IMF Country Report No. 25/340

REPUBLIC OF SERBIA

December 2025

SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF QUANTITATIVE TARGETS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF SERBIA

In the context of the Second Review Under the Policy Coordination Instrument and Request for Modification of Quantitative Targets, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 17, 2025, following discussions that ended on October 30, 2025, with the officials of the Republic of Serbia on economic developments and policies underpinning the IMF arrangement under the Policy Coordination Instrument. Based on information available at the time of these discussions, the staff report was completed on December 4, 2025.
- A **Statement by the Executive Director** for the Republic of Serbia.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 25/427

IMF Executive Board Concludes the Second Review Under the Policy Coordination Instrument for the Republic of Serbia

FOR IMMEDIATE RELEASE

- Serbia's growth has slowed amid rising domestic and external headwinds. Growth in 2025 is expected to be around 2 percent, before recovering in 2026 and 2027.
- Prudent macroeconomic policies and strong buffers are helping Serbia navigate this challenging period. Fiscal discipline is being strictly maintained, and monetary policy remains cautious, preserving policy credibility.
- Under the Policy Coordination Instrument, the authorities are advancing key structural reforms, including in public financial and investment management and energy sector, and have successfully completed the second review.

Washington, DC – December 17, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Second Review under the Policy Coordination Instrument (PCI) for the Republic of Serbia. The authorities have consented to the publication of the Staff Report prepared for the review.[1]

Economic activity has slowed amid rising domestic and external challenges. Real GDP growth is estimated at around 2 percent in 2025, before recovering to 3 percent in 2026. Headline inflation has eased to below the National Bank of Serbia's target of 3 percent. The current account deficit is expected to widen in 2026, reflecting higher fuel import costs and EU restrictions on steel imports, before moderating from 2027.

Downside risks to the outlook are elevated but are mitigated by prudent macroeconomic policies and sizable buffers. Ample foreign exchange reserves, government deposits, and a resilient well-capitalized banking sector provide important support in navigating current challenges. Resolving the sanctions on the macro-critical oil company NIS would further reduce uncertainty.

Continued prudent policies are essential to safeguard credibility. Fiscal deficits are on track to remain below the agreed 3 percent of GDP ceiling, a key program anchor, supported by contained current spending and careful investment prioritization. A restrictive monetary policy stance, including looking through temporary price fluctuations from recent price and margin controls, helps contain inflation risks stemming from minimum wage increases and higher energy cost.

Advancing structural reforms remain crucial. Fiscal transparency and accountability are being strengthened through continued reforms in public financial and investment management. Under new program commitments, public arrears are expected to begin declining from 2026.

[1] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Serbia page.

Diversifying natural gas supplies would further strengthen energy security, while recent increases in household electricity tariffs have improved the financial sustainability in state-owned energy enterprises, supporting critical energy investments going forward.

At the conclusion of the Executive Board's discussion on the Republic of Serbia, Mr. Bo Li, Deputy Managing Director, made the following statement:

"Growth has slowed amid domestic protests and heightened energy-security risks following sanctions on the macro-critical oil company NIS. Prudent macroeconomic policies, supported by strong engagement with the IMF, have helped Serbia build fiscal and external buffers that are proving valuable in navigating the current challenging environment. The government has met its deficit target and the National Bank of Serbia (NBS) has maintained appropriately tight monetary policy. The Policy Coordination Instrument (PCI) continues to anchor policy credibility and reinforce the authorities' commitment to structural reforms.

Risks, including those linked to NIS resolution, have increased significantly, underscoring the need for continued prudent policies. The authorities' priority is to maintain the fiscal deficit anchor of 3 percent of GDP or below, which requires strict adherence to wage and pension rules, investment prioritization, and careful contingency planning. This discipline will preserve fiscal space to respond to shocks and support the continued decline in public debt. The authorities remain committed to strengthening public financial and investment management, including by clearing existing arrears and preventing new ones.

Monetary policy should maintain a tightening bias, especially as recent margin and price controls could obscure some near-term inflationary pressures. The authorities' commitment to phase out these controls helps maintain investor confidence in a market-based economy. While the banking sector is resilient, the NBS is continuing to work on improvements in regulatory and supervisory frameworks. Of particular importance are close monitoring of credit developments and a strengthening in AML/CFT frameworks.

Energy-sector reforms remain critical amid risks to energy security. Diversifying natural gas sources would further strengthen Serbia's energy supplies. Recent increases in household electricity tariffs have improved the financial position of state-owned energy enterprises. Indexing future tariff increases to inflation would further support cost recovery and enable investment in a more diversified energy mix."

Serbia: Selected Economic and Social Indicators, 2024–27

	2024	2025		2026		2027	
	Est.	**PCI 1st rev**	Proj.	**PCI 1st rev**	Proj.	**PCI 1st rev**	Proj.
Output							
Real GDP growth (%)	3.9	**3.0**	2.1	**4.0**	3.0	**4.5**	4.6
Employment							
Unemployment rate (labor force survey) (%)	8.6	**8.5**	8.7	**8.4**	8.8	**8.3**	8.7
Prices							
Inflation (%), end of period	4.3	**3.3**	3.0	**3.2**	5.0	**3.2**	3.2
General Government Finances							
Revenue (% GDP)	40.5	**40.9**	40.7	**40.4**	40.8	**40.1**	40.3
Expenditure (% GDP)	42.4	**43.9**	43.7	**43.4**	43.8	**43.1**	43.3
Fiscal balance (% GDP)	-2.0	**-3.0**	-3.0	**-3.0**	-3.0	**-3.0**	-3.0
Public debt (% GDP)	47.0	**46.8**	45.2	**46.5**	44.7	**46.4**	44.4
Money and Credit							
Broad money, eop (% change)	13.6	**7.8**	8.4	**8.0**	7.8	**8.8**	9.2
Credit to the private sector, eop (% change) 1/	8.5	**9.3**	14.1	**9.6**	13.8	**10.5**	13.7
Balance of Payments							
Current account (% GDP)	-4.5	**-5.4**	-5.2	**-5.6**	-6.0	**-4.5**	-4.9
FDI (% GDP)	5.6	**4.4**	3.0	**4.8**	4.0	**4.4**	4.2
Reserves (months of prospective imports)	7.3	**7.0**	6.7	**6.5**	6.0	**6.5**	6.0
External debt (% GDP)	61.2	**61.3**	58.8	**59.3**	55.9	**54.8**	51.9
Exchange Rate							
REER (% change)	2.3	**...**	...	**...**	...	...	...

Sources: Serbian authorities and IMF staff estimates.
1/ Calculated at a constant exchange rate to exclude the valuation effects.

INTERNATIONAL MONETARY FUND

REPUBLIC OF SERBIA

December 4, 2025

SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF QUANTITATIVE TARGETS

EXECUTIVE SUMMARY

Context: Serbia's strong track record of prudent macroeconomic management has built buffers that are helping the authorities navigate a challenging environment marked by ongoing protests, energy security risks following U.S. sanctions on the macro-critical oil company NIS, and global trade tensions. In this context, the PCI provides an important anchor for policy credibility and private sector confidence by ensuring fiscal prudence, strengthening energy sector resilience, and supporting authorities' commitment to transparent, accountable, and rules-based government.

Policies under the PCI: Keeping fiscal deficits within the 3.0 percent of GDP ceiling will be crucial to maintain investor trust and will require strict investment prioritization and contingency planning, should macroeconomic or fiscal risks emerge. Improving the financial strength of state-owned energy companies and diversifying natural gas supplies will bolster energy security. Reiterated commitment to transparent, accountable, and rules-based policies is essential to maintain faith in government and public sector efficiency, requiring clearance of domestic arrears, minimizing distortive market interventions, and improvement to public financial and investment management. A prudent monetary policy stance and sustained efforts to ensure financial sector resilience will provide an anchor during this period of uncertainty.

Program performance: All quantitative targets (QTs) were met, including the end-June 2025 QTs on the fiscal deficit, current primary expenditure, net international reserves, and all standard continuous targets were met. Staff's misspecification of the QT on domestic arrears enabled the authorities to meet the target, despite continued accumulation of arrears. The authorities are taking steps to bring arrears in line with the QT target originally intended under the PCI by the end of the program. Structural reforms have progressed, with two out of three reform targets met. Pension indexation has been in line with fiscal rules, household electricity tariffs have been increased, and the Serbian Tax Administration has adopted a Human Resource Plan to ensure adequate staffing.

Approved By
Kristina Kostial (EUR) and Anna Ivanova (SPR)

Discussions were held in Belgrade and virtually during October 7–30, 2025. The staff team comprised A. Kyobe (head), L. Cui, A. Geis, A. Nguyen (all EUR), L. Kemoe (SPR), M. Moszoro (FAD), L. Ratnovski (resident representative), D. Obradović and M. Paunović (local economists). P. Łoszewski and V. Djoković (OED) joined some discussions. L. Azoor and S. Dominguez (EUR) provided support.

CONTENTS

CONTEXT

1. **Serbia's strong track record of prudent macroeconomic management is being tested by domestic political challenges.** Protests since November 2024—driven by concerns over corruption and the rule of law—have persisted. In response, the government has adopted a series of populist economic policies as elections ahead of the regular 2027 parliamentary and presidential polls appear increasingly likely.

2. **Trade tensions and U.S. sanctions on the macro-critical oil company NIS are adding complexity.** Serbia's exports and FDI are adversely affected by global trade tensions, the more restrictive approach to steel imports recently taken by the EU, and persistently low growth prospects in key EU trading partners. U.S. sanctions on NIS were activated on October 9, requiring the authorities to perform delicate diplomatic, political, logistical, and economic balancing acts to safeguard uninterrupted and affordable fuel supplies.

3. **Sizeable buffers will help the authorities navigate this trying environment.** Government deposits are ample, public debt is moderate, foreign exchange reserves are at record highs, and the banking sector is resilient. Fiscal targets and reforms agreed to under the PCI provide a crucial policy anchor and can help shore up investor confidence.

RECENT DEVELOPMENTS

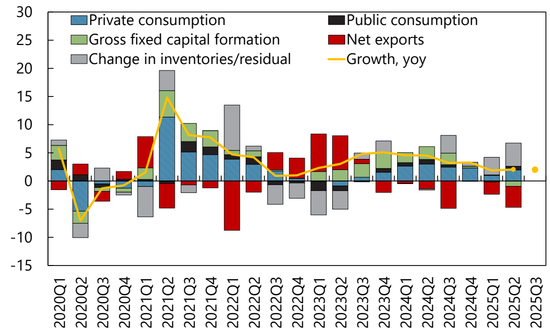
4. **Economic activity has slowed** (Figure 1). GDP grew by 2.0 percent y/y in the first half of 2025, after 3.9 percent in 2024, with the third-quarter flash estimate indicating continued sluggishness. Private investment has stalled and infrastructure spending has decelerated, weighed down by global trade tensions, ongoing protests, political uncertainty, and sanctions. Adverse weather has weakened agricultural output. Nonetheless, private consumption has held up, supported by rising disposable income from higher minimum wages, a strong labor market, and favorable credit conditions. New export capacities have helped offset weaker demand from trading partners, while imports have been chiefly supported by consumer demand and manufacturing sector expansion.

5. **Government interventions targeting operating margins in the food distribution sector have contributed to a temporary easing of inflation** (Figure 2). To address perceived excess profitability, the authorities imposed margin and price controls on distributors and retailers of food and household essentials, covering one-third of the consumption basket or 80 percent of retail turnover. As a result of these controls, in place for six months starting September 1, headline inflation has come down to 2.8 percent in October, near the center point of the National Bank of Serbia's tolerance band (3 percent +/- 1.5 percentage points). Core inflation (3.8 percent) has also moderated, with roughly 10 percent of the core CPI basket affected by the controls.

Serbia: Economic Activity Indicators

Serbia: Real GDP and Contributions

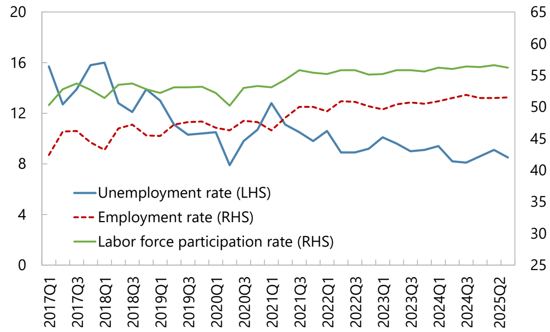
(Percent)



Sources: Haver Analytics and IMF staff calculations.

Serbia: Labor Market Indicators

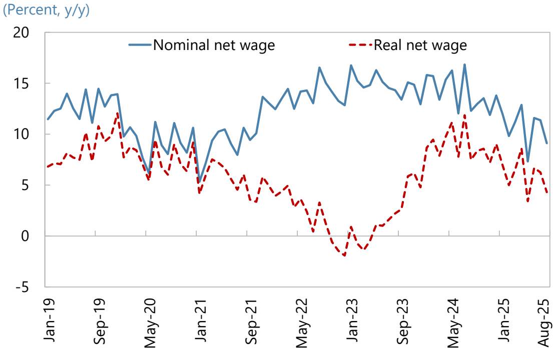
(Percent, 15 year and more)



Source: SORS.

Serbia: Change of Net Wages

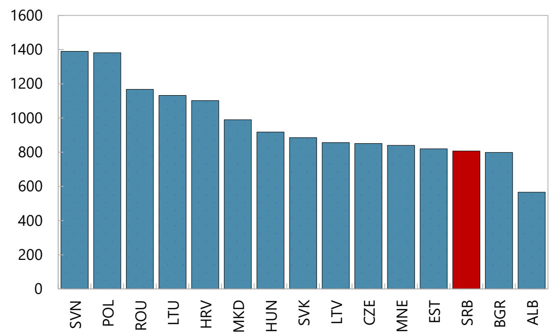
(Percent, y/y)



Sources: Haver Analytics and IMF staff calculations.

Serbia: Minimum Wages, 2024

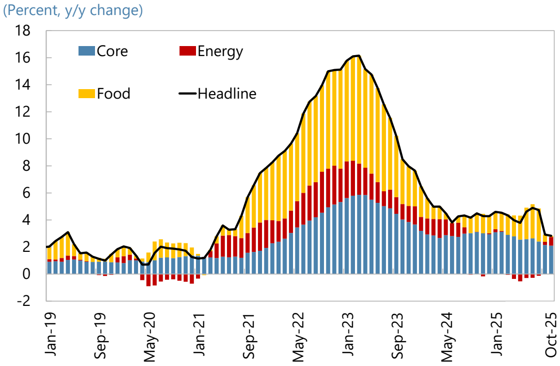
(PPP)



Source: Eurostat.

Serbia: Contributions to Annual Inflation

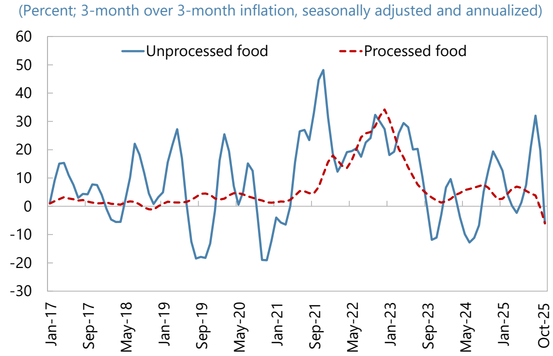
(Percent, y/y change)



Source: SORS.

Serbia: Inflation Momentum, Food

(Percent; 3-month over 3-month inflation, seasonally adjusted and annualized)

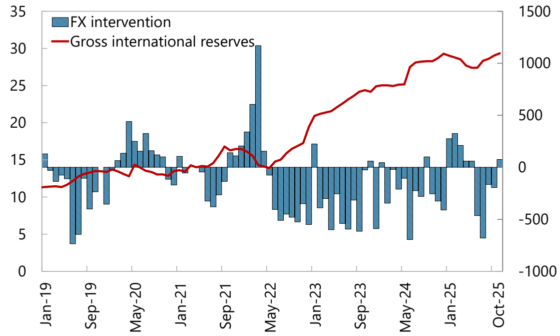


Sources: NBS and IMF staff calculations

6. **Gross international reserves have returned to record highs** (Figure 3). After foreign exchange interventions to support the dinar in the first half of 2025, reserves rose to €29.4 billion (158 percent of the ARA metric) by end-October. The resumption of reserve accumulation was supported by an improving goods trade balance, stronger FDI inflows, higher external borrowing,

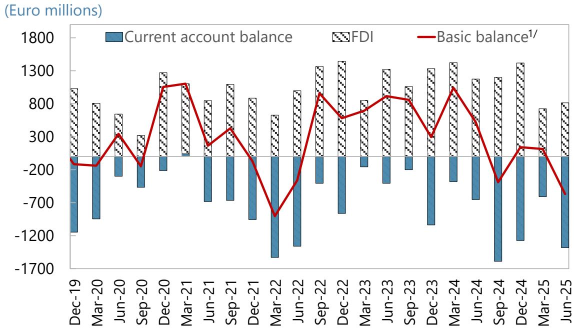
and gains in gold holdings, partly due to valuation effects. The 2024 external position is assessed to be broadly in line with medium-term fundamentals and desirable policies.[1]

Serbia: Reserves and Interventions
(Euro billions, LHS; Euro millions, positive means FX sale, RHS)



Sources: NBS and Haver Analytics.

Serbia: Basic Balance
(Euro millions)



Source: Haver Analytics.
1/ The basic balance is the difference between the current account balance and net FDI flows.

7. The fiscal deficit has remained contained. Preliminary data for the third quarter of 2025 indicate an annualized general government deficit of about 2½ percent of GDP, below the 3 percent program target. A shortfall from VAT revenues due to lower growth and delayed 5G license receipts was largely offset by higher NBS dividend distributions[2] (Figure 4).

8. The banking sector remains strong, continuing to support credit growth (Figures 5 and 6)**.** Capital and liquidity buffers are ample, and profitability is strong. Favorable credit conditions have fueled brisk private sector borrowing, especially by households. Despite the upswing in the credit cycle, the authorities issued supervisory expectations, effective for one year from September 2025, to lower borrowing costs for lower-and middle-income households. Applicable to most pensioners and over half of the workforce, interest rates on cash loans of up to RSD 1 billion need to decline to the higher of 3 percentage points below July averages or 7.5 percent. Average mortgage rates are to be cut by up to 0.5 percentage points.

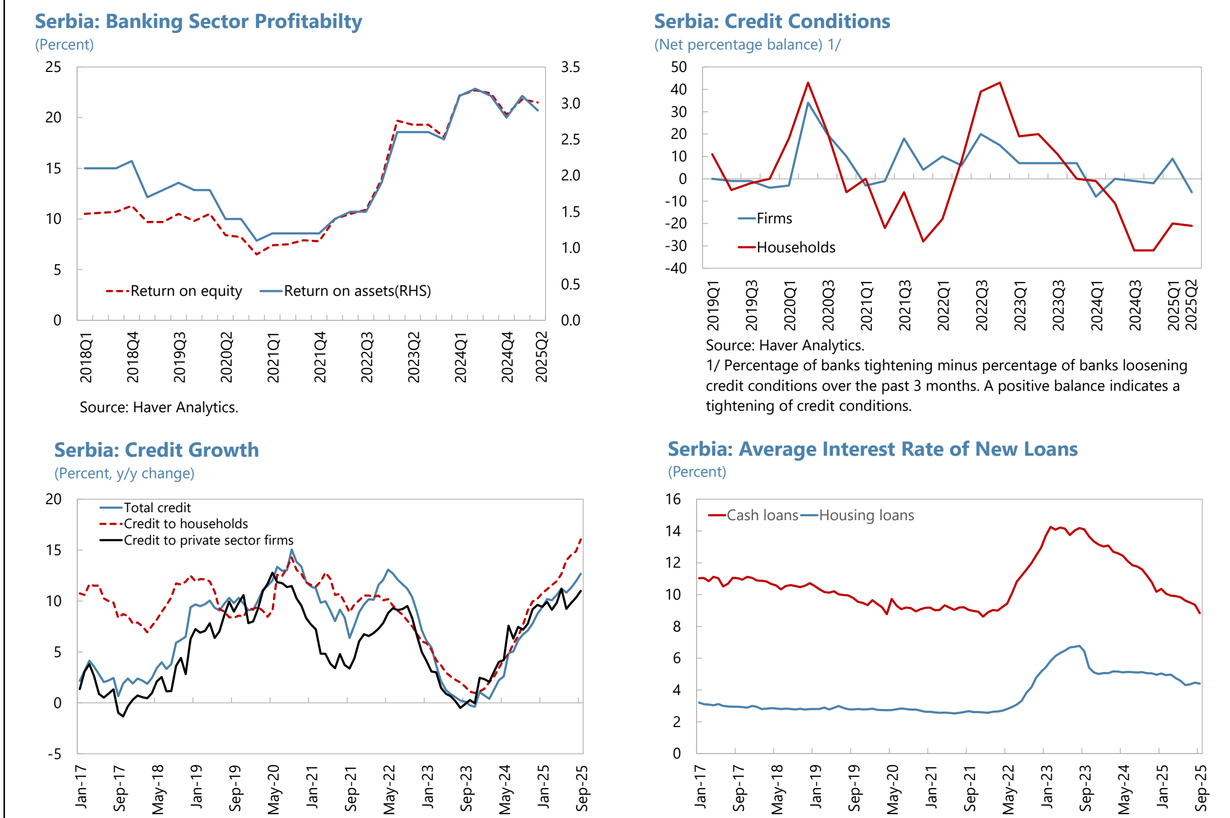
OUTLOOK AND RISKS

9. The macroeconomic outlook hinges on the resolution of NIS, with its uninterrupted operation a top priority for the authorities. The sanctions, aimed at securing the exit of NIS's Russian shareholders (who hold a 56 percent stake), have blocked the purchase of crude oil by NIS's Pančevo refinery which is supplying 80 percent of fuels consumed domestically. In anticipation of the sanctions, the authorities have stockpiled additional fuel reserves as full substitution of refined petroleum products by imports would face logistical constraints, implying potential shortfalls of at least 20 percent of domestic fuel consumption, and involve considerable costs. Natural gas reserves are sufficient to last during the coming winter.

[1] See IMF (2025) CR 25/176, Annex III.

[2] Under NBS law, 70 percent of operating profits must be transferred to the budget annually.

Serbia: Banking Sector Indicators



Source: Haver Analytics.

Source: Haver Analytics.
1/ Percentage of banks tightening minus percentage of banks loosening credit conditions over the past 3 months. A positive balance indicates a tightening of credit conditions.

Sources: NBS and IMF staff calculations.

Source: National Bank of Serbia.

10. **Under the baseline, resolution is expected by the first quarter of 2026.** While negotiations proceed, fuel supply disruptions are expected to be brief and limited, though uncertainty about the outcome will weigh on consumer and business sentiment.

- **Growth** is projected at 2.1 percent in 2025, 3.0 percent in 2026, and 4.6 percent in 2027, before converging to potential of 4 percent from 2028. In the near term, private consumption and investment are expected to remain subdued until uncertainty about the resolution of NIS and the security and cost of energy supplies dissipates, magnifying the adverse effects of an already unfavorable domestic and global environment. Once the disruptive impact of the NIS sanctions fades, economic activity would recover, supported by continued strength in household disposable income from sustained wage gains, as well as EXPO-related public investment and tourism spending.

- **Inflation** is projected to ease to 3.9 percent in 2025 due to the temporary effects of price and margin controls. With the controls creating large base effects pushing up the end-year projection, inflation would level off in the upper half of the NBS tolerance band at 4.0 percent in 2026 before returning to the target band in 2027. Inflation will chiefly be shaped by the margin and price controls whose effects are anticipated to fade from late 2025, minimum wage hikes of 9.4 percent on October 1, 2025, and 10.1 on January 1, 2026 getting incorporated into the prices of labor-intensive and low-margin services businesses, and EXPO-related tourism spending. NIS-related upside pressures on fuel prices are anticipated to remain somewhat contained, reflecting existing reserves that will imply only a short period of restricted supply and reliance on imported fuels that will be around 25 percent more expensive than domestic production. From 2028, inflation is expected to converge to the 3.0 percent target.

- The **current account** deficit is projected to widen from 5.2 percent of GDP in 2025 to 6.0 percent in 2026. EU restrictions on steel imports, disruptions to NIS operations leading to costlier fuel imports, and a decline in refined oil products exports are expected to weigh on the trade balance. However, new export capacities in the manufacturing sector and lower domestic demand offer some offset. After a temporary improvement in tourism-related services exports during EXPO 2027, the current account deficit is expected to gradually converge to its norm. Given weakening FDI inflows amid continued challenges in Europe's automotive sector and maturing mining projects, international reserves are projected to decline relative to the Fund's ARA through 2030 but are expected to remain above the midpoint of the adequacy range.

Text Table 1. Serbia: Key Macroeconomic Variables, 2023–30

		2023	2024	2025	2026	2027	2028	2029	2030
Real GDP growth (percent)	*Current*	3.7	3.9	2.1	3.0	4.6	3.8	4.0	4.0
	1st PCI Review	3.8	3.8	3.0	4.0	4.5	3.5	4.0	4.0
	PCI request	3.8	3.8	4.2	4.2	4.5	3.5	4.0	
CPI, average (percent)	*Current*	12.4	4.7	3.9	4.0	3.8	3.0	3.0	3.0
	1st PCI Review	12.4	4.7	3.9	3.2	3.5	3.0	3.0	3.0
	PCI request	12.4	4.6	3.7	3.3	3.3	3.0	3.0	
CPI, eop (percent)	*Current*	7.6	4.3	3.0	5.0	3.2	3.0	3.0	3.0
	1st PCI Review	7.6	4.3	3.3	3.2	3.2	3.0	3.0	3.0
	PCI request	7.6	4.0	3.4	3.3	3.2	3.0	3.0	
Current account (percent of GDP)	*Current*	-2.3	-4.5	-5.2	-6.0	-4.9	-5.3	-5.0	-4.9
	1st PCI Review	-2.3	-4.7	-5.4	-5.6	-4.5	-5.4	-5.2	-5.0
	PCI request	-2.3	-4.4	-5.1	-5.2	-5.5	-5.5	-5.2	
Reserves (percent of ARA metric)	*Current*	153.3	164.7	157.3	142.1	138.0	134.5	132.2	130.9
	1st PCI Review	153.3	164.9	162.7	151.6	147.6	145.6	142.5	142.4
	PCI request	153.0	163.6	161.5	149.1	143.0	139.9	138.4	
Fiscal balance (percent of GDP)	*Current*	-2.0	-2.0	-3.0	-3.0	-3.0	-2.5	-2.5	-2.0
	1st PCI Review	-2.0	-2.0	-3.0	-3.0	-3.0	-2.5	-2.5	-2.0
	PCI request	-2.0	-2.7	-3.0	-3.0	-3.0	-2.5	-2.5	
Gross public debt 1/ (percent of GDP)	*Current*	48.8	47.0	45.2	44.7	44.4	44.0	43.7	43.0
	1st PCI Review	48.8	47.5	46.8	46.5	46.4	45.9	45.5	44.7
	PCI request	48.4	48.0	47.7	46.9	46.4	46.1	45.7	

Sources: SORS, NBS, and IMF staff estimates and projections.
1/ Public and publicly guaranteed debt.

