loans with the same bank. In Q4, corporates resorted mostly to liquidity and working capital loans (51.8%), with more than a half of these loans absorbed by micro, small and medium-sized enterprises. Investment loans

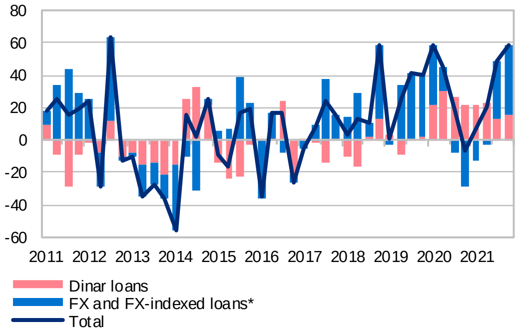
[2] Since September 2020 and since January 2015, respectively.

Sound corporate loans performance led to accelerated y-o-y growth in total loans in Q4
(y-o-y growth rates at the programme exchange rate, in %)



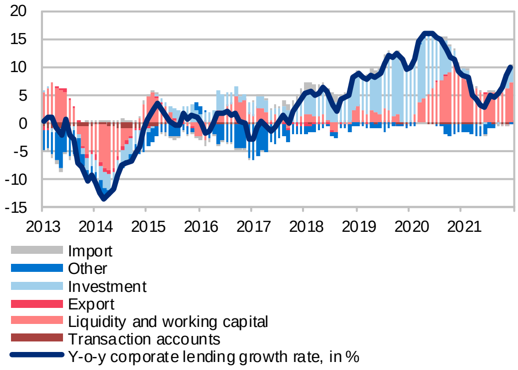
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Corporate loans growth was led by euro-indexed loans in Q4 as well
(increment, in RSD bn)



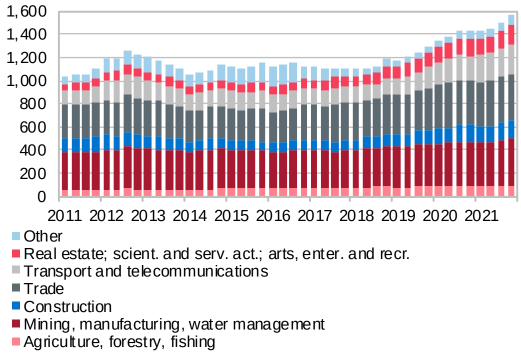
Source: NBS.
* Excluding the exchange rate effect.

Due to the pandemic, working capital loans are making the strongest contribution to y-o-y growth in corporate loans
(in pp, excluding the exchange rate effect)



Source: NBS.

Loans to manufacturing and trade make up the bulk of corporate receivables
(stock, in RSD bn)



Source: NBS.

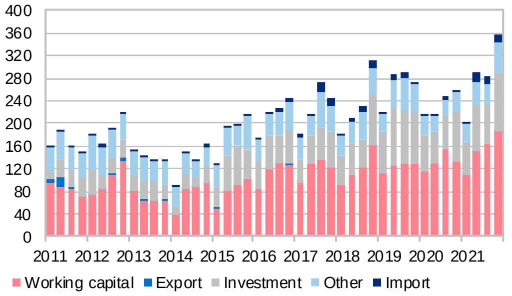
made up 30.1% of new corporate loans in Q4, up by 25.7% from the same period last year, with almost 70% of these loans approved to micro, small and medium-sized enterprises.

Reflecting further growth in dinar loans to corporates, which accounted for a quarter of the increase recorded in Q4, the **dinarisation of the stock of corporate receivables** increased by 0.2 pp in Q4 (3.0 pp in 2021), **to 24.0% in December**, its highest level since February 2015. This was facilitated by the NBS's monetary policy easing, thanks to which interest rates on new dinar loans to corporates came close to the rates on euro-indexed loans, as well as by favourable conditions for dinar financing under the Guarantee Schemes, supported by the NBS through its required reserves policy.[3] The share of euro-indexed and euro receivables subsided by 0.2 pp in Q4 to 75.7% in December, while the share of dollar receivables (0.3%) stayed unchanged.

The share of NPLs in total corporate loans measured 2.8% in December, down by 0.1 pp relative to September and by 22.1 pp relative to July 2015, i.e. just before the start of implementation of the NPL Resolution Strategy.[4] The share of NPLs in total loans to companies also decreased by 0.1 pp to 2.9% in December. Sector-wise, relative to September, this indicator decreased in the manufacturing industry, construction and real estate business, remained unchanged in trade, and increased in transport and agriculture. Relative to the start of implementation of the Strategy, the most pronounced decrease was recorded in construction, real estate business and trade.

