INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/138

REPUBLIC OF SERBIA

June 2026

THIRD REVIEW UNDER THE POLICY COORDINATION INSTRUMENT—PRESS RELEASE AND STAFF REPORT

In the context of the Third Review Under the Policy Coordination Instrument, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on May 5, 2026, 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 May 29, 2026.

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International Monetary Fund
Washington, D.C.

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PRESS RELEASE

PR26/201

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

FOR IMMEDIATE RELEASE

Washington, DC – June 15, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the Third Review Under the Policy Coordination Instrument (PCI) for the Republic of Serbia.[1] The decision was taken on a lapse-of-time basis.[2] The authorities have consented to the publication of the Staff Report prepared for the review.[3]

Despite intensifying external and domestic headwinds, Serbia's economy has remained resilient. Following growth of 2 percent in 2025, economic activity strengthened in early 2026. Growth is projected at about 2.8 percent in 2026 and to accelerate to 4.0 percent in 2027. Headline inflation remained moderate at 3.3 percent year-on-year in April, within the National Bank of Serbia (NBS)'s tolerance band of 3 percent ±1.5 percentage points. Monetary policy has maintained a tightening bias. The banking sector remains sound, supported by strong capitalization, liquidity, and profitability. External pressures have increased, though gross international reserves remain well within the adequacy range. Against a backdrop of elevated uncertainty, risks to the outlook are tilted to the downside.

The 2026 budget maintains the program fiscal deficit ceiling of 3 percent of GDP and remains consistent with the fiscal rules on wages and pensions. The authorities have committed to keeping measures introduced in response to the energy price shock temporary, further strengthening fiscal risk management, and advancing fiscal structural reforms, including in public financial management and public investment management. They have also committed to advancing structural reforms in the energy sector to enhance security and sustainability, as well as reforms to strengthen governance and improve the business environment.

Program performance remained strong. All end-2025 quantitative targets on the fiscal deficit, primary current expenditure, domestic arrears, and net international reserves, as well as continuous targets, were met. Implementation of fiscal structural reforms also progressed well, and all reform targets were completed on schedule.

Executive Board Assessment

In concluding the Third Review Under the PCI with the Republic of Serbia, Executive Directors endorsed staff's appraisal as follows:

With the war in the Middle East weighing on global markets, the Serbian economy has remained resilient. Growth is projected to remain robust in 2026 and strengthen further in

[1] The PCI is available to all IMF members that do not need Fund financial resources at the time of approval. It is designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

[3] 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.

2027. However, risks remain firmly tilted to the downside, particularly if the war proves prolonged. Serbia's strong fundamentals—including a broadly aligned external position, moderate public debt, high international reserves, and a well-capitalized banking system—should help the economy navigate these challenges.

Policy credibility under the PCI remains essential to preserve confidence. Fiscal policy should remain anchored by the program deficit ceiling of 3 percent of GDP over 2026–27 and adherence to fiscal rules on public wages and pensions. Fiscal risks are elevated, stemming not only from the energy shock but also from pressures related to Roads of Serbia (RoS) and the City of Belgrade. Should the energy shock persist, preserving the fiscal anchor will require implementing contingency measures identified by the authorities, including current spending rationalization and strict prioritization of investment projects. Over the medium term, continued fiscal discipline is needed to balance social spending pressures and large public investment needs while keeping public debt on a downward path.

Measures to cushion the energy price shock should be temporary and targeted. The recent fuel excise cuts should be phased out by July 2026 under the baseline scenario, in which oil prices remain broadly at current levels, as prolonged subsidization of fuel consumption would be distortionary, regressive, and fiscally costly. The costs of temporary measures should be accommodated within the fiscal deficit ceiling through reprioritization of current and capital spending. Should energy market pressures persist, any additional support should be well-targeted to vulnerable households while preserving price signals to facilitate adjustment and safeguard fiscal space for investment priorities.

Fiscal risks stemming from public entities require continued attention. Domestic arrears at RoS should be durably addressed through stronger monitoring and expenditure controls, alongside measures to align operational obligations with revenues. The ongoing assessment of the financial position of the City of Belgrade should be completed promptly to mitigate fiscal risks ahead of the next budget cycle.

Fiscal-structural reforms to strengthen PIM, fiscal transparency, and revenue administration should continue. Improving the appraisal, prioritization, and monitoring of all large public investment projects—including those outside regular PIM processes, such as projects of special interest and government-to-government projects—would enhance value for money and reduce fiscal risks. Planned publication of additional data on local governments, mineral taxation, and PPPs will strengthen transparency and accountability. Continued strengthening of tax administration capacity and compliance, including through more targeted audits, would support revenue mobilization.

Maintaining a monetary policy tightening bias and close monitoring of credit developments are warranted to contain inflation and financial stability risks. Monetary policy should remain tight and be tightened further if inflation expectations rise, second-round effects emerge, or inflation settles above the upper bound of the tolerance band. In light of continued double-digit household credit growth and the further expansion of the mortgage guarantee scheme for first-time young homebuyers, staff welcome the activation of the CCyB and the authorities' commitment to allow temporary supervisory expectations on lending rates to expire. While household balance sheets remain sound and the banking sector appears resilient, the authorities should stand ready to deploy additional macroprudential measures should systemic risks build. The mortgage guarantee scheme should not be further expanded, and any future modifications should be subject to prior consultation with staff, given its increasingly distortionary effects on the mortgage market.

Sustained energy sector reform is increasingly important given heightened energy security risks and elevated energy prices. Strengthening the financial position of energy SOEs is essential to create space for needed investment, support energy security, and contain fiscal risks. Restructuring efforts at EPS should accelerate to achieve timely workforce rationalization and stronger governance ahead of planned large-scale investments. Continued progress toward cost-recovery electricity tariffs and stronger payment discipline among major debtors remains important for the sector's financial sustainability. Persistent non-payment of energy bills—particularly by SOEs and sub-national entities—should be decisively addressed. Targeted energy support for vulnerable households should continue.

Reinvigorating broader structural reforms is critical to support Serbia's transition toward a higher value-added growth model. Governance reforms should focus on reducing integrity risks in business regulation, licensing, inspections, and public service delivery. Staff welcome the authorities' plan to amend the Law on Prevention of Corruption to extend asset declaration requirements to SOE top managers and board members. Improving the efficiency of judicial dispute resolution is also important for the investment climate. Ongoing judiciary digitalization should be complemented by an assessment of bottlenecks in resolving business-related civil and administrative cases. The authorities should also preserve labor market flexibility as labor laws are aligned with EU requirements. Trade facilitation reforms would further support Serbia's EU integration.

Staff support the authorities' request for completion of the third review under the PCI.

Serbia: Selected Economic Indicators, 2025–28

	2025	2026		2027		2028	
	Est.	**2nd PCI review**	Proj.	**2nd PCI review**	Proj.	**2nd PCI review**	Proj.
Output							
Real GDP growth (%)	2.0	**3.0**	2.8	**4.6**	4.0	**3.8**	3.5
Employment							
Unemployment rate (labor force survey) (%)	8.7	**8.8**	8.8	**8.7**	8.7	**8.6**	8.6
Prices							
Inflation (%), end of period	2.8	**5.0**	5.0	**3.2**	3.9	**3.0**	3.0
General Government Finances							
Revenue (% GDP)	41.0	**40.8**	40.8	**40.3**	40.9	**40.0**	40.8
Expenditure (% GDP)	43.4	**43.8**	43.8	**43.3**	43.9	**42.5**	43.3
Fiscal balance (% GDP)	-2.4	**-3.0**	-3.0	**-3.0**	-3.0	**-2.5**	-2.5
Public debt (% GDP)	44.8	**44.7**	44.7	**44.4**	44.6	**44.0**	44.3
Money and Credit							
Broad money, eop (% change)	6.5	**7.8**	7.7	**9.2**	9.5	**7.5**	9.0
Credit to the private sector, eop (% change) 1/	14.3	**13.8**	12.0	**13.7**	14.0	**8.9**	12.0
Balance of Payments							
Current account (% GDP)	-4.9	**-6.0**	-6.0	**-4.9**	-4.5	**-5.3**	-5.3
FDI (% GDP)	2.6	**4.0**	3.0	**4.2**	4.0	**4.1**	4.0
Reserves (months of prospective imports)	6.7	**6.0**	6.0	**6.0**	5.9	**5.8**	5.7
External debt (% GDP)	58.7	**55.9**	57.5	**51.9**	54.9	**48.9**	52.8
Exchange Rate							
REER (% change)	1.6	**...**	...	**...**	...	**...**	...

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

May 29, 2026

THIRD REVIEW UNDER THE POLICY COORDINATION INSTRUMENT

EXECUTIVE SUMMARY

Context: The Serbian economy has shown resilience despite headwinds from energy supply disruptions, a weak harvest, domestic protests, global trade tensions, and the war in the Middle East. Looking ahead, the war is expected to keep energy sector risks elevated, constraining growth even as rising real incomes and EXPO-related activity provide support. The approaching electoral cycle could weaken policy discipline and delay structural reforms, further weighing on medium-term growth constrained by slowing capital accumulation and modest productivity gains.

Policies under the PCI: The policy mix under the PCI supports macroeconomic stability. The 2026 budget maintains the fiscal deficit at the 3 percent of GDP ceiling while accommodating priority investment. The authorities committed to keeping support measures introduced in response to the global energy price shock temporary and identified contingency measures to offset the associated fiscal costs. Monetary policy has maintained a tightening bias to support continued disinflation. Fiscal-structural reforms are progressing. Serbia is strengthening public investment and public financial management frameworks, reducing domestic arrears, enhancing tax administration, and increasing the resilience of the energy sector. Further progress is needed in reforming State-Owned Enterprises and in strengthening the appraisal and accountability of public investment projects. Looking ahead, strengthening governance and improving the business environment will be critical to preserving policy credibility, attracting FDI inflows, and supporting stronger medium-term growth.

Program performance: Program performance remained strong. All end-2025 quantitative targets on the fiscal deficit, primary current expenditure, domestic arrears, and net international reserves, as well as continuous targets, were met. Structural reform implementation also progressed well, with all reform targets completed on time.

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

Discussions were held in Belgrade and virtually during April 22–May 5, 2026. The staff team comprised A. Kyobe (head), L. Cui, A. Geis, A. Nguyen (all EUR), L. Kemoe (SPR), A. Sollaci (FAD), L. Ratnovski (resident representative), D. Obradović, and M. Paunović (local economists). V. Djoković (OED) joined some discussions. L. Azoor and S. Dominguez (EUR) provided support.

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CONTEXT

1. **Serbia is navigating a complex external and domestic environment.** The economy has demonstrated resilience despite energy sector disruptions following the activation of US sanctions on the macro-critical oil company NIS, domestic protests, global trade tensions, and, more recently, the war in the Middle East. Looking ahead, conditions remain volatile. After a near two-month halt, NIS resumed refinery operations in early 2026 under a temporary license, while negotiations on the divestment of its majority Russian shareholders continue. Meanwhile, the war has heightened concerns about energy security. Domestically, the approaching electoral cycle in 2026 could reignite protests, weaken policy discipline, and slow reform implementation, potentially undermining Serbia's track record of prudent macroeconomic management and medium-term growth prospects.

2. **The PCI has bolstered policy buffers and supported prudent macroeconomic management, but broader reform progress beyond fiscal-structural reforms has been uneven.** Fiscal discipline has kept public debt on a declining path, international reserves are near record highs, and the banking sector is well-capitalized, providing space to manage shocks. Strong program ownership has also helped improve public investment and public financial management frameworks. Energy security has been strengthened. However, to maintain Serbia's long-standing record of policy credibility, reforms to improve governance and the business environment will have to be reinvigorated, including to enable Serbia's transition toward a higher value-added growth model.[1]

RECENT DEVELOPMENTS

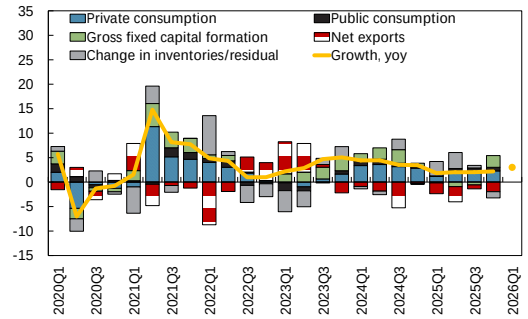
3. **Despite intensifying headwinds, growth has remained resilient.** Following 2 percent growth in 2025, economic activity strengthened in early 2026, with real GDP rising by 3.0 percent y/y in 2026:Q1 (flash estimate). Activity was supported by consumer spending, underpinned by a steady labor market and continued real income gains from recent minimum wage (25 percent) and pension (12 percent) increases. The resumption of NIS operations also supported industrial activity. Despite weak external demand, exports benefited from the ongoing expansion of manufacturing capacity. Imports rose, reflecting continued demand for consumer and investment goods (Figure 1).