11. Delayed NIS resolution remains a tail risk—it would weaken the outlook further and require policy adjustments to preserve macroeconomic stability and meet program targets. Due to the macro-criticality of NIS, it appears highly likely that the authorities would make use of any means at their disposal to achieve a speedy and orderly resolution of NIS. But protracted negotiations would intensify fuel shortages and imply gas deliveries from Russia that can only be secured on terms closer to spot market prices.

- **Macroeconomic impact and channels of transmission.** Shutdown of the Pančevo refinery and curbing of production by energy-intensive firms would result in lost industrial output. Waning confidence among domestic and foreign investors would weigh on investment. Higher inflation as a result of pricier energy supplies and fuel rationing would sap household disposable income and weaken consumer sentiment, reducing household consumption.

- **The fiscal impact would amount to 1 to 2 percent of GDP depending on the severity of fuel shortages.** Revenues would decline amid lower growth and falling fuel consumption, including from VAT, excise, income taxes, and foregone NIS payroll tax and royalties—more so if the government chooses to reduce fuel excise rates to compensate for higher fuel prices. Expenditures would increase due to higher unemployment benefits, social assistance and additional energy support programs for vulnerable groups.

- **Policies.** Fiscal policy should be reprioritized, given the importance of the PCI's deficit target for the continued reduction in public debt and safeguarding investor confidence. Spending should be adjusted by trimming low-priority investments while protecting critical energy-related outlays. Tax expenditures should be curtailed. Unhindered operation of automatic stabilizers could be complemented by temporary fuel excise cuts to cushion the inflationary impact of higher fuel prices and by time-limited and well-targeted measures for households, such as expansion of Serbia's means-tested energy support program or direct cash transfers. Monetary policy should see through the direct inflationary impact of constrained fuel supplies but tighten forcefully if second round effects and/or depreciation pressures materialize. A national rationing plan could help allocate available fuel supplies to priority users. To assist domestic fuel market functioning, the government should facilitate and liberalize imports, abolish existing caps on petroleum retailer margins, and conduct fuel purchases for local distribution.

12. Downside risks to the outlook have intensified (Annex I).

- **Domestic risks.** The stand-off between protesters and the government could weigh on household consumption, investment and FDI. Populist policies could undermine investor confidence in the authorities' commitment to a market-based economy and jeopardize deficit targets. Higher public spending and additional minimum wage increases may put pressure on inflation, erode external competitiveness, and widen the current account deficit. Additional interventions in market-based price setting may complicate monetary policy. Shifting government spending priorities away from infrastructure investment may weaken medium-term growth.

- **Global risks.** Lack of agreement on a consensual resolution of NIS may compound the costs of pricier Russian gas supplies and, if no foreign buyer can be found, a transfer of ownership may require €0.5 to €2 billion (0.6 to 2.3 percent of GDP) in fiscal funding with an equivalent balance of payments impact. By contrast, a swift settlement would offer upside. Escalating trade tensions could affect Serbia's open economy through fraying trade links and weaker external demand, while any relief may support the export-oriented manufacturing sector. Intensifying geopolitical tensions may heighten economic pressures, particularly if accompanied by commodity price increases.

PROGRAM PERFORMANCE

13. All quantitative targets (QTs) were met, though the domestic arrears target was met only due to a staff misspecification. The end-June 2025 QTs on the fiscal deficit, current primary expenditure, net international reserves, and all continuous targets (PS Tables 1–2) were met. However, the QT on domestic arrears is assessed as met only because it was misspecified; in reality, domestic payment arrears continued to increase:

- For the end-2024 actual accumulation of domestic arrears, staff inadvertently included items outside the TMU definition. Specifically, the data for Roads of Serbia (RoS) covered both arrears (as defined in the TMU) and "unbilled liabilities"—un-invoiced liabilities to contractors for completed works that lack a systematic tracking mechanism and are not considered arrears for program purposes. As a result, staff revised the end-2024 accumulation of domestic arrears to RSD 7.0 billion, down from RSD 24.0 billion. This revision corrects the outturn without modifying the target nor the bottom-line assessment of this QT at end-2024. Furthermore, the QTs for 2025 and end-June 2026 were incorrectly defined using numbers intended for ceilings on the *stock* of domestic arrears rather than on their *accumulation*, inadvertently setting a higher target on arrears and allowing further buildup. Consequently, staff assess the end-June 2025 target as "met," despite an RSD 3.8 billion increase in arrears during the first half of 2025 (PS Table 1a). Revised QTs, correcting for the above misspecification, are proposed in ¶25.

- The stock of domestic arrears increased from RSD 10.6 billion at end-2024 to RSD 18.5 billion (about 0.2 percent of GDP) at end-September 2025. The increase is driven mainly by RoS, reflecting several factors: unauthorized projects, including municipal roadworks outside RoS's mandate, while revenue shortfalls amid slowing growth have constrained arrears clearance efforts. The authorities also identified fiscal risks from delayed invoicing by RoS. The stock of unbilled liabilities from delayed invoicing is estimated at about 0.2 percent of GDP in September 2025, which would likely become future arrears.

- The authorities have begun implementing corrective measures to address the root causes of arrears and aim to start reducing the stock of domestic arrears in 2026, with the goal of achieving the original QT objective of full clearance by the end of the program. An inter-ministry working group was formed and provided with resources to clear some arrears. With support from FAD technical assistance (TA), they will develop a tool to systematically quantify and track unbilled works. This will be established as a Reform Target (RT) in upcoming reviews to curb delayed invoicing and subsequently form the basis for a new QT to reduce the stock of these outstanding payment liabilities once fully quantified (see Program Statement (PS) ¶7 and ¶25).

14. Structural reform progress supports a satisfactory program performance, with two out of three RTs met.

- Pensions have been adjusted according to the annual indexation mechanism (**continuous RT**), without any ad hoc increases.

- The Serbian Tax Administration (STA) has adopted, and its Steering Committee has endorsed, a Human Resources Plan to ensure adequate staffing (**end-October 2025 RT**).

- The household electricity tariff adjustment RT was not met: although tariffs were raised by 6.6 percent in October 2025, this fell slightly short of the 7 percent set in the **end-September RT** due to more favorable electricity production costs at EPS (¶20).

POLICY DISCUSSIONS

A. Fiscal Policy

15. The authorities continue to view the fiscal deficit target of no more than 3 percent of GDP under the PCI as a crucial anchor for macroeconomic stability.

- **2025 budget execution.** The authorities expect to meet the 2025 deficit target and the end-December 2025 current primary expenditures ceiling of the Republican budget (**QT, semi-annual**).

- **2026 budget.** The draft budget, expected to be approved by Parliament by early December, is consistent with program objectives, with prudent revenue projections, wage and pension adjustment aligned with fiscal rules, and rigorous investment prioritization. Compared to 2025, revenues are projected to edge up (+0.1 percent of GDP). This reflects higher personal income and social security tax receipts (+0.4 percent of GDP) from ongoing wage gains, and better VAT revenues (+0.2 percent of GDP) from robust private consumption. These would offset lower non-tax revenues (-0.4 percent of GDP) on the assumption that NBS dividend payments will not repeat. Spending is projected to rise (+0.1 percent of GDP) on pension outlays of 10.6 percent of GDP (+0.6 percent of GDP) after fiscal rules-compliant indexation by aggregate wage growth (**continuous RT**). 2025 public sector wage increases and the inclusion of some higher education institutions into the general government are expected to lift the wage bill to 10.2 percent of GDP (+0.2 percent of GDP), well below the 10.6 percent of GDP allowed under the authorities' fiscal rules. The investment budget is reduced through further prioritization compared to 2025 (-0.5 percent of GDP) while rebounding growth lowers other transfers (-0.2 percent of GDP) via automatic stabilizers.

- **Public debt.** Serbia's risk of sovereign stress is moderate.[3] Public debt would remain sustainable under the authorities' medium-term fiscal strategy and continued adherence to fiscal rules. A planned gradual reduction of publicly-guaranteed external debt and a drawdown of the relatively high level of government deposits (about 5½ percent of GDP at end-2024) is also expected to contribute to lowering the public debt-to-GDP ratio in the medium term.

[3] See the SRDSF Annex of IMF (2025) CR 25/176.

16. The authorities acknowledged substantial fiscal risks to the 2026 budget, including related to NIS resolution, and committed to take contingency measures to safeguard the deficit target. They reaffirmed any additional spending, such as social or security-related outlays, will be accommodated within the existing budget envelope. They have identified contingency measures totaling 0.6 percent of GDP, including deferring lower-priority investment projects and reducing non-essential goods and services spending, to prepare for potential fiscal pressures (PS ¶7). If efforts to reach near-term resolution of NIS were to fail, the fiscal impact—depending on the severity of fuel shortages—would require further reprioritizing of investments, cuts to other low-priority spending, and targeted, temporary support to vulnerable households. By contrast, a government buyout of Russia's shareholdings, financed through a drawdown of ample government deposits as a below-the-line transaction, would not affect the fiscal deficit or require further spending reprioritization.

17. The authorities are advancing fiscal-structural reforms.

- **Tax Administration**. STA has intensified recruitment efforts to address impending staff shortages. To date, 275 positions have been filled, and the target of hiring 1,000 new staff is expected to be reached by 2026. STA also adopted a Human Resources Plan for 2025-2028 **(end-October 2025 RT)**. And STA has successfully procured a new commercial-off-the-shelf core IT system with World Bank support. To strengthen VAT compliance, the Ministry of Finance and STA plan to provide STA with access to summary e-invoice data starting January 1, 2027 (PS ¶17).

- **Public Financial Management.** The authorities are committed to (i) completing and publishing the first tax expenditure report (**end-July 2026 RT**) and establishing it as a regular publication to support future tax rationalization efforts; (ii) continuing to implement Fiscal Transparency Evaluation (FTE) recommendations. The latter include presenting in the budget documentation key fiscal data for the two preceding years and projections for two subsequent years starting with the 2027 budget (**new RT, end-June 2026**), as well as initiating the regular publication of: quarterly local government finance data by municipality, annual data on mineral resource taxation, key project and financial data on public-private partnership projects (PPPs), and government-SOE fiscal relations (**new RT, end-June 2026**); and (iii) planning to operationalize a budget participation e-portal for citizens in 2026 guided, by IMF TA (PS ¶11).

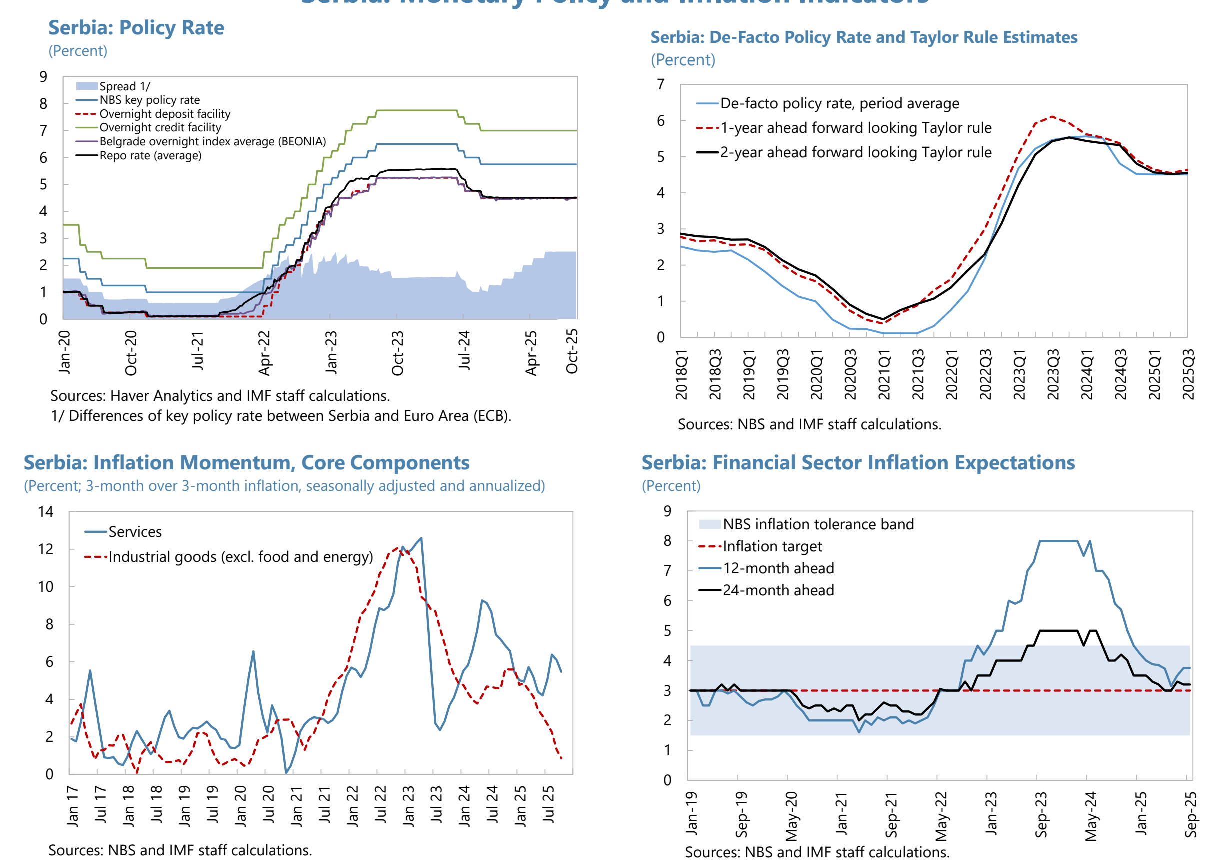
- **Public Investment Management (PIM)**. The authorities will build on their draft "Guiding Principles" document that is being prepared for the EU to: (i) prepare by end-2025 a roadmap for PIM reforms with specific milestones; (ii) use IMF and World Bank TA on standardized costing for capital projects to enhance medium-term budgeting that takes into account risk factors for cost and time overruns; (iii) reinforce the gate-keeping role of the PIM Department to better manage fiscal risks arising from traditional public investment and Public-Private Partnerships (PPPs) with a view to developing a unified framework for PIM and PPPs; (iv) publish annually data on the value of procurement conducted under special laws (**end-March 2026 RT**); and (v) revise the Law on PPPs to require all public sector entities to obtain non-objection from the

Ministry of Finance before initiating PPPs valued above €50 million (**new end-June 2026 RT**, PS ¶13).

B. Monetary and Financial Sector Policies

18. The authorities agreed to maintain a tightening monetary policy bias and look through the temporary impact of margin and price controls on inflation. The current monetary policy stance is appropriate. Since September 2024, the NBS has kept the key policy rate at 5¾ percent, with the de-facto policy rate—the repo rate at which excess liquidity is absorbed—broadly aligned with forward-looking Taylor rule estimates. The authorities conceded that margin and price controls may obscure some near-term inflationary pressures, including from minimum wage increases and costlier energy. Despite continued easing of core inflation and inflation expectations anchored within the tolerance band, the authorities therefore acknowledged the need for a cautious monetary policy stance, implying greater attention to the core components of the CPI basket and careful evaluation of inflation projections until the effects of margin and price controls fade. The authorities also will clearly communicate the transitory nature of recent headline inflation developments and their implications for monetary policy decisions.

Serbia: Monetary Policy and Inflation Indicators

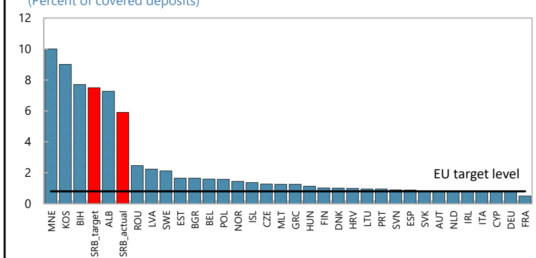


19. The authorities will continue efforts to further strengthen financial stability and banking sector resilience.

- **Credit and macroprudential policy.** Non-performing loan ratios are near record lows and loan loss provisioning is adequate. However, household borrowing is growing briskly, particularly in the unsecured consumer credit segment. The authorities agreed that the pace and quality of lending deserve close monitoring and confirmed their intention to phase out supervisory expectations on cash loan and mortgage interest rates by September 2026. Macroprudential policy settings remain appropriate and the authorities stand ready to make adjustments if warranted, including countercyclical capital buffer activation if the credit-to-GDP gap breaches the NBS's 2 percent threshold.

- **Deposit Insurance Fund (DIF).** Staff welcome the lowering of DIF premiums and the shift to a risk-based premium calculation from 2026 as they will encourage more prudent risk management practices among banks and ease the joint burden of contributing to the DIF and the newly established Bank Resolution Fund. Staff also agree with the authorities' intention to assess the appropriate target size of the DIF, which currently exceeds levels in EU peers.

Serbia: Sizes of Deposit Insurance Fund in Europe, 2024
(Percent of covered deposits)



Source: European Banking Authority.
Note: Western Balkans countries show target sizes of the DIFs, while other EU countries show actual sizes, with the same target of at least 0.8 percent set out in the EU Directive. Albania's figure shows the actual size of its DIF.

- **2023 Safeguards Assessment.** All recommendations have been implemented. Risk management is being operationalized following the adoption of a strategy that establishes a bank-wide risk management framework and requires regular risk reporting to the Audit Committee and the Council of Governors.

- **AML/CFT.** Inspections of digital asset services providers have been enhanced. One of the two licensed providers was sanctioned for operational irregularities that resulted in a breach of AML/CFT regulations. The authorities are committed to address the weaknesses identified in the 6th Round MONEYVAL mutual evaluation report, scheduled to be discussed in December 2025 and published soon after.

C. Energy Sector Policies

20. The authorities will continue strengthening the financial position of state-owned energy firms while protecting vulnerable households.

- **Regulated electricity tariffs.** The independent regulator approved a 6.6 percent increase in household electricity tariffs effective October, reflecting targeted increases in network fees and higher revenues for energy SOEs. The increase was slightly below the level required under the **end-September 2025 RT**, owing to lower-than-expected costs at EPS compared to estimates at the time when the RT was set. Staff welcome the lowering of the threshold above which the highest electricity tariff rates are applied since it represents the equivalent of a 2 percent increase, thereby further strengthening the financial position of energy SOEs. The authorities will implement annual household electricity tariff adjustments, including an October 2026 increase of at least 1 percentage point above CPI inflation, based on an assessment of energy SOEs' financial needs to be completed by May 2026.

- **Payment arrears to energy SOEs**. In line with program commitments, the authorities published lists of the top 50 debtors to Srbijagas and EPS. Arrears have continued to accumulate, reaching 1.3 percent of GDP (an increase of 0.1 percent of GDP over the past year), with most debtors being republican and municipal SOEs. The Ministry of Finance has established a working group to investigate obstacles and prospects for arrears clearance, with findings expected in 2026.

- **Protecting energy-vulnerable households**. Block tariffs provide reduced electricity prices below a certain consumption threshold. The authorities have expanded the program to support energy vulnerable groups beyond the existing 75,000 means-tested beneficiaries to include minimum pension earners, veterans, and persons with disabilities. These groups will receive an RSD 1,000 reduction in electricity bills during the winter months (October-March), and will be exempt from the reduction in the "red zone" threshold.

21. The authorities are intensifying efforts to diversify natural gas supplies. The authorities are frontloading investment in gas interconnectors with Bulgaria, Hungary, Romania, and North Macedonia following Serbia's now short-term extensions of its gas contract with Russia. Still, diversifying away from Russian gas may involve costs of up to 0.3 percent of GDP that will have to be borne by industry and households, if the current price difference between Russia's oil-price based gas pricing formula and current TTF spot prices is taken as a guide.

D. Other Policies

22. Staff welcome the authorities' intention to phase out margin and price controls. The measures do not address the underlying structural factors for high food prices and may distort incentives, disrupt supply chains, and undermine confidence in a market-based economy. They also complicate inflation measurement and monetary policy communication. Consistent with their temporary nature, the authorities will allow the margin and price controls to expire by February 2026 **(new end-February 2026 RT)**. As a replacement, a set of laws aligned with applicable EU directives will be introduced with support from the EU Commission to tackle the perceived drivers of elevated food prices on a more durable basis.

23. The authorities are committed to improving governance and the business environment. Serbia is examining legal options to extend the asset declaration regime to SOE executives and is engaging with the World Bank on initiatives to support the digitalization of commercial courts.

PROGRAM MODALITIES AND RISKS

24. Serbia continues to meet the criteria for use of the PCI and capacity to repay the Fund remains strong. Staff assess no balance-of-payments needs, and the program is fully financed for the next 12 months with good prospects thereafter. Capacity-to-repay remains strong (Table 5b):[4] under the baseline, Fund credit outstanding would peak at 1.3 percent of GDP, and 3.8 percent of gross reserves in 2025, with debt service reaching 1.2 percent of exports in 2026. Regular sovereign bond issuances confirm continued market access. The authorities continue efforts to resolve a small, disputed outstanding government obligations to Libya related to a 1981 loan.

25. Program conditionality reflects new commitments by the authorities and will be monitored semi-annually (PS Tables 1–2). QTs for December 2026 are proposed, and all standard continuous targets remain. Additionally:

- The QT on the ceiling of accumulation of **domestic payment arrears** will control the buildup of arrears as defined in the TMU. The QT for end-December 2025 is proposed to be modified to correct the misspecification described in ¶13 and to allow for a net accumulation of domestic arrears of RSD 12 billion, reflecting additional time needed for the authorities to implement corrective measures. The authorities are also requesting a modification of the end-June 2026 target to correct for the misspecification and introducing a new end-December 2026 target, both aimed at initiating a decumulation of domestic arrears. These targets are backloaded to allow time for the authorities to develop and implement a comprehensive strategy to strengthen payment discipline and clear the arrears (PS ¶11). To achieve the targets on the decumulation of domestic arrears, the authorities also need to clear the existing unbilled liabilities and prevent them from becoming domestic arrears. They have committed to setting future targets to ensure that the original objective of this QT, as envisaged at program approval, remains achievable (PS ¶7).

- **New RTs will address priority fiscal-structural reforms** to (i) improve the medium-term budget framework presentation in the Budget documentation **(new end-June 2026 RT)**; (ii) commence the regular publication of data on local government finances, mineral resource taxation, public-private partnership projects (PPPs), and government-SOE fiscal relations **(new end-June 2026 RT)**; and (iii) revise the Law on PPPs to require non-objection from the Ministry of Finance before initiating major PPP projects **(new end-June 2026 RT)**.

26. Digression from stability- and market-oriented policies poses risks to the program. Political pressures and the prospect of early elections could encourage populist policies and delay structural reforms. Recent interventions, such as margin and price controls risk weakening the authorities' track record of sound macroeconomic policies.

STAFF APPRAISAL

27. The Serbian authorities are confronting an exceptionally challenging economic and political environment which sizeable fiscal and external buffers will help navigate. Protests

[4] Capacity to repay is expected to remain strong even under a scenario where the NIS resolution takes longer than assumed under the baseline.

demanding transparent institutions, rule of law, and reform have persisted for over a year, increasing the likelihood of early elections. The activation of U.S. sanctions on macro-critical oil company NIS has created risks to the security and costs of energy supplies, while global trade tensions are weighing on Serbia's open economy. Against this backdrop, economic activity has weakened. Nonetheless, Serbia's strong track record of prudent macroeconomic management has provided substantial buffers. Government deposits are ample, public debt is low, and foreign exchange reserves are at record highs.

28. **The macroeconomic outlook is predicated on successful resolution of NIS by early 2026.** Ensuring the unencumbered operation of NIS is a top priority for the authorities. Growth is projected to remain subdued until NIS-related uncertainty fades, giving way to a recovery in economic activity supported by continued gains in household disposable income as well as public investment and a spike in tourism connected to EXPO 2027. Inflation is expected to remain elevated as the effects of margin and price controls on food and other essential goods will fade over time, while temporary increases in domestic energy costs, higher minimum wages, and EXPO-related tourism spending will add to price pressures. The current account deficit is projected to widen, with the negative impact of trade restrictions and NIS sanctions on the trade balance outweighing positive contributions from new manufacturing export capacities and lower domestic demand. The outlook is beset by risks. Particularly a failure to resolve NIS or the resort to populist policies amid continued protests may adversely affect growth and inflation.

29. **At this critical juncture, policy credibility is more than ever essential to preserve confidence, beginning with continued commitment to fiscal prudence.** Under the PCI, fiscal policy is anchored by a 2025-27 deficit ceiling of 3.0 percent of GDP, aimed at preserving policy space to respond to shocks and supporting the continued reduction in public debt. Meeting this target and sustaining trust among investors will require adherence to fiscal rules on public sector wages and pensions, accommodating any new spending within the existing budget envelope, and strict prioritization of investment projects. Careful contingency planning will also help should macroeconomic or fiscal risks materialize.

30. **Measures to reiterate Serbia's commitment to transparent, accountable, and rules-based policies will support faith in government and public sector efficiency.** Domestic arrears need to be cleared with urgency and delayed invoicing practices have to be addressed, alongside measures to prevent any recurrence. The authorities should phase out and eschew interventions in private markets, such as the margin and price controls, as they are prone to blunt incentives, weaken the business environment, complicate policy making, and undermine confidence in a rules-based economy. Ongoing efforts by the authorities to assess tax expenditures to identify avenues for reform are complemented by new pledges to improve public financial and investment management. The planned publication of additional fiscal data, in line with FTE recommendations, will improve transparency and accountability by providing greater insight into procurement under special laws, budget outcomes and plans, local government finances, and other fiscal operations. Stricter PPP control will lower fiscal risks.

31. Cautious monetary policy and financial sector resilience provide an anchor in a period of heightened uncertainty. Maintaining a tightening monetary policy bias with a focus on the core components of the CPI basket will help manage the impact of minimum wage increases and higher energy costs once the temporary effects of margin and price controls on inflation dissipate. Continued vigilance in monitoring credit developments, assessing banking sector risks, and adjusting micro- and macroprudential policies as needed will further safeguard financial stability.