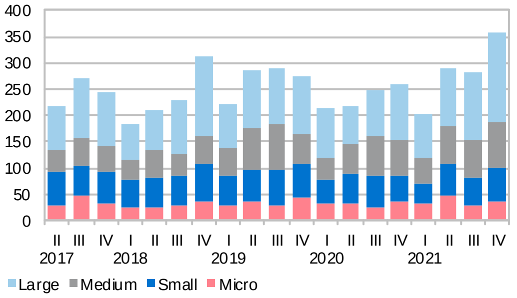
The capital adequacy ratio[5] at end-Q3 2021 measured 21.7% and was well above the regulatory minimum (8.0%), which indicates a high level of capitalisation and resilience of the banking sector to external and domestic risks.

Working capital and investment loans were the dominant loan categories in Q4 as well
(new loans, in RSD bn)



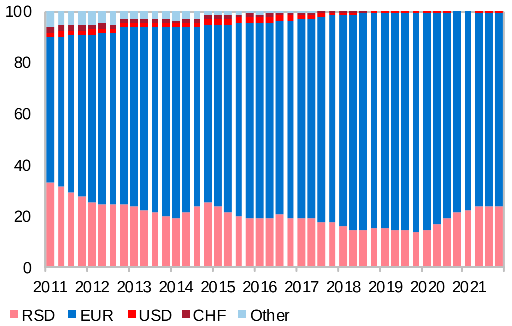
Source: NBS.

Loans to micro, small and medium-sized enterprises made up more than a half of new loans in Q4
(in RSD bn)



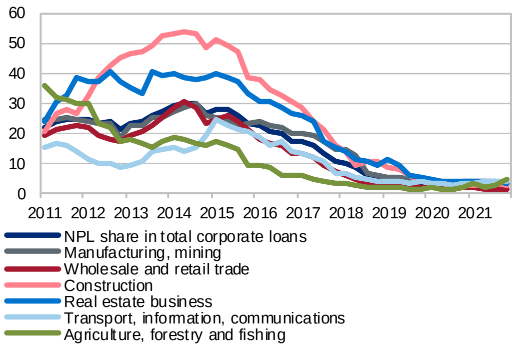
Source: NBS.

Dinarisation of corporate recievables continued up in Q4
(currency structure, in %)



Source: NBS.

The share of NPLs continued to hover around minimum levels for almost all sectors
(gross principle, in %)



Source: NBS.

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[3] https://nbs.rs/sr_RS/scripts/showcontent/index.html?id=15623.

[4] Important factors contributing to the sharp fall in NPLs from 2016 onwards were the successful implementation of the NPL Resolution Strategy and implementation of the Decision on the Accounting Write-Off of Bank Balance Sheet Assets. In accordance with the Strategy, the NBS adopted the Action Plan (https://nbs.rs/en/scripts/showcontent/index.html?id=8678), aimed at strengthening banks' capacity for NPL resolution and contributing to the development of the NPL market. The activities in the action Plan have been fully implemented, in some cases even before the deadline.

[5] Basel III regulatory framework has been applied since 30 June 2017.

2. Cost of corporate borrowing

Interest rates on new dinar loans to corporates continued to trend close to their lowest levels. Such movements are the result of the NBS's past monetary policy easing and the disbursement of dinar loans on favourable terms under the Guarantee Schemes, which was also facilitated by the NBS decision from July 2020 to pay a higher remuneration rate to banks (0.5 pp higher than the standard rate which currently equals 0.10%) that approve dinar loans at a rate at least 0.5 pp lower than the maximum rate envisaged by the law on the first and the second Guarantee Scheme. The favourable cost of borrowing in euros is attributable to low interest rates in the euro area money market, as well as to the fall in the country risk premium.

In Q4, the weighted average interest rate on new dinar corporate loans equalled 3.0%, unchanged from Q3. By purpose, interest rates on investment loans (4.2%) and other non-classified loans (2.7%) dipped by 0.1 pp each, while the rate on working capital loans (3.1%) was 0.1 pp higher than in Q3. By company size, average interest rates ranged from 2.4% for large enterprises to 4.2% for micro-enterprises.