4. **Inflation has remained moderate.** Headline inflation, at 3.3 percent y/y in April, showed limited impact from the phase-out of margin and price controls on food and household essentials, while fuel excise cuts helped contain energy price pass-through. But core inflation, at 4.4 percent y/y, continued to hover above the midpoint of the National Bank of Serbia's (NBS) 3 percent ±1.5 percentage points tolerance band amid elevated services inflation.

[1] See IMF (2025) Country Report 25/076.

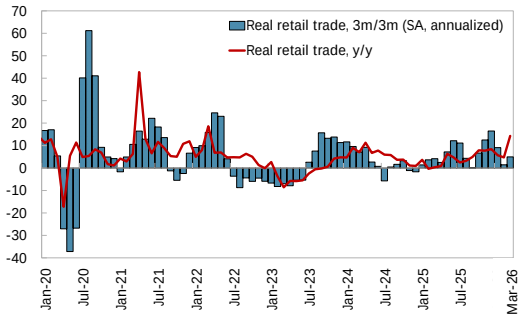
Serbia: Economic Activity Indicators

Serbia: Real GDP and Contributions
(Percent)



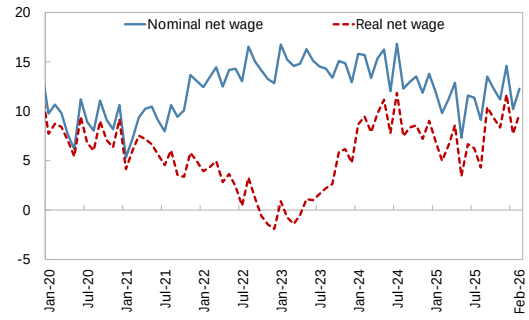
Sources: Haver Analytics and IMF staff calculations.

Serbia: Real Retail Trade
(Percent)



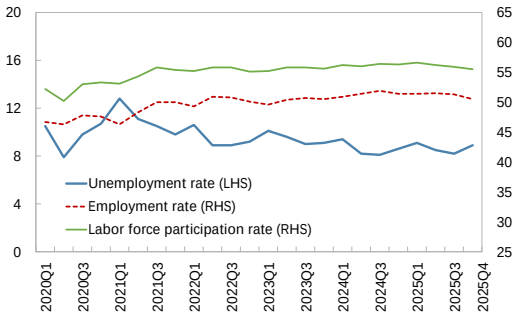
Sources: Haver Analytics, SORS, and IMF staff calculations.

Serbia: Change of Net Wages
(Percent, y/y)



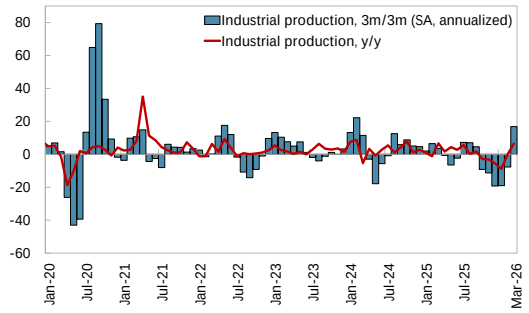
Sources: Haver Analytics and IMF staff calculations.

Serbia: Labor Market Indicators
(Percent, 15 year and more)



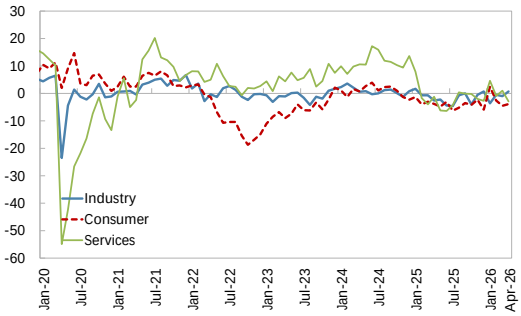
Source: SORS.

Serbia: Industrial Production
(Percent)



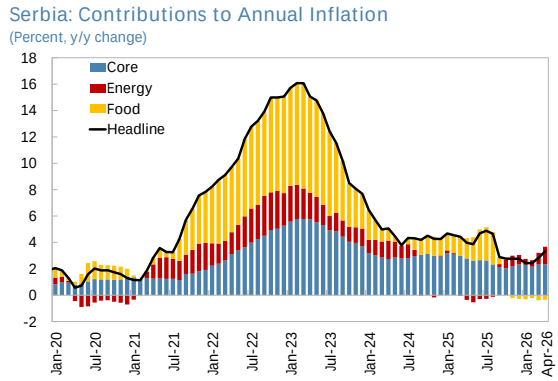
Sources: Haver Analytics, SORS, and IMF staff calculations.

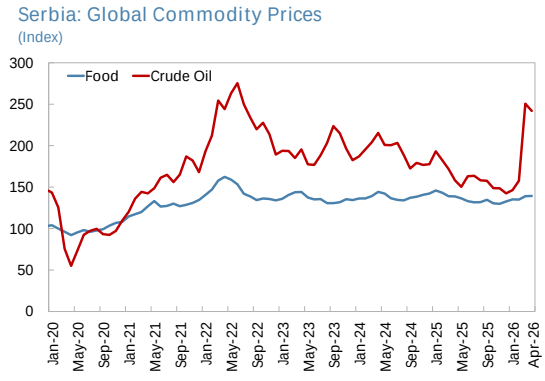
Serbia: Economic Sentiment
(Percent, seasonally adjusted, net balance)

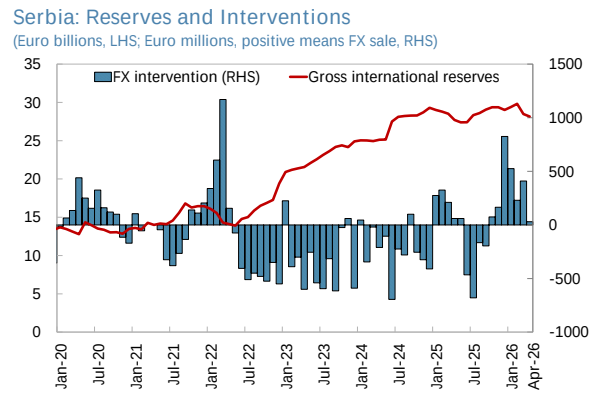


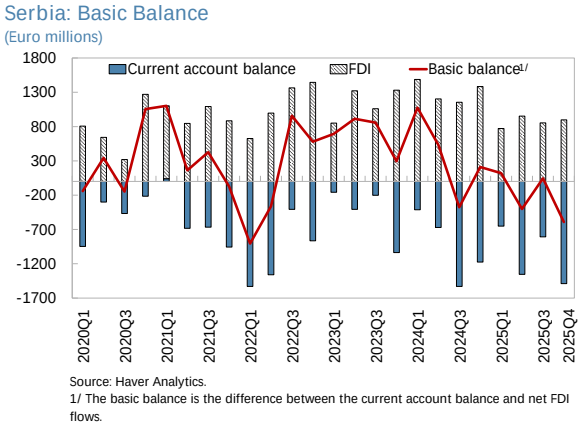
Source: European Commission.

5. External sector pressures increased in 2025 and in 2026:Q1. The current account deficit widened to 4.9 percent of GDP in 2025. The services surplus declined amid strong imports of travel and transport services while remittances remained resilient. This decline more than offset the increased goods balance due to strong automotive and mining exports, despite high energy imports with the temporary closure of NIS refinery. Financial inflows weakened markedly: net FDI more than halved year-on-year, portfolio outflows emerged, and uncertainty related to NIS triggered a temporary surge in FX demand. Overall, the 2025 external position is assessed to be broadly in line with medium-term fundamentals and desirable policies (Annex I). FX pressures persisted in 2026:Q1. As a result, gross international reserves declined, reaching €28.2 billion (142 percent of the ARA metric) at end-April 2026, while remaining well within the adequacy range.





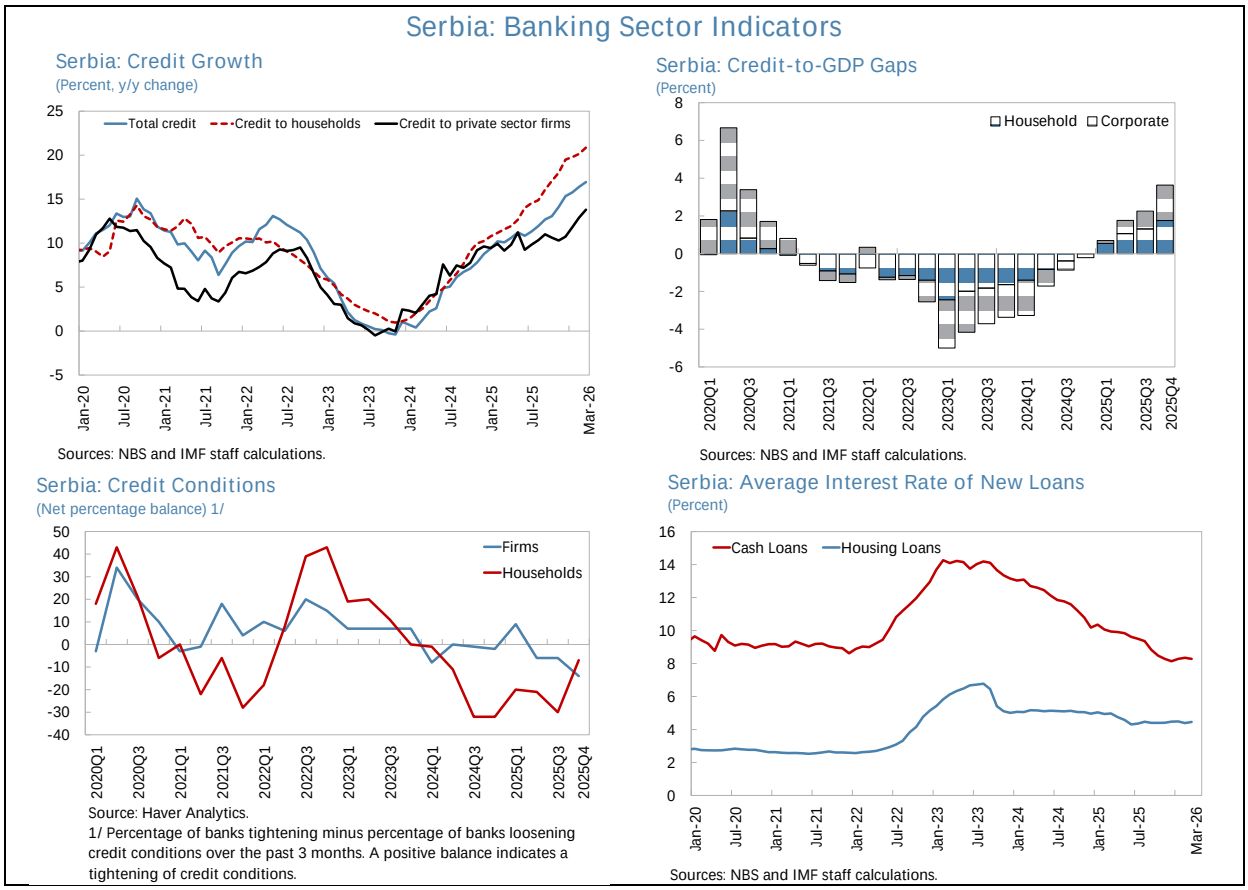




6. The fiscal deficit stayed comfortably below the program ceiling in 2025 and remained contained in early 2026 (Figure 4). The general government deficit reached 2.4 percent of GDP in 2025, reflecting strong wage-related personal income tax and social security contributions (about 0.3 percentage point of GDP above projections), under-execution of capital spending (-0.2 p.p.), and restrained current spending. Preliminary data for March 2026 suggest an annualized deficit of about 2¾ percent of GDP.