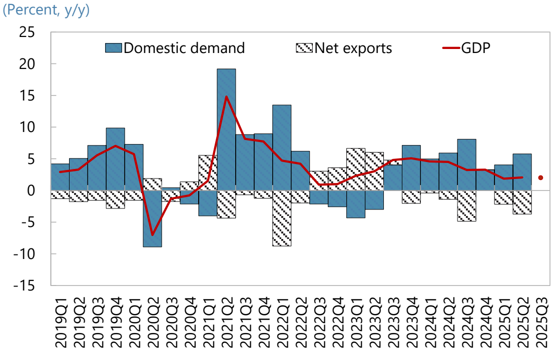
32. Additional efforts to improve the financial strength of the energy sector and diversify natural gas supplies will provide assurance and planning certainty for consumers and firms. Regular adjustment of household electricity tariffs remains essential to ensure cost recovery and support the financial sustainability of energy SOEs amid sizeable investment needs. Clearance of payment arrears accrued by energy buyers, particularly among central and local government SOEs, will also help. Frontloaded investment to open additional routes for gas procurement will fortify energy security over the medium term.

33. Staff support the authorities' request for completion of the second review under the PCI. Overall program performance has been satisfactory. Staff also endorse the authorities' request to modify the QTs on domestic arrears on account of strong corrective actions, as well as the introduction of additional reform targets.

Figure 1. Serbia: Real Sector Developments

Growth has weakened amid slowing investment, …

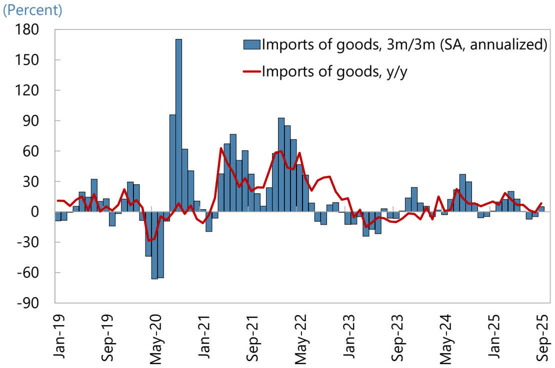
Serbia: Contributions to Growth
(Percent, y/y)



Sources: Haver Analytics, SORS, and IMF staff calculations.

… also easing import demand.

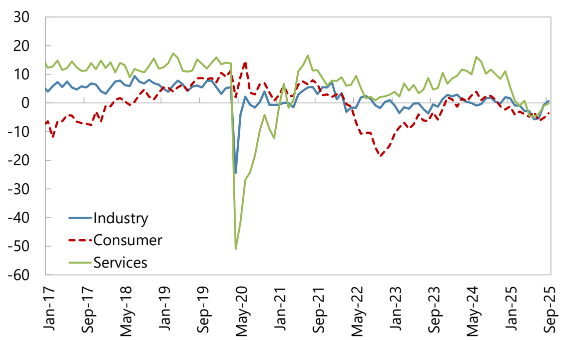
Serbia: Imports of Goods
(Percent)



Sources: Haver Analytics, SORS, and IMF staff calculations.

But economic sentiment is showing signs of improving, …

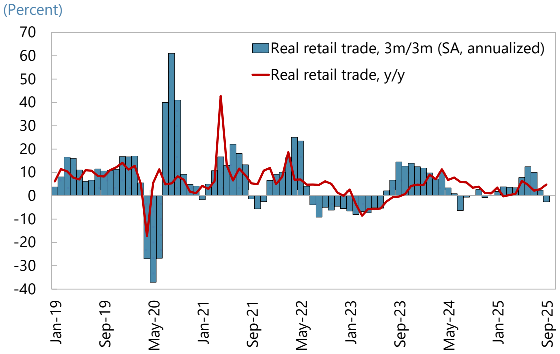
Serbia: Economic Sentiment
(Percent, seasonally adjusted, net balance)



Source: European Commission.

… retail sales have held up, …

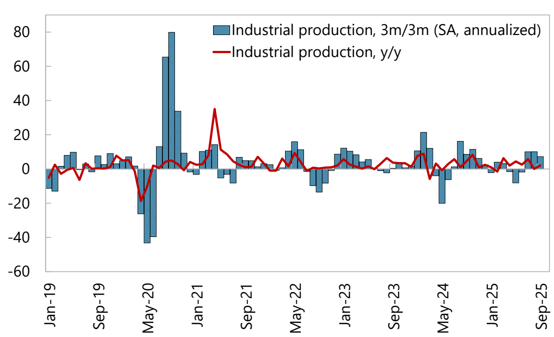
Serbia: Real Retail Trade
(Percent)



Sources: Haver Analytics, SORS, and IMF staff calculations.

… industrial production is expanding at a steady clip, …

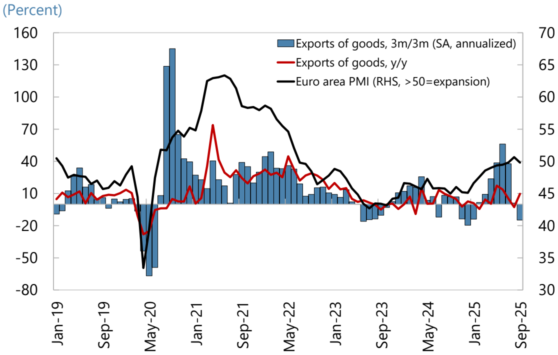
Serbia: Industrial Production
(Percent)



Sources: Haver Analytics, SORS, and IMF staff calculations.

… and exports have benefitted from new capacities in the automobile sector.

Serbia: Exports of Goods and Euro Area PMI
(Percent)

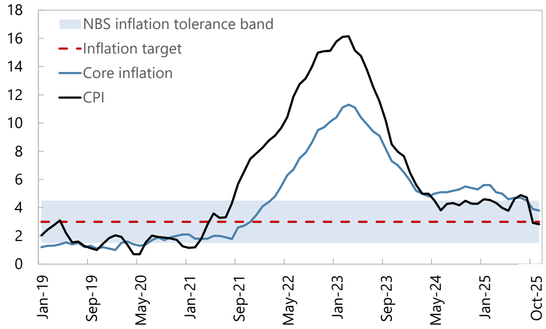


Sources: Haver Analytics, SORS, and IMF staff calculations.

Figure 2. Serbia: Inflation and Monetary Policy

Headline inflation has come down ...

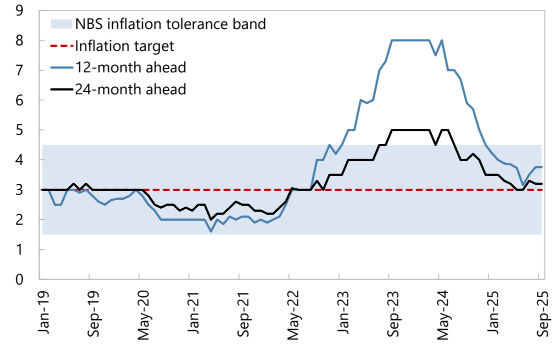
Serbia: Inflation
(Percent, y/y)



Sources: NBS and IMF staff calculations.

... while financial sector inflation expectations have stabilized within the tolerance band.

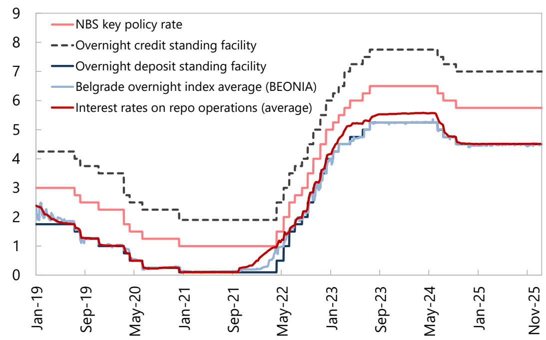
Serbia: Financial Sector Inflation Expectations
(Percent)



Sources: NBS and IMF staff calculations.

The NBS has kept its policy rates on hold since September 2024 ...

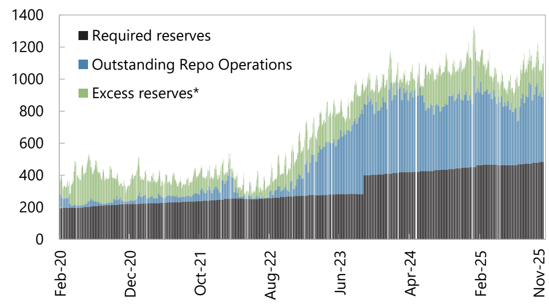
Serbia: Interest Rates
(Percent)



Sources: NBS and Haver Analytics.

... and continues to absorb excess liquidity by open market operations.

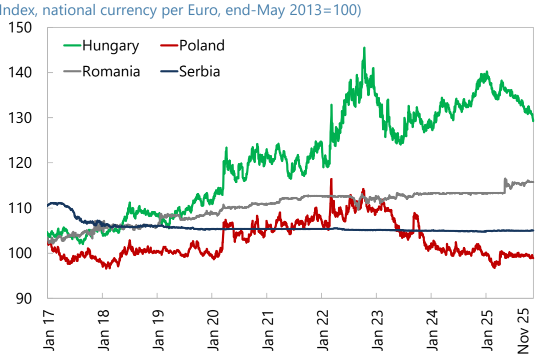
Serbia: Central Bank Deposits and Repo Operations
(RSD billions)



Sources: NBS and IMF staff calculations.
Note: * includes "current account of banks" and "account of deposited liquid resources".

The NBS has maintained a de facto stabilized exchange rate regime ...

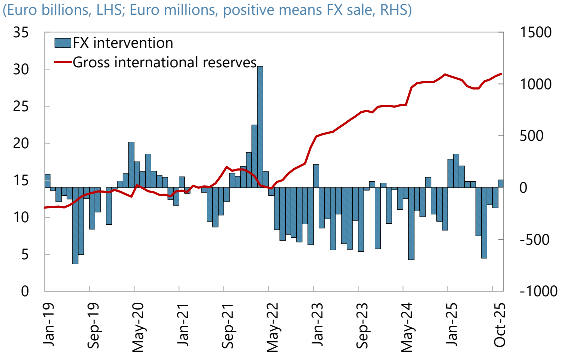
Exchange Rates
(Index, national currency per Euro, end-May 2013=100)



Source: Bloomberg.

... with the resumption of reserve accumulation indicating the return of appreciation pressures.

Serbia: Reserves and Interventions
(Euro billions, LHS; Euro millions, positive means FX sale, RHS)

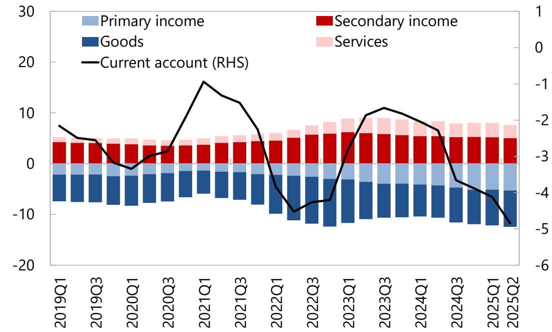


Sources: NBS and Haver Analytics.

Figure 3. Serbia: Balance of Payments

The current account deficit has widened …

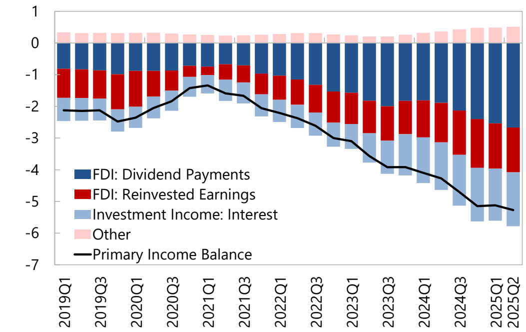
Serbia: Current Account Balance
(Billion of Euros; 4Q moving sum)



Sources: Haver Analytics and IMF staff calculations.

… amid a rising primary income deficit, particularly from increasing dividend repatriation.

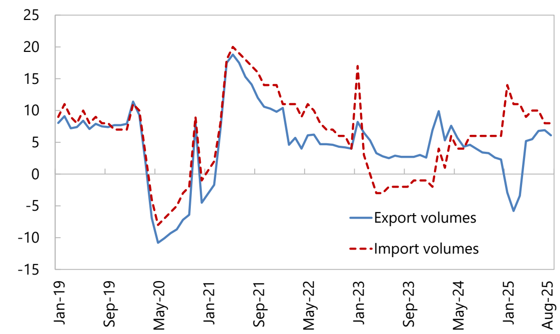
Serbia: Primary Income
(Billion of Euros; 4Q moving sum)



Sources: Haver Analytics and IMF staff calculations.

Moderating import growth and a robust pickup in export volumes have recently supported the trade balance, …

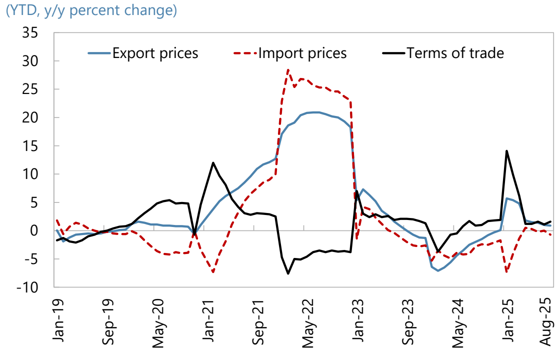
Serbia: Trade Volumes
(YTD, y/y percent change)



Source: Haver Analytics.

… together with a positive contribution from the terms of trade.

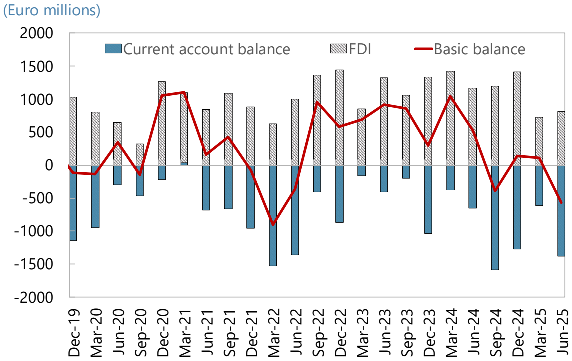
Serbia: Terms of Trade
(YTD, y/y percent change)



Source: Haver Analytics.

FDI has continued to fall short of fully financing the current account …

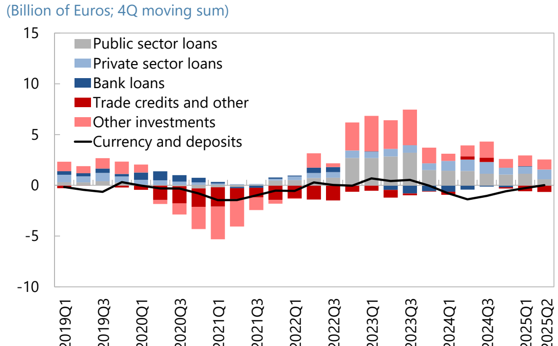
Serbia: Basic Balance
(Euro millions)



Source: Haver Analytics.

… and other investment inflows have moderated.

Serbia: Other Investments
(Billion of Euros; 4Q moving sum)

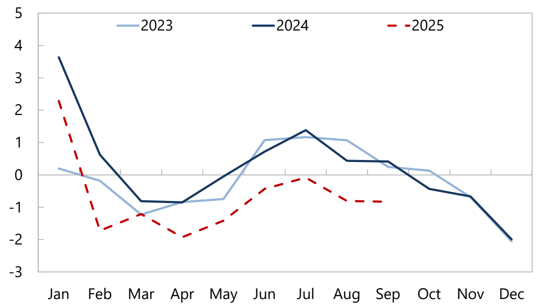


Sources: Haver Analytics and IMF staff calculations.

Figure 4. Serbia: Fiscal Developments 1/

Budget execution to date suggests the deficit target is within reach.

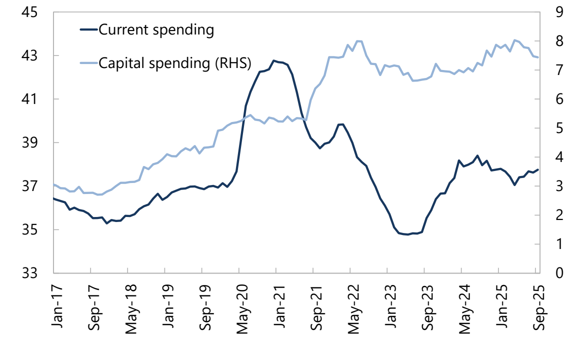
Serbia: General Government Fiscal Balance
(Percent of GDP)



Sources: Serbia Ministry of Finance, Statistical Office of the Republic of Serbia, Haver Analytics and IMF staff calculations.

Capital spending was scaled up but slowed down recently, while current spending stabilized …

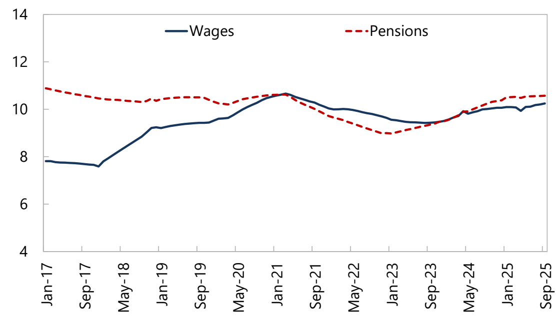
Serbia: Current and Capital Spending
(Percent of GDP, 12M sum)



Sources: Ministry of Finance and IMF staff calculations.

… although spending edged up on pensions and public sector wages.

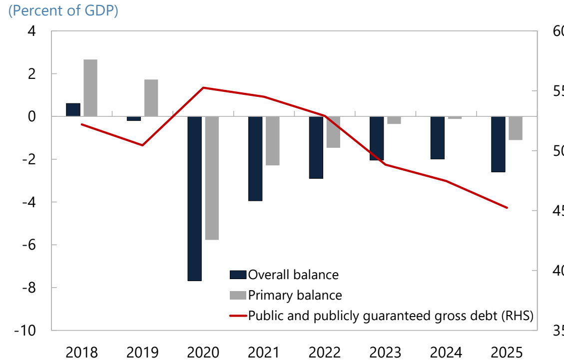
Serbia: Wages and Pensions 1/
(Percent of GDP, 12M sum)



Sources: Ministry of Finance and IMF staff calculations.
1/ Includes employers' contributions.

The public debt-to-GDP ratio continued to decline.

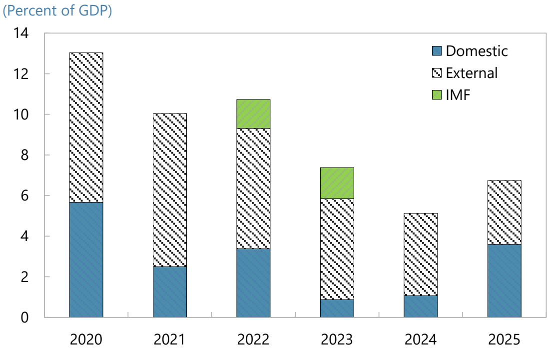
Serbia: Fiscal Balance and Government Debt
(Percent of GDP)



Sources: Ministry of Finance and IMF staff calculations.

Budget financing is estimated to have shifted more to domestic sources.

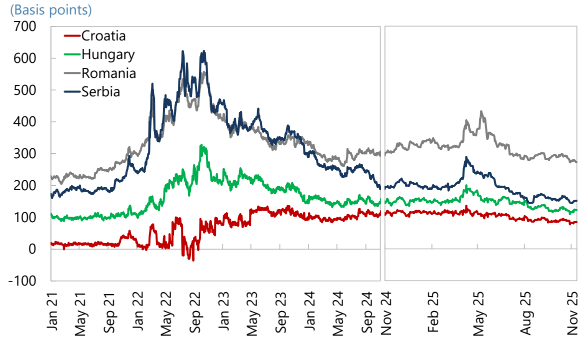
Serbia: Sources of Financing
(Percent of GDP)



Sources: Ministry of Finance and IMF staff calculations.

Serbia's sovereign spreads have moved broadly in line with peers.

Sovereign Risk - Euro EMBIG Spreads
(Basis points)



Source: Bloomberg.

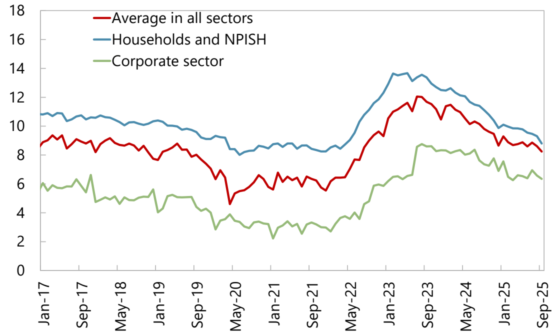
1/ Data for 2025 refer to annualized estimates based on 2025:Q3 outturn.

Figure 5. Serbia: Selected Interest Rates and Credit Developments

Lending rates have continued to decline, both for dinar lending …

Serbia: Bank Lending Interest Rates (RSD)

(Percent)

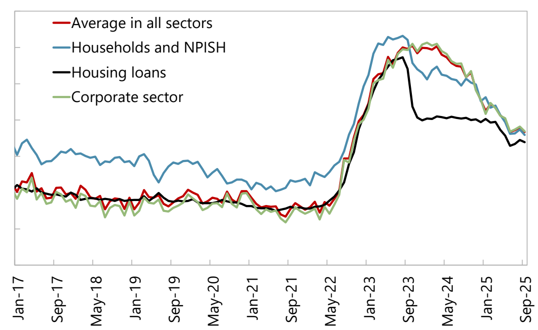


Source: NBS.

… and foreign currency lending …

Serbia: Bank Lending Interest Rates (FX and FX-linked)

(Percent)

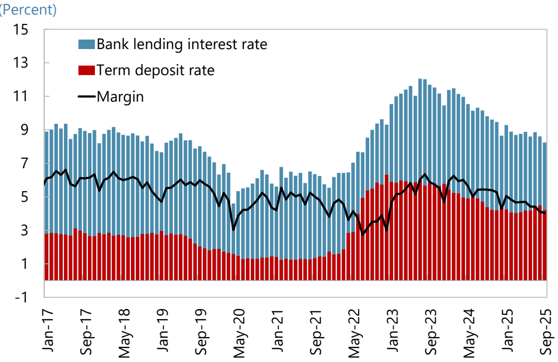


Source: NBS.

… compressing interest margins earned on dinar …

Serbia: Selected Interest Rates (RSD)

(Percent)

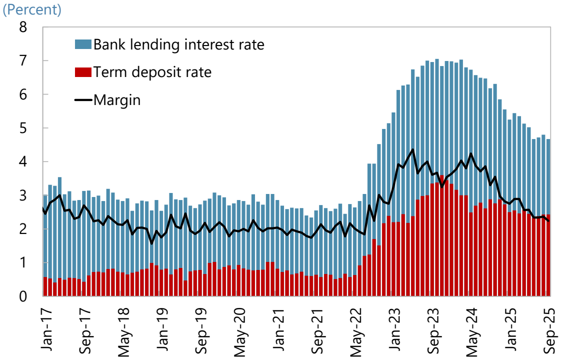


Source: NBS.

… and foreign currency loans.

Serbia: Selected Interest Rates (FX and FX-linked)

(Percent)

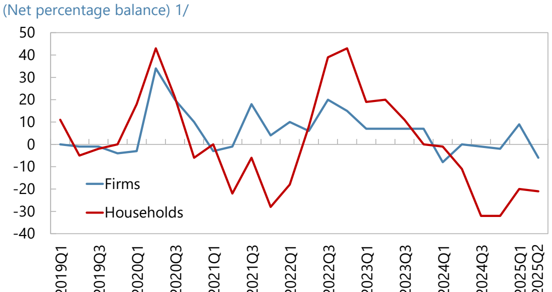


Source: NBS.

Credit conditions continue to ease, particularly for households …

Serbia: Credit Conditions

(Net percentage balance) 1/



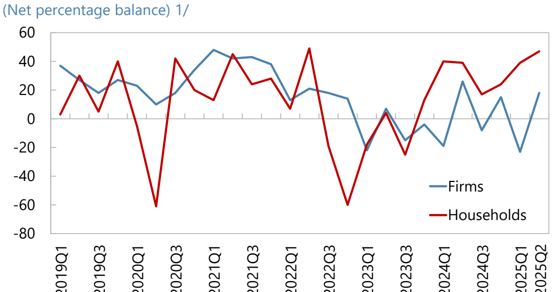
Source: Haver Analytics.

1/ Percentage of banks tightening minus percentage of banks loosening credit conditions over the past 3 months. A positive balance indicates a tightening of credit conditions.

… who also remain the key driver of credit demand.

Serbia: Credit Demand

(Net percentage balance) 1/



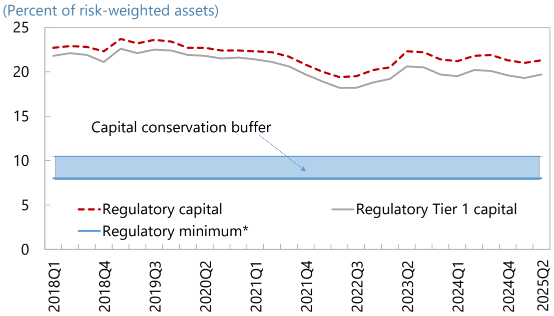
Source: Haver Analytics.

1/ Percentage of banks reporting higher minus percentage of banks reporting lower credit demand over the past 3 months. A positive balance indicates higher credit demand.

Figure 6. Serbia: Key Banking Sector Indicators

Banks' capital buffers remain strong and well above regulatory thresholds …

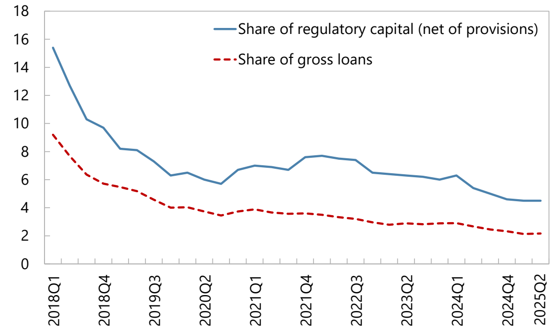
Serbia: Regulatory Capital
(Percent of risk-weighted assets)



Source: Haver Analytics.
*The NBS also has a countercyclical capital buffer (currently 0%), a capital buffer for systemically important banks and a systemic risk buffer.

… amid record low non-performing loans.

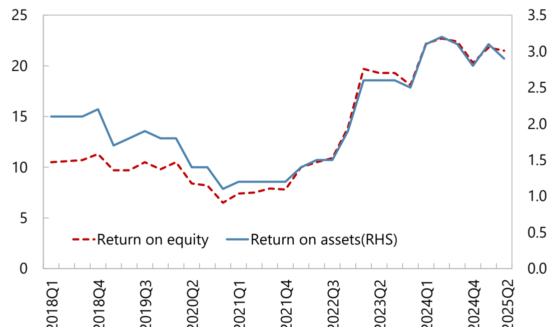
Serbia: Non-Performing Loans
(Percent)



Source: Haver Analytics.