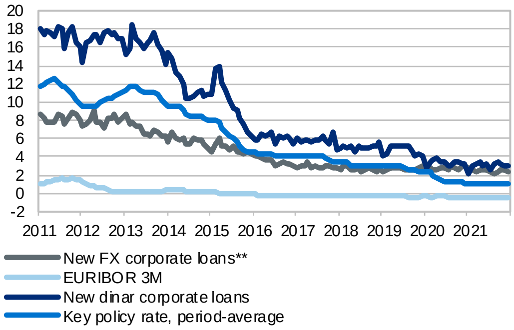
The weighted average interest rate on new euro and euro-indexed loans to corporates in Q4 (2.5%) was slightly higher than in Q3 (2.3%). Average rates on investment (3.0%), working capital (2.3%), and other non-categorised euro-indexed loans (2.1%) increased between 0.1 pp and 0.4 pp. The higher average cost of euro-indexed lending was also supported by export loans, approved at the rate of 3.6%. On the other hand, the interest rate on import loans (1.6%) was 0.3 pp lower than in Q3. By company size, the average cost of borrowing ranged from 2.1% for large enterprises to 3.4% for micro-enterprises.

3. Assessment of loan supply and demand – based on the results of bank lending survey

The results of the **January Bank Lending Survey of the NBS** show that banks slightly tightened their corporate credit standards in Q4, namely for FX-indexed loans, while standards for dinar loans remained unchanged. According to banks, the tightening mostly reflected higher costs of loan sources. This will also be the key factor behind further slight tightening of standards which banks anticipate in Q1 2022.

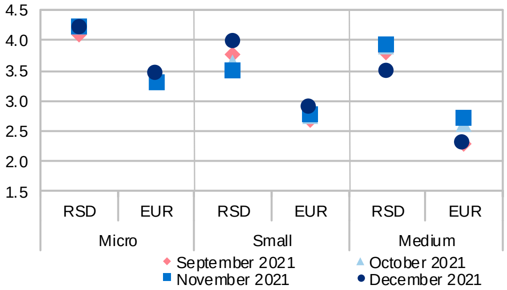
According to the survey, fees and commissions across all client categories increased in Q4, with interest rate margins going up for large enterprises and down for small and medium-sized enterprises. Loan maturity was extended for all categories of corporates.

Interest rates on dinar loans moved close to the rates on FX loans in Q4 as well*
(weighted average values, p.a., in %)



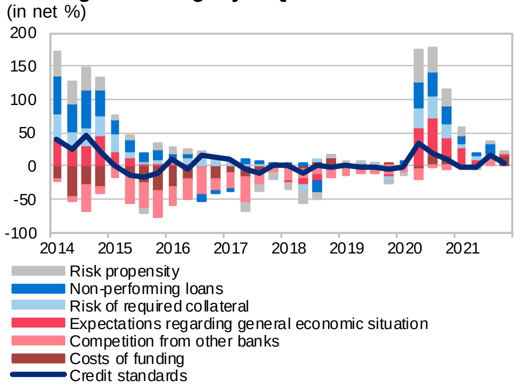
Sources: NBS and European Banking Federation.
* Excluding revolving loans, current account overdrafts and credit card debt.
** Euro and euro-indexed.

Cost of borrowing by micro, small and medium-sized enterprises remained favourable in Q4
(weighted average values, p.a., in %)



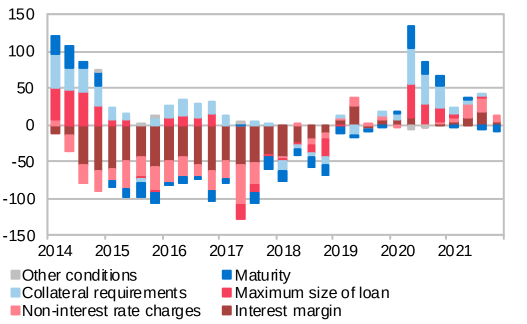
Source: NBS.

Credit standards for FX-indexed corporate loans were tightened slightly in Q4
(in net %)



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

Banks tightened price conditions and extended the maturity of corporate loans in Q4
(in net %)

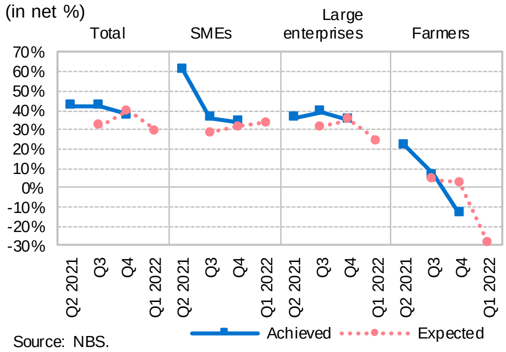


Source: NBS.
Note: Growth indicates tightening and decline indicates easing of credit standards.