7. Amid strong credit growth, the NBS activated the counter-cyclical capital buffer (CCyB). Household lending continued to expand rapidly, supported by past monetary easing, competition among banks, supervisory guidance in September 2025 to lower cash loan rates, and the government's mortgage guarantee scheme[2] (Figure 5). With the credit-to-GDP gap surpassing the 2 percent activation threshold, the NBS set the CCyB at 0.5 percent in December 2025, effective from December 2026. The banking sector remains resilient, with high capitalization, liquidity, and profitability (Figure 6).

[2] See IMF (2025), Country Report 25/176, July, for an overview of the scheme.



OUTLOOK AND RISKS

8. The economic outlook continues to be shaped by a challenging domestic and external environment.

- Growth is projected at 2.8 percent in 2026. The war in the Middle East and higher energy prices, based on market prices as of April 27, will weigh on confidence and activity, moderating private consumption and slowing real income gains from wage and pension increases. Elevated uncertainty is also expected to dampen private investment, despite progress in NIS resolution, favorably priced Russian gas supplies through 2026:Q3, and easing protests. Agriculture is anticipated to recover from the weather-related shocks of 2025. Growth is projected to accelerate to 4.0 percent in 2027, supported by infrastructure investment and EXPO-related tourism. From 2028 onwards, growth will stabilize at its estimated potential rate of 3.5 percent, revised down from 4.0 percent, reflecting weaker capital accumulation and a growing backlog of productivity-enhancing reforms.

Text Table 1. Serbia: Key Macroeconomic Variables, 2024–31

		2024	2025	2026	2027	2028	2029	2030	2031
Real GDP growth (percent)	*Current*	3.9	2.0	2.8	4.0	3.5	3.5	3.5	3.5
	2nd PCI Review	3.9	2.1	3.0	4.6	3.8	4.0	4.0	
	PCI request	3.8	4.2	4.2	4.5	3.5	4.0		
CPI, average (percent)	*Current*	4.7	3.9	3.6	4.4	3.1	3.0	3.0	3.0
	2nd PCI Review	4.7	3.9	4.0	3.8	3.0	3.0	3.0	
	PCI request	4.6	3.7	3.3	3.3	3.0	3.0		
CPI, eop (percent)	*Current*	4.3	2.8	5.0	3.9	3.0	3.0	3.0	3.0
	2nd PCI Review	4.3	3.0	5.0	3.2	3.0	3.0	3.0	
	PCI request	4.0	3.4	3.3	3.2	3.0	3.0		
Current account (percent of GDP)	*Current*	-4.5	-4.9	-6.0	-4.5	-5.3	-5.1	-5.0	-4.7
	2nd PCI Review	-4.5	-5.2	-6.0	-4.9	-5.3	-5.0	-4.9	
	PCI request	-4.4	-5.1	-5.2	-5.5	-5.5	-5.2		
Reserves (percent of ARA metric)	*Current*	164.7	158.5	143.6	136.6	134.1	128.6	125.3	123.1
	2nd PCI Review	164.7	157.3	142.1	138.0	134.5	132.2	130.9	
	PCI request	163.6	161.5	149.1	143.0	139.9	138.4		
Fiscal balance (percent of GDP)	*Current*	-2.0	-2.4	-3.0	-3.0	-2.5	-2.5	-2.0	-2.0
	2nd PCI Review	-2.0	-3.0	-3.0	-3.0	-2.5	-2.5	-2.0	
	PCI request	-2.7	-3.0	-3.0	-3.0	-2.5	-2.5		
Gross public debt 1/ (percent of GDP)	*Current*	47.0	44.8	44.7	44.6	44.3	43.7	43.0	42.2
	2nd PCI Review	47.0	45.2	44.7	44.4	44.0	43.7	43.0	
	PCI request	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.

- Average annual inflation is projected at 3.6 percent in 2026 and 4.4 percent in 2027, approaching the upper bound of the NBS's tolerance band (4.5 percent). As fuel excise cuts are phased out, global energy market pressures are expected to gradually pass through into domestic energy and broader consumer prices. New legislation aimed at strengthening competition in food distribution is anticipated to partially offset the restoration of profitability lost during margin and price controls. Services inflation is expected to remain elevated, supported by recent wage gains and EXPO-related demand in 2026–27, while improved domestic harvests are anticipated to moderate food price inflation.

- The current account deficit is expected to widen to 6.0 percent of GDP in 2026 and remain elevated over the medium term. It will be driven by strong infrastructure-related imports, EU steel import restrictions, continued dividend repatriation, and high energy imports affected by the war. EXPO 2027-related tourism will only temporarily narrow the deficit. Reserves are projected to decline relative to the ARA metric but remain near the midpoint of the adequacy range, reflecting softer FDI inflows amid a weak business environment and elevated uncertainty.

9. Against a backdrop of unusually high uncertainty, risks to the outlook are firmly on the downside (Annex II). A prolonged war in the Middle East will result in persistently high energy and food prices while weakening global demand and financing conditions (Box 1). Energy disruptions could reemerge if NIS negotiations stall and sanction waivers are not renewed.[3] Further escalation of global trade tensions could weigh on exports and industrial output. Significant reform

[3] See IMF (2025), Country Report 25/076, December for the potential impact and policy responses.

slippages could undermine confidence and potentially lead to a suspension of EU funding. Additionally, private consumption and investment may falter if large-scale protests resume with upcoming elections.

Box 1. Serbia: Severe Scenario and Contingent Policy Advice

Baseline projections incorporate energy price developments through April 27, but longer-lasting price pressures could further disrupt the Serbian economy.

Assumptions

The assumption of higher-for-longer energy prices is based on the severe scenario in IMF (2026).[1] In annual average terms, oil prices increase by around two-thirds relative to pre-war levels in 2026, followed by a further rise of over 10 percent in 2027. Natural gas prices surge by more than 120 percent in 2026 and increase by nearly 5 percent in 2027. Agricultural commodity prices increase by more than 5 percent in 2027. As commodity prices feed into inflation, one-year inflation expectations rise by 130 basis points by 2027. Meanwhile, global financial conditions tighten, with sovereign and corporate spreads widening by 100 and 200 basis points, respectively.

Impact

Average inflation would rise to 6.2 percent in 2026 and 7.5 percent in 2027, about 2.6 and 3.1 percentage points above baseline. This reflects higher fuel prices, the pass-through from utility tariffs adjustments, increased food and import costs, and broader spillovers into goods and services prices.

Growth would slow to 2.0 percent in 2026 and 2027, about 0.8 and 2.0 percentage points below baseline, respectively. Private consumption and investment would weaken, as prolonged uncertainty weighs on sentiment, higher prices erode real household incomes, and higher energy prices raise production costs. Slower activity in key trading partners would further weigh on growth through external demand.

The current account deficit would widen by ¼ percentage point of GDP in 2026 and 1¾ percentage points of GDP in 2027, as weaker exports and higher import prices outweigh declined import volumes from softer domestic demand. Persistent uncertainty and slower domestic activity would weigh on foreign investor confidence and FDI inflows. Gross international reserves would decline from €29 billion (155 percent of the ARA metric) at end-2025 to €25.0 billion (129 percent) at end-2026 and €24.2 billion (116 percent) at end-2027.

Serbia: Key Macroeconomic Variables

		2026	2027
Real GDP growth	*Baseline*	2.8	4.0
(percent)	*Downside scenario*	2.0	2.0
CPI, average	*Baseline*	3.6	4.4
(percent)	*Downside scenario*	6.2	7.5
CPI, eop	*Baseline*	5.0	3.9
(percent)	*Downside scenario*	8.8	6.8
Current account	*Baseline*	-6.0	-4.5
(percent of GDP)	*Downside scenario*	-6.3	-6.3
Reserves	*Baseline*	143.6	136.6
(percent of ARA metric)	*Downside scenario*	129.2	115.7
Fiscal balance	*Baseline*	-3.0	-3.0
(percent of GDP)	*Downside scenario*	-3.5	-3.0
Gross public debt 1/	*Baseline*	44.7	44.6
(percent of GDP)	*Downside scenario*	44.9	44.4

Source: IMF staff projections.
1/ Public and publicly guaranteed debt.

The fiscal deficit would widen by 0.5 percentage point in 2026, exceeding the program deficit target absent contingency measures, before returning to target in 2027. This mainly reflects lower revenues (-0.3 percentage point of GDP) from weaker activity, more than offsetting the inflation-driven expansion of the nominal tax base. Higher non-pension transfers and increased interest payments due to tighter financing conditions would also contribute.

Policies

Amid prolonged energy and food price pressures, intensifying spillovers to core inflation, and rising inflation expectations, monetary policy should tighten to facilitate a return of inflation towards the tolerance band.

Box 1. Serbia: Severe Scenario and Contingent Policy Advice (concluded)

This would reinforce commitment to price stability, helping anchor inflation expectations and confidence in dinar stability. Financial policy should intensify surveillance of banks' asset quality and sectoral exposures, including forward-looking stress testing, to detect early signs of vulnerabilities. Policies should ensure flow of credit to viable households and firms but must avoid broad-based regulatory forbearance or subsidies that weaken market discipline.

Fiscal policy should, and the authorities will, strive to maintain the 3 percent of GDP deficit ceiling. While additional temporary support may be warranted to help households and firms adjust to shocks, such measures should preserve price signals, be well-targeted, and be time-bound. Support to energy SOEs, if warranted, should be recorded above the line to transparently capture its fiscal cost. The deficit should be sufficiently contained to keep public debt firmly below 46 percent of GDP by 2027, as envisaged at the time of PCI approval.

[1] See IMF (2026), World Economic Outlook, April.

PROGRAM PERFORMANCE

10. Program performance remained strong. All end-2025 quantitative targets (QTs) on the fiscal deficit, current primary expenditure, and net international reserves were met with comfortable margins. The ceiling on domestic arrears was also observed, with the end-2025 stock increasing from end-2024 by about RSD 7.6 billion (0.1 percent of GDP), below the accumulation ceiling of RSD12 billion on strengthened controls and clearance. All continuous targets were met.

11. All reform targets (RTs) for this review were met.

- Pensions were adjusted in line with the annual indexation mechanism (continuous RT).
- The authorities published the actuarial analysis of the pension system (end-March 2026 RT), which indicates that the current pension rule keeps the system sustainable through 2070, with pension spending remaining around 10 percent of GDP.
- The authorities made the first publication of data on the value of procurement under special laws (end-March 2026 RT), improving transparency.
- The authorities removed the price and margin controls for food retailers and wholesalers (end-February 2026 RT).

POLICY DISCUSSIONS

A. Fiscal Policy

12. The 2026 budget maintains the fiscal deficit ceiling of 3 percent of GDP and remains consistent with fiscal rules on wages and pensions. Revenues are broadly unchanged from 2025, as higher VAT and social security contributions offset lower excises and the absence of one-off high

NBS dividends. Expenditure growth mainly reflects pension indexation and a moderately increased wage bill following the inclusion of higher education institutions in general government, while remaining below the fiscal rule ceiling. Capital spending is slightly lower than in 2025. The mildly expansionary fiscal stance in 2026 is appropriate, supporting priority EXPO-related investment and remaining consistent with continued disinflation and a negative output gap, while the wider current account deficit is driven largely by temporary investment-related and energy imports. Continued restraint in current spending will be important for maintaining policy credibility.

13. The authorities agreed with staff that measures to cushion the energy price shock should be temporary. In response to the shock, they reduced fuel excises by 20 percent in March and by a further 5 percent in April to May 16, at an estimated revenue loss of about 0.06 percent of GDP per month. As the cuts are planned to expire in July, their costs can be accommodated within the deficit ceiling. The authorities also slightly increased regulated caps on gasoline and diesel prices since February and released around 70,000 tons of petroleum products from strategic reserves to stabilize the market. They noted that Serbia's favorable Russian gas supply contract should shield the economy from higher international gas prices. Staff emphasized that prolonged subsidization of petroleum consumption would be distortionary, fiscally costly, and disproportionately benefit higher-income households. The authorities committed to continue increasing regulated fuel prices to ensure full price pass-through and phase out the excise cuts by July 2026 (Policy Statement (PS) ¶6).