Bank profitability has been strong …

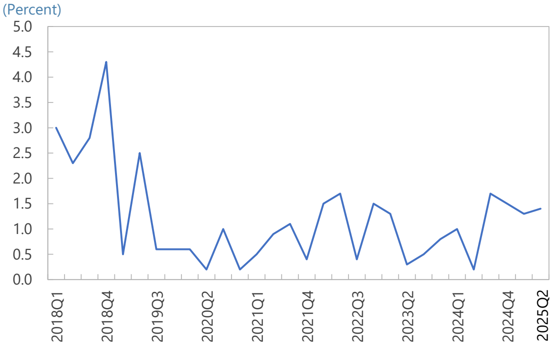
Serbia: Banking Sector Profitabilty
(Percent)



Source: Haver Analytics.

… and open foreign currency positions appear well-managed.

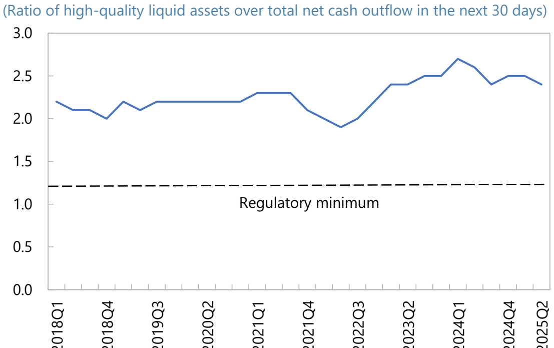
Serbia: Net Open FX Position to Regulatory Capital
(Percent)



Sources: NBS and Haver Analytics.

Liquidity is ample …

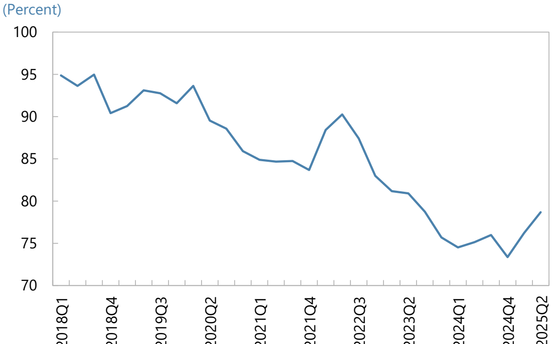
Serbia: Liquidity Coverage
(Ratio of high-quality liquid assets over total net cash outflow in the next 30 days)



Source: Haver Analytics.

… helped by conservative loan-to-deposit ratios.

Serbia: Loan-to-Deposit Ratio
(Percent)



Source: Haver Analytics.

Table 1. Serbia: Selected Economic and Social Indicators, 2023–30

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
						(Percent change, unless otherwise indicated)						
Real sector												
Real GDP	3.7	**3.8**	3.9	**3.0**	2.1	**4.0**	3.0	**4.5**	4.6	3.8	4.0	4.0
Real domestic demand (absorption)	1.1	**5.2**	5.7	**5.1**	4.0	**4.5**	3.9	**2.8**	2.9	4.4	3.8	3.8
Consumer prices (average)	12.4	**4.7**	4.7	**3.9**	3.9	**3.2**	4.0	**3.5**	3.8	3.0	3.0	3.0
Consumer prices (end of period)	7.6	**4.3**	4.3	**3.3**	3.0	**3.2**	5.0	**3.2**	3.2	3.0	3.0	3.0
GDP deflator	13.9	**5.3**	6.3	**4.1**	4.5	**3.3**	3.6	**3.5**	3.9	3.0	3.0	3.1
Unemployment rate (in percent) 1/	9.4	**8.6**	8.6	**8.5**	8.7	**8.4**	8.8	**8.3**	8.7	8.6	8.5	8.4
Nominal GDP (in billions of dinars)	8,818	**9,639**	9,748	**10,339**	10,406	**11,114**	11,107	**12,026**	12,066	12,908	13,832	14,826
						(Percent of GDP)						
General government finances												
Revenue 2/	39.4	**40.9**	40.5	**40.9**	40.7	**40.4**	40.8	**40.1**	40.3	40.0	39.9	39.9
Expenditure 2/	41.4	**42.9**	42.4	**43.9**	43.7	**43.4**	43.8	**43.1**	43.3	42.5	42.4	41.9
Current 2/	33.9	**35.1**	34.7	**36.2**	36.2	**36.0**	36.8	**35.6**	36.4	36.1	36.0	35.9
Capital and net lending	7.3	**7.5**	7.4	**7.4**	7.3	**7.2**	6.8	**7.4**	6.7	6.2	6.2	5.8
Amortization of called guarantees	0.3	**0.3**	0.3	**0.2**	0.2	**0.2**	0.2	**0.2**	0.2	0.2	0.2	0.2
Fiscal balance 3/	-2.0	**-2.0**	-2.0	**-3.0**	-3.0	**-3.0**	-3.0	**-3.0**	-3.0	-2.5	-2.5	-2.0
Primary fiscal balance 4/	-0.4	**-0.1**	-0.1	**-0.8**	-1.1	**-0.9**	-1.1	**-1.0**	-1.1	-0.6	-0.6	-0.2
Gross debt (public and publicly guaranteed) 5/	48.8	**47.5**	47.0	**46.8**	45.2	**46.5**	44.7	**46.4**	44.4	44.0	43.7	43.0
of which: Public debt	46.6	**45.4**	45.0	**44.7**	43.2	**43.4**	42.5	**42.6**	42.2	42.1	41.9	41.3
						(End of period 12-month change, percent)						
Monetary sector												
Broad money (M2)	13.1	**13.6**	13.6	**7.8**	8.4	**8.0**	7.8	**8.8**	9.2	7.5	7.7	7.8
Domestic credit to non-government 6/	1.2	**8.5**	8.5	**9.3**	14.1	**9.6**	13.8	**10.5**	13.7	8.9	7.8	8.7
						(End of period, percent)						
Interest rates (dinar)												
NBS key policy rate	6.5	**5.8**	5.8	**...**	...	**...**	...	**...**	...	...	...	...
Interest rate on new FX and FX-indexed loans	7.0	**5.6**	5.6	**...**	...	**...**	...	**...**	...	...	...	...
						(Percent of GDP, unless otherwise indicated)						
Balance of payments												
Current account balance	-2.3	**-4.7**	-4.5	**-5.4**	-5.2	**-5.6**	-6.0	**-4.5**	-4.9	-5.3	-5.0	-4.9
Trade of goods balance	-8.6	**-8.2**	-8.1	**-9.9**	-8.5	**-10.1**	-9.7	**-9.5**	-8.8	-8.5	-8.3	-8.1
Exports of goods	37.1	**36.2**	35.9	**35.0**	35.8	**34.6**	34.9	**33.9**	34.0	33.7	33.4	33.1
Imports of goods	-45.8	**-44.5**	-44.0	**-45.0**	-44.3	**-44.7**	-44.6	**-43.4**	-42.8	-42.2	-41.7	-41.1
Capital and financial account balance	7.7	**6.7**	6.6	**7.0**	4.6	**6.1**	4.0	**6.8**	7.1	5.9	6.1	6.1
External debt (percent of GDP)	62.0	**61.9**	61.2	**61.3**	58.8	**59.3**	55.9	**54.8**	51.9	48.9	46.2	44.3
of which: Private external debt	27.5	**28.1**	27.8	**27.4**	27.7	**26.7**	26.0	**25.7**	24.2	23.1	22.1	21.4
Gross official reserves (in billions of euro)	24.9	**29.3**	29.3	**30.7**	29.3	**31.0**	28.3	**32.8**	30.0	30.6	31.9	33.4
(in months of prospective imports)	6.7	**7.3**	7.3	**7.0**	6.7	**6.5**	6.0	**6.5**	6.0	5.8	5.7	5.6
(percent of short-term debt)	547.9	**644.4**	644.4	**675.2**	645.3	**680.9**	621.5	**722.0**	660.0	673.1	701.2	735.6
(percent of risk-weighted metric) 7/	153.3	**164.9**	164.7	**162.7**	157.3	**151.6**	142.1	**147.6**	138.0	134.5	132.2	130.9
Exchange rate (dinar/euro, period average)	117.3	**117.1**	117.1	**...**	...	**...**	...	**...**	...	...	...	...
REER (annual average change, in percent; + indicates appreciation)	6.4	**2.3**	2.3	**...**	...	**...**	...	**...**	...	...	...	...
Social indicators												
Per capita GDP (in US$)	12,282	**13,545**	13,699	**14,575**	15,386	**15,873**	17,105	**17,286**	18,686	20,112	21,720	23,464
Population (in million)	6.6	**6.6**	6.6	**6.5**	6.5	**6.5**	6.5	**6.4**	6.4	6.4	6.3	6.3

Sources: NBS, Ministry of Finance, SORS; and IMF staff estimates and projections.

1/ Unemployment rate of the 15-64 year old labor force.

2/ Includes employer contributions.

3/ Includes amortization of called guarantees.

4/ Excluding interest payments.

5/ Includes restitution bonds. Excludes state guarantees on bank loans under the credit guarantee scheme introduced in response to the COVID-19 crisis.

6/ At constant exchange rates.

7/ The risk-weighted metric is the IMF's ARA metric under fixed exchange rate. Serbia was reclassified as a de facto stabilized exchange rate regime in 2018.

Table 2. Serbia: Medium-Term Framework, 2023–30

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
	(Percent change)											
Real sector												
GDP growth	3.7	**3.8**	3.9	**3.0**	2.1	**4.0**	3.0	**4.5**	4.6	3.8	4.0	4.0
Domestic demand (contribution)	1.2	**5.5**	6.0	**5.4**	4.3	**4.9**	4.2	**3.1**	3.2	4.8	4.2	4.2
Net exports (contribution)	2.6	**-1.7**	-2.1	**-2.4**	-2.2	**-0.8**	-1.2	**1.4**	1.4	-1.0	-0.2	-0.2
Consumer price inflation (average)	12.4	**4.7**	4.7	**3.9**	3.9	**3.2**	4.0	**3.5**	3.8	3.0	3.0	3.0
Consumer price inflation (end of period)	7.6	**4.3**	4.3	**3.3**	3.0	**3.2**	5.0	**3.2**	3.2	3.0	3.0	3.0
Output gap (in percent of potential)	1.4	**0.5**	1.7	**-0.2**	0.2	**-0.1**	-0.4	**0.4**	0.2	0.0	0.0	0.0
Potential GDP growth	3.5	**3.7**	3.7	**3.8**	3.7	**3.9**	3.7	**4.0**	4.0	4.0	4.0	4.0
Domestic credit to non-government 1/	1.2	**8.5**	8.5	**9.3**	14.1	**9.6**	13.8	**10.5**	13.7	8.9	7.8	8.7
	(Percent of GDP, unless otherwise indicated)											
General government												
Revenue 2/	39.4	**40.9**	40.5	**40.9**	40.7	**40.4**	40.8	**40.1**	40.3	40.0	39.9	39.9
Expenditure 2/	41.4	**42.9**	42.4	**43.9**	43.7	**43.4**	43.8	**43.1**	43.3	42.5	42.4	41.9
Current 2/	33.9	**35.1**	34.7	**36.2**	36.2	**36.0**	36.8	**35.6**	36.4	36.1	36.0	35.9
of which: Wages and salaries 2/	8.8	**9.4**	9.3	**9.9**	9.9	**10.2**	10.2	**10.2**	10.2	10.2	10.2	10.2
of which: Pensions	8.8	**9.6**	9.5	**10.1**	10.0	**10.2**	10.6	**10.0**	10.3	10.2	10.2	10.2
of which: Goods and services	8.5	**8.2**	8.2	**8.8**	8.6	**8.5**	8.6	**8.4**	8.5	8.4	8.4	8.4
Capital and net lending	7.3	**7.5**	7.4	**7.4**	7.3	**7.2**	6.8	**7.4**	6.7	6.2	6.2	5.8
Amortization of called guarantees	0.3	**0.3**	0.3	**0.2**	0.2	**0.2**	0.2	**0.2**	0.2	0.2	0.2	0.2
Fiscal balance 3/	-2.0	**-2.0**	-2.0	**-3.0**	-3.0	**-3.0**	-3.0	**-3.0**	-3.0	-2.5	-2.5	-2.0
Gross debt (public and publicly guaranteed) 4/	48.8	**47.5**	47.0	**46.8**	45.2	**46.5**	44.7	**46.4**	44.4	44.0	43.7	43.0
of which: Public debt	46.6	**45.4**	45.0	**44.7**	43.2	**43.4**	42.5	**42.6**	42.2	42.1	41.9	41.3
	(Percent of GDP, unless otherwise indicated)											
Balance of payments												
Current account	-2.3	**-4.7**	-4.5	**-5.4**	-5.2	**-5.6**	-6.0	**-4.5**	-4.9	-5.3	-5.0	-4.9
of which: Trade balance	-8.6	**-8.2**	-8.1	**-9.9**	-8.5	**-10.1**	-9.7	**-9.5**	-8.8	-8.5	-8.3	-8.1
of which: Current transfers, net (excl. grants)	7.0	**6.3**	6.1	**5.9**	5.3	**5.8**	5.4	**5.6**	5.3	5.2	5.1	5.2
Capital and financial account	7.7	**6.7**	6.6	**7.0**	4.6	**6.1**	4.0	**6.8**	7.1	5.9	6.1	6.1
of which: Foreign direct investment	5.6	**5.6**	5.6	**4.4**	3.0	**4.8**	4.0	**4.4**	4.2	4.1	4.1	4.1
External debt (end of period)	62.0	**61.9**	61.2	**61.3**	58.8	**59.3**	55.9	**54.8**	51.9	48.9	46.2	44.3
of which: Private external debt	27.5	**28.1**	27.8	**27.4**	27.7	**26.7**	26.0	**25.7**	24.2	23.1	22.1	21.4
Gross official reserves												
(in billions of euros)	24.9	**29.3**	29.3	**30.7**	29.3	**31.0**	28.3	**32.8**	30.0	30.6	31.9	33.4
(in percent of short-term external debt)	547.9	**644.4**	644.4	**675.2**	645.3	**680.9**	621.5	**722.0**	660.0	673.1	701.2	735.6
REER (ann. av. change; + = appreciation)	6.4	**2.3**	2.3	**…**	…	**…**	…	**…**	…	…	…	…

Sources: NBS, Ministry of Finance, SORS; and IMF staff estimates and projections.

1/ Using constant dinar/euro and dinar/swiss franc exchange rates for converting FX and FX-indexed loans to dinars.

2/ Includes employer contributions.

3/ Includes amortization of called guarantees.

4/ Includes restitution bonds. Excludes state guarantees on bank loans under the credit guarantee scheme introduced in response to the COVID-19 crisis.

Table 3. Serbia: Growth Composition, 2023–30

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
	(Percent change, unless otherwise indicated)											
Real GDP												
Gross Domestic Product (GDP)	3.7	3.8	3.9	3.0	2.1	4.0	3.0	4.5	4.6	3.8	4.0	4.0
Domestic demand (absorption)	1.1	5.2	5.7	5.1	4.0	4.5	3.9	2.8	2.9	4.4	3.8	3.8
Consumption	-0.1	3.8	4.6	4.7	3.2	3.9	3.5	4.1	4.2	3.5	3.7	3.7
Non-government	0.5	4.2	5.2	3.8	3.2	4.2	4.0	4.5	4.5	3.8	4.0	4.0
Government	-2.4	2.4	2.4	7.9	3.0	3.0	1.5	2.8	3.0	2.3	2.6	2.6
Investment	5.1	9.6	9.3	6.3	6.6	6.0	5.1	-0.9	-0.7	7.2	4.1	4.2
Gross fixed capital formation	9.7	6.5	7.7	4.0	1.0	4.6	1.4	7.0	6.2	2.3	4.8	3.0
Non-government	13.0	2.1	3.7	4.5	0.5	5.5	3.0	6.0	6.0	4.5	5.0	5.0
Government	2.0	18.0	18.0	2.8	2.0	2.6	-2.0	9.3	6.7	-2.8	4.4	-2.2
Exports of goods and services	2.7	6.2	5.2	4.0	4.4	5.3	5.0	7.0	7.0	2.7	4.1	4.2
Imports of goods and services	-1.4	8.3	8.0	7.2	7.2	5.9	6.1	4.2	4.1	3.7	3.9	3.9
	(Contributions to GDP growth, percent)											
Real GDP												
Gross Domestic Product (GDP)	3.7	3.8	3.9	3.0	2.1	4.0	3.0	4.5	4.6	3.8	4.0	4.0
Domestic demand (absorption)	1.2	5.5	6.0	5.4	4.3	4.9	4.2	3.1	3.2	4.8	4.2	4.2
Net exports of goods and services	2.6	-1.7	-2.1	-2.4	-2.2	-0.8	-1.2	1.4	1.4	-1.0	-0.2	-0.2
Consumption	-0.1	3.0	3.7	3.7	2.5	3.2	2.8	3.3	3.4	2.8	3.0	3.0
Non-government	0.3	2.6	3.2	2.4	2.0	2.7	2.6	2.8	2.9	2.4	2.6	2.6
Government	-0.4	0.4	0.4	1.4	0.5	0.5	0.3	0.5	0.5	0.4	0.4	0.4
Investment	1.3	2.4	2.4	1.7	1.8	1.7	1.4	-0.2	-0.2	1.9	1.2	1.2
Gross fixed capital formation	2.2	1.6	1.9	1.0	0.2	1.2	0.4	1.8	1.5	0.6	1.2	0.7
Non-government	2.1	0.4	0.6	0.8	0.1	1.0	0.5	1.1	1.0	0.8	0.9	0.9
Government	0.1	1.2	1.2	0.2	0.2	0.2	-0.2	0.7	0.5	-0.2	0.3	-0.2
Change in inventories	-0.9	0.9	0.5	0.7	1.5	0.5	1.1	-2.0	-1.7	1.4	0.0	0.4
Exports of goods and services	1.6	3.7	3.1	2.4	2.6	3.2	3.1	4.4	4.3	1.7	2.6	2.7
Imports of goods and services	-1.0	5.3	5.2	4.8	4.8	4.1	4.3	3.0	3.0	2.7	2.8	2.8
	(Percent change, unless otherwise indicated)											
Nominal GDP												
Gross Domestic Product (GDP)	18.2	9.3	10.6	7.3	6.7	7.5	6.7	8.2	8.6	7.0	7.2	7.2
Domestic demand (absorption), contribution to GDP growth	12.9	10.0	11.3	9.3	8.0	8.2	8.1	6.9	7.3	7.7	7.3	7.3
Net exports of goods and services, contribution to GDP growth	5.3	-0.6	-0.7	-2.0	-1.3	-0.7	-1.4	1.3	1.3	-0.8	-0.1	-0.1
Consumption	12.1	10.4	10.4	9.2	7.5	7.6	7.9	8.0	8.4	6.8	7.1	7.1
Non-government	12.6	9.6	9.6	7.8	7.2	7.6	8.1	8.1	8.5	7.0	7.2	7.2
Government	10.3	13.4	13.4	13.9	8.4	7.7	6.9	7.6	8.1	6.4	6.8	6.8
Investment	10.3	6.8	12.4	7.9	7.9	8.1	7.3	1.5	2.1	9.3	6.3	6.4
Gross fixed capital formation	15.5	10.5	12.6	6.5	3.4	6.7	3.9	9.3	8.7	4.2	6.8	4.9
Non-government	17.0	5.5	8.3	7.0	2.9	7.6	5.5	8.3	8.5	6.5	7.0	7.0
Government	11.8	23.7	23.7	5.2	4.4	4.6	0.3	11.6	9.2	-1.0	6.3	-0.4
Exports of goods and services	7.2	7.6	7.6	6.1	6.5	7.4	6.5	9.3	9.3	4.9	6.3	6.4
Imports of goods and services	-1.3	8.1	8.2	9.0	8.2	7.8	8.3	6.2	6.1	5.8	6.0	6.0
Memorandum items												
Nominal GDP (billions of dinars)	8,818	9,639	9,748	10,339	10,406	11,114	11,107	12,026	12,066	12,908	13,832	14,826
GDP deflator (percent)	13.9	5.3	6.3	4.1	4.5	3.3	3.6	3.5	3.9	3.0	3.0	3.1

Sources: SORS; and IMF staff estimates and projections.

Table 4a. Serbia: Balance of Payments (Billions of Euros), 2023–30 1/

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.8	**-3.9**	-3.8	**-4.8**	-4.6	**-5.3**	-5.7	**-4.6**	-5.1	-5.9	-5.9	-6.2
Trade of goods balance	-6.5	**-6.8**	-6.8	**-8.8**	-7.6	**-9.6**	-9.2	**-9.7**	-9.0	-9.4	-9.8	-10.2
Exports of goods	27.9	**29.8**	29.9	**31.0**	31.8	**32.9**	33.2	**34.9**	35.2	37.3	39.6	42.0
Imports of goods	-34.4	**-36.6**	-36.6	**-39.7**	-39.4	**-42.5**	-42.4	**-44.6**	-44.2	-46.7	-49.4	-52.3
Services balance	3.0	**2.8**	2.8	**3.1**	2.5	**3.3**	2.9	**4.6**	4.0	3.5	3.8	4.1
Exports of nonfactor services	13.0	**14.5**	14.5	**16.0**	15.4	**17.5**	17.1	**20.2**	19.7	20.3	21.7	23.2
Imports of nonfactor services	-10.1	**-11.7**	-11.6	**-12.9**	-12.8	**-14.2**	-14.2	**-15.6**	-15.8	-16.8	-17.9	-19.1
Income balance	-3.9	**-5.2**	-5.2	**-4.6**	-4.6	**-4.8**	-4.9	**-5.6**	-5.7	-6.0	-6.3	-7.0
Net interest	-1.2	**-1.7**	-1.7	**-1.8**	-1.8	**-1.9**	-1.9	**-1.8**	-1.9	-1.5	-1.5	-1.3
Others, including reinvested earnings	-2.6	**-3.5**	-3.5	**-2.9**	-2.8	**-2.9**	-3.0	**-3.7**	-3.8	-4.5	-4.8	-5.7
Current transfer balance	5.6	**5.3**	5.4	**5.5**	5.0	**5.8**	5.5	**6.1**	5.7	6.0	6.4	6.9
Official grants	0.3	**0.1**	0.3	**0.3**	0.3	**0.3**	0.3	**0.4**	0.3	0.3	0.3	0.3
Others, including private remittances	5.3	**5.2**	5.1	**5.2**	4.7	**5.5**	5.2	**5.8**	5.5	5.8	6.1	6.6
Capital and financial account balance 1/	5.8	**5.5**	5.5	**6.2**	4.1	**5.8**	3.8	**7.0**	7.4	6.5	7.2	7.8
Capital transfer balance	0.0	**0.1**	0.1	**0.1**	0.2	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0
Foreign direct investment balance	4.2	**4.6**	4.6	**3.9**	2.6	**4.5**	3.8	**4.5**	4.4	4.5	4.9	5.2
Portfolio investment balance	0.9	**0.5**	0.4	**1.3**	-0.2	**2.2**	2.4	**1.5**	2.7	1.5	1.6	1.7
of which: debt liabilities	1.0	**0.7**	0.7	**1.3**	-0.2	**2.2**	2.4	**1.5**	2.7	1.5	1.6	1.7
Other investment balance	0.7	**0.3**	0.3	**0.9**	1.5	**-1.0**	-2.4	**1.0**	0.3	0.4	0.7	0.9
Public sector 1/ 2/	1.1	**0.7**	0.7	**0.6**	0.2	**-1.3**	-1.7	**0.8**	0.8	0.8	0.8	0.5
Domestic banks	-0.7	**-0.8**	-0.8	**-0.1**	0.3	**-0.1**	-0.6	**-0.2**	-0.7	-0.5	-0.3	0.0
Other private sector 3/	0.3	**0.4**	0.4	**0.4**	1.0	**0.4**	-0.1	**0.4**	0.2	0.1	0.2	0.3
Errors and omissions	0.2	**0.5**	0.4	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0
Overall balance	4.2	**2.2**	2.2	**1.4**	-0.6	**0.5**	-1.9	**2.5**	2.3	0.6	1.3	1.6
Financing	-4.2	**-2.2**	-2.2	**-1.4**	0.6	**-0.5**	1.9	**-2.5**	-2.3	-0.6	-1.3	-1.6
Gross international reserves (increase, -)	-4.7	**-2.8**	-2.8	**-1.4**	0.6	**-0.3**	2.1	**-1.9**	-1.8	-0.6	-1.3	-1.6
Financing Gap	0.5	**0.7**	0.7	**0.0**	0.0	**-0.2**	-0.2	**-0.6**	-0.6	0.0	0.0	0.0
Use of Fund credit, net	0.2	**0.1**	0.1	**0.0**	0.0	**-0.5**	-0.5	**-0.6**	-0.6	0.0	0.0	0.0
Purchases	0.2	**0.1**	0.1	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0
Repurchases	0.0	**0.0**	0.0	**0.0**	0.0	**-0.5**	-0.5	**-0.6**	-0.6	0.0	0.0	0.0
Development partners	0.3	**0.6**	0.6	**0.0**	0.0	**0.3**	0.3	**0.0**	0.0	0.0	0.0	0.0
to General government	0.1	**0.3**	0.3	**0.0**	0.0	**0.3**	0.3	**0.0**	0.0	0.0	0.0	0.0
to Public enterprises	0.2	**0.3**	0.3	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0
Memorandum item												
GDP	75.2	**82.3**	83.3	**88.4**	88.9	**95.0**	95.0	**102.9**	103.3	110.6	118.5	127.1

Sources: NBS; and IMF staff estimates and projections.

1/ Excluding net use of IMF resources.

2/ Includes SDR allocations in 2021.

3/ Includes trade credits (net).