Loan demand by corporates, other than agricultural producers, continued up in Q4, driven equally by enterprises of all sizes. In addition to liquidity needs, capital investment financing is becoming an increasingly important factor behind growing corporate loan demand. Demand growth was also driven by the need to refinance debts and finance acquisitions. Demand is expected to rise further in Q1 2022, guided by the same factors.

Q4 loan demand growth was similar to expectations from the October survey, and further growth is anticipated in Q1 2022

(in net %)



Source: NBS.

* Positive value indicates an increase in demand, and negative value indicates a decrease.

II. Household sector

1. Household loans

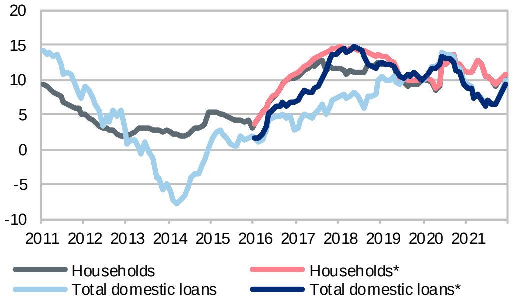
Y-o-y growth in household loans picked up to 10.8% in December, from 9.2% in September, under the impact of relatively good performance in Q4 and the waning of the high base effect given that the moratorium on loan repayment, an option used by many citizens, was concluded in September 2020. In nominal terms, the stock of loans to households in December was RSD 1,365.5 bn, which is 47.1% of banks' loan receivables from the non-monetary sector and 21.8% of the annual GDP.

Household loans in Q4, excluding the exchange rate effect, **rose by RSD 28.8 bn or 2.1%**. The bulk of this increase in household lending pertained to housing loans (RSD 19.8 bn), whose y-o-y growth accelerated additionally, from 16.4% at end-Q3 to 17.4% in December. The higher realisation of housing loans reflects favourable terms of borrowing, increase in citizens' disposable income, higher demand for real estate and continued increase in the supply of flats. Housing loans were followed by cash loans, which went up RSD 9.5 bn in Q4, and liquidity and working capital loans to entrepreneurs (RSD 3.0 bn). At the same time, other non-categorised loans decreased by RSD 1.5 bn, and current account overdrafts by RSD 2.2 bn, while household liabilities under loans for other purposes were almost unchanged. Growth in housing loans contributed to an increase in their share by 0.6 pp in Q4 (by 2.2 pp in 2021), to 38.9% in December. Though their share dipped by 0.2 pp in Q4, cash loans remain dominant in the structure of household loans (44.1% in December).

Sound performance of household loans was also supported by the measures adopted by the NBS in 2020. Banks were allowed to extend the repayment term of housing loans by maximum five years and the down payment for first-time home purchases was reduced from 20% to 10%, while the minimum degree of completion of the building eligible for housing loan financing was lowered. As for other refinanced loans (except housing loans), repayment term extension of up to eight years was enabled. Also, debtors unable to regularly service their debt due to the pandemic were given the opportunity to apply, by end-April 2021, for loan rescheduling and refinancing, with the approval of a six-month grace period.

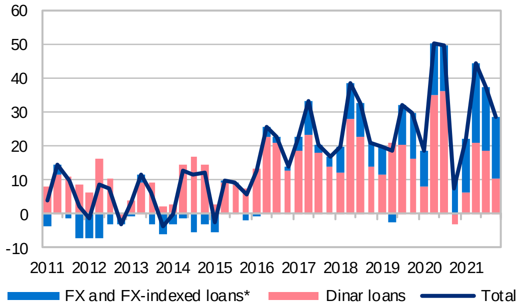
New household loans in Q4 amounted to RSD 140.5 bn, a rise of 6.8% from Q4 2020. Cash loans made up

Household loans stepped up their y-o-y growth in Q4
(y-o-y growth rates at the programme exchange rate, in %)