14. Fiscal risks to the 2026 budget are significant, and the authorities have identified contingency measures to safeguard the deficit target. Under the baseline, these include reprioritizing investment projects (0.3 percent of GDP) and reducing non-essential goods and services spending (0.2 percent of GDP). In a severe scenario with persistently high energy prices (Box 1), the authorities may consider additional temporary and better-targeted support measures, including expanding the Energy Vulnerable Households Program and subsidizing district heating companies. They intend to contain the associated costs through further investment reprioritization and have identified projects that could be delayed. The authorities are committed to adjusting policies as needed to keep public debt below 46 percent of GDP by 2027 in this scenario (PS¶6). Reported financial strains in the City of Belgrade also pose risks. To assess these, the authorities have engaged an external consultant to review the city's financial position (PS¶8).

15. Continued fiscal discipline is required to implement the revised medium-term fiscal strategy for 2026–28. Ongoing strengthening of tax administration is expected to keep tax revenue broadly stable, while non-tax revenue declines as one-off factors, including 5G license fees, expire. The recently introduced carbon tax (about €4 per ton), with collections starting from 2027, is expected to generate modest revenue (0.1 percent of GDP). The strategy targets a gradual reduction of the deficit to 2.5 percent of GDP by 2028 as the current investment cycle tapers off. Capital spending is projected to ease from its EXPO peak to around 6 percent of GDP—still above peer averages—supporting the closing of infrastructure gaps and higher potential growth.[4]

[4] World Bank (2025) Fiscal Policy for a High-Income Serbia.

16. Serbia's risk of sovereign debt stress is moderate (Annex III). Public debt is sustainable under the medium-term fiscal path, supported by the authorities' commitment to strengthen oversight of contingent liabilities and prevent their build-up (PS¶11).

B. Fiscal-Structural Policies

17. Fiscal structural reforms are advancing as planned to strengthen fiscal sustainability, spending efficiency, and fiscal risk management. Recent progress includes stronger central coordination and information systems for public investment management (PIM), completion of a Fiscal Transparency Evaluation (FTE) to identify institutional gaps and guide fiscal transparency reforms, and adoption of a medium-term human resource plan to address critical staffing shortages in tax administration. Building on these achievements, the authorities are focusing on four priority areas:

- Domestic arrears (strengthening oversight and clearance). Roads of Serbia (RoS) is improving monitoring and arrears prevention following recent Fund technical assistance (TA). RoS is (i) conducting a stocktaking of unpaid liabilities and arrears; (ii) introducing monthly reporting to the Ministries of Finance and Construction, Transportation, and Infrastructure on invoices and outstanding payments; and (iii) preparing an arrears clearance strategy. Completion of these measures is a Reform Target (new RT, end-July 2026). The authorities have increased tolls and plan continued CPI indexation to raise RoS revenues. RoS will also begin monthly reporting on new work orders to help identify funding gaps early and allow timely corrective action, including additional budget support if needed, to prevent new arrears (PS¶7). Staff emphasized that stronger controls are needed to meet the end-June and end-December targets.

- Public Investment Management (strengthening appraisal and accountability). The authorities are strengthening PIM to improve project appraisal, prioritization, and oversight. Major projects above the €20 million threshold under the 2023 Decree on Capital Projects will be subject to stricter appraisal requirements, including standardized cost-benefit analysis templates and the disclosure of costing assumptions to the Ministry of Finance (MoF) before submission to the Capital Commission for possible budget inclusion. Reforms will strengthen the Commission's prioritization criteria and monitoring of cost and time overruns. This work program will be anchored in the next revision of the Decree on Capital Projects (new RT, end-July 2027) (PS¶13). Staff stressed that this program should progressively bring all large public investment projects, including projects of special interest and government-to-government projects, under regular PIM processes to ensure transparency and value for money.

- Public Financial Management (enhancing transparency and reporting). The authorities have advanced tax expenditure analysis, supported by Fund TA, and are on track to publish their first tax expenditure report (end-July 2026 RT). A citizen budget participation e-portal became operational in late 2025, strengthening transparency and public engagement in the budget process. The authorities are implementing additional FTE recommendations, including regular publication of data on local government finances by municipality, mineral resource taxation, and public-private partnerships (end-June 2026 RT) (PS¶12).

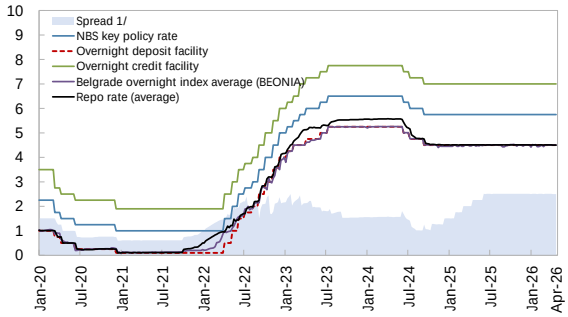
- Tax Administration (strengthening capacity and compliance). The Serbian Tax Administration (STA) is advancing recruitment, upgrading HR IT systems, and has submitted a proposal for new job systematization to the MoF. Efforts are underway to develop a new strategic plan, strengthen performance management and compliance risk management frameworks, and enhance taxpayer services. Implementation of the commercial-off-the-shelf (COTS) IT system began in January and will be used from January 2027 for VAT and excise administration. The MoF will implement an IT solution to provide STA with summary e-invoice data for VAT purposes (new RT, end-December 2026) (PS¶15).

C. Monetary and Financial Sector Policies

18. The authorities agreed to consider monetary policy tightening if risks to price stability intensify. Inflation pressures have increased, reflecting higher global energy prices, strong private consumption, and the phase-out of margin and price controls. Given the appropriately tight current policy stance—the real interest rate above neutral—and a negative output gap, the NBS indicated its readiness to tighten further if inflation expectations rise, second-round effects emerge, or inflation settles above the upper bound of the tolerance band. The NBS also committed to continued clear communication about the transitory impact of the phase-out of margin and price controls on prices to help anchor inflation expectations.

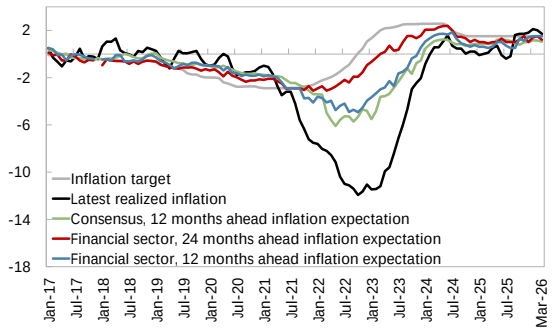
Serbia: Monetary Policy and Inflation Indicators

Serbia: Policy Rate
(Percent)



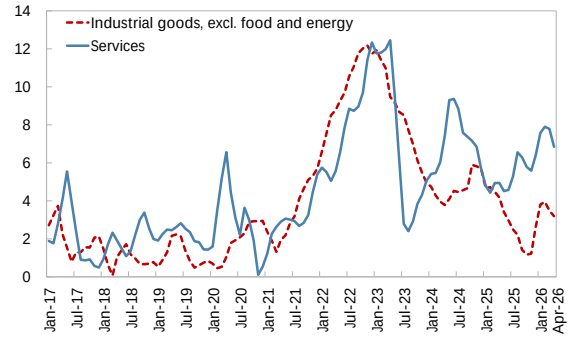
Sources: Haver Analytics and IMF staff calculations.
1/ Differences of key policy rate between Serbia and Euro Area (ECB).

Serbia: De-Facto Real Policy Rate Based on Different Inflation Measures
(Percent)



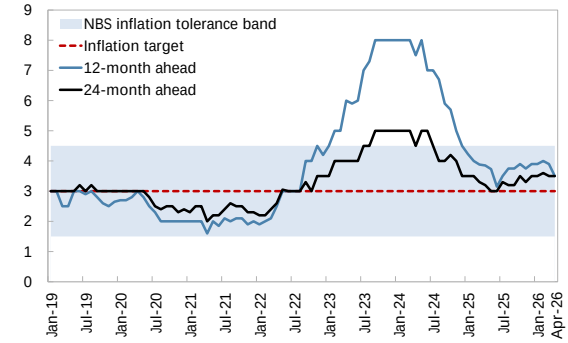
Sources: Haver Analytics, Consensus Forecast, and IMF staff calculations.

Serbia: Inflation Momentum, Core Components
(Percent; 3-month over 3-month inflation, seasonally adjusted and annualized)



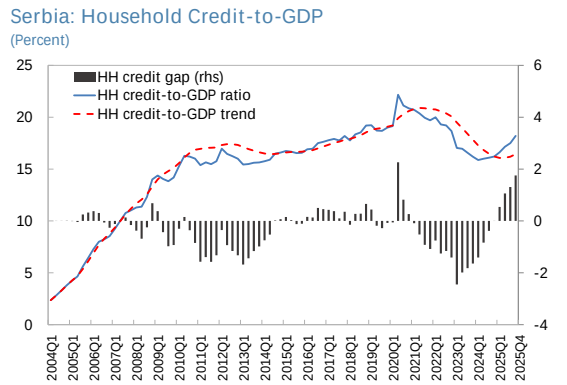
Sources: NBS and IMF staff calculations.

Serbia: Financial Sector Inflation Expectations
(Percent)



Sources: NBS and IMF staff calculations.

19. While financial sector policies are broadly appropriate, the authorities are closely monitoring credit developments and agreed to further macroprudential tightening if warranted. Household borrowing, particularly consumer lending, has grown strongly, helped by improved borrowing conditions and demand from rising disposable incomes (Annex IV). A sizeable share of consumer lending has been used to refinance existing debt on more favorable terms. Household balance sheets remain sound, the quality of newly originated consumer loans has improved, and NBS stress tests have confirmed the banking system's resilience. Nevertheless, the pace of household credit growth warrants close attention. The increase of the CCyB is a welcome step to cushion a future downturn in the credit cycle, but it is too broad an instrument to target growth in a specific credit segment and is unlikely to be binding given high bank capitalization. The authorities have therefore agreed to: (i) allow the supervisory expectations on cash loan and mortgage interest rates to expire as scheduled in September 2026; (ii) continue to fully leverage credit registry data to analyze and stress test the quality of loan portfolios, particularly in the consumer lending segment; and (iii) consider options to adjust regulatory and macroprudential measures in case of a build-up of systemic risk, including higher capital charges applied to consumer lending, such as a sectoral systemic risk buffer, additional risk weights, higher provisioning requirements, and a recalibration of borrower-based measures.



Sources: NBS and IMF staff calculations.

20. The authorities further expanded, without prior consultation with staff, the mortgage guarantee scheme for first-time young homebuyers. Introduced in March 2025 with an initial envelope of €400 million over four years, the scheme offers low down payments and capped, subsidized interest rates for the first six years of the mortgage. The envelope was subsequently increased by €200 million in October 2025 and by another €300 million in May 2026, despite earlier commitments to consult staff. Implementation to date suggests that the scheme does not currently pose material fiscal or financial stability risks. However, staff expressed concerns about its increasingly distortionary effects. In particular, the low mortgage rate cap reduces the weighted average mortgage lending rate, thereby lowering the regulatory cap applicable to all mortgage lending under the Financial Consumer Protection Law. The consultation clause has been strengthened in the Policy Statement.

21. The authorities are appropriately strengthening AML/CFT efforts to address weaknesses identified in the sixth MONEYVAL report. Following progress in risk assessments, inter-agency coordination, and transparency of beneficial ownership, they are preparing an updated Strategic Operational Plan to implement MONEYVAL's recommendations. Priorities include strengthening on-site and risk-based supervision, enhancing oversight of high-risk operators such as online casinos, and improving monitoring of cross-border flows from high-risk jurisdictions to mitigate money-laundering risks.

D. Energy Sector Policies

22. Energy sector reforms are advancing, but sustained implementation is needed to strengthen SOE finances, support energy security, and reduce fiscal risks.