Table 4b. Serbia: Balance of Payments (Percent of GDP), 2023–30 1/

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
Current account balance	-2.3	**-4.7**	-4.5	**-5.4**	-5.2	**-5.6**	-6.0	**-4.5**	-4.9	-5.3	-5.0	-4.9
Trade of goods balance	-8.6	**-8.2**	-8.1	**-9.9**	-8.5	**-10.1**	-9.7	**-9.5**	-8.8	-8.5	-8.3	-8.1
Exports of goods	37.1	**36.2**	35.9	**35.0**	35.8	**34.6**	34.9	**33.9**	34.0	33.7	33.4	33.1
Imports of goods	-45.8	**-44.5**	-44.0	**-45.0**	-44.3	**-44.7**	-44.6	**-43.4**	-42.8	-42.2	-41.7	-41.1
Services balance	3.9	**3.4**	3.4	**3.5**	2.8	**3.5**	3.1	**4.5**	3.8	3.1	3.2	3.3
Income balance	-5.1	**-6.3**	-6.3	**-5.2**	-5.2	**-5.0**	-5.1	**-5.4**	-5.5	-5.4	-5.3	-5.5
Current transfer balance	7.5	**6.4**	6.5	**6.2**	5.7	**6.1**	5.8	**5.9**	5.6	5.5	5.4	5.4
Official grants	0.4	**0.1**	0.3	**0.4**	0.4	**0.4**	0.3	**0.3**	0.3	0.3	0.3	0.3
Others, including private remittances	7.0	**6.3**	6.1	**5.9**	5.3	**5.8**	5.4	**5.6**	5.3	5.2	5.1	5.2
Capital and financial account balance 1/	7.7	**6.7**	6.6	**7.0**	4.6	**6.1**	4.0	**6.8**	7.1	5.9	6.1	6.1
Capital transfers balance	0.0	**0.1**	0.2	**0.1**	0.2	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0
Foreign direct investment balance	5.6	**5.6**	5.6	**4.4**	3.0	**4.8**	4.0	**4.4**	4.2	4.1	4.1	4.1
Portfolio investment balance	1.2	**0.6**	0.5	**1.4**	-0.2	**2.4**	2.6	**1.5**	2.6	1.4	1.3	1.3
Other investment balance	0.9	**0.4**	0.4	**1.0**	1.6	**-1.0**	-2.5	**1.0**	0.3	0.4	0.6	0.7
Public sector 1/ 2/	1.4	**0.9**	0.9	**0.7**	0.2	**-1.4**	-1.8	**0.8**	0.8	0.7	0.7	0.4
Domestic banks	-0.9	**-0.9**	-0.9	**-0.2**	0.4	**-0.1**	-0.6	**-0.2**	-0.6	-0.5	-0.2	0.0
Other private sector 3/	0.5	**0.4**	0.4	**0.5**	1.1	**0.4**	-0.2	**0.4**	0.2	0.1	0.1	0.2
Errors and omissions	0.3	**0.7**	0.5	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0
Overall balance	5.6	**2.6**	2.6	**1.6**	-0.6	**0.5**	-2.0	**2.4**	2.2	0.6	1.1	1.2
Financing	-5.6	**-2.6**	-2.6	**-1.6**	0.6	**-0.5**	2.0	**-2.4**	-2.2	-0.6	-1.1	-1.2
Gross international reserves (increase, -)	-6.3	**-3.4**	-3.4	**-1.6**	0.6	**-0.3**	2.2	**-1.8**	-1.7	-0.5	-1.1	-1.2
	(Percent change, unless otherwise indicated)											
Memorandum items:												
Nominal growth of exports of goods	3.7	**6.8**	7.0	**3.8**	6.6	**6.3**	4.2	**6.0**	6.0	6.1	6.1	6.1
Nominal growth of import of goods	-5.1	**6.3**	6.4	**8.6**	7.5	**7.0**	7.6	**4.9**	4.3	5.6	5.8	5.8
Volume growth of exports of goods	5.1	**6.7**	6.9	**1.7**	4.5	**4.3**	2.8	**3.8**	3.7	3.9	3.9	3.9
Volume growth of import of goods	-2.4	**8.2**	8.3	**6.8**	6.5	**5.1**	5.5	**2.9**	2.4	3.5	3.8	3.8
Trading partner import growth	-1.2	**1.8**	1.5	**1.0**	1.6	**2.5**	2.5	**3.1**	3.1	3.4	3.2	3.2
Export prices growth	-1.3	**0.1**	0.1	**2.0**	2.0	**1.9**	1.4	**2.1**	2.1	2.1	2.1	2.1
Import prices growth	-2.8	**-1.7**	-1.7	**1.7**	1.0	**1.8**	2.0	**2.0**	1.9	2.0	2.0	2.0
Change in terms of trade	1.5	**1.8**	1.8	**0.3**	1.1	**0.1**	-0.6	**0.1**	0.2	0.1	0.1	0.1
Gross official reserves (in billions of euro)	24.9	**29.3**	29.3	**30.7**	29.3	**31.0**	28.3	**32.8**	30.0	30.6	31.9	33.4
(In months of prospective imports of GNFS)	6.7	**7.3**	7.3	**7.0**	6.7	**6.5**	6.0	**6.5**	6.0	5.8	5.7	5.6
(in percent of short-term debt)	547.9	**644.4**	644.4	**675.2**	645.3	**680.9**	621.5	**722.0**	660.0	673.1	701.2	735.6
(in percent of broad money, M2)	65.0	**67.2**	67.2	**64.9**	62.1	**60.6**	55.3	**59.3**	54.1	51.6	49.9	49.0
(in percent of risk-weighted metric) 4/	153.3	**164.9**	164.7	**162.7**	157.3	**151.6**	142.1	**147.6**	138.0	134.5	132.2	130.9
GDP (billions of euros)	75.2	**82.3**	83.3	**88.4**	88.9	**95.0**	95.0	**102.9**	103.3	110.6	118.5	127.1

Sources: NBS; and IMF staff estimates and projections.

1/ Excluding net use of IMF resources.

2/ Includes SDR allocations in 2021.

3/ Includes trade credits (net).

4/ The risk-weighted metric is the IMF's ARA metric for the fixed exchange rate. Serbia was reclassified as a de facto stabilized exchange rate regime in 2018.

Table 5a. Serbia: External Financing Requirements and Sources (Baseline), 2023–30

(In billions of euros)

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
Total financing requirement	**10.4**	**11.3**	**8.2**	**10.7**	**14.2**	**11.9**	**11.8**	**11.7**
Current account deficit	1.8	3.8	4.6	5.7	5.1	5.9	5.9	6.2
Debt amortization	3.8	4.7	4.1	7.1	7.4	5.4	4.6	3.9
Medium and long-term debt	2.6	4.3	3.5	6.5	7.4	5.4	4.6	3.9
Public sector	1.5	1.6	2.3	4.7	4.3	3.8	3.8	3.5
Of which: IMF	0.0	0.0	0.0	0.5	0.6	0.0	0.0	0.0
Of which: Eurobonds	0.0	0.3	0.0	0.0	2.1	1.7	1.6	1.0
Of which: Domestic bonds (non-residents)	0.3	0.4	0.7	0.4	-0.1	0.6	0.5	0.6
Commercial banks	0.5	0.6	0.5	0.7	0.7	0.7	0.3	0.1
Corporate sector	0.6	2.1	0.7	1.1	2.3	0.9	0.6	0.4
Short-term debt	1.2	0.3	0.6	0.6	0.0	0.0	0.0	0.0
Commercial banks	0.8	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Corporate sector	0.4	0.1	0.2	0.6	0.0	0.0	0.0	0.0
Change in gross reserves (increase=+)	4.7	2.8	-0.6	-2.1	1.8	0.6	1.3	1.6
Total financing sources	**9.9**	**10.6**	**8.2**	**10.9**	**14.7**	**11.9**	**11.8**	**11.7**
Capital transfers	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Foreign direct investment (net)	4.2	4.6	2.6	3.8	4.4	4.5	4.9	5.2
Portfolio investment (net) 1/	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Debt financing (excl. except. financing)	7.2	6.6	5.4	7.7	7.9	5.8	5.4	5.4
Medium and long-term debt	6.0	6.2	4.8	7.1	7.9	5.8	5.4	5.4
Public sector 2/	3.6	3.0	2.2	5.2	4.5	3.8	3.9	3.9
Of which: Eurobonds	1.6	1.4	0.0	2.1	2.1	2.1	2.2	1.9
Of which: Domestic bonds (non-residents)	0.3	0.4	0.6	0.7	0.8	0.9	0.7	0.7
Commercial banks	1.1	0.2	0.6	0.3	0.3	0.4	0.1	0.3
Corporate sector	1.3	3.0	2.1	1.6	3.1	1.7	1.4	1.2
Short-term debt	1.2	0.3	0.6	0.6	0.0	0.0	0.0	0.0
Other net capital inflows 3/	-1.5	-0.5	0.0	-0.5	2.5	1.5	1.5	1.0
o/w trade credit and currency and deposits	-0.2	-0.6	-0.2	-0.7	-0.9	-0.8	-0.7	-0.7
Total financing needs	**0.5**	**0.7**	**0.0**	**-0.2**	**-0.6**	**0.0**	**0.0**	**0.0**
Exceptional financing (net)	**0.5**	**0.7**	**0.0**	**-0.2**	**-0.6**	**0.0**	**0.0**	**0.0**
IMF	0.2	0.1	0.0	-0.5	-0.6	0.0	0.0	0.0
Development partners, *by debtor:* 4/	0.3	0.6	0.0	0.3	0.0	0.0	0.0	0.0
General government	0.1	0.3	0.0	0.3	0.0	0.0	0.0	0.0
SOEs (from IFIs)	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Gross international reserves (**without** except. financing)	23.4	27.1	27.1	26.3	28.6	29.2	30.5	32.1
as % of ARA Metric	144.0	152.4	145.6	132.1	131.5	128.4	126.5	125.5
Gross international reserves (**with** except. financing)	24.9	29.3	29.3	28.3	30.0	30.6	31.9	33.4
as % of ARA Metric	153.3	164.7	157.3	142.1	138.0	134.5	132.2	130.9
Debt service	5.2	6.5	6.1	8.9	9.0	6.8	5.7	4.9
Interest	1.4	1.9	2.0	1.8	1.6	1.3	1.1	1.0
Amortization	3.8	4.7	4.1	7.1	7.4	5.4	4.6	3.9

Sources: NBS, and IMF staff estimates and projections.

1/ Only includes equity securities and financial derivatives.

2/ Excluding IMF.

3/ Includes all other net financial flows and errors and omissions.

4/ Exceptional financing is provided by the World Bank, AFD, KfW, EBRD and Cassa Depositi e Prestiti (see MEFP). Some loans are disbursed to the budget and are public debt, others are disbursed to SOEs in the energy sector and are publicly guaranteed debt.

Table 5b. Serbia: Indicators of Capacity to Repay the Fund, 2023–30 1/

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Fund repurchases and charges 1/								
In millions of SDRs	73	89	68	495	521	74	31	31
In millions of euros	90	110	81	583	615	87	37	37
In percent of exports of goods and NFS	0.2	0.2	0.2	1.2	1.1	0.2	0.1	0.1
In percent of GDP	0.1	0.1	0.1	0.6	0.6	0.1	0.0	0.0
In percent of quota	11.1	13.6	10.3	75.6	79.5	11.3	4.8	4.8
In percent of total external debt service	1.7	1.7	1.3	6.6	6.8	1.3	0.7	0.8
In percent of gross international reserves	0.4	0.4	0.3	2.1	2.1	0.3	0.1	0.1
Fund credit outstanding (end-period)								
In millions of SDRs	949	949	949	516	41	-	-	-
In millions of euros	1,162	1,189	1,115	608	48	-	-	-
In percent of exports of goods and NFS	2.8	2.7	2.4	1.2	0.1	-	-	-
In percent of GDP	1.5	1.4	1.3	0.6	0.0	-	-	-
In percent of quota	145.0	145.0	145.0	78.8	6.3	-	-	-
In percent of total external debt	2.5	2.3	2.1	1.1	0.1	-	-	-
In percent of gross international reserves	4.7	4.1	3.8	2.2	0.2	-	-	-
Memorandum items:			(In millions of euros, unless otherwise indicated)					
Exports of goods and NFS	40,956	44,317	47,206	50,259	54,915	57,618	61,276	65,216
Quota (in millions of SDRs)	654.8	654.8	654.8	654.8	654.8	654.8	655.8	656.8
GDP	75,204	83,257	88,940	95,020	103,332	110,579	118,530	127,096
Total external debt service	5,207	6,532	6,091	8,889	9,006	6,764	5,725	4,912
Public sector external debt	25,963	27,813	27,646	28,478	28,587	28,555	28,643	29,104
Total external debt	46,652	50,982	52,274	53,146	53,628	54,049	54,801	56,326
Total external debt stock excluding IMF	45,475	49,804	51,096	52,480	53,524	53,993	54,746	56,271
Gross international reserves	24,909	29,295	29,337	28,253	30,005	30,601	31,875	33,439

Source: IMF staff estimates.

1/ Includes GRA basic rate of charge, surcharges, service fees, and SDR charges.

Table 6a. Serbia: General Government Fiscal Operations (Billions of RSD), 2023–30 1/

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176	Est.	CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
Revenue	3,473	**3,944**	3,944	**4,227**	4,238	**4,491**	4,529	**4,826**	4,864	5,164	5,525	5,917
Taxes	3,079	**3,497**	3,497	**3,746**	3,731	**4,030**	4,026	**4,368**	4,369	4,650	4,974	5,330
Personal income tax	348	**403**	403	**437**	436	**468**	470	**511**	517	553	591	634
Social security contributions 2/	1,061	**1,225**	1,225	**1,365**	1,372	**1,490**	1,508	**1,630.2**	1,632.0	1,735	1,858	1,991
Taxes on profits	272	**297**	297	**285**	285	**307**	290	**325**	332	351	376	403
Value-added taxes	843	**952**	952	**1,018**	1,000	**1,097**	1,085	**1,210**	1,190	1,263	1,350	1,447
Excises	367	**415**	415	**426**	435	**441**	457	**452**	470	501	536	575
Taxes on international trade	81	**89**	89	**96**	93	**103**	100	**112**	108	114	121	130
Other taxes	107	**116**	116	**120**	109	**124**	116	**128**	120	133	143	151
Non-tax revenue	343	**414**	414	**429**	454	**406**	455	**403**	446	466	501	535
Capital revenue	9	**11**	11	**15**	15	**15**	15	**15**	15	15	15	15
Grants	43	**21**	21	**38**	38	**40**	34	**41**	34	33	35	37
Expenditure	3,654	**4,136**	4,136	**4,537**	4,550	**4,824**	4,863	**5,186**	5,226	5,487	5,871	6,213
Current expenditure	2,988	**3,382**	3,382	**3,748**	3,772	**4,004**	4,089	**4,276**	4,390	4,662	4,981	5,325
Wages and salaries 3/	775	**907**	907	**1,023**	1,032	**1,128**	1,130	**1,221**	1,228	1,314	1,408	1,509
Goods and services	751	**795**	795	**909**	891	**949**	951	**1,014**	1,028	1,087	1,162	1,242
Interest	149	**180**	180	**223**	197	**235**	214	**237**	227	251	264	269
Subsidies	214	**239**	239	**241**	246	**248**	250	**259**	254	272	292	313
Transfers	1,099	**1,260**	1,260	**1,352**	1,406	**1,444**	1,543	**1,546**	1,652	1,738	1,856	1,991
Pensions	774	**930**	930	**1,042**	1,045	**1,130**	1,173	**1,204**	1,245	1,320	1,409	1,511
Other transfers 4/	325	**331**	331	**310**	361	**314**	371	**342**	407	418	447	481
Capital expenditure	568	**703**	703	**740**	734	**774**	736	**863**	804	796	846	843
Net lending	74	**23**	23	**28**	22	**24**	15	**24**	10	7	11	11
Amortization of activated guarantees	24	**28**	28	**22**	22	**23**	23	**22**	22	22	33	34
Fiscal balance	-180	**-192**	-192	**-310**	-312	**-333**	-334	**-360**	-362	-323	-345	-296
Financing	180	**192**	192	**310**	312	**333**	334	**360**	362	323	345	296
Domestic	-282	**-42**	-17	**118**	292	**246**	313	**308**	338	196	184	137
External	463	**204**	209	**192**	20	**116**	21	**123**	24	127	161	159
Memorandum items:												
Gross debt (public and publicly guaranteed) 5/	4,306	**4,575**	4,584	**4,839**	4,707	**5,171**	4,969	**5,574**	5,353	5,684	6,048	6,382
Publicly guaranteed debt	196	**195**	195	**217**	213	**346**	251	**448**	259	248	253	256
Nominal GDP	8,818	**9,639**	9,748	**10,339**	10,406	**11,114**	11,107	**12,026**	12,066	12,908	13,832	14,826

Sources: Ministry of Finance; and IMF staff estimates and projections.

1/ Includes the republican budget, local governments, social security funds, and the Road Company, but excludes indirect budget beneficiaries (IBBs) that are reporting only on an annual basis.

2/ Includes employer contributions.

3/ Includes severance payments. Includes employer contributions.

4/ Excludes foreign currency deposit payments to households, reclassified below the line.

5/ Includes restitution bonds. Excludes state guarantees on bank loans under the credit guarantee scheme introduced in response to the COVID-19 crisis.

Table 6b. Serbia: General Government Fiscal Operations (Percent of GDP), 2023–30 1/

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
Revenue	39.4	**40.9**	40.5	**40.9**	40.7	**40.4**	40.8	**40.1**	40.3	40.0	39.9	39.9
Taxes	34.9	**36.3**	35.9	**36.2**	35.9	**36.3**	36.2	**36.3**	36.2	36.0	36.0	36.0
Personal income tax	3.9	**4.2**	4.1	**4.2**	4.2	**4.2**	4.2	**4.2**	4.3	4.3	4.3	4.3
Social security contributions 2/	12.0	**12.7**	12.6	**13.2**	13.2	**13.4**	13.6	**13.6**	13.5	13.4	13.4	13.4
Taxes on profits	3.1	**3.1**	3.0	**2.8**	2.7	**2.8**	2.6	**2.7**	2.8	2.7	2.7	2.7
Value-added taxes	9.6	**9.9**	9.8	**9.8**	9.6	**9.9**	9.8	**10.1**	9.9	9.8	9.8	9.8
Excises	4.2	**4.3**	4.3	**4.1**	4.2	**4.0**	4.1	**3.8**	3.9	3.9	3.9	3.9
Taxes on international trade	0.9	**0.9**	0.9	**0.9**	0.9	**0.9**	0.9	**0.9**	0.9	0.9	0.9	0.9
Other taxes	1.2	**1.2**	1.2	**1.2**	1.0	**1.1**	1.0	**1.1**	1.0	1.0	1.0	1.0
Non-tax revenue	3.9	**4.3**	4.2	**4.1**	4.4	**3.7**	4.1	**3.3**	3.7	3.6	3.6	3.6
Capital revenue	0.1	**0.1**	0.1	**0.1**	0.1	**0.1**	0.1	**0.1**	0.1	0.1	0.1	0.1
Grants	0.5	**0.2**	0.2	**0.4**	0.4	**0.4**	0.3	**0.3**	0.3	0.3	0.3	0.3
Expenditure	41.4	**42.9**	42.4	**43.9**	43.7	**43.4**	43.8	**43.1**	43.3	42.5	42.4	41.9
Current expenditure	33.9	**35.1**	34.7	**36.2**	36.2	**36.0**	36.8	**35.6**	36.4	36.1	36.0	35.9
Wages and salaries 3/	8.8	**9.4**	9.3	**9.9**	9.9	**10.2**	10.2	**10.2**	10.2	10.2	10.2	10.2
Goods and services	8.5	**8.2**	8.2	**8.8**	8.6	**8.5**	8.6	**8.4**	8.5	8.4	8.4	8.4
Interest	1.7	**1.9**	1.9	**2.2**	1.9	**2.1**	1.9	**2.0**	1.9	1.9	1.9	1.8
Subsidies	2.4	**2.5**	2.5	**2.3**	2.4	**2.2**	2.3	**2.2**	2.1	2.1	2.1	2.1
Transfers	12.5	**13.1**	12.9	**13.1**	13.5	**13.0**	13.9	**12.9**	13.7	13.5	13.4	13.4
Pensions	8.8	**9.6**	9.5	**10.1**	10.0	**10.2**	10.6	**10.0**	10.3	10.2	10.2	10.2
Other transfers 4/	3.7	**3.4**	3.4	**3.0**	3.5	**2.8**	3.3	**2.8**	3.4	3.2	3.2	3.2
Capital expenditure	6.4	**7.3**	7.2	**7.2**	7.1	**7.0**	6.6	**7.2**	6.7	6.2	6.1	5.7
Net lending	0.8	**0.2**	0.2	**0.3**	0.2	**0.2**	0.1	**0.2**	0.1	0.1	0.1	0.1
Amortization of activated guarantees	0.3	**0.3**	0.3	**0.2**	0.2	**0.2**	0.2	**0.2**	0.2	0.2	0.2	0.2
Fiscal balance	-2.0	**-2.0**	-2.0	**-3.0**	-3.0	**-3.0**	-3.0	**-3.0**	-3.0	-2.5	-2.5	-2.0
Financing	2.0	**2.0**	2.0	**3.0**	3.0	**3.0**	3.0	**3.0**	3.0	2.5	2.5	2.0
Domestic	-3.2	**-0.4**	-0.2	**1.1**	2.8	**2.2**	2.8	**2.6**	2.8	1.5	1.3	0.9
External	5.2	**2.1**	2.1	**1.9**	0.2	**1.0**	0.2	**1.0**	0.2	1.0	1.2	1.1
Memorandum items:												
Gross debt (public and publicly guaranteed) 5/	48.8	**47.5**	47.0	**46.8**	45.2	**46.5**	44.7	**46.4**	44.4	44.0	43.7	43.0
Publicly guaranteed debt	2.2	**2.0**	2.0	**2.1**	2.0	**3.1**	2.3	**3.7**	2.1	1.9	1.8	1.7
Nominal GDP (billions of RSD)	8,818	**9,639**	9,748	**10,339**	10,406	**11,114**	11,107	**12,026**	12,066	12,908	13,832	14,826

Sources: Ministry of Finance; and IMF staff estimates and projections.

1/ Includes the republican budget, local governments, social security funds, and the Road Company, but excludes indirect budget beneficiaries (IBBs) that are reporting only on an annual basis.

2/ Includes employer contributions.

3/ Includes severance payments. Includes employer contributions.

4/ Excludes foreign currency deposit payments to households, reclassified below the line.

5/ Includes restitution bonds. Excludes state guarantees on bank loans under the credit guarantee scheme introduced in response to the COVID-19 crisis.

Table 7. Serbia: Decomposition of Public Debt and Debt Service by Creditor, 2024–26 1/

(Central government debt, in billions of euros)

	Debt Stock			Debt Service					
	September 2025 (end of period)			2024	2025	2026	2024	2025	2026
	(In Euro bln)	(Percent of total debt)	(Percent of GDP)	(In Euro bln)			(Percent of GDP)		
Total	38.1	100.0	42.8	3.1	3.8	5.6	3.8	4.3	5.9
External	26.8	70.4	30.2	1.5	1.6	3.8	1.8	1.8	4.0
Multilateral creditors 2/	8.0	21.1	9.0	0.6	0.6	1.2	0.7	0.7	1.2
IMF	2.3	6.0	2.6						
World Bank	0.0	0.0	0.0						
ADB/AfDB/IADB	0.0	0.0	0.0						
Other Multilaterals	5.7	15.0	6.4						
o/w: IBRD	2.2	5.7	2.4						
EIB	1.8	4.7	2.0						
Others (IDA, EU, CEB, EBRD, EUROFIMA, KfW)	1.8	4.6	2.0						
Bilateral Creditors	5.9	15.4	6.6	0.3	0.3	2.3	0.4	0.4	2.4
Paris Club	0.3	0.8	0.3	0.1	0.0	0.0	0.1	0.0	0.0
o/w: PC Germany KfW	0.0	0.0	0.0						
PC United Kingdom	0.0	0.0	0.0						
Non-Paris Club	5.6	14.6	6.3	0.2	0.3	2.3	0.3	0.3	2.4
o/w: UAE	1.9	5.0	2.2						
China	2.8	7.4	3.2						
Russia	0.6	1.6	0.7						
Others	0.2	0.5	0.2						
Bonds	10.3	27.1	11.6	0.3	0.0	0.0	0.4	0.0	0.0
Commercial creditors	2.3	6.1	2.6	0.3	0.7	0.3	0.3	0.7	0.3
Other international creditors	0.3	0.8	0.4	0.0	0.0	0.0	0.0	0.1	0.0
o/w: JICA	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	11.3	29.6	12.7	1.6	2.2	1.8	1.9	2.4	1.9
Held by residents, total	10.3	27.0	11.6	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	1.0	2.6	1.1	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	10.6	27.7	11.9	1.4	2.0	1.5	1.7	2.2	1.6
Loans and other domestic debt	0.7	1.9	0.8	0.2	0.2	0.3	0.3	0.2	0.3
Memo items:									
Collateralized debt 3/	0.0	0.0	0.0						
o/w: Related	0.0	0.0	0.0						
o/w: Unrelated	0.0	0.0	0.0						
Contingent liabilities	1.7	4.4	1.9						
o/w: Public guarantees	1.7	4.4	1.9						
o/w: Other explicit contingent liabilities 4/	0.0	0.0	0.0						
Nominal GDP	88.9			83.3	88.9	95.0			

Source: Serbia Public Debt Management Agency.

1/ As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage corresponds to central government. September 2025 data are preliminary.