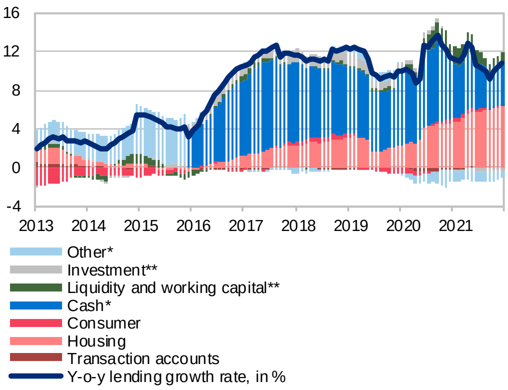
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

More than two-thirds of the increase in Q4 referred to EUR-indexed housing loans
(increment, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

From June 2021 housing loans are the key driver of the y-o-y housholdlending growth
(in pp, excluding the exchange rate effect)



Source: NBS.
* Until December 2015, the contribution of cash loans is shown within the contribution of other loans.
** Loans extended to entrepreneurs.

57.5% of new loans in Q4, and housing loans – 24.7%, with the amount of new housing loans in Q4 (RSD 34.7 bn) increasing by 17.0% relative to the same period a year before. Other non-categorised loans made up 15.3% of new household loans.

Pronounced growth in housing loans, which are almost fully denominated in euros (over 99%), led to a decrease in the **dinarisation of household receivables**[6] in Q4 by 0.4 pp to 54.6% in December. At the same time, the share of euro receivables increased by 0.3 pp in Q4 to 45.2% in December, while the share of Swiss franc receivables dipped by 0.1 pp to 0.1%.

The share of NPLs in total household loans slightly rose during Q4, by 0.1 pp to 4.0%[7] in December. Favourable NPL indicators show that the measures of the NBS and the Serbian Government were timely and contributed to avoiding major negative effects of the pandemic on households' creditworthiness. Compared to the period immediately before the adoption of the NPL Resolution Strategy, this share dropped by 7.3 pp. In terms of purpose, in Q4 the NPL share dropped for housing (by 0.1 pp) and consumer loans and credit cards (by 0.2 pp each), while for cash loans it edged up (by 0.4 pp).

2. Cost of household borrowing

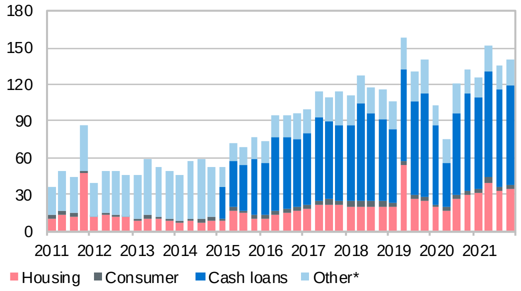
Households continued to borrow under favourable terms in Q4 as well, which contributed to further credit growth.

The weighted average interest rate on new dinar loans to households in Q4 stood at 8.3%, down by 0.3 pp from Q3. This decrease was mainly driven by the declining interest rate on cash loans, which averaged 8.9% in Q4 and was 0.3 pp lower than in Q3. Observed by month, throughout Q4 cash loans were approved at rates lower than 9%, and in December the rate dipped to 8.6%, its lowest value on record. At the level of Q4 average, the rate on consumer loans also declined (by 0.2 pp to 1.9%), while the price of other non-categorised loans (6.0%) edged up 0.1 pp. The rate on housing loans also went up (by 0.2 pp to 7.3%) on the basis of the approval of housing renovation loans (loans for energy efficiency), which are costlier than loans for the purchase of housing real estate.

The weighted average interest rate on new euro-indexed household loans edged up 0.2 pp to 3.3%

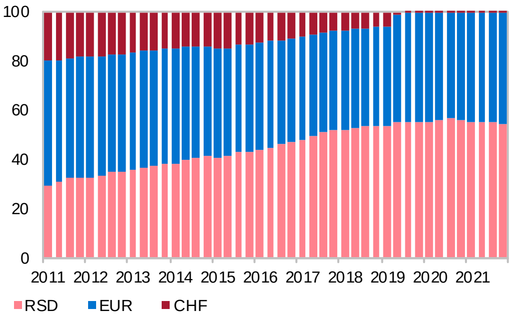
[6] Including non-profit institutions and entrepreneurs.
[7] With entrepreneurs and private households included, this share also rose by 0.1 pp to 4.0% in December, while dropping by 8.2 pp relative to July 2015.