- Regulated electricity tariffs (moving towards cost recovery while protecting vulnerable households). The authorities remain committed to achieving full cost recovery, including through regular inflation-linked indexation of household electricity tariffs, and will prepare an analysis on the required cost-reflective tariff adjustment to improve SOE financial viability. They noted that favorable domestic coal-fired and hydropower generation limited the impact of international price pressures on electricity costs, and a short delay in tariff adjustment would not materially weaken the SOE financial positions. They will also review the current block tariff structure and outline reform options by end-2026. To preserve affordability, the authorities have broadened energy support for vulnerable households beyond the existing means-tested beneficiaries to include minimum pensioners, veterans, and persons with disabilities, covering about 9 percent of the population.

- Restructuring of electricity SOEs (improving operational efficiency). Implementation of the restructuring plan for the electricity generation SOE (EPS) is progressing, albeit slowly. The authorities should promptly adopt and implement a time-bound plan to rationalize EPS's workforce and outsourced services (PS¶17). They are also preparing a comparable plan for the electricity distribution SOE (EDS). Timely implementation is needed to improve operational efficiency, contain contingent liabilities, and support sector sustainability.

- Energy investment and diversification (securing energy). EPS is investing in coal-fired plants to make them more efficient and less polluting, and in hydropower and renewable energy. Prioritizing cost-effective projects will be critical for financial sustainability to enable EPS to compete on market terms without fiscal support. Increasing private sector participation, particularly in renewables, would mobilize private investment. The authorities are diversifying gas supply through purchases from Azerbaijan, using the EU joint gas platform, and prioritizing investments in interconnectors with North Macedonia and Romania.

- Addressing non-payments to energy SOEs (improving payment discipline). The authorities have begun semiannual publication of the largest electricity and gas non-payers. A government working group is expected to report later in 2026 on obstacles to arrears clearance and options to strengthen collections. Continued efforts are important to improve SOE cash flows and reduce quasi-fiscal deficits.

23. The authorities have introduced a domestic carbon tax in response to EU's Carbon Border Adjustment Mechanism (CBAM), but further calibration and implementation efforts will be needed. The tax starts collections from 2027 with a capped credit for carbon-reducing investment in the electricity sector. While the low initial rate allows industry to gradually adjust, it will need to increase over time to align with CBAM requirements. As implementation progresses, the authorities should consider shifting the tax credit base to corporate income tax instead of the

carbon tax, consistent with international practices. CBAM implementation also faces constraints beyond the authorities' control, including lack of EU-compliant emissions monitoring equipment, weak upstream emissions data from non-EU countries, and shortage of EU-accredited verifiers. A CBAM exemption for electricity from market coupling would require full legal alignment, likely to take 1–2 years. The authorities noted that electricity exports to the EU have ceased since January 2026 due to CBAM charge without a phase-in period, reflecting the carbon intensity of domestic electricity generation.

E. Other Structural Policies

24. Serbia needs to accelerate governance and business-environment reforms to support a transition toward a higher value-added growth model. The labor-intensive FDI model that underpinned past growth is exhausted as tight labor markets raise wages, while the recent slowdown in private investment and structural reforms weakened medium-term capital accumulation and productivity growth. Key priorities include:

- Governance. Reforms should focus on reducing integrity risks in business regulation, licensing, inspections, and public service delivery. The authorities plan to amend the Law on Prevention of Corruption to extend asset-declaration requirements to top managers and board members of SOEs starting in 2027 (new RT, end-December 2026), strengthening accountability in SOE management (PS¶28).

- Commercial dispute resolution. Improving the efficiency of judicial dispute resolution is important for strengthening the investment climate. Weak efficiency and quality in resolving commercial disputes and commerce-related civil and administrative cases create uncertainty for businesses. The authorities are revising the Law on Civil Procedure to enable digitalization of the judiciary and plan to adopt a digitalization roadmap by July 2026. These efforts should be complemented by an assessment of other bottlenecks in resolving business-related civil and administrative cases.

- Other reforms. Serbia should maintain labor market flexibility as it revises labor laws for EU accession. Greater emphasis on STEM education would better prepare Serbian workforce for the AI age. Trade facilitation reforms, including more efficient and risk-based customs procedures, would support integration into EU markets while reducing costs for Serbian consumers.

PROGRAM MODALITIES AND RISKS

25. New program conditionality has been proposed to reflect the authorities' new commitments and will be monitored semi-annually (PS Tables 1–2). QTs for June 2027 are proposed, and all standard continuous targets remain in place. Four new reform targets are proposed as outlined in policy discussions:

- Domestic arrears: RoS to complete the three arrears monitoring and control measures (end-July 2026 RT).
- Public Investment Management: The Government to amend the Decree on Capital Projects to enhance public investment project prioritization and transparency, and to improve governance of project selection (end-July 2027 RT).
- Revenue mobilization: The MoF to provide the STA with summary e-invoice data for VAT purposes (end-December 2026 RT).
- Other structural policies: Amend the Law on Prevention of Corruption to bring SOE management into the asset declaration regime (end-December 2026 RT).

26. There are firm commitments that the program is fully financed for the next 12 months and good prospects for adequate financing for the remainder of the PCI. Serbia's capacity-to-repay metrics are strong (Table 5b): Fund credit outstanding peaks at 0.6 percent of GDP and 2.1 percent of gross reserves in 2026. Debt service to the Fund would peak at 1.1 percent of exports of goods and nonfactor services in 2026–27. The authorities' capacity to repay the Fund remains strong even under a severe scenario marked by a significant oil price shock and protracted geopolitical tensions. Regular sovereign issuances confirm continued market access. Staff continue to encourage resolution of the small outstanding disputed claim from Libya related to a 1981 loan.

27. Commitment to stability- and market-oriented policies could weaken as elections approach. Electoral pressures could increase demands for higher spending and greater market intervention, potentially undermining the authorities' long-standing commitment to sound macroeconomic policies and delaying structural reforms.

STAFF APPRAISAL

28. With the war in the Middle East weighing on global markets, the Serbian economy has remained resilient. Growth is projected to remain robust in 2026 and strengthen further in 2027. However, risks remain firmly tilted to the downside, particularly if the war proves prolonged. Serbia's strong fundamentals—including a broadly aligned external position, moderate public debt, high international reserves, and a well-capitalized banking system—should help the economy navigate these challenges.

29. Policy credibility under the PCI remains essential to preserve confidence. Fiscal policy should remain anchored by the program deficit ceiling of 3 percent of GDP over 2026–27 and adherence to fiscal rules on public wages and pensions. Fiscal risks are elevated, stemming not only from the energy shock but also from pressures related to RoS and the City of Belgrade. Should the energy shock persist, preserving the fiscal anchor will require implementing contingency measures identified by the authorities, including current spending rationalization and strict prioritization of investment projects. Over the medium term, continued fiscal discipline is needed to balance social

spending pressures and large public investment needs while keeping public debt on a downward path.

30. Measures to cushion the energy price shock should be temporary and targeted. The recent fuel excise cuts should be phased out by July 2026 under the baseline scenario, in which oil prices remain broadly at current levels, as prolonged subsidization of fuel consumption would be distortionary, regressive, and fiscally costly. The costs of temporary measures should be accommodated within the fiscal deficit ceiling through reprioritization of current and capital spending. Should energy market pressures persist, any additional support should be well-targeted to vulnerable households while preserving price signals to facilitate adjustment and safeguard fiscal space for investment priorities.

31. Fiscal risks stemming from public entities require continued attention. Domestic arrears at RoS should be durably addressed through stronger monitoring and expenditure controls, alongside measures to align operational obligations with revenues. The ongoing assessment of the financial position of the City of Belgrade should be completed promptly to mitigate fiscal risks ahead of the next budget cycle.

32. Fiscal-structural reforms to strengthen PIM, fiscal transparency, and revenue administration should continue. Improving the appraisal, prioritization, and monitoring of all large public investment projects—including those outside regular PIM processes, such as projects of special interest and government-to-government projects—would enhance value for money and reduce fiscal risks. Planned publication of additional data on local governments, mineral taxation, and PPPs will strengthen transparency and accountability. Continued strengthening of tax administration capacity and compliance, including through more targeted audits, would support revenue mobilization.

33. Maintaining a monetary policy tightening bias and close monitoring of credit developments are warranted to contain inflation and financial stability risks. Monetary policy should remain tight and be tightened further if inflation expectations rise, second-round effects emerge, or inflation settles above the upper bound of the tolerance band. In light of continued double-digit household credit growth and the further expansion of the mortgage guarantee scheme for first-time young homebuyers, staff welcome the activation of the CCyB and the authorities' commitment to allow temporary supervisory expectations on lending rates to expire. While household balance sheets remain sound and the banking sector appears resilient, the authorities should stand ready to deploy additional macroprudential measures should systemic risks build. The mortgage guarantee scheme should not be further expanded, and any future modifications should be subject to prior consultation with staff, given its increasingly distortionary effects on the mortgage market.

34. Sustained energy sector reform is increasingly important given heightened energy security risks and elevated energy prices. Strengthening the financial position of energy SOEs is essential to create space for needed investment, support energy security, and contain fiscal risks. Restructuring efforts at EPS should accelerate to achieve timely workforce rationalization and

stronger governance ahead of planned large-scale investments. Continued progress toward cost-recovery electricity tariffs and stronger payment discipline among major debtors remains important for the sector's financial sustainability. Persistent non-payment of energy bills—particularly by SOEs and sub-national entities—should be decisively addressed. Targeted energy support for vulnerable households should continue.

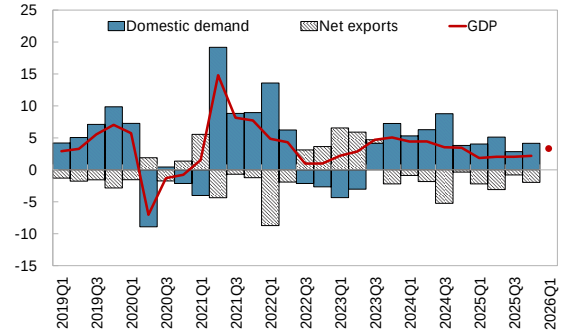
35. Reinvigorating broader structural reforms is critical to support Serbia's transition toward a higher value-added growth model. Governance reforms should focus on reducing integrity risks in business regulation, licensing, inspections, and public service delivery. Staff welcome the authorities' plan to amend the Law on Prevention of Corruption to extend asset declaration requirements to SOE top managers and board members. Improving the efficiency of judicial dispute resolution is also important for the investment climate. Ongoing judiciary digitalization should be complemented by an assessment of bottlenecks in resolving business-related civil and administrative cases. The authorities should also preserve labor market flexibility as labor laws are aligned with EU requirements. Trade facilitation reforms would further support Serbia's EU integration.

36. Staff support the authorities' request for completion of the third review under the PCI.

Figure 1. Serbia: Real Sector Developments

Growth has slowed amid weakness in private investment, ...

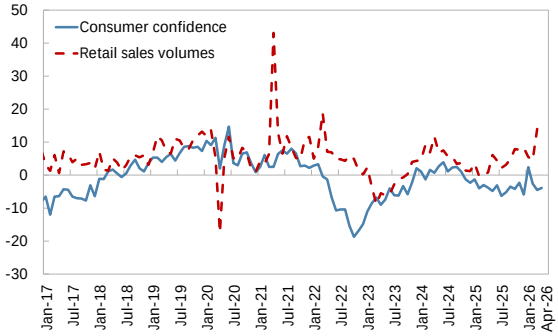
Serbia: Contributions to Growth
(Percent, y/y)



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

... but private consumption has remained robust ...

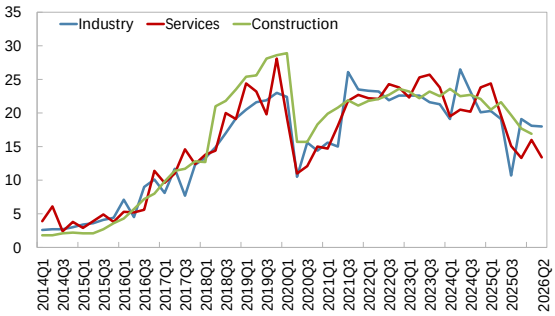
Serbia: Consumer Confidence and Retail Sales
(Percent, y/y; net percentage balance)



Sources: European Commission and SORS.

... amid labor market resilience ...