2/ Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Table 8. Serbia: Monetary Survey, 2023–30 1/

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
	(Billions of RSD, unless otherwise indicated; end of period) 1/											
Net foreign assets 2/	2,700	**3,293**	3,293	**3,607**	3,448	**3,635**	3,316	**3,852**	3,519	3,588	3,735	3,916
In billions of euro	*23.0*	***28.1***	*28.1*	***30.8***	*29.5*	***31.1***	*28.4*	***33.0***	*30.1*	*30.7*	*32.0*	*33.6*
Foreign assets	3,381	**3,962**	3,962	**4,148**	3,884	**4,200**	3,763	**4,451**	3,987	4,073	4,244	4,441
NBS	2,933	**3,444**	3,444	**3,607**	3,448	**3,636**	3,316	**3,852**	3,519	3,588	3,735	3,917
Commercial banks	448	**517**	517	**541**	436	**564**	447	**598.1**	468	485	508	525
Foreign liabilities (-)	-681	**-668**	-668	**-674**	-674	**-682**	-623	**-689**	-572	-532	-516	-538
NBS	0	**0**	0	**0**	0	**0**	0	**0**	0	0	0	0
Commercial banks	-680	**-668**	-668	**-674**	-674	**-682**	-623	**-689**	-572	-532	-516	-537
Net domestic assets	1,789	**1,806**	1,806	**2,024**	2,319	**2,423**	2,820	**2,699**	3,095	3,460	3,814	4,224
Domestic credit	3,162	**3,473**	3,473	**3,892**	4,281	**4,491**	5,111	**5,211**	5,963	6,585	7,195	7,854
Government, net	-56	**-27**	-27	**66**	286	**296**	565	**575**	792	953	1,120	1,248
NBS	-675	**-758**	-758	**-706**	-595	**-566**	-484	**-501**	-501	-521	-534	-567
Claims on government	87	**95**	95	**95**	95	**95**	95	**95**	95	95	95	95
Liabilities (deposits)	762	**853**	853	**801**	690	**661**	579	**596**	596	617	629	662
Banks	619	**731**	731	**772**	880	**862**	1,048	**1,076**	1,293	1,474	1,653	1,815
Claims on government	703	**822**	822	**862**	971	**953**	1,139	**1,167**	1,383	1,565	1,744	1,906
Liabilities (deposits)	84	**91**	91	**91**	91	**91**	91	**91**	91	91	91	91
Non-government sector	3,254	**3,529**	3,529	**3,855**	4,024	**4,224**	4,575	**4,665**	5,200	5,661	6,104	6,634
Households	1,474	**1,625**	1,625	**1,783**	1,902	**1,958**	2,191	**2,164**	2,492	2,726	2,945	3,206
Enterprises	1,733	**1,831**	1,831	**1,991**	2,039	**2,178**	2,289	**2,404**	2,600	2,818	3,033	3,291
Other assets, net	-1,373	**-1,666**	-1,666	**-1,868**	-1,962	**-2,068**	-2,290	**-2,511**	-2,868	-3,125	-3,380	-3,630
Capital accounts (-)	-1,220	**-1,500**	-1,500	**-1,679**	-1,779	**-1,853**	-2,061	**-2,249**	-2,559	-2,768	-2,988	-3,200
Broad money (M2)	4,490	**5,100**	5,100	**5,529**	5,529	**5,972**	5,972	**6,469**	6,469	6,928	7,447	8,008
Currency in circulation	369	**400**	400	**438**	438	**482**	481	**533**	538	593	655	725
Demand deposits	1,340	**1,590**	1,590	**1,743**	1,744	**1,916**	1,914	**2,122**	2,141	2,359	2,606	2,884
Time and saving deposits	516	**636**	636	**697**	697	**766**	765	**848**	856	943	1,042	1,153
Foreign currency deposits	2,264	**2,475**	2,475	**2,619**	2,649	**2,776**	2,799	**2,957**	2,975	3,105	3,238	3,366
In billions of euro	*19.3*	***21.2***	*21.2*	***22.4***	*22.6*	***23.7***	*24.0*	***25.3***	*25.5*	*26.6*	*27.8*	*28.9*
	(Year-on-year percent change, unless otherwise indicated)											
Memorandum items												
M2	13.1	**13.6**	13.6	**7.8**	8.4	**8.0**	7.8	**8.8**	9.2	7.5	7.7	7.8
Velocity (M2)	2.0	**1.9**	1.9	**1.9**	1.9	**1.9**	1.9	**1.9**	1.9	1.8	1.8	1.8
Deposits at constant exchange rate	12.7	**14.2**	14.2	**7.7**	8.3	**7.9**	7.7	**8.6**	9.0	7.3	7.5	7.5
Credit to non-gov. (current exchange rate)	4.3	**11.3**	11.3	**7.7**	11.4	**7.8**	9.3	**8.3**	10.1	7.1	6.4	7.1
Credit to non-gov. (constant exchange rates) 3/	4.4	**11.4**	11.4	**7.7**	11.4	**7.8**	9.4	**8.3**	10.1	7.1	6.4	7.1
Domestic	1.2	**8.5**	8.5	**9.3**	14.1	**9.6**	13.8	**10.5**	13.7	8.9	7.8	8.7
Households	1.2	**10.3**	10.3	**9.8**	17.1	**9.8**	15.3	**10.6**	13.8	9.4	8.0	8.9
Enterprises and other sectors	1.2	**7.1**	7.1	**8.9**	11.5	**9.4**	12.5	**10.4**	13.6	8.4	7.7	8.5
External	10.1	**16.0**	16.0	**5.4**	7.4	**5.0**	2.2	**4.8**	3.7	3.6	3.5	3.7
Credit to non-gov. (real terms) 4/	-3.1	**6.7**	6.7	**3.7**	7.2	**4.4**	5.1	**4.7**	6.1	3.9	3.3	3.9
Domestic credit to non-gov. (real terms)	-6.1	**4.0**	4.0	**5.2**	9.7	**6.1**	9.3	**6.7**	9.5	5.6	4.6	5.5
Households	-6.1	**5.7**	5.7	**5.7**	12.6	**6.3**	10.8	**6.8**	9.6	6.1	4.8	5.7
Enterprises and other sectors	-6.1	**2.6**	2.6	**4.8**	7.3	**6.0**	8.0	**6.7**	9.4	5.2	4.5	5.3
External	2.1	**11.1**	11.1	**1.4**	3.2	**1.7**	-1.8	**1.2**	-0.1	0.5	0.4	0.6
Deposit euroization (percent of total) 5/	54.9	**52.7**	52.7	**51.8**	52.0	**50.8**	51.1	**49.9**	49.8	48.5	47.0	45.5
Credit euroization (percent of total) 5/	64.8	**61.9**	61.9	**61.4**	61.0	**60.8**	60.3	**60.3**	59.8	59.2	58.7	58.2

Sources: NBS; and IMF staff estimates and projections.

1/ Foreign exchange denominated items are converted at current exchange rates.

2/ Excluding undivided assets and liabilities of the FSRY and liabilities to banks in liquidation.

3/ Using constant program RSD/euro exchange rates for converting FX and FX-indexed loans to RSD.

4/ Calculated as nominal credit at current exchange rates deflated by the change in the 12-month CPI index.

5/ Using current exchange rates.

Table 9. Serbia: NBS Balance Sheet, 2023–30 1/

	2023	2024		2025		2026		2027		2028	2029	2030
		CR 25/176		CR 25/176	Proj.	CR 25/176	Proj.	CR 25/176	Proj.	Proj.	Proj.	Proj.
	(Billions of RSD, unless otherwise indicated; end of period) 1/											
Net foreign assets	2,933	**3,444**	3,444	**3,607**	3,448	**3,635**	3,316	**3,852**	3,519	3,588	3,735	3,916
In billions of euro	*25.0*	***29.4***	*29.4*	***30.8***	*29.5*	***31.1***	*28.4*	***33.0***	*30.1*	*30.7*	*32.0*	*33.6*
Gross foreign reserves	2,933	**3,444**	3,444	**3,607**	3,448	**3,636**	3,316	**3,852**	3,519	3,588	3,735	3,917
Net domestic assets	-1,525	**-1,776**	-1,776	**-1,791**	-1,627	**-1,656**	-1,334	**-1,679**	-1,328	-1,201	-1,129	-1,068
Net domestic credit	-1,067	**-1,137**	-1,137	**-1,152**	-988	**-1,017**	-696	**-1,040**	-689	-562	-490	-429
Net credit to government	-675	**-758**	-758	**-706**	-595	**-566**	-484	**-501**	-501	-521	-534	-567
Claims on government	87	**95**	95	**95**	95	**95**	95	**95**	95	95	95	95
Liabilities to government (-)	-762	**-853**	-853	**-801**	-690	**-661**	-579	**-596**	-596	-617	-629	-662
Reserve money	1,410	**1,670**	1,670	**1,816**	1,821	**1,980**	1,982	**2,173**	2,191	2,387	2,606	2,849
Currency in circulation	369	**400**	400	**438**	438	**482**	481	**533**	538	593	655	725
Commercial bank reserves	696	**873**	873	**957**	957	**1,052**	1,051	**1,165**	1,175	1,295	1,431	1,583
Required reserves	410	**452**	452	**474**	479	**502**	506	**535**	538	562	586	609
Excess reserves	287	**421**	421	**483**	478	**550**	545	**630**	637	733	845	974

Sources: NBS; and IMF staff estimates and projections.

1/ Foreign exchange denominated items are converted at current exchange rates.

Table 10. Serbia: Banking Sector Financial Soundness Indicators, 2021–25

	2021	2022	2023				2024				2025		
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Aug
Capital adequacy													
Regulatory capital to risk-weighted assets	20.8	20.2	20.5	22.3	22.2	21.4	21.2	21.8	21.9	21.3	21.0	21.3	21.3
Regulatory Tier 1 capital to risk-weighted assets	19.7	18.8	19.2	20.6	20.5	19.7	19.5	20.2	20.1	19.6	19.3	19.7	19.7
Nonperforming loans net of provisions to regulatory capital	7.6	6.5	6.4	6.3	6.2	6.0	6.3	5.4	5.0	4.6	4.5	4.5	4.2
Regulatory Tier 1 capital to assets	11.8	11.0	10.9	11.7	11.5	11.0	10.8	11.2	11.2	10.7	10.8	11.2	10.9
Large exposures to capital	86.0	86.7	87.0	70.0	71.2	85.6	95.9	87.7	89.0	95.7	98.8	79.8	79.8
Regulatory capital to assets	12.4	11.7	11.7	12.7	12.4	11.9	11.7	12.2	12.1	11.6	11.7	12.1	11.8
Asset quality													
Nonperforming loans to total gross loans	3.6	3.0	3.0	3.2	3.2	3.2	3.2	2.9	2.7	2.5	2.3	2.3	2.2
Sectoral distribution of loans (percent of total loans)													
Deposit takers	0.0	0.7	0.8	0.4	0.3	0.2	0.1	0.3	0.1	0.3	0.1	0.2	0.3
Central bank	1.5	3.3	8.4	10.1	11.7	11.0	11.8	10.0	11.2	9.6	9.8	7.8	9.4
General government	1.7	2.2	2.2	2.2	2.3	2.7	2.7	2.7	3.1	4.1	4.1	4.3	4.7
Other financial corporations	0.6	1.1	1.0	1.0	0.9	1.0	1.0	1.1	1.1	1.5	1.4	1.4	1.3
Nonfinancial corporations	49.3	47.6	44.4	43.4	42.5	43.4	42.2	42.3	41.3	41.6	40.7	41.6	41.0
Agriculture	3.0	2.8	2.5	2.4	2.3	2.4	2.2	2.1	2.1	2.1	2.0	2.0	2.0
Industry	15.5	18.4	17.2	16.6	16.2	16.4	16.3	16.4	15.9	15.7	15.1	15.3	15.2
Construction	4.9	4.1	3.8	4.0	3.8	4.0	3.8	4.0	3.9	4.1	4.0	4.2	4.1
Trade	12.5	10.7	10.1	9.9	9.5	9.4	9.4	9.3	9.0	9.0	8.9	9.3	9.1
Other loans to nonfinancial corporations	13.4	11.7	10.7	10.6	10.6	11.2	10.4	10.4	10.5	10.6	10.6	10.7	10.5
Households and NPISH	45.0	43.2	40.5	40.1	38.9	39.4	39.6	39.3	38.9	39.9	39.7	41.2	40.9
Households and NPISH of which: mortgage loans to total loans	17.4	17.4	16.3	16.1	15.5	15.5	15.4	15.2	14.9	15.3	15.2	15.7	15.6
Foreign sector	1.9	2.0	2.8	2.7	3.4	2.3	2.6	4.3	4.3	3.1	4.1	3.5	2.4
IFRS provision for NPLs to gross NPLs	56.3	58.1	58.4	57.9	58.7	60.5	59.1	60.7	61.8	62.3	61.7	61.0	62.3
IFRS provision of total loans to total gross loans	3.2	3.1	3.1	3.2	3.2	3.2	3.2	3.0	2.9	2.9	2.7	2.6	2.5
Earnings and Profitability													
Return on assets	1.2	1.9	2.6	2.6	2.6	2.5	3.1	3.2	3.1	2.8	3.1	2.9	2.9
Return on equity	7.8	13.9	19.7	19.3	19.3	18.1	22.2	22.7	22.4	20.3	21.8	21.5	21.3
Liquidity													
Customer deposits to total (noninterbank) loans	119.5	120.5	123.2	123.6	127.0	132.1	134.2	133.1	131.6	136.3	131.2	127.1	126.0
Foreign-currency-denominated loans to total loans	63.2	65.5	62.6	61.4	60.5	59.7	58.5	59.5	57.8	57.2	56.9	57.4	55.4
Average monthly liquidity ratio	2.1	2.2	2.4	2.4	2.5	2.5	2.7	2.6	2.4	2.5	2.5	2.4	2.3
Average monthly narrow liquidity ratio	1.7	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Sensitivity to Market Risk													
Net open position in foreign exchange to regulatory capital	0.4	1.5	1.3	0.3	0.5	0.8	1.0	0.2	1.7	1.5	1.3	1.4	1.3
Foreign-currency-denominated liabilities to total liabilities	61.4	62.1	61.3	60.4	59.5	57.9	58.5	57.5	57.5	55.9	56.5	55.9	55.6
Classified off-balance sheet items to classified balance sheet assets	39.1	39.6	39.8	40.9	43.2	45.2	45.8	45.8	48.2	48.6	48.6	46.7	46.7

Source: NBS.

Table 11. Serbia: Schedule of Reviews Under the Policy Coordination Instrument, 2024–27 1/

Program Review	Review Date
Board Discussion of the PCI Request	December 9, 2024
First Review	April 1, 2025
Second Review	October 1, 2025
Third Review	April 1, 2026
Fourth Review	October 1, 2026
Fifth Review	April 1, 2027
Sixth Review	October 1, 2027

1/ At the approval of the PCI.

Annex I. Risk Assessment Matrix[1]

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Global Conjunctural Risks			
Geopolitical tensions	**High** Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	**High** Spillovers from conflicts could affect Serbia's open economy by impacting trade flows, including fossil fuel supplies, domestic food and energy prices, and foreign investor confidence. In the event of adverse developments, demand for fiscal support, such as from households or the state-owned energy sector, may rise and weaken the fiscal position.	• Calibrate monetary policy to cushion the economic impact of large-scale demand or supply shocks and prevent the emergence of second-round effects. • Intensify efforts to diversify energy supplies and, if needed, follow a national rationing plan to allocate available supplies. • Allow automatic fiscal stabilizers to operate and consider reducing tax expenditures, reprioritizing investment projects, and cutting low-priority spending as contingency options. • Target support to vulnerable households. • Adjust energy tariffs in accordance with changes in costs.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Escalating trade measures and prolonged uncertainty	**High** Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	**High** Rising protectionism and sanctions would adversely affect Serbia's open economy. The EU is a key export market while Russia plays an important role in the energy sector. Shocks to EU market access and the provision of energy inputs from Russia could have sizable impacts. **Medium (positive)** Serbia may benefit from near-shoring of business activities, but positive effects are likely to be short-lived and may disappear should geopolitical blocs evolve.	• Tighten monetary and fiscal policy in the event of intensifying inflation and/or a large-scale drawdown of international reserves with rising depreciation pressures. • Accelerate reforms to secure further progress with EU accession negotiations. • Intensify efforts to diversify export markets and energy supplies. • Improve the business environment to maintain Serbia's status as an attractive FDI destination and to support domestic firms within the framework of a market and rules-based economy.
Financial market volatility and correction	**High** Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies	**Medium** Tighter global financial conditions and lower capital inflows may complicate the financing of the current account deficit and weaken external buffers. The financing costs for the government in Eurobond markets could rise. Rising risk aversion among parent banks may affect the operations of their Serbian subsidiaries, potentially hampering the	• Maintain stability-oriented macroeconomic and macroprudential policies and ensure a predictable regulatory regime to retain confidence in the Serbian economy. • Tighten monetary and fiscal policy in the event of a large-scale drawdown of international reserves and emerging depreciation pressures.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
	these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	provision of credit to the economy.	• Further align Serbia's regulatory and supervisory frameworks with international standards. • Intensify collaboration with home supervisors to improve the monitoring and assessment of risks in banks with Serbian subsidiaries.
New trade agreements	**Low** A breakthrough in trade talks could reduce uncertainty and protectionism, boost investment and productivity, and support broader reforms to lift medium-term growth.	**Low** Tariffs relief for the Serbia or the EU may offer limited upside for Serbia's economic outlook. Rescinding the 37 percent tariff the U.S. has imposed on Serbia is likely to have only marginally positive effects as only 2 percent of Serbian exports go to the U.S. Likewise, the lowering or elimination of U.S. tariffs on the EU, Serbia's largest trading partner, could provide some support to Serbian exports.	• Adjust the monetary and fiscal policy stance as needed to maintain price stability and build additional fiscal buffers. • Accelerate reforms to further advance seamless EU market access. • Sustain efforts to diversify export markets.
		Global Structural Risks	
Climate change	**Medium** Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium** Serbia is exposed to droughts (adversely impacting food supply and electricity generation), landslides, waterlogging (adversely affecting coal production and electricity generation), and earthquakes.	• Strengthen disaster preparedness by building further capacity for fiscal risk management and incorporating contingency reserves in the budget.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
		Domestic coal and hydroelectric capacity provide some independence from global energy market developments while ongoing reforms have strengthened energy sector resilience. The Fiscal Risk Monitoring Department situated in the Ministry of Finance may also help to assess and mitigate climate risks.	• Implement Serbia's Integrated National Energy and Climate Plan and transparently communicate any changes at an early stage.
	Domestic Risks		
Social discontent	**Medium** Protest continue or intensify, resulting in ongoing political uncertainty and a further erosion of consumer, business, and foreign investor confidence.	**High** Prolonged or escalating unrest may further weaken economic activity and adversely affect foreign direct investment inflows and portfolio investment into government securities. Additional fiscal spending pressures may materialize to restore social peace and maintain political stability.	• Pursue equitable and inclusive macroeconomic policies. • Strengthen policy accountability by improving public consultation and transparency. • Cushion potentially adverse effects of necessary structural change on vulnerable groups with targeted but temporary support to facilitate the transition.
Domestic policy errors or loss of fiscal discipline	**Medium** Looser fiscal policy on the back of intensifying spending pressures, and escalating costs and/or lower-than-expected benefits from ambitious public investment plans.	**High** Loss of fiscal discipline could jeopardize the investment grade rating, increase financing costs for the government, raise imports, weigh on international reserves, and create inflationary pressures.	• Take prompt corrective action by prioritizing fiscal spending, adhere to fiscal rules and deficit objectives, and accelerate improvements to medium-term budgeting.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
	Medium Structural reform delays. Market interventions that impede contractual freedoms, create planning uncertainty, and heighten macro-financial risks.	Higher inflation and current account deficits could prompt the central bank to tighten monetary policy, resulting in a less desirable policy mix. **High** Structural reform delays and market interventions could weaken growth prospects and the attractiveness of Serbia as a destination for foreign direct investment.	• Strengthen public investment management by evaluating investment project performance to help with the phasing and prioritization of investment plans. • Re-prioritize structural reforms with well-defined action plans and front-loaded corrective action. • Refrain from market-distorting policies and phase-out existing measures.
Energy sector reform delays	**Medium** Political pressure and governance challenges in energy SOEs delay measures to enhance efficiency, diversify energy supplies, and advance the green transition.	**High** Deteriorating finances of state-owned electricity, gas, and transmission providers may heighten fiscal risks, weaken energy security, harm international competitiveness, and delay the green transition.	• Take corrective action in the context of ongoing energy sector reforms. • Further adjust energy tariffs to ensure full cost recovery and enable sufficient investment spending for energy infrastructure upgrades. • Further strengthen the governance of key energy SOEs, also by insulating management from political interference. • Maintain a prioritized energy sector strategy with well-defined roles for the government, SOEs and the private sector.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
NIS resolution	**Medium** Disruption of domestic fuel supplies in the event of a protracted or disorderly resolution of sanctions on Serbia's only oil refiner NIS.	**High** Widespread fuel shortages would affect a wide range of industries and public services with adverse repercussions on economic growth, inflation, and foreign investor confidence, likely requiring far-reaching contingency and support measures with the potential to weaken fiscal and external buffers.	• Tighten monetary and fiscal policy in the event of intensifying inflation with emerging second-round effects and/or a large-scale drawdown of international reserves with rising depreciation pressures. • Take measures to contain fuel consumption and allocate fuel supplies to priority users in accordance with Serbia's energy crisis plan. • Allow automatic stabilizers to work. • Target support to vulnerable households.

Appendix I. Program Statement

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C., 20431
U.S.A.

Belgrade, December 4, 2025

Dear Ms. Georgieva:

The Serbian economy continues to perform well. While growth has slowed in 2025, unemployment remains near historic lows and inflation is within or near the inflation tolerance band of the National Bank of Serbia (NBS), and our credible macroeconomic policy is expected to support a growth rebound over 2026-27. Despite elevated current account deficit driven by imports connected to our infrastructure investment program, foreign exchange reserves remain ample, ensuring that Serbia has no balance of payments needs. The financial sector is stable, closely monitored, and well regulated. Fiscal revenues are robust, and we are committed to maintaining fiscal deficits strictly within the bounds agreed to under the PCI. We are undertaking public investments in the context of Expo 2027 exhibition and the "Leap into the Future" investment program to further strengthen Serbia's infrastructure; these investments are consistent with public debt remaining on a downward path and with broader macroeconomic stability. We are committed to ensuring uninterrupted energy supply in Serbia during the resolution of U.S. sanctions on an oil company NIS and are talking the necessary steps for that.

To continue leveraging the IMF's support of Serbia's macroeconomic and financial stability, we request the completion of the Second Review under the 36-month Policy Coordination Instrument (PCI) approved on December 9, 2024. The PCI is supporting Serbia in maintaining fiscal discipline while making room for public investment and priority social spending. The PCI is also supporting Serbia's ambitious structural reform agenda, focused on fiscal-structural reforms, including those to improve fiscal transparency and fiscal governance. We also request to modify the end-December 2025 and end-June 2026 quantitative targets on the ceiling on the accumulation of domestic payment arrears, as we are continuing our efforts to strengthen budgetary discipline in our road maintenance SOE, Roads of Serbia. To support this request for the completion of the Second Review under the PCI, this Program Statement (PS) outlines our objectives and sets out the economic policies that the Government and the NBS intend to implement under the program.

The PCI will continue to be monitored through quantitative targets, standard continuous conditionality, and reform targets, as described in this PS and the Technical Memorandum of Understanding (TMU).

Reviews by the IMF under the PCI will continue to be conducted semiannually to assess program implementation and to reach understanding on any further program reforms needed. While we believe that the policies set forth in this PS are adequate to achieve the program's objectives, we will promptly take any additional measures that may become necessary for this purpose. We will also consult with the IMF in advance of any revisions to the policies contained in our PS or on any new macro relevant policies, in accordance with the IMF's policies on such consultations; and we will provide IMF staff with all the data and information necessary for the purpose of monitoring the program.

In line with our commitment to transparency, we intend to make this policy statement available to the public, along with the TMU, and the IMF staff report for the Second Review under the PCI. We therefore authorize their publication and posting on the IMF website, subject to Executive Board approval. These documents will also be posted on the Serbian government's website.

Sincerely,

/s/
Đuro Macut
Prime Minister

/s/
Jorgovanka Tabaković
Governor of the National Bank of Serbia

/s/
Siniša Mali
First Deputy Prime Minister
Minister of Finance

Attachment: Technical Memorandum of Understanding

Attachment I. Program Statement

1. **This Program Statement (PS) sets out our economic program for 2025–27.** The program aims to: (i) preserve macroeconomic and financial stability; (ii) credibly balance our public investment and social expenditure commitments with continued fiscal discipline and with keeping public debt on a downward path; (iii) implement fiscal-structural reforms, including those to improve fiscal transparency and fiscal governance; (iv) further strengthen energy resilience and create space to realize energy investment needs; and (v) foster inclusive and sustainable medium-term growth through structural reforms. The goals of the program are aligned with our aspirations to join the EU.

Recent Economic Developments and Outlook

2. **Serbia's economy is expected to continue to perform robustly.**

- **Growth.** We expect growth to weaken to 2¼ percent in 2025, from nearly 4 percent in 2024, amid a challenging international environment, poor agricultural harvests, weakness in the construction sector, and deteriorating sentiment. In 2026, we project growth to rebound to 3 percent, supported by new export capacities in the manufacturing sector, a pick-up of infrastructure investment, continued gains in household disposable income, and favorable credit conditions. But the activation of sanctions on NIS in 2025 may preclude stronger growth in 2026 than previously expected, notwithstanding the resolution of these sanctions, as they temporarily add to uncertainty, may raise the costs of energy, and weigh on exports.

- **Inflation.** Headline inflation has significantly declined from 4.7 percent y/y in August to 2.8 percent y/y in October as our margin and price controls (¶28) took effect. Core inflation has continued to ease to 3.8 percent y/y. With normalizing food prices, global disinflation, the euro's appreciation against the dollar, and our tight monetary policy, we expect inflation to remain around 3 percent for the remainder of 2025 and the large part of 2026, and 4 percent at the end of 2026 reflecting the low base from this year. Given the still uncertain global economic backdrop, we will continue to closely monitor inflation developments and stand ready to adjust monetary policy as needed.

- **Balance of payments.** The current account deficit is expected at about 5 percent of GDP in 2025, reflecting the import intensity of infrastructure investment, a decline in net services exports, and a slowdown in net remittance inflows. FDI inflows are projected to decline as global and domestic uncertainty affects foreign investment. In 2026, new EU steel import measures may lower our exports of steel, while the sanctions on NIS may lead to higher energy import outlays, leading to a projected current account deficit of 6 percent of GDP. International reserves reached a new record of €29.4 billion at end-October 2025. Despite the projected widening of the current account deficit, reserves are expected to stay at comfortable levels throughout the projection horizon.

- **Fiscal.** Resilient personal and corporate income tax and social security contributions, slower-than-expected capital expenditure outlays resulted in the fiscal deficit of 0.6 percent of GDP through 2025:Q3. Given current trends, and thanks to one-off non-tax revenues, the 2025 fiscal deficit target of 3 percent of GDP is firmly within reach. On the financing side, we issued in September a 10.5-year bond in the amount of 10.98 billion dinars at an average yield of 5.10 percent, down from 5.16 percent at a May auction. Our last local bond issuance in July 2025 was for a 12-year €250 million bond at a 4.99 percent interest rate.

3. **Serbia continues to face elevated risks.** The evolving situation around the U.S. sanctions on oil company NIS may reshape our outlook. Continued political tensions may weigh on activity but ongoing real wage gains are offering upside. The outcome of the 2026 agricultural season will factor into growth and inflation. Externally, a renewed flare-up of geopolitical and trade tensions would heighten uncertainty about growth and inflation.

4. **Serbia has built up considerable buffers to navigate these risks.** Foreign exchange reserves and government deposits are high, public and external debts are sustainable, and banks are well-capitalized and liquid. Serbia's medium-term outlook remains favorable and is supported by our commitment to continued responsible macroeconomic policies and an ambitious structural reform agenda. The PCI adds to our resilience by enhancing the credibility of our economic policies.

Economic Policies

A. Fiscal Policies

5. **We are committed to fiscal deficits of no more than 3.0 percent of GDP over 2025-2027.** The approved 2026 budget is consistent with this target, and we are committed to the same target in 2027. To anchor fiscal discipline over the medium term, and in line with the completion of the Expo 2027 and the "Leap into the Future" investment program, over 2028-29 we will aim for a deficit of no more than 2.5 percent of GDP.

6. **We are committed to the special fiscal rules on public wages and pension indexation.** We expect a public wage bill of 10.0 percent of GDP in 2025. For 2026, we intend to target a wage bill of 10.2 percent of GDP, below the 10.6 percent of GDP wage bill cap allowed under the special fiscal rule that includes tertiary education. We will increase pensions by 12.2 percent in December 2025 (payable in January 2026), fully consistent with the formula-based indexation under the special fiscal rule, bringing pension spending to 10.6 percent of GDP in 2026.