Cash and housing loans accounted for the major portion of new loans in Q4
(new loans, in RSD bn)



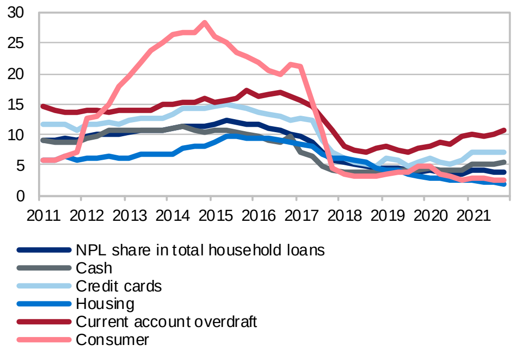
Source. NBS.
* Until December 2014, the 'other loans' category implied cash and other loans together.

At end-2021, somewhat less than 55% of household receivables was in dinars
(currency structure, in %)



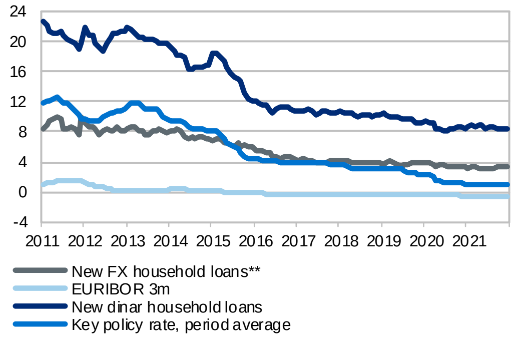
Source: NBS.

Share of NPLs in total household loans remained low in Q4
(gross principle, in %)



Source: NBS.

Average price of dinar loans declined in Q4, while that of FX loans rose slightly*
(weighted average values, p.a., in %)



Sources: NBS and European Banking Federation.
* Excluding revolving loans, current account overdrafts and credit card debt.
** Euro and euro-indexed.

in Q4. Such growth was driven by an increase in average interest rates on cash loans (by 0.1 pp to 3.2%) and other non-categorised loans (by 0.6 pp to 6.6%). On the other hand, average rates on housing (2.6%) and consumer loans (4.2%) were almost unchanged.

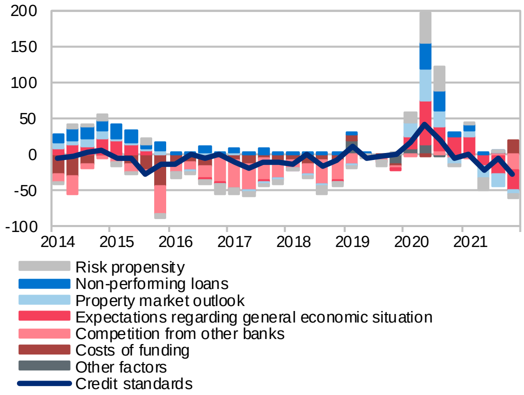
3. Assessment of loan supply and demand – based on the lending survey

According to the results of the January Bank Lending Survey of the NBS, banks continued to ease credit standards in Q4, for the third consecutive quarter. The easing pertained to dinar loans, mostly cash and refinancing loans, and to a lesser extent to consumer loans. This largely came on the back of interbank competition, followed by the rebound in the labour market, favourable prospects in the real estate market, and risk propensity. The same factors should contribute to a further easing of credit standards expected in Q1 2022 as well.

In banks' view, loan price terms were more favourable in Q4 – interest margins and fees and commissions went down, as well as collateral requirements.

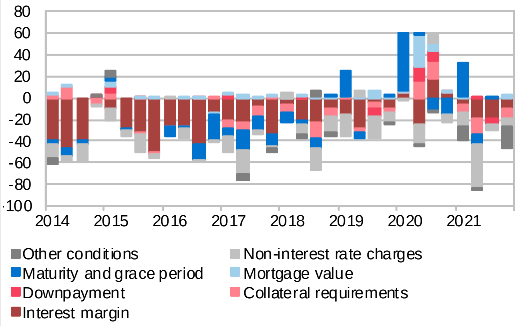
In Q4, **household loan demand continued to expand** and was directed toward dinar cash and refinancing loans, and euro-indexed housing loans. Banks identified real estate purchases as the leading factor driving household loan demand, followed by the refinancing of existing liabilities and developments in the real estate market. **A further rise in demand is expected in Q1 2022 as well**, spurred by rising wages in addition to the above factors.