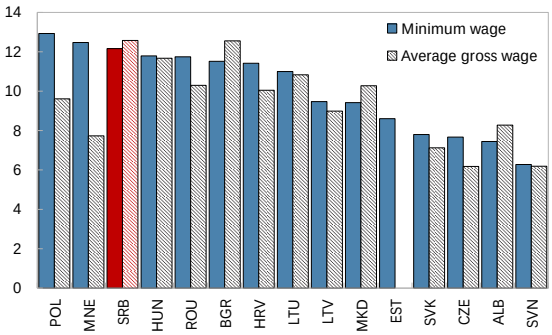
Serbia: Labor Market Constraints
(Percent) 1/



Source: European Commission.
1/ Percent of firms reporting labor as a constraint on activity.

... and sustained wage gains.

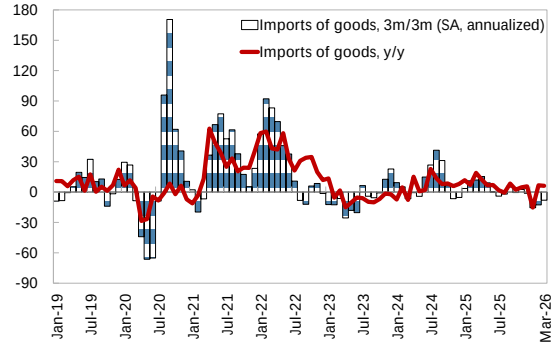
Serbia: Wage Growth, 2020-2025
(Percent, average annual rates)



Sources: Eurostat, national sources, and IMF staff calculations.

Household spending is also supporting a steady rise in imports ...

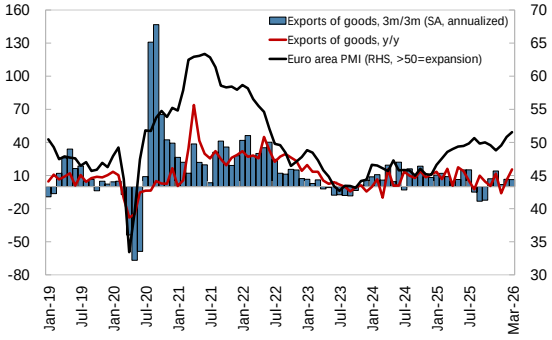
Serbia: Imports of Goods
(Percent)



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

... while exports continue to benefit from new capacities in the manufacturing sector.

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

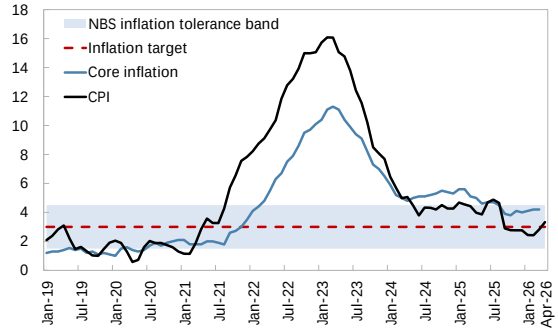


Sources: Haver Analytics, SORS, and IMF staff calculations.

Figure 2. Serbia: Inflation and Monetary Policy

Headline inflation has been contained, helped by margin and price controls on food and household essentials …

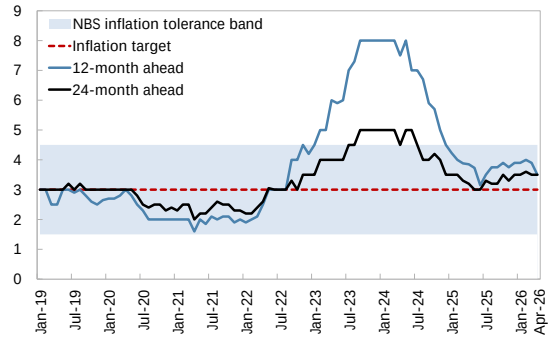
Serbia: Inflation
(Percent, y/y)



Sources: NBS and IMF staff calculations.

… and financial sector inflation expectations have stabilized within the tolerance band.

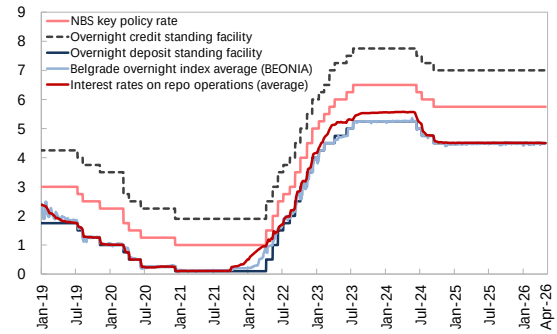
Serbia: Financial Sector Inflation Expectations
(Percent)



Sources: NBS and IMF staff calculations.

The NBS has kept monetary policy on hold since September 2024 …

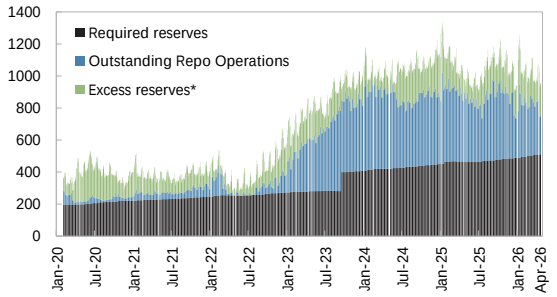
Serbia: Interest Rates
(Percent)



Sources: NBS and Haver Analytics.

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

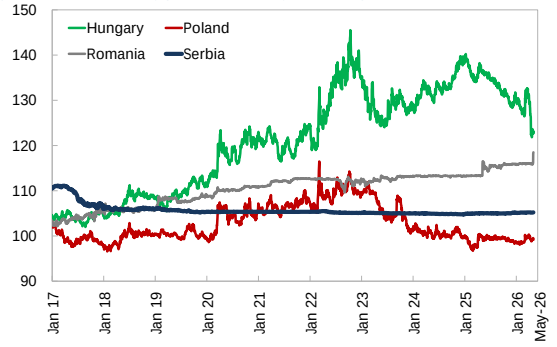
Serbia: Central Bank Deposits and Repo Operations
(RSD billions)



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 …

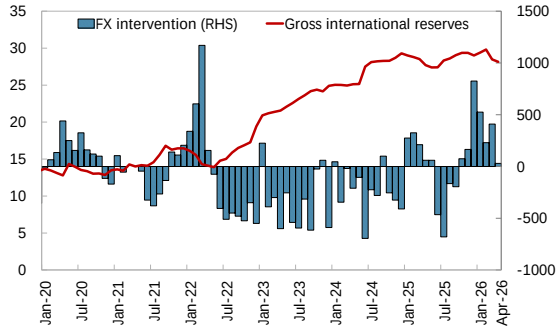
Serbia: Exchange Rates
(Index, national currency per Euro, end-May 2013=100)



Source: Bloomberg.

… yet seasonal FX demand and elevated uncertainty recently required intervention to support dinar stability.

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

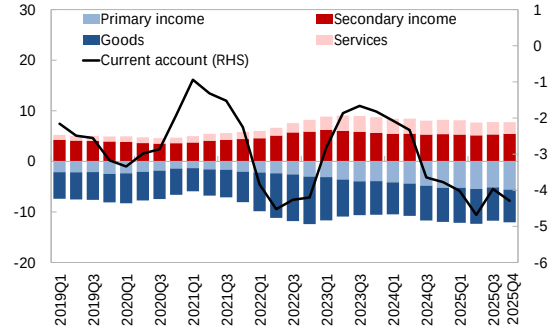


Sources: NBS and Haver Analytics.

Figure 3. Serbia: Balance of Payments

The current account deficit widened marginally in 2025…

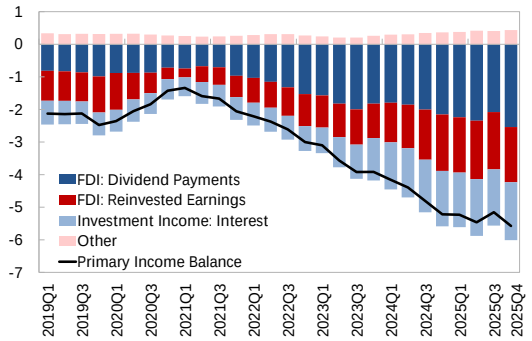
Serbia: Current Account Balance
(Euro billions; 4Q moving sum)



Sources: Haver Analytics and IMF staff calculations.

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

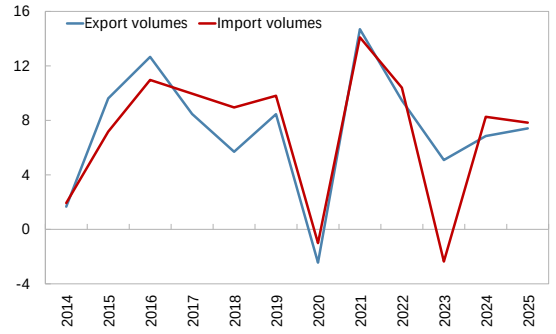
Serbia: Primary Income
(Euro billions; 4Q moving sum)



Sources: Haver Analytics and IMF staff calculations.

Moderating import growth and continued increase in export volumes supported the trade balance, …

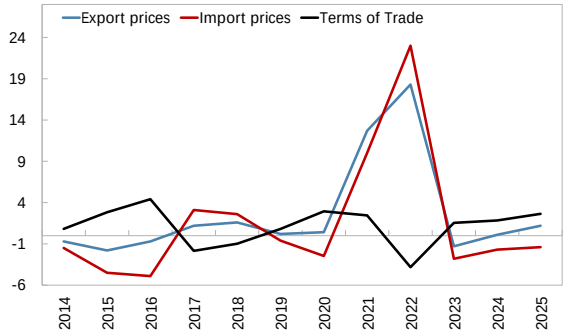
Serbia: Trade Volumes
(Y/y percent change)



Sources: NBS and IMF staff calculations.

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

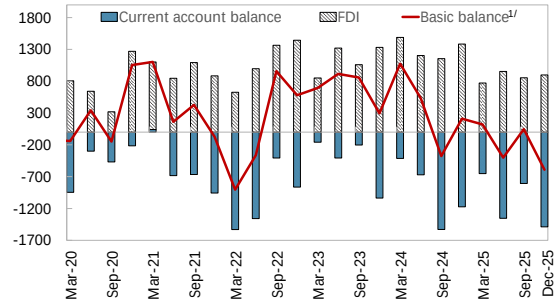
Serbia: Terms of Trade
(Y/y percent change)



Sources: SORS and IMF staff calculations.

Net FDI inflows fell short of fully financing the current account deficit …

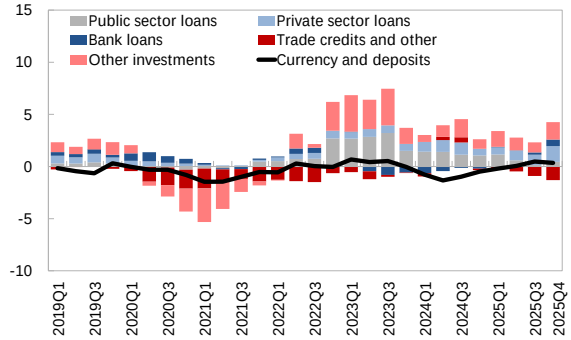
Serbia: Basic Balance
(Euro millions)



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

… and other investment inflows have moderated.

Serbia: Other Investments
(Euro billions; 4Q moving sum)

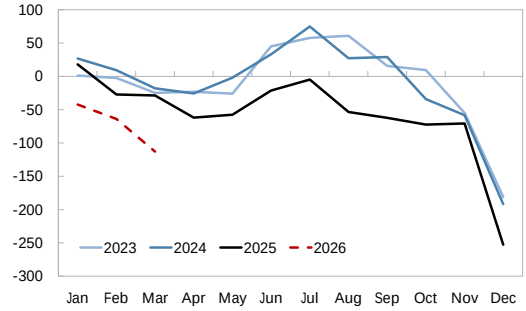


Sources: Haver Analytics and IMF staff calculations.

Figure 4. Serbia: Fiscal Developments

The deficit was well below the 3 percent of GDP target in 2025 and still on track to meet the target in early 2026.