7. **Our conservative approach to budgeting and proactive management of fiscal risks will help us adhere to agreed fiscal targets.** To underpin these targets, we are committed to controlling key areas of expenditure.

- We have carefully reviewed our public investment program and decided on projects to be included in the 2026 budget and, for multi-year projects, their phasing over 2026-27. Going beyond this, we are committed to further prioritizing public investment to strictly support the 3.0 percent cap on fiscal deficits in the event of adverse shocks.

- We are committed to resolving domestic arrears, particularly in the road maintenance SOE Roads of Serbia (RoS)and in other parts of the public sector. To this end, we have provided RoS and other budget beneficiaries with transfers from the Republican budget in 2025 and stand ready to continue doing so in 2026 and beyond if needed. We have established a working group comprising the Ministry of Finance, the Ministry of Construction, Transportation, and Infrastructure, and RoS to improve monitoring of RoS's financial position.

  To strengthen RoS's revenue base, we increased highway tolls by 4.3 percent in July 2025, and intend to implement annual toll increases ahead of the summer season at least by CPI. We are finalizing the design of truck tolls on regional roads and plan to pilot them on selected roads in 2026.

  Despite these measures, domestic arrears in RoS continued to accumulate since the previous program review. We also assess that, in addition to formal arrears, RoS may face delayed invoicing by contractors for works performed, which represents de-facto unmet payment obligations. We have requested and are receiving Fund technical assistance to review RoS's budgetary and arrears control systems and to develop a methodology to quantify and control delayed invoicing-relayed obligations.

  We acknowledge that the QT Table presented at the previous review (Table 1a of the Program Statement dated June 20, 2025) was inadvertently mis-specified, reporting the programmed stock rather than programmed change in arrears, and conflating domestic arrears (as defined in the TMU) with delayed invoicing obligations. Given the accumulation of arrears in RoS, the QT on domestic arrears for end-December 2024 remains "not met", and the target for end-June 2025 has been "met" due to this misspecification. The updated QT table (Table 1a) accompanying this Program Statement corrects the misspecification and reflects the agreed path for arrears reduction under this review.

  We are strengthening implementation of corrective measures and plan a net reduction in domestic arrears in 2026, consistent with the June and December 2026 QTs (Table 1a). This will set the stage for a faster reduction in arrears in 2027, bringing the stock down to the low levels envisaged at the time of the PCI request.

- We have engaged external consultants to perform analysis of the financial position and financial projections for next three years for the City of Belgrade. The reports will shed light on medium-term fiscal sustainability, the financial relations with municipal SOEs, the use of key financial instruments, and fiscal risks (including arrears) in the City of Belgrade. We expect the consultants to present their reports by August 2026, ahead of the budget formulation for 2027.

- We will keep agricultural expenditure in 2026 and 2027 at no more than the 2025 nominal level.

- We have provided the necessary funds for defense and security. Should we require further increases in defense spending, we will reduce other expenditures such as investment spending to maintain the 3.0 percent overall fiscal deficit.

- Fiscal spending to strengthen energy security in view of NIS sanctions, such as purchases of petroleum reserves, has so far been moderate and financed from the budgetary reserve and existing line ministry allocations. Should these costs unexpectedly increase, we will continue to consult with the IMF on additional l policy adjustments to maintain the program's deficit target.

8. **Our financing remains well diversified.** Our international bond spreads are stable. We plan to meet our financing needs through a mix of domestic and international market borrowing, loan agreements, use of government deposits, and to continue to borrow from international and bilateral partners, including for project financing. We aim to raise the share of dinar-denominated debt to over 30 percent. General government debt is projected at 45 percent of GDP at end-2025, down from about 46.9 percent of GDP at end-2024.

9. **We will continue to closely monitor fiscal performance and take corrective measures as needed.** We will maintain strong liquidity buffers and not accumulate public sector external debt payment arrears (**standard continuous target**) and will decumulate over time domestic arrears (**quantitative target**). Current primary spending of the Republican budget, excluding capital and interest spending will remain within the program ceiling (**quantitative target**). Pension spending will strictly follow annual indexation mechanism set in the Law on Pension and Disability Insurance with no ad hoc increases or one-off payments to pensioners (**RT, continuous**). We expect no liquidity support needs in energy SOEs, but should support be needed it will be provided transparently through the budget while observing the deficit limits, and we will reassess SOE and energy sector policies accordingly.

10. **We remain committed to limiting the issuance of state guarantees.** No new guarantees will be issued for SOE liquidity support or for companies formerly under the Privatization Agency. The Government will not give public endorsements to projects ineligible for state guarantees that could be interpreted as implicit guarantees. Guarantees will continue to be issued only for project loans from local and international banks and from multilateral institutions supporting our investment and reform agenda.

B. Structural Fiscal Policies

11. **We continue enhancing public financial management (PFM)**.

- We are receiving IMF technical assistance on tax expenditure and intend to complete and publish our first report on tax expenditure in 2026 (**end-July 2026 RT**), which will inform our future efforts to rationalize tax expenditure. In the subsequent planned revision of the Budget System Law, we intend to make the tax expenditure report a regular annual or biennial publication.

- Building on the recommendations of the IMF's Fiscal Transparency Evaluation (FTE) from February 2025, we plan to improve the medium-term budget framework presentation in the Budget documentation to show revenue, expenditures, and financing outturns for the two preceding years and projections for the two subsequent years (**new RT, end-June 2026**). We also plan to commence the regular publication of quarterly data on local government finances by municipality, annual data on the taxation of mineral resource extraction, annual key project and financial data on public-private partnership projects (PPPs), and annual fiscal data on government-SOE relations (**new RT, end-June 2026**). Furthermore, we intend to start publishing data on government deposits; clarify the Budget System Law provisions related to contingency reserves; and make operational the budget participation e-portal for citizens.

- We are enhancing our budgeting and accounting electronic system SPIRI. From 2025, budget execution for all indirect budget users except tertiary education institutions is being conducted through SPIRI. We also have completed the multi-year commitment registry in SPIRI, which will be updated regularly, including for capital projects. Starting in 2026, we will request budget users to submit their planned contractual spending commitments and anticipated payment dates to the Ministry of Finance at the beginning of the year, updated against changes during the year, so that an assessment of cash availability at the time of making payments can be performed.

- The phased rollout of the central electronic public wage and employment registry, Iskra, is well advanced. The registry enhances planning, execution, and oversight of wage spending. It currently covers direct and indirect budget users at the Republican level—including key sectors such as judiciary, culture, social affairs, education (excluding higher education), health—and local self-government units, including preschools, cultural, and social welfare institutions. The remaining public employees, including those in the Ministry of Defense, Ministry of Internal Affairs, Security Information Agency BIA and higher education, will be integrated by 2027.

- We are implementing the 2023 Action Plan for Improving the Medium-Term Budget Framework. Consistent with it, we adopted in May 2025 a budget baseline methodology and applied it in the 2026 budget cycle; and included in the 2026 budget a reconciliation table that explains changes in budget ceilings.

- We will assess options to strengthen arrears control within public administration and among indirect budget beneficiaries. While our current survey-based arrears data collection is well-established, it lacks precision due to incomplete, missing, or inaccurate responses. To improve accuracy and coverage, we plan to explore the use of the existing electronic databases—such as e-invoice data and SPIRI—to develop a more reliable and comprehensive framework for arrears monitoring. We will audit material arrears and clear them based on published criteria.

- We prepared a Draft Public Financial Management Reform Program (PFMRP) 2026–2030, accompanied by the Action Plan for the period 2026–2028. The Program is based on the findings of the World Bank’s PEFA assessment and the 2024 SIGMA assessment.

12. We are committed to strengthening the Fiscal Risks Monitoring Unit (FRMU) within the Ministry of Finance.

- We are implementing World Bank-supported methodologies to enhance the monitoring of fiscal risks arising from SOEs, local governments, litigation, and natural disasters, continuing to address shortcomings with the quality and timeliness of data. We will continue increasing the scope and depth of disclosure on materialized contingencies and upcoming fiscal risks, aligned with the budget cycle.

- To support our efforts, we will consult with the IMF on the implementation of a tool for managing fiscal risks associated with state guarantees.

13. We are strengthening our public investment management (PIM) practices.

- In September 2025, the Ministry of Finance submitted draft "Foundational Principles for the Preparation of Roadmaps in the Field of Public Investments" to the IMF and World Bank for comments and feedback. Based on this document, as an end-2025 EU requirement, the Ministry will prepare a Roadmap for strengthening the PIM institutional framework with dated milestones and action steps, on which will seek further feedback from the IMF and World Bank.

- We will adopt revisions to the Law on Public-Private Partnerships to ensure that all public sector entities—including municipalities and SOE—seeking to initiate PPP projects valued at over €50 million must request and obtain a non-objection from the Ministry of Finance (**new RT, end-June 2026**). This would align the PPP Law with the June 11, 2015, Memorandum of Economic and Financial Policies under the 2015 SBA.

- We plan to consult with the IMF on ways to better integrate infrastructure maintenance needs into our medium-term budgeting. We will request Fund TA to develop a costing method for capital expenditures, (i) defining cost categories within a top-down costing method; (ii) using data from past projects to assess realism of costed projects; (iii) identifying cost drivers; and (iv) incorporating contingencies and operational risks that may arise from changes in costs since the initial project design.

- To further strengthen PIM efficiency, transparency and mitigate fiscal risks and the gatekeeping role of the PIM Department, we plan to request Fund TA to develop (i) the key requirements and graduated approvals for projects to progress from the idea stage (Form 1), to the proposal stage (Form 2), and to the feasibility stage (Form 3) based on standardized cost-benefit analysis for new major investment projects; and (ii) fiscal costs and risk assessments of new PPPs at the project approval stage. Once developed, these will be used and published during the approval process for large projects. Relatedly, we plan on establishing a unified process for traditional PIM and PPPs to ensure efficient choices over the investment modality.

- Our Public Investment Management Information System (PIMIS) was rolled out at the Republican level in 2024, and we intend to extend its application to local and provincial levels by 2027. We also plan to better integrate PIMIS and the budget system SPIRI by incorporating SPIRI project identification codes into PIMIS and aligning financial information between the two systems. We have adopted all necessary secondary legislation, rulebooks, and forms under the

2023 Decree on Capital Projects, along with the PIMIS rulebook, thereby establishing a normative framework for the entire capital project pipeline. Once fully implemented, this framework will support a unified project pipeline with standardized procedures for the selection and monitoring of all ongoing and future public investment projects excluding PPPs at this stage. Exceptions to the use of the unified pipeline will be quantified and regularly disclosed. We will establish a concept to monitor cost overruns for projects of value over €20 million and apply it in PIMIS/SPIRI application starting in early 2027.

- The National Academy of Public Administration (NAPA) has conducted and will continue conducting courses on public investment management, which we intend to scale up, targeting line ministries in high expenditure areas.

- The Public Procurement Office will continue to report annually on all procurements, including the volumes of those exempted from regular procedures in line with the Law on Public Procurement. Starting in 2026, we will also publish annual data on procurement values under Special Laws, in line with the format used for other exempt procurements in the Annual Report on Public Procurements (**end-March 2026 RT**).

14. We are conducting comprehensive actuarial analysis of the Serbian pension system, to be published by end-March 2026 (RT). The analysis will assess the system's long-term financial sustainability and its capacity to ensure adequate living standards for retirees while managing fiscal pressures from an aging population. It will incorporate a range of macroeconomic and demographic scenarios. In parallel, we will develop a pension model that can be updated with new data to evaluate the impact of economic and demographic changes, or adjustments to system parameters, on the pension system’s actuarial outlook. We also plan to expand this analysis to include in it the assessment of long-term health spending needs. After completing the analysis, we will consider amending the Budget System Law to incorporate regular updates to the actuarial pension and health analysis at appropriate time intervals into our budget processes.

15. We are continuing efforts to strengthen fiscal data and government finance statistics (GFS). With IMF technical assistance, we are automating the production of monthly GFSM 2014-compliant data and expanding coverage to include all materially relevant general government units—specifically indirect budget users and extrabudgetary units. As of 2025, data for all indirect budget users except tertiary education institutions has been fully incorporated. Remaining data, including from public enterprises classified under the general government sector, is expected from 2026. After reviewing and documenting the revised coverage and its impact, we will update fiscal reporting in the Fiscal Strategy and monthly reports to reflect this expanded scope. We are also working to broaden debt reporting coverage. Corresponding updates to fiscal rule definitions and parameters in the Budget System Law will align with revised GDP benchmarks and the new fiscal data coverage. These changes are planned for the 2027 budget cycle, with full implementation beginning in January 2027.

16. Addressing staffing challenges in Serbian Tax Administration (STA) is an urgent and macro-critical priority. STA faces a wave of retirements while needing to align staff skills and processes with the upcoming implementation of the COTS IT system. We are tackling this through a comprehensive strategy outlined below:

- *We have intensified STA recruitment.* The 2025 hiring quota was raised to 1,000 permanent and 800 temporary staff, with multiple recruitment rounds launched. To support this hiring, STA has piloted the Government HR Service's (SUK) new electronic job application system. The number of submitted applications has been unprecedentedly high. As of end-October 2025, we have filled 275 positions, with more selection processes still ongoing reflecting long government recruitment lead times, and we expect that with further hiring progress later in 2025 and in 2026 we will shortly reach the 1,000 staff target. To support continued hiring, we will allocate to STA a hiring quota of at least 500 permanent staff for 2026.

- *The Ministry of Finance, STA, Ministry of Public Administration and Local Self-Government (MPALSG), and SUK are advancing follow-up measures.* (a) STA is preparing, and the Ministry of Finance will approve STA's new job systematization that will allow recruitment across a broader range of disciplines and enable more flexible staff deployment from 2026Q1. (b) MPALSG and SUK, in consultation with STA, are developing solutions to issue hiring and non-hiring decisions electronically, which should also facilitate broader public sector hiring. (c) We have amended the Law on Tax Procedure and Tax Administration to allow STA to audit and serve taxpayers outside their region of residence, and STA will complete administrative steps to incorporate extra-regional auditing and services in its operations starting in 2026.

- *Strategic measures***.** STA has adopted and the STA Steering Committee has endorsed a STA Human Resource Plan for 2025-28 **(end-October 2025 RT)**.

17. We will continue advancing broader tax administration reforms:

- We have procured a new **commercial-off-the-shelf-system (COTS)** under the World Bank Tax Administration Modernization Project and are now proceeding with hardware tenders.

- We are addressing data gaps and refining analytical tools to improve **VAT and CIT gap estimations** to better detect non-compliance.

- Our **high-net-worth unit** has launched targeted audits, resulting in successful tax assessments. We intend to further strengthen the staffing of this unit with a view to increasing the number of audits.

- Ongoing reforms will incorporate recommendations from the updated **Tax Administration Diagnostic Assessment Tool (TADAT)** assessment.

- To continue enhancing compliance and transparency, STA published in 2025 a list of **large tax debtors** (over 20 million RSD) and will update it annually.

- By end-February 2026, the Ministry of Finance and the STA will develop a roadmap for implementing the provision by the Ministry of Finance to STA of **summary data on e-invoices** for each taxpayer (total monthly sales and total monthly purchases; for each VAT rate used) in order to pre-fill VAT returns, tackle VAT fraud, and increase the VAT revenue, with a view to fully operationalizing this system from January 1, 2027.

C. Energy Sector Policies

18. We are taking steps to speedily resolve U.S. sanctions on NIS oil company and are committed to ensuring uninterrupted energy supply in Serbia during the resolution period. The normal operation of the Pančevo refinery is macroeconomically critical for Serbia. The sanctions on NIS that were activated on October 8 have prevented the delivery of crude oil to the refinery, which has effectively suspended its operations on November 25. We are currently relying on refined petroleum reserves that can cover domestic consumption until early 2026. We have allocated additional RSD 8.9 billion within the program fiscal parameters for the purchase of additional reserves. We are following closely the negotiations between the existing NIS shareholders and the prospective buyers and expect them to conclude shortly in a manner that leads to a removal of U.S. sanctions on NIS. Should that fail, we are ready to step in rapidly by taking executive and legislative action that would address the ownership of NIS and lead to a removal of U.S. sanctions. In the event that the Serbian state may acquire NIS shares, such an operation would represent a "below-the-line" acquisition of financial assets and not affect the headline fiscal deficit. We are committed to protecting the domestic banking system from the risk of secondary sanctions. We also intend to make arrangements for continued gas supply in Serbia in 2026 based on existing gas supply arrangements, our gas storage capacities, and potential diversification of gas supply through new and in-construction gas interconnectors.

19. We remain committed to strengthening Serbia's energy sector. Our policies at ensuring energy security, cost recovery, and space for necessary investment, while mitigating fiscal risks.

- **To improve the financial position of Elektrodistribucija Srbije (EDS)**, based on the findings of the May 2025 analysis, we implemented a regulated (household) electricity tariff increase of 6.6 percent as of October 1, 2025. This increase is marginally smaller than that envisioned in **end-September 2025 RT** on account of updated, lower cost estimates for energy SOEs. In addition, we have lowered the threshold for the red zone (the highest block tariff) from 1600 to 1200 kWh/month, which is equivalent to a further 1.9 percent tariff increase. To improve the operational efficiency of EDS, we intend to adopt an EDS restructuring plan by End-June 2026.

- **To ensure medium-term cost recovery in the regulated sector,** we plan to implement the next adjustment of the regulated electricity tariff no later than October 1, 2026. The size of that adjustment and its distribution across the energy SOEs will be guided by further analysis of financial needs in energy SOEs, which will be finished by May 2026, and in any case will not be lower than CPI inflation plus 1 percentage point calculated over the one-year period from July

2025 to June 2026. The fees that EDS and EMS pay to EPS for losses will also be adjusted no later than October 1, 2026, from €70 to €80 per MWh.

- **We remain committed to ensuring energy affordability for the population**. We will continue using block tariffs that offer lower electricity prices below a set consumption threshold. We have expanded the program to support energy vulnerable population to include minimum pension earners and households with individuals covered by veterans' and disabled protections in addition to existing 75,000 existing beneficiaries. These new categories of households are automatically included in the program and will receive the RSD 1,000 reduction in the electricity bill during the winter months (October-March). In addition, during the October 2025 to March 2026 heating season, energy vulnerable consumers will receive discounts on their electricity and gas bills and will be exempt from the recent reduction in the red zone of the block tariff (from 1,600 kWh to 1,200 kWh). The cost of this program to support energy-vulnerable consumers is RDS 3.3 billion.

20. We continue implementing the Elektroprivreda Serbije (EPS) restructuring plan, which outlines priorities for improving governance, organizational structure, audit, internal controls, and compliance. We aim to accelerate the implementation of the EPS restructuring plan.

- **We have expanded monthly reporting on overdue receivables of EPS and Srbijagas** by increasing its coverage from the top 20 to the top 50 debtors by both the stock (total overdue amounts) and the flow (12-month increases) of receivables. By May 2026, the Ministry of Finance will conduct analysis to identify the main reasons for the accumulation of overdue receivables and formulate the steps needed for clearing these arrears. We will continue publishing the financial statements of EPS and Srbijagas.

21. We have continued to advance a comprehensive green growth agenda to support sustainable development. The agenda builds on our July 2024 Integrated National Energy and Climate Plan (INECP) and supports public and private investment in renewables. To prepare for the EU's Carbon Border Adjustment Mechanism (CBAM), we have proposed new Laws on Carbon Tax and on Import Tax on Carbon-Intensive Products. These laws propose a domestic carbon tax and an import tax amounting to 4 euros (in dinar equivalent) per ton of emissions, to be implemented as of January 1, 2026, and collected from January 2027. To support energy investment under this tax, we will consider entitling companies primarily operating in electricity generation to a reasonable tax credit reflecting the financial resources invested in respect to this tax liability.

D. Monetary and Exchange Rate Policies

22. The primary monetary policy objective is to maintain price stability. Amid an uncertain global environment and upside risks to inflation, we are prioritizing a cautious monetary policy stance with a tightening bias and have kept our policy rate on hold since September 2024. Our monetary policy will look through any transitory impact of margin and price controls (¶28) on inflation. Under the PCI, inflation developments will be monitored through a consultation process. If end-period inflation deviates by more than ±1.5 percentage points from the specified center point, we will consult with IMF staff on the causes and appropriate policy response. The center points are set at 3.0 percent for end-December 2025 and 3.2 percent for end-June 2026, which incorporate the effects of the margin and price controls. The relevant inflation indicator is the 12-month change in the end-period CPI (base index 2006=100), as published by the Serbian Statistics Office (SORS).

23. The relative stability of the dinar against the euro is an important pillar of our policy. We used our ample FX reserves to meet rising foreign exchange demand when FDI inflows fell short of covering the current account deficit in January-May 2025. Consequently, gross international reserves declined by €1.9 billion during that period. Our reserves have since significantly recovered, reaching €29.4 billion at End-October as goods exports and FDI inflows gradually picked up and also reflecting the valuation effects. We remain committed to keeping net international reserves well above the program's NIR floor of 100 percent of the ARA metric.

24. Throughout the Fund-supported PCI period, we commit to refraining from any measures inconsistent with the IMF's Articles of Agreement. Specifically, without prior IMF approval, we will not: impose or intensify restrictions on payments and transfers for current international transactions; introduce or modify multiple currency practices; enter into bilateral payment agreements inconsistent with Article VIII; impose or intensify import restrictions for balance of payments reasons (Table 1b).

E. Financial Sector Policies

25. Maintaining financial stability remains a key priority. Serbian banks are well capitalized with average capital adequacy ratio of about 21 percent as of September 2025, highly liquid, and profitable. NPLs are low, at 2.2 percent as of September 2025. Dinarization of deposits and receivables increased to 46.4 percent and 38.6 percent by September 2025, respectively. Greater dinarization will, over time, enhance monetary policy transmission and reduce currency mismatches, thereby further strengthening financial stability.

26. We guided banks to reduce interest rates on unsecured consumer loans for low- and middle-income households. This measure reduced the interest rates on dinar-denominated unsecured consumer loans under 1 million dinar for borrowers with monthly income under 100,000 dinar by 3 percentage points or to 7.5 percent (whichever is higher), for 12 months from September 2025. We also guided banks to lower interest rates on mortgages by 0.5 percentage point from their July levels. We intend to let both measures expire as planned in September 2026.

27. We remain committed to strengthening the regulatory and supervisory framework and enhancing Serbia's financial infrastructure.

- Consistent with EU best practice, we have established a Bank Resolution Fund (BRF) with a target size of 1 percent of covered deposits. In view of this, and as the target size of our Deposit Insurance Fund (DIF) substantially exceeds EU standards, we are undertaking analysis to recalibrate the DIF target size. In the meanwhile, starting in 2026, we will reduce DIF premium contributions and implement risk-based premium calculation methods to reduce the overall contribution burden on banks and strengthen prudential incentives.

- We are cognizant of the relatively high growth rates of unsecured consumer credit. While we assess that our macroprudential stance remains appropriate, we are committed to adjusting these policies should developments warrant.

- We are preparing for operationalizing the EU's Single Euro Payments Area payment (SEPA) for Serbian banks, with the earliest Operational Readiness Date for payment services in May 2026.

- Under our mortgage guarantee scheme for first-time young homebuyers, over €237.7 million worth of loans has been disbursed as of end-August 2025, out of a total of €400 million envisaged under the scheme. Given the strong take-up of the program, we intend to expand it by an additional €200 million. We remain committed to consulting with the IMF in advance of any further changes to this scheme or before introducing any new credit guarantee programs.

28. We continue reforming state-owned financial institutions and ensuring their strong oversight.

- We will continue implementing the strategy for Banka Poštanska Štedionica (BPS) and closely monitoring risks related to its lending to medium-size companies, SOEs, and local governments; as well as risks related to its lending under the mortgage guarantee scheme and risks related to unsecured consumer lending.

- The Development Fund (DF) and the Export Credit and Insurance Agency (AOFI) will proceed with (i) implementing supervisory board decisions to recognize credit losses; and (ii) enforcing the government conclusion to limit SOE exposures, strengthen risk management, prevent further asset quality deterioration, and resolve impaired assets. We are committed to consulting with the IMF in advance of any material expansion of DF or AOFI activities.

F. Structural, Product Market, and Governance Policies

29. In September 2025, in response to accelerating food price inflation, we introduced temporary caps on gross margins in food retail and wholesale industry. We also fixed certain wholesale food prices at August 1, 2025, levels. These measures are strictly temporary, and we intend to let them expire as planned at **End-February, 2026 (new RT)**. In the future, we would consult with the IMF on any broad-based product market policies, reflecting our program commitment to consult with the IMF on any macroeconomically relevant policies.

30. We are committed to aligning SOE governance with the new SOE Governance Law. As part of this effort, the government adopted a decree on costing public service obligations (PSOs) in April 2025, with support from IMF technical assistance. Preparatory steps are underway to allow full implementation of the PSO bylaw. We are committed to strengthening the SOE oversight unit in the

Ministry of Economy. We are also committed to strengthening the Fiscal Risks Monitoring Unit (FRMU) within the Ministry of Finance and the coordination between the two above units.

31. We remain committed to resolving enterprises in the former Privatization Agency portfolio in line with the Privatization Law.

- We reaffirm our decision not to reopen MSK, given its persistent lack of profitability and inability to cover operating costs, particularly gas bills.
- We will allocate sufficient budgetary resources to transparently support JP PEU Resavica through subsidies and prevent further arrears to EPS. We will assess the feasibility of privatizing the company, and if that proves infeasible, will transfer it from the governance under the Privatization Law to governance under the new SOE Law.

32. We are committed to enhancing the quality and transparency of national statistics. We will continue to ensure comprehensive, timely, and automatic data sharing among key compiling agencies (MOF, SORS, and NBS) for statistical purposes. NBS and SORS are working together to compile financial and non-financial general government accounts in line with GFSM 2014, with the goal of transmitting data to the IMF and Eurostat starting in 2026. Building on recent improvements to national accounts and fiscal statistics, we will also explore subscribing to the IMF's Special Data Dissemination Standard (SDDS).

33. We intend to cover the top managers of Republican SOEs by the asset declaration regime. The Ministry of Economy, in coordination with the Ministry of Justice, will by end-2026 identify the legislative changes required to achieve that objective, in the context of our comprehensive work on the implementation of GRECO recommendations.