Banks continued to ease household credit standards
(in net %)



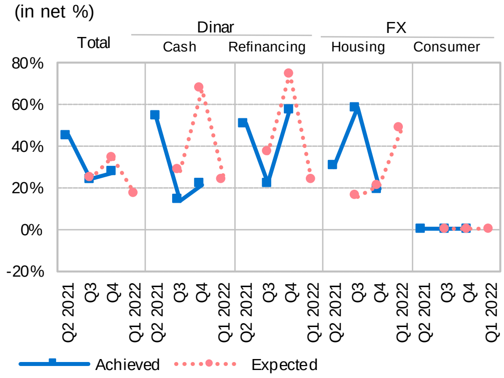
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Loan price terms were more favourable, and collateral requirements were eased in Q4
(in net %)



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

Household loan demand rose slightly below expectations from the October survey
(in net %)



Source: NBS.
* Positive value indicates an increase in demand, and negative value indicates a decrease.

III. Regional comparison[8]

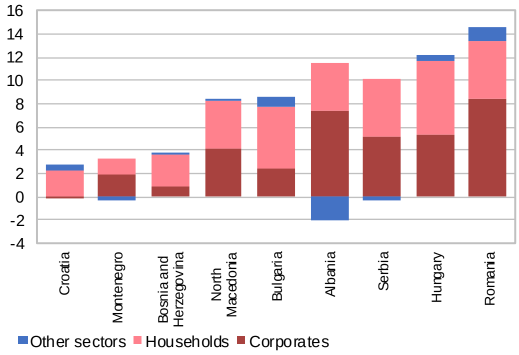
The 9.9% growth in domestic lending in Serbia in 2021 (both in nominal terms and excluding the exchange rate effect) was among the highest in the region. Only Romania (14.6%) and Hungary (12.2%) posted higher growth, while in other countries lending rose between 2.7% (in Croatia) and 9.5% (in Albania). In the majority of countries in the region, lending growth in 2021 was higher than in 2020.

The significant increase in economic activity in 2021 was the reason why the share of lending in GDP was lower than in 2020 in the majority of countries. In Serbia, this share stood at 46.3% at end-2021, which is slightly lower than the regional average. The share of domestic loans in GDP in the region ranged from 28% (in Romania) to slightly below 56% (in Montenegro).[9]

The results of the **EIB CESEE Bank Lending survey – autumn edition**,[10] covering the period between April and September 2021, indicate that the rise in loan demand in Serbia both in this and the previous reporting period (October 2020 – March 2021), was in line with the regional average. Demand is expected to continue up in line with the region's average in the coming period as well. On the other hand, estimates have been brought forward that credit standards in Serbia were tightened in the last reporting period. As for the period ahead, no change in standards is expected which, on average, is an expectation for the region as well. Thanks to an increase in corporate and household deposits and funds from international financial institutions, access to sources of funding was facilitated in the prior period, similarly as in the region.

Corporate lending contributed more to lending growth in 2021 in the majority of countries of the region

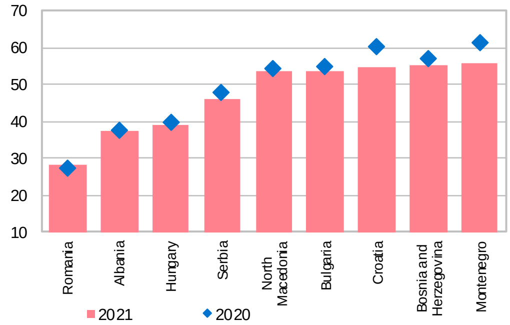
(contributions to nominal y-o-y growth rate, in pp)



Sources: websites of central banks and NBS calculation.

Share of loans in GDP declined in most countries of the region in 2021

(in %)



Sources: websites of central banks, Eurostat and NBS calculation.

Note: The shares for Montenegro, Bosnia and Herzegovina, and Albania were estimated based on GDP data as at Q3 2021.

[8] According to NBS calculations, based on data from websites of central banks and Eurostat.

[9] The shares of loans in GDP for Montenegro, Bosnia and Herzegovina and Albania were estimated based on GDP data as at Q3 2021.