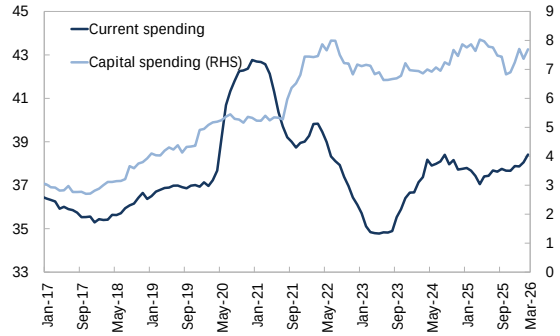
Serbia: General Government Fiscal Balance
(RSD billions)



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

Capital spending settled at an increased level, while current spending excluding pension and wages stabilized …

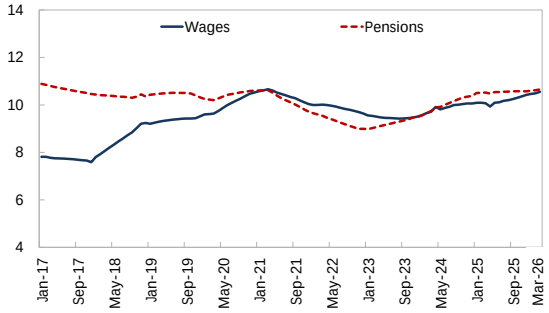
Serbia: Current and Capital Spending
(Percent of GDP, 12M sum)



Sources: Ministry of Finance and IMF staff calculations.

… although spending edged up on pensions and the government wage bill.

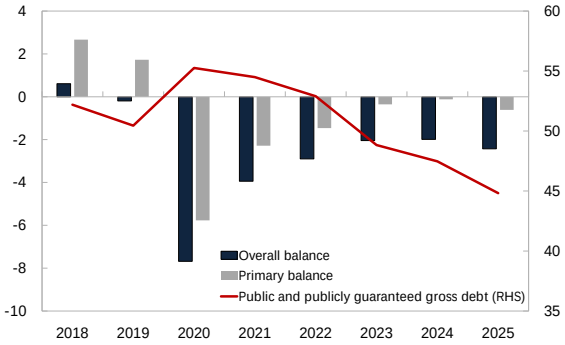
Serbia: Wages and Pensions 1/
(Percent of GDP, 12M sum)



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

Prudent fiscal policies have brought the debt ratio below 45 percent of GDP.

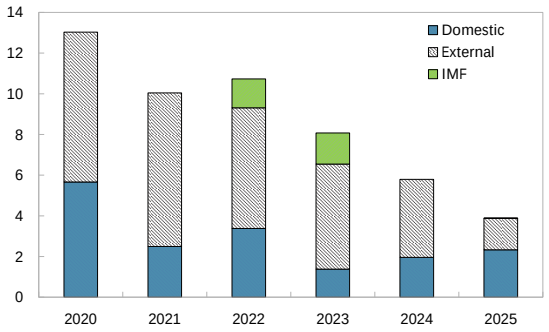
Serbia: Fiscal Balance and Government Debt
(Percent of GDP)



Sources: Ministry of Finance and IMF staff calculations.

Net deficit financing shifted to domestic sources.

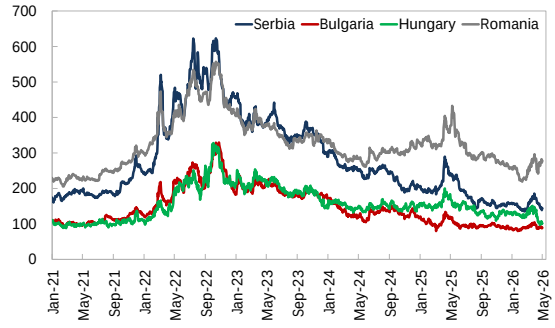
Serbia: Sources of Financing
(Percent of GDP)



Sources: Ministry of Finance and IMF staff calculations.

Serbia's sovereign spreads continued to move broadly in line with regional peers.

Serbia: Sovereign Risk–Euro EMBIG Spreads
(Basis Points)

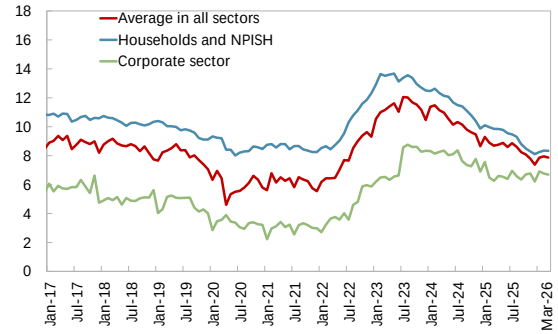


Source: Bloomberg.

Figure 5. Serbia: Selected Interest Rates and Credit Developments

Dinar lending rates have continued to decline, …

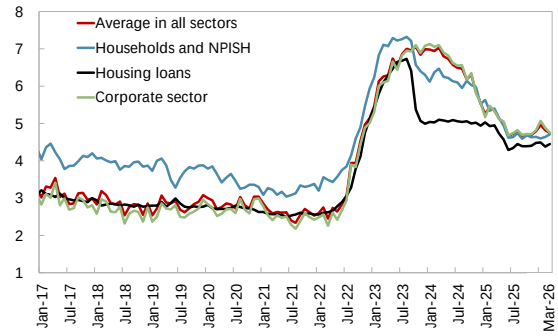
Serbia: Bank Lending Interest Rates (RSD)
(Percent)



Source: NBS.

… while foreign currency lending rates have stabilized.

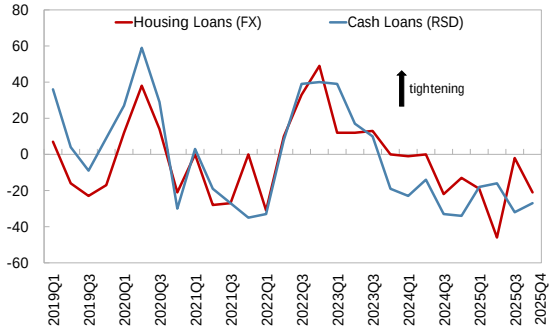
Serbia: Bank Lending Interest Rates (FX and FX-linked)
(Percent)



Source: NBS.

Loosening lending conditions with lower lending rates…

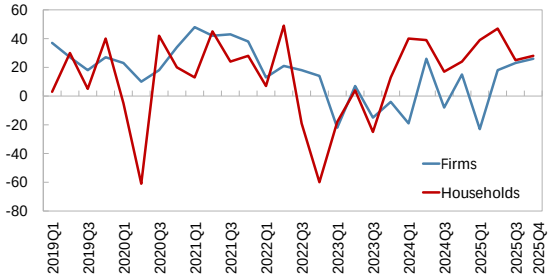
Serbia: Bank Lending Conditions for Households
(Net balance, percent)



Source: NBS

… have supported strong credit demand,,…

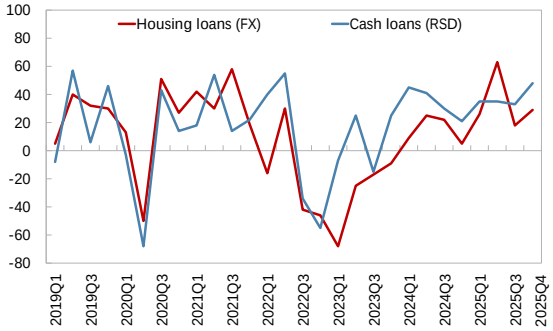
Serbia: Credit Demand
(Net percentage balance) 1/



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.

particularly in the cash loans segment for household sector, …

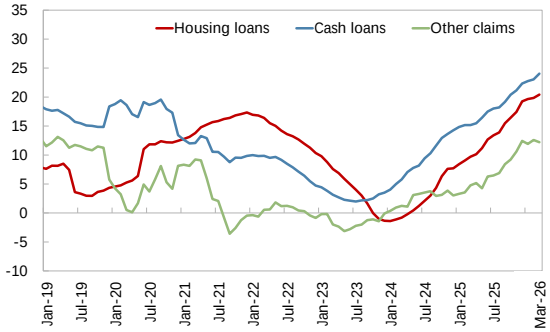
Serbia: Bank Loan Demand by Households
(Net balance, percent)



Source: NBS.

… resulting in a strong growth in household credit.

Serbia: Bank Claims on Households
(Percent, y/y change)

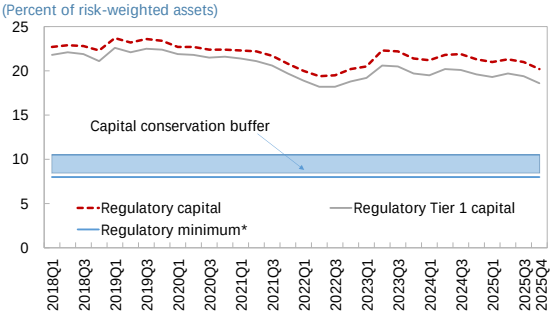


Sources: NBS and IMF staff calculations.

Figure 6. Serbia: Key Banking Sector Indicators

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

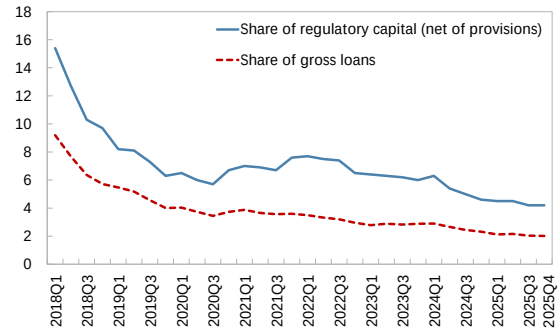
Serbia: Regulatory Capital
(Percent of risk-weighted assets)



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.

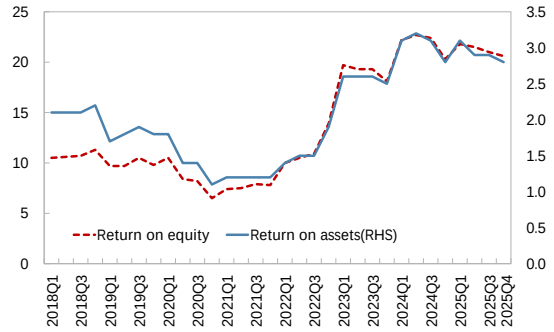
Serbia: Non-Performing Loans
(Percent)



Source: Haver Analytics.

Bank profitability has been strong …

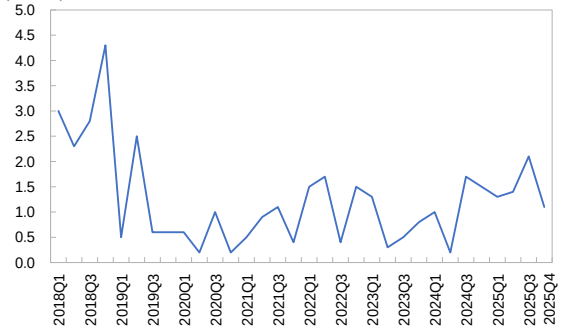
Serbia: Banking Sector Profitabilty
(Percent)



Source: Haver Analytics.

… and open foreign currency positions appear well-managed.

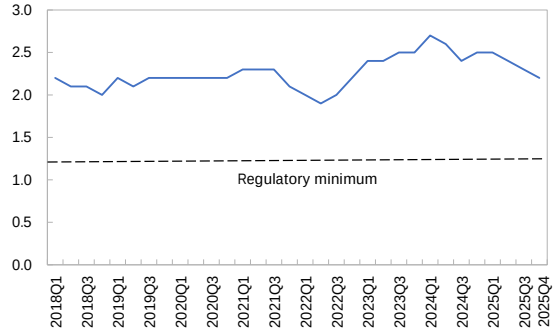
Serbia: Net Open FX Position to Regulatory Capital
(Percent)



Sources: NBS and Haver Analytics.

Liquidity is ample …

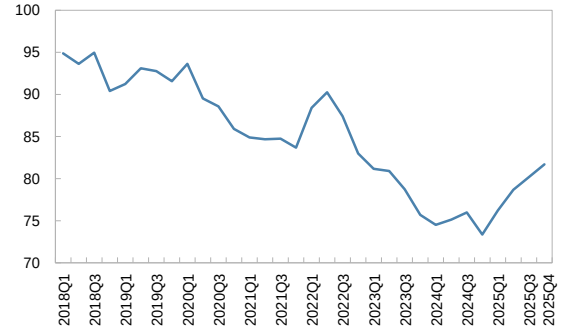
Serbia: Liquidity Coverage
(Ratio of high-quality liquid assets over total net cash outflow in the next 30 days)



Source: Haver Analytics.