34. We will continue strengthening the AML/CFT framework.

- According to the previous MONEYVAL 5th Enhanced Follow-up Report, Serbia is fully or largely compliant with all FATF Recommendations. We are committed to addressing any weaknesses that may be identified in the 6th Round MONEYVAL mutual evaluation report, scheduled to be discussed in December 2025 and published soon after.
- We will ensure timely and effective implementation of all AML/CFT related EU Directives and Regulations, in line with FATF Standards and EU deadlines. AML/CFT authorities, including the Administration for Prevention of Money Laundering and other law enforcement agencies, will continue their regulatory and supervisory activities while strengthening their capacity to address evolving AML/CFT trends and emerging risks. The NBS will maintain enforcement through on- and off-site inspections of financial institutions, including assessments of high-risk non-residents (on the risk level of each individual bank), cross-border threats in financial flows, and for providers of services related to virtual currencies.
- In accordance with the Law on Digital Assets, we will enhance our inspection of virtual asset service providers, focusing on AML/CFT compliance. We have imposed sanctions on one of the

two inspected virtual asset services providers due to identified irregularities in its operations regarding the breach of AML/CFT regulations and are finalizing on-site supervision of the other.

Program Monitoring

35. Implementation of policies under the PCI will continue to be monitored through quantitative targets (QTs), continuous targets, and reform targets (RTs). These are outlined in Tables 1-2 and defined in the attached Technical Memorandum of Understanding (TMU). Reviews by the IMF will be held semi-annually to assess program implementation and agree on any additional reforms.

Table 1a. Serbia: Quantitative Program Targets 1/

	2024			2025					2026		
	End-Dec.			End-Jun.			End-Dec.		End-Jun.		End-Dec.
	QT	Actual	Status	QT	Act.	Status	QT	Adj. Prog.	QT	Adj. Prog.	QT
	CR 24/337			CR 25/176			CR 25/176		CR 25/176		
I. Quantitative Targets (QTs, semi-annually)											
1 Ceiling on the general government fiscal deficit (in billions of dinars) 2/ 3/	263.0	191.9	met	161.9	22.0	met	314.0	314.0	174.7	174.7	342.0
2 Ceiling on current primary expenditure of the Serbian Republican Budget including net lending, excluding capital expenditure and interest payments (in billions of dinars) 2/	1,643.0	1,606.3	met	923.1	824.8	met	1,827.4	1,827.4	999.0	999.0	1,967.0
3 Floor on Net International Reserves (in billions of euros) 4/	11.6	21.8	met	11.9	20.2	met	12.8	12.8	14.0	14.0	14.0
4 Ceiling on accumulation of domestic payment arrears by the consolidated general government except local governments, the Development Fund, and AOFI (in billions of dinars) 5/	1.0	7.0	not met	25.0	3.8	met	20.0	12.0	15.0	-1.0	-4.0
II. Continuous Targets											
5 Ceiling on accumulation of external debt payment arrears by General Government, Development Fund, and AOFI (in billions of euros) 6/	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0

1/ As defined in the Program Statement, and the Technical Memorandum of Understanding.
2/ Cumulative since the beginning of a calendar year.
3/ Refers to the fiscal balance on a cash basis, including the amortization of called guarantees. A surplus is reported with a negative sign.
4/ Calculated consistent with Gross International Reserves at 100 percent of the ARA metric. Actual refers to a preliminary estimate.
5/ Net cumulative change since the start of the calendar year, measured as the change in the stock at the test date and at the start of that year. Data on actual were updated based on Ministry of Finance reporting in October 2025.
6/ Small unsettled government obligations with Libya on a 1981 loan remain under dispute.

Table 1b. Serbia: Standard Continuous Targets

Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.
Not to introduce or modify multiple currency practices.
Not to conclude bilateral payments agreements which are inconsistent with Article VIII.
Not to impose or intensify import restrictions for balance of payments reasons.

Table 2. Reform Targets

	Description	Target Date	Status	Objectives
	Fiscal			
1	Increases in pension spending will strictly follow the annual indexation mechanism defined in the pension law, and there will be no ad hoc pension increases and cash payments to pensioners.	Continuous	met	Achieving fiscal objectives and supporting the credibility of the fiscal rule
2	Conduct and publish a comprehensive actuarial analysis of the pension system	End-March 2026		Ensuring long-term fiscal sustainability and supporting the credibility of the fiscal rule
3	Adoption of the Serbian Tax Administration (STA) Human Resources Plan by the government to ensure adequate staffing levels and skills composition over 2025–28, as assessed by the STA Steering Committee to be consistent with effective operation of STA.	End-October 2025	met	Strengthening the tax administration and achieving fiscal objectives
4	Annual publication of data on the value of procurement under Special Laws	End-March 2026		Strengthening the transparency of public procurement
5	The Ministry of Finance publishes a report on tax expenditure	End-July 2026		Strengthening revenue mobilization and achieving fiscal objectives
6	Ministry of Finance will incorporate key fiscal data on two previous and two subsequent years in the Budget documentation	End-June 2026	New	Fiscal transparency and medium-term budgeting
7	Relevant ministries commence regular publication of data on local government finances, mineral resource extraction related taxation, PPP key parameters and financials, and government-SOE fiscal relations	End-June 2026	New	Fiscal transparency and accountability
8	Adopt revisions to the PPP Law such that all municipal PPPs with the size over €50 million receive a non-objection from the Ministry of Finance ahead of their approval	End-June 2026	New	Strengthening fiscal discipline and managing fiscal risks
	Other—Energy			
9	A decision to increase the regulated electricity tariff by at least 7 percent as of October 2025	End-September 2025	Not met	Strengthening energy sector sustainability and controlling fiscal risks
	Other—Product Markets			
10	The Government allows the margin caps for food retailers and wholesalers expire, as per the currently stated intention	End-February 2026	New	Effective product market functioning and overall macroeconomic policy credibility

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definition of indicators used to monitor developments under the program. To that effect, the authorities will provide the necessary data to the European Department of the IMF as soon as they are available. As a general principle, all indicators will be monitored on the basis of the methodologies and classifications of monetary, financial, and fiscal data in place on September 30, 2024, except as noted below. The quantitative targets and reform targets for assessing program performance are shown in Tables 1a, 1b and 2 of the Program Statement (PS). Definitions and adjustments of these targets are outlined below.

2. For program purposes, the consolidated general government comprises the Serbian Republican government (without indirect budget beneficiaries that are not included in the budgetary execution system), local governments (including the Province of Vojvodina), the Pension Fund, the Health Fund, the Military Health Fund, the National Agency for Employment, the Roads of Serbia Company (JP Putevi Srbije) and any of its subsidiaries, and the company Corridors of Serbia. Reflecting the ongoing work program to expand the coverage of the general government sector in within-year reporting, consolidated general government data for 2023 and beyond include service institutions like dormitories in the education sector now included in the budgetary execution system, and health sector institutions reported by the Health Fund. Consolidated general government data for 2024 also includes science institutes, agencies, and high schools. Consolidated general government data for 2025 also include primary schools and universities as well as other institutions of higher education. Any new extra budgetary fund or subsidiary established over the duration of the program would be consolidated into the general government.

A. Fiscal Conditionality

3. The general government fiscal deficit is defined as the difference between total general government expenditure (irrespective of the source of financing) and total general government revenue (including grants). General government expenditure includes expenditure financed from foreign and domestic project loans and grants, payments of called guarantees, cost of bank resolution and recapitalization, cost of debt takeover if debt was not previously guaranteed, all budget loans provided to public sector enterprises in the energy sector, and any other budget loans if they have not been repaid by the end of the calendar year; repayments of called guarantees, debt takeovers, budget loans previously recorded “above the line”; and payment of arrears (irrespective of the way they are recorded in the budget law). Privatization receipts are classified as a financial transaction and are recorded “below the line” in the General Government fiscal accounts. Privatization receipts are defined in this context as financial transactions.

4. Current primary expenditure of the Republican budget (without indirect budget beneficiaries that are not included in the budgetary execution system) includes wages, subsidies, goods and services, transfers to local governments and social security funds, social benefits from the budget, other current expenditure, net lending (i.e., budget loans recorded “above the line"), payments of called guarantees, cost of bank resolution and recapitalization, cost of debt takeover if debt was not previously guaranteed; repayments of called guarantees, debt takeovers and budget loans; and payment of arrears (irrespective of the way they are recorded in the budget law). It does not include capital spending and interest payments.

5. **For program purposes, any financial support (other than loan guarantees) from the Republican or local government budgets for public enterprises in the energy sector will be recorded "above the line" at the time it is given.** Financial support includes, but is not limited to, subsidies, budget loans for liquidity support, capital expenditure or capital grants for financing or co-financing energy sector projects. This is irrespective of the way these transactions are recorded in the budget law. The energy sector covers electricity production and supply, transmission and distribution including associated activities like coal mining; natural gas supply, transportation and storage; district heating; and transport of crude oil and oil products pipelines. Public enterprises in the energy sector include but are not limited to EPS, EMS and EDS and their subsidiaries; Srbijagas and its subsidiaries, and Transportgas; and district heating companies; and any public enterprise that may be created by unbundling or be newly founded.

6. **Quantitative fiscal targets (PS Table 1a) are specified cumulatively from the beginning of each calendar year except where defined otherwise.** This includes in particular the quantitative targets on the general government fiscal deficit and the current primary expenditure of the Republican budget.

7. **Domestic arrears.** For program purposes, domestic arrears are defined as the belated settlement of a debtor's liability which is due under the obligation (contract) for more than 60 days, or the creditor's refusal to receive a settlement duly offered by the debtor. The program will include a quantitative target on the change in total domestic arrears of (i) all consolidated general government entities as defined in ¶2 above, except local governments; (ii) the Development Fund; and (iii) the Export Credit and Insurance Agency (AOFI). Arrears to be covered include outstanding payments on wages and pensions; social security contributions; obligations to banks and other private companies and suppliers; as well as arrears to other government bodies. This quantitative target will be measured as the change in the stock of domestic arrears at the test date relative to the stock at the end of the previous calendar year. Within 45 days of the end of the calendar year, the authorities will report the stock of domestic arrears on December 31.

8. **Debt issued at a premium.** For program purposes, debt issued at a premium refers to proceeds accruing to the government that are recorded as revenue when the government issues debt at a premium. It most commonly occurs when an accepted rate on auction is lower than a coupon rate, in that case the market value is higher than nominal value and/or a bond with an above-market coupon is reopened ahead of a coupon payment.

9. **Continuous reform target on pension payments.** Pensions will only be adjusted through the adjustment mechanism specified in the Pension Insurance Law. The authorities will refrain from increasing pension payments by (i) making any other general adjustment to pensions; and (ii) making ad hoc pension payments such as bonuses.

10. For the purposes of the continuous reform target, pension payments are defined as cash expenditures (including lump-sum payments) paid to pensioners. Pensioners include all persons whose benefits are considered a pension (including old-age, disability or survivors' pensions), as identified by the Republic Fund for Pension and Disability Insurance. Pension payments include regular monthly pension payments and one-off and adjustment payments arising in the course of pension administration paid by the Republic Fund for Pension and Disability Insurance, as well as any ad hoc pension payments or bonuses paid to pensioners (which may be classified as social transfers in the fiscal accounts).

B. Public Debt

11. Public debt is defined as debt and guaranteed debt incurred by the general government.

12. The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt will include SDRs used for financing of the Republican budget, and restitution bonds. Debts can take a number of forms, the primary ones being as follows:

i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

13. Guaranteed public debt is debt guaranteed by the general government, i.e., a contingent liability.

C. Floor on Net International Reserves

14. For purposes of the program, all foreign currency-related assets and liabilities will be valued in euros at **program exchange rates** as specified below. The program exchange rates are those that prevailed on September 30, 2024. Monetary gold will be valued at the average London fixing market price that prevailed on September 30, 2024.

Cross Exchange Rates and Gold Price for Program Purposes, September 30, 2024

Valued in:

Currency:	**RSD**	**Euro**	**USD**	**SDR**	**GBP**	**Yuan**
RSD	1.0000	0.0085	0.0095	0.0070	0.0071	0.0669
Euro	117.0840	1.0000	1.1165	0.8232	0.8336	7.8296
USD	104.8670	0.8957	1.0000	0.7373	0.7466	7.0126
SDR	142.2385	1.2148	1.3564	1.0000	1.0127	9.5117
GBP	140.4559	1.1996	1.3394	0.9875	1.0000	9.3925
Yuan	14.9540	0.1277	0.1426	0.1051	0.1065	1.0000
Gold	275,794.97	2,355.53	2,629.95	1,938.96	1,963.57	18,442.89

Sources: International Monetary Fund and NBS.

15. **Net international reserves (NIR) of the NBS** are defined as the difference between reserve assets and reserve-related short-term liabilities, measured at the end-of-business day.

16. **Reserve assets** are readily available claims on nonresidents denominated in convertible foreign currencies (see Balance of Payment Manual, 6.64). They include the NBS holdings of monetary gold,[1] foreign exchange balances (foreign currency cash, foreign currency securities, deposits abroad), holdings of SDRs, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered (e.g., pledged as collateral for foreign loans or through forward contracts, guarantees and letters of credit), claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than monetary gold, domestically acquired gold without international certificates, assets in nonconvertible currencies, and illiquid assets.

17. **Reserve-related short-term liabilities** are defined as all foreign exchange denominated liabilities to nonresidents and residents, excluding deposits from the general government, with a maturity of less than one year, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options, including any portion of the NBS gold that is collateralized), and the stock of all IMF credit outstanding to the Republic of Serbia. If the NBS conducts swaps as an intermediate between two banks, commitments to sell foreign exchange

[1] See BPM6, 6.78: monetary gold is gold (i) to which the NBS has title; (ii) is held as a reserve asset by the NBS; and (iii) is certified to be at least 995/1000 pure.

arising from swaps in foreign currencies vis-à-vis domestic currency are included in foreign exchange denominated liabilities after netting with claims in foreign exchange arising from these swaps.

18. Monitoring. NIR data will be reported to the Fund on a monthly, end-of-month basis, within 14 days after the end of each month.

D. Ceiling on External Debt Service Arrears

19. Definition. External debt-service arrears are defined as overdue debt service arising in respect of obligations incurred directly or guaranteed by the consolidated general government, the Export Credit and Insurance Agency (AOFI), and the Development Fund, except on debt subject to rescheduling or restructuring. The program requires that no new external arrears be accumulated at any time under the program on public sector or public sector guaranteed debts. The authorities are committed to continuing negotiations with creditors to settle all remaining official external debt-service arrears.

20. Reporting. The accounting of external arrears by creditor (if any), with detailed explanations, will be transmitted on a monthly basis, within four weeks after the end of each month.

E. Reporting

21. General government revenue data and the Treasury cash position table will be submitted weekly; and the stock of spending arrears as defined in ¶6 will be reported 45 days after the end of each quarter. General government comprehensive fiscal data (including social security funds) will be submitted within 35 days of the end of each month.

22. The stock of spending arrears (> 60 days past due) as reported in the MOF Invoice central registry system (CRF) will be submitted within 14 calendar days after the end of each month.

23. Gross issuance of new guarantees by the Republican budget for project and corporate restructuring loans will be submitted within 35 days of the end of each month.

24. Pension spending will be submitted within 35 days of the end of each month. Details will include total spending, and the breakdown of payments financed by each entity (e.g., the Republic Fund for Pension and Disability Insurance, the Republican budget, etc.)

25. Cumulative below-the-line lending by the Republican budget will be submitted within 35 days of the end of each month.

26. Borrowing by the Development Fund and AOFI will be submitted within 35 days of the end of each month.

27. New short-term external debt (maturities less than one year) contracted or guaranteed by the general government, the Development Fund, and AOFI will be submitted within 35 days of the end of each month. **Receivables of the top 20 debtors to Srbijagas and EPS** will be submitted within 30 calendar days after the end of each quarter, as well as published on the company websites.

28. Detailed balance of payments data on a value basis provided on a monthly basis, 45 days after the end of the month or after publication, which is traditionally available on the NBS website and downloaded by the IMF team.

29. Gross international reserve data will be submitted within one business day after the respective period end as defined in the data reporting table below.

30. Volumes and prices of trade in goods data, on a monthly basis, 8 weeks after the end of the month, which is traditionally available on the SORS website and downloaded by the IMF team.

31. Any support provided from the Republican budget or local government budgets to public enterprises in the energy sector will be reported quarterly within 35 calendar days after the end of the quarter. This will also include any guarantees extended.

32. Data on public debt and publicly guaranteed debt will be submitted monthly within 35 calendar days after the end of each month; except that data on suppliers' credit, leases and obligations arising from the receipt of advance payments will be provided to the extent available on a quarterly basis, and data on guaranteed debt will cover guarantees issued by the Republic of Serbia.

33. Data relevant for staff monitoring of standard continuous targets. Data on exchange rates will be submitted in accordance with the Fund's Multiple Currency Practices Policy that became effective on February 1, 2024, and the agreed monitoring tool. NBS determined exchange rates required include the official exchange rate for RSD/EUR (official mid-rate and buy rate and sell rate for foreign exchange), and the six cash rates for RSD/EUR, RSD/USD, and RSD/CHF (buy rates and sell rates, respectively). Exchange rates will normally be submitted weekly at the end of the first business day in the following week. Exchange rates will be submitted daily by close of business of the following business day during the five business days prior to a Board meeting, and if a multiple currency practice has been observed, as requested by Fund staff. Other data relevant for monitoring other standard continuous targets will be expeditiously provided if any official actions are taken in these areas (see PS Table 1b).

Data Reporting for Quantitative Targets		
Reporting Agency	**Type of Data**	**Timing**
Statistical Office and NBS	Trade in goods data, volumes and prices 1/	Monthly, within 8 weeks of the end of the month
Ministry of Finance	Fiscal deficit of the consolidated general government	Within 35 days of the end of the month
Ministry of Finance	Current primary expenditure of the Republican budget excluding capital expenditure and interest payments	Within 35 days of the end of the month
Ministry of Finance	External debt payment arrears by general government, Development Fund and AOFI	Within four weeks of the end of the month
Ministry of Finance	Gross accumulation of domestic payment arrears by the general government (without local government), the Development Fund, and AOFI	Within 45 days of the end of the quarter
Ministry of Finance	Earmarked grants and receipts from small-scale disposal of assets	Within four weeks of the end of the quarter
NBS	Detailed balance of payments data, value basis 2/	Monthly, within 45 days of the end of the month
NBS	Gross international reserves, composition details	Every two weeks, at the end of the first business day in the following week
NBS	GIR and reserve-related liabilities (FX liabilities with a maturity of 1 year or less). Reserve-related liabilities projections for 4 quarters forward	End of quarter, within 14 days after the end of the quarter.
NBS	Exchange rate data required for monitoring under the Fund's Multiple Currency Practices Policy.	Normally weekly, at the end of the first business day in the following week, if needed daily at close of business of the following day. 2/

1/ Sufficient to notify IMF that data is available on SORS website.

2/ Sufficient to notify IMF that data is available on NBS website.

Statement by Mr. Patryk Łoszewski, Executive Director for the Republic of Serbia and Mr. Vuk Djokovic, Advisor to the Executive Director
December 12, 2025

On behalf of our Serbian authorities, we thank staff for the insightful policy discussions and the thorough analysis and assessment presented in the report.

Recent Developments and Outlook

Over the past years, Serbia has demonstrated remarkable economic resilience, as well as strong economic fundamentals and institutional policy frameworks. Prudent fiscal and monetary policies, sustained investment, and structural reforms have helped preserve macroeconomic stability, strengthen investor confidence, and foster economic growth. However, global and domestic developments in 2025 have sharply increased uncertainty. The global escalation of protectionist measures and trade fragmentation are testing the resilience of small, open, and export-oriented economies, including Serbia. Domestically, rising socio-political tensions have weighed on confidence, dampening investment and consumption. While headline macroeconomic indicators remain broadly stable, GDP growth in the first half of 2025 fell short of expectations, prompting a downward revision of the annual growth forecast from 3.0 to 2.3 percent. The authorities' most recent GDP projections indicate that its growth could accelerate to 3.5 percent in 2026, supported by higher real disposable income and the fast-tracked implementation of infrastructure projects related to Serbia's EXPO 2027, although lingering uncertainty, including the effect of sanctions related to the macro-critical oil company Naftna Industrija Srbije (NIS), may temper the rebound.

Inflation hovered near the upper bound of the National Bank of Serbia's (NBS) target range of 3 ± 1.5 percent for most of 2025, driven mainly by higher food prices following adverse weather conditions. Inflation has eased sharply to 2.8 percent y-o-y in October, following the introduction of government administrative measures that capped margins and prices of key food items and household essentials, and remained unchanged in November. It is expected to hover around the midpoint of the target range through the first half of 2026, supported by declining cost pressures and a weaker US dollar, alongside a more favorable agricultural season. Towards the end of 2026, driven by the expiration of government administrative measures and low base effect, inflation is projected to increase to about 4 percent while remaining within the NBS target range, including over the medium term. The current account deficit is projected to widen from 5 percent of GDP in 2025 to 6 percent in 2026, driven by import-intensive investment and higher energy costs. FX reserves have strengthened in 2025 to a record high, primarily due to the NBS' net FX purchases and gold reserves revaluation.

Risks and Policy Priorities

Uncertainty surrounding the outlook remains elevated, reflecting the nature and scale of potential shocks. Rising global fragmentation and the risk of deepening geopolitical divides could weigh on trade and trigger volatility in energy and financial markets, posing additional challenges for Serbia. Sector-specific challenges in oil and basic metals sectors in Serbia add further uncertainty and a swift overcoming of these headwinds would significantly bolster growth prospects.

At this juncture, addressing the risks arising from the ownership-related sanctions on the oil company NIS, including potential disruptions of domestic energy supply, is the authorities' key priority. The NIS refinery in Pančevo supplies about 80 percent of the domestic fuel market and attempts to substitute NIS hub-and-spoke fuel distribution network by imports would face insurmountable logistic constraints, including the lack of petroleum product pipelines connecting Serbia with the refineries in neighboring countries. Staff assess that relying on ground and river transportation for diesel and gasoline imports could cover at most 80 percent of domestic consumption—while these imports would be about 25 percent more expensive than the fuel from the Pančevo refinery. Since the activation of sanctions in early October, imports of crude oil through the JANAF oil pipeline—the only oil pipeline supplying the Pančevo refinery with crude oil—have stopped. Since then, NIS's Pančevo refinery continued refining its own oil reserves, which were eventually depleted in early December when domestic refining came to a halt. Meanwhile, the authorities preemptively beefed up their own gasoline and diesel strategic reserves and are releasing them over this transition period. The authorities are working incessantly with the objective of finding a durable solution that will result in lifting sanctions to NIS, resuming NIS operations, and securely restoring regular provision of fuel to the domestic market.

Policy Coordination Instrument

The current Policy Coordination Instrument (PCI) is a continuation of an uninterrupted engagement with the Fund since 2015, mostly through precautionary arrangements. The authorities attach great importance to the engagement with the IMF and see it as instrumental in helping guide macroeconomic and structural policies, supporting confidence, and signaling the authorities' strong macroeconomic management. It is important to reiterate that, despite transitory external shock, the Serbian economy showed resilience and is benefiting from large external, fiscal, and policy buffers as well as strong policy frameworks. It is also worth noting that, over the past 10 years, public debt has declined from about 75 percent in 2015 to about 45 percent at present, which testifies to the authorities' continued ownership of reforms and commitment to sound policymaking. A deficit target of 3.0 percent of GDP, in line with staff recommendations continues to serve as the primary fiscal anchor.

Staff assess program performance as satisfactory. Only one reform target—raising regulated electricity tariffs—was missed, but only by a very small margin. The independent electricity market regulator did increase tariffs as agreed, effective October. However, the 6.6 percent increase fell slightly short of the 7 percent stipulated under the PCI. The regulator considered that the lower thresholds adopted in the block tariff structure would raise the average regulated electricity price by an additional 1.9 percent.

Fiscal Policy

The authorities underscore the criticality of keeping fiscal policy well within the envelope agreed with staff, which is key to preserving resilience and hard-won credibility. The already enacted 2026 budget is consistent with the parameters agreed under the PCI, as well as with the authorities' general and special fiscal rules. The budget envisages a deficit of 3 percent of GDP—unchanged compared to 2025—as it provides sufficient latitude to accommodate large investments and other spending without negatively affecting macroeconomic and fiscal stability. The deficit will be financed by new domestic and international borrowing, as well as by using sizable government deposits, while (gross) public debt will further decline from 45.0 percent of GDP in 2025 to 44.5 percent at the end of 2026, as new borrowing to finance the deficit will be lower than GDP growth. Consistent with the special fiscal rule, public pensions will grow by 12.2 percent in nominal terms, given that pension growth is linked to average wage growth, which was strong in the previous period, while wages in the public sector will increase by 5.1 percent. The Serbian Fiscal Council assessed that the budget has maintained its credibility and welcomed conservative revenue projections.

Fiscal-Structural Reforms

Advancing a comprehensive set of fiscal-structural reforms aimed at strengthening public financial management, enhancing fiscal transparency, and improving the efficiency of public spending remains a key pillar of the PCI. As part of these efforts, the authorities aim to complete and publish the country's first comprehensive tax expenditure report by end-July. The report aims to provide a comprehensive overview of tax incentives and exemptions, while helping assess whether intended policy objectives have been met. Further on, building on the findings of the Fund's Fiscal Transparency Evaluation, the authorities plan to start publishing data on local government finances by municipality and on the taxation of the extraction of mineral resources.

The authorities remain focused on addressing the unanticipated occurrence of domestic arrears, with particular attention to the state-owned enterprise for road maintenance, Roads of Serbia (RoS), and the City of Belgrade. The authorities have requested Fund technical assistance to review RoS' budgetary and arrears control systems and develop a methodology to quantify and control delayed invoicing-related obligations. At the same time, the authorities have engaged external consultants to perform an analysis of the financial position and financial projections for the City of Belgrade that will address medium-term fiscal sustainability and fiscal risks.

Serbian Tax Administration (STA) is undergoing significant reforms to address staffing challenges and modernize operations. Guided by the Human Resources Plan, recruitment efforts have been intensified to offset a wave of retirements. The adoption of a new commercial off-the-shelf IT system under the World Bank Tax Administration Modernization Project is advancing. STA is implementing recommendations from recent diagnostic assessments to further improve the efficiency of tax collection and support stronger revenue mobilization.

Monetary Policy

The NBS continues to pursue a cautious and data-driven approach to monetary policy. Since September 2024, the NBS Executive Council has maintained the key policy rate at 5.75 percent, assessing that the current and expected inflation trajectory, as well as persistent global uncertainties and geopolitical tensions, warrant a prudent stance. Headline inflation remained unchanged at 2.8 percent in November, while core inflation accelerated slightly to 4.1 percent. Inflation expectations of the financial sector remain anchored within the target range. The NBS projects that inflation will remain close to the target midpoint in the coming months, supported by restrictive monetary conditions, subdued external cost pressures, and a stable exchange rate. The NBS Executive Council emphasizes that monetary policy decisions will continue to be made on a meeting-by-meeting basis, with the primary objective of preserving price and financial stability over the medium term, while supporting sustainable economic growth and favorable investment conditions.