[10] https://www.eib.org/en/publications/cesee-bls-2021-h2

Serbian Government and NBS measures to support lending in conditions of COVID-19 pandemic

2020											2021	
March	April	May	June	July	August	Sep.	Oct.	Nov.	December		January - March	April - December

Monetary policy measures

Key policy rate

March	April	May	June	July – Nov.	December
Cut by 0.5 pp, to 1.75%	Cut by 0.25 pp, to 1.5%		Cut by 0.25 pp, to 1.25%		Cut by 0.25 pp, to 1.00%

More favourable conditions for Guarantee Scheme loans

(July 2020 – December 2021) Stimulated approval of dinar loans under the Guarantee Scheme at lower interest rates – a reduction of at least 50 bp below the maximum rates stipulated by Laws on the first and the second Guarantee Schemes is compensated by the NBS through a 50 bp higher then standard remuneration rate on allocated dinar required reserves

Additional NBS measures

Moratorium

- (April – June 2020) Moratorium on debt payments
- (August – September 2020) Moratorium on debt payments
- (December 2020 – December 2021) Moratorium on debt payments for debtors unable to settle their liabilities due to the pandemic, with the extension of the repayment period so that the debtor's monthly liabilities are not higher than before the approval of facilities

Housing loans

- (June 2020 – December 2021) Reduction of mandatory downpayment for first-time home buyers from 20% to 10%
- (August 2020 – December 2021) Reduction of the minimum degree of completion of a building eligible for financing via bank housing loans
- (August 2020 – December 2021) Extension of repayment term for housing loans by up to five years

Other loans

- (July 2020 – December 2021) Extension of repayment term and refinancing of consumer, cash and other loans (except housing) by up to eight years
- (August 2020 – December 2021) Until end-2021 banks allowed to extend household dinar loans (up to 90,000 dinars) of maximum two-year maturity only based on signed statement on employment/pension

Serbian Government measures

Guarantee Schemes

(April 2020 – December 2021) With Government guarantees, commercial banks may approve to micro, small and medium-sized enterprises and entrepreneurs a total of EUR 2.5 bn in loans for liquidity and the procurement of working capital which should be put into use by end-July 2022.
Loans may be approved in dinars at the maximum interest rate of 1M BELIBOR + 2.5 pp or in euros, at the maximum interest rate of 3M EURIBOR + 3.0 pp. Maximum loan maturity is 36 months, including a grace period of 9-12 months

(April – December 2021) Loans intended for enterprises from vulnerable sectors (transport, catering, travel agencies and hotels in towns) and enterprises which recorded a fall in business revenue of over 20% during 2020. A total of EUR 500 mn may be approved in liquidity and working capital loans through July 2022.

Loans may be approved in dinars at the maximum interest rate of 1M/3M BELIBOR + 2.75 pp or in euros, at the maximum interest rate of 3M EURIBOR + 4.0 pp. Maximum loan maturity is 60 months, including a grace period of 18-24 months.

Source: NBS.

Methodological notes

- Loans imply bank receivables under the loan principal.
- Receivables imply receivables under loans, interests and charges, paid deposits, securities and shares of companies.
- All types of receivables are expressed according to the gross principle, i.e. not reduced by allowances for impairment.
- Dinar receivables are receivables extended in dinars without an FX-clause. The FX clause implies a currency clause that defines hedging against changes in the dinar exchange rate.
- When excluding the exchange rate effect, the calculation is based on the original currency composition and the exchange rate of the dinar against the euro, the US dollar and the Swiss franc as at 30 September 2014.
- New business includes all financial arrangements (credits and deposits) the terms of which are agreed for the first time during the reporting month, as well as all existing contracts the terms of which were re-agreed (through annexes), with the active participation of the client.
- The sectoral classification of monetary statistics is used. The corporate sector includes public enterprises, companies and the non-financial sector in bankruptcy, while the household sector includes citizens, entrepreneurs, private households with employed persons and registered farmers. By way of exception:
  - with newly-approved loans, the household sector includes non-profit institutions serving households (in accordance with the ECB methodology);
  - with non-performing loans, the sectors are presented separately, but are aggregated for the sake of comparison with the monetary statistics data.
- The term non-performing loans implies the stock of the total outstanding debt under individual loans (including the amount of arrears):
  - where the payment of principal or interest is past due (within the meaning of the decision on classification of balance sheet assets and off-balance sheet items) over 90 days,
  - where 90 days of interest payments have been attributed to the loan balance, capitalized, refinanced or delayed,
  - where payments are less than 90 days overdue, but the bank assessed that the borrower's repayment ability has deteriorated and doubts that the payments will be made in full.