… and loan-to-deposit ratios, despite recent increase, remain favorable.

Serbia: Loan-to-Deposit Ratio
(Percent)



Source: Haver Analytics.

Table 1. Serbia: Selected Economic and Social Indicators, 2024–31

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
					(Percent change, unless otherwise indicated)						
Real sector											
Real GDP	3.9	2.1	2.0	3.0	2.8	4.6	4.0	3.5	3.5	3.5	3.5
Real domestic demand (absorption)	5.7	4.0	3.8	3.9	3.6	2.9	2.4	4.5	3.4	3.4	3.4
Consumer prices (average)	4.7	3.9	3.9	4.0	3.6	3.8	4.4	3.1	3.0	3.0	3.0
Consumer prices (end of period)	4.3	3.0	2.8	5.0	5.0	3.2	3.9	3.0	3.0	3.0	3.0
GDP deflator	6.3	4.5	4.5	3.6	3.5	3.9	4.5	3.1	3.0	3.0	3.0
Unemployment rate (in percent) 1/	8.6	8.7	8.7	8.8	8.8	8.7	8.7	8.6	8.5	8.4	8.3
Nominal GDP (in billions of dinars)	9,748	10,406	10,393	11,107	11,061	12,066	12,021	12,826	13,670	14,573	15,539
					(Percent of GDP)						
General government finances											
Revenue 2/	40.5	40.7	41.0	40.8	40.8	40.3	40.9	40.8	40.8	40.8	40.8
Expenditure 2/	42.4	43.7	43.4	43.8	43.8	43.3	43.9	43.3	43.3	42.8	42.8
Current 2/	34.7	36.2	36.0	36.8	36.9	36.4	36.8	36.6	36.5	36.5	36.4
Capital and net lending	7.4	7.3	7.1	6.8	6.7	6.7	6.9	6.5	6.6	6.2	6.2
Amortization of called guarantees	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fiscal balance 3/	-2.0	-3.0	-2.4	-3.0	-3.0	-3.0	-3.0	-2.5	-2.5	-2.0	-2.0
Primary fiscal balance 4/	-0.1	-1.1	-0.6	-1.1	-1.1	-1.1	-1.0	-0.6	-0.6	-0.1	-0.1
Gross debt (public and publicly guaranteed) 5/	47.0	45.2	44.8	44.7	44.7	44.4	44.6	44.3	43.7	43.0	42.2
of which: Public debt	45.0	43.2	43.1	42.5	42.8	42.2	42.8	42.7	42.1	41.5	40.9
					(End of period 12-month change, percent)						
Monetary sector											
Broad money (M2)	13.6	8.4	6.5	7.8	7.7	9.2	9.5	9.0	8.3	9.0	8.5
Domestic credit to non-government 6/	8.5	14.1	14.3	13.8	12.0	13.7	14.0	12.0	8.1	8.1	8.0
					(End of period, percent)						
Interest rates (dinar)											
NBS key policy rate	5.8	...	...	...	...	...	...	...	...	...	...
Interest rate on new FX and FX-indexed loans	5.6	...	...	...	...	...	...	...	...	...	...
					(Percent of GDP, unless otherwise indicated)						
Balance of payments											
Current account balance	-4.5	-5.2	-4.9	-6.0	-6.0	-4.9	-4.5	-5.3	-5.1	-5.0	-4.7
Trade of goods balance	-8.1	-8.5	-7.3	-9.7	-8.3	-8.8	-7.9	-7.4	-7.2	-7.0	-6.8
Exports of goods	35.9	35.8	36.6	34.9	36.4	34.0	35.2	35.4	35.6	35.8	36.0
Imports of goods	-44.0	-44.3	-43.9	-44.6	-44.7	-42.8	-43.1	-42.8	-42.8	-42.8	-42.8
Capital and financial account balance	6.6	4.6	3.4	4.0	6.0	7.1	6.2	6.1	6.0	5.8	5.7
External debt (percent of GDP)	60.0	58.8	58.7	55.9	57.5	51.9	54.9	52.8	50.8	49.2	47.7
of which: Private external debt	26.6	27.7	28.2	26.0	28.3	24.2	27.7	27.6	27.4	27.2	26.8
Gross official reserves (in billions of euro)	29.3	29.3	29.0	28.3	28.5	30.0	29.7	30.5	31.6	32.6	33.9
(in months of prospective imports)	7.3	6.7	6.7	6.0	6.0	6.0	5.9	5.7	5.6	5.4	5.2
(percent of short-term debt)	644.4	645.3	638.1	621.5	627.1	660.0	652.7	670.9	694.6	717.9	745.3
(percent of risk-weighted metric) 7/	164.7	157.3	158.5	142.1	143.6	138.0	136.6	134.1	128.6	125.3	123.1
Exchange rate (dinar/euro, period average)	117.1	...	...	...	...	...	...	...	...	...	...
REER (annual average change, in percent; + indicates appreciation)	2.4	...	1.6	...	...	...	...	...	...	...	...
Social indicators											
Population (in million)	6.6	6.5	6.5	6.5	6.5	6.4	6.4	6.4	6.3	6.3	6.2

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, 2024–31

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Real sector											
GDP growth	3.9	2.1	2.0	3.0	2.8	4.6	4.0	3.5	3.5	3.5	3.5
Domestic demand (contribution)	6.0	4.3	4.0	4.2	3.9	3.2	2.7	4.9	3.7	3.7	3.7
Net exports (contribution)	-2.1	-2.2	-2.0	-1.2	-1.0	1.4	1.3	-1.4	-0.2	-0.1	-0.1
Consumer price inflation (average)	4.7	3.9	3.9	4.0	3.6	3.8	4.4	3.1	3.0	3.0	3.0
Consumer price inflation (end of period)	4.3	3.0	2.8	5.0	5.0	3.2	3.9	3.0	3.0	3.0	3.0
Output gap (in percent of potential)	1.5	0.2	0.1	-0.4	-0.4	0.2	0.1	0.1	0.0	0.0	0.0
Potential GDP growth	3.5	3.7	3.5	3.7	3.3	4.0	3.5	3.5	3.5	3.5	3.5
Domestic credit to non-government 1/	8.5	14.1	14.3	13.8	12.0	13.7	14.0	12.0	8.1	8.1	8.0
General government											
Revenue 2/	40.5	40.7	41.0	40.8	40.8	40.3	40.9	40.8	40.8	40.8	40.8
Expenditure 2/	42.4	43.7	43.4	43.8	43.8	43.3	43.9	43.3	43.3	42.8	42.8
Current 2/	34.7	36.2	36.0	36.8	36.9	36.4	36.8	36.6	36.5	36.5	36.4
of which: Wages and salaries 2/	9.3	9.9	9.9	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
of which: Pensions	9.5	10.0	10.1	10.6	10.6	10.3	10.6	10.5	10.4	10.4	10.4
of which: Goods and services	8.2	8.6	8.5	8.6	8.4	8.5	8.4	8.4	8.4	8.4	8.4
Capital and net lending	7.4	7.3	7.1	6.8	6.7	6.7	6.9	6.5	6.6	6.2	6.2
Amortization of called guarantees	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fiscal balance 3/	-2.0	-3.0	-2.4	-3.0	-3.0	-3.0	-3.0	-2.5	-2.5	-2.0	-2.0
Gross debt (public and publicly guaranteed) 4/	47.0	45.2	44.8	44.7	44.7	44.4	44.6	44.3	43.7	43.0	42.2
of which: Public debt	45.0	43.2	43.1	42.5	42.8	42.2	42.8	42.7	42.1	41.5	40.9
Balance of payments											
Current account	-4.5	-5.2	-4.9	-6.0	-6.0	-4.9	-4.5	-5.3	-5.1	-5.0	-4.7
of which: Trade balance	-8.1	-8.5	-7.3	-9.7	-8.3	-8.8	-7.9	-7.4	-7.2	-7.0	-6.8
of which: Current transfers, net (excl. grants)	6.1	5.3	6.0	5.4	5.7	5.3	5.3	5.2	5.2	5.1	5.0
Capital and financial account	6.6	4.6	3.4	4.0	6.0	7.1	6.2	6.1	6.0	5.8	5.7
of which: Foreign direct investment	5.6	3.0	2.6	4.0	3.0	4.2	4.0	4.0	4.0	4.0	4.0
External debt (end of period)	60.0	58.8	58.7	55.9	57.5	51.9	54.9	52.8	50.8	49.2	47.7
of which: Private external debt	26.6	27.7	28.2	26.0	28.3	24.2	27.7	27.6	27.4	27.2	26.8
Gross official reserves											
(in billions of euros)	29.3	29.3	29.0	28.3	28.5	30.0	29.7	30.5	31.6	32.6	33.9
(in percent of short-term external debt)	644.4	645.3	638.1	621.5	627.1	660.0	652.7	670.9	694.6	717.9	745.3
REER (ann. av. change; + = appreciation)	2.4	...	1.6	...	...	...	...	...	...	...	...

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, 2024–31

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Real GDP											
Gross Domestic Product (GDP)	3.9	2.1	2.0	3.0	2.8	4.6	4.0	3.5	3.5	3.5	3.5
Domestic demand (absorption)	5.7	4.0	3.8	3.9	3.6	2.9	2.4	4.5	3.4	3.4	3.4
Consumption	4.9	3.2	3.1	3.5	2.9	4.2	3.4	3.5	3.5	3.5	3.5
Non-government	5.2	3.2	3.1	4.0	3.5	4.5	3.8	3.7	3.7	3.8	3.7
Government	3.9	3.0	3.1	1.5	0.6	3.0	2.0	2.8	2.7	2.7	2.7
Investment	8.3	6.6	5.7	5.1	5.5	-0.7	-0.3	7.4	3.0	2.9	2.9
Gross fixed capital formation	7.7	1.0	0.8	1.4	1.0	6.2	4.8	2.7	4.9	2.4	4.5
Non-government	3.7	0.5	1.2	3.0	2.0	6.0	3.0	4.0	4.5	4.5	4.5
Government	18.0	2.0	0.1	-2.0	-1.3	6.7	9.1	-0.1	5.8	-2.5	4.6
Exports of goods and services	5.2	4.4	5.6	5.0	4.2	7.0	7.9	2.3	4.9	5.0	5.0
Imports of goods and services	8.0	7.2	8.0	6.1	5.2	4.1	5.1	3.9	4.6	4.6	4.6
Real GDP											
Gross Domestic Product (GDP)	3.9	2.1	2.0	3.0	2.8	4.6	4.0	3.5	3.5	3.5	3.5
Domestic demand (absorption)	6.0	4.3	4.0	4.2	3.9	3.2	2.7	4.9	3.7	3.7	3.7
Net exports of goods and services	-2.1	-2.2	-2.0	-1.2	-1.0	1.4	1.3	-1.4	-0.2	-0.1	-0.1
Consumption	3.9	2.5	2.5	2.8	2.3	3.4	2.8	2.9	2.9	2.9	2.9
Non-government	3.2	2.0	2.0	2.6	2.2	2.9	2.4	2.4	2.4	2.4	2.4
Government	0.7	0.5	0.5	0.3	0.1	0.5	0.4	0.5	0.5	0.5	0.4
Investment	2.1	1.8	1.5	1.4	1.5	-0.2	-0.1	2.0	0.9	0.8	0.8
Gross fixed capital formation	1.9	0.2	0.2	0.4	0.2	1.5	1.2	0.7	1.2	0.6	1.1
Non-government	0.6	0.1	0.2	0.5	0.3	1.0	0.5	0.7	0.8	0.8	0.8
Government	1.2	0.2	0.0	-0.2	-0.1	0.5	0.7	0.0	0.4	-0.2	0.3
Change in inventories	0.2	1.5	1.3	1.1	1.3	-1.7	-1.3	1.3	-0.3	0.2	-0.3
Exports of goods and services	3.1	2.6	3.4	3.1	2.6	4.3	5.0	1.5	3.2	3.3	3.3
Imports of goods and services	5.2	4.8	5.4	4.3	3.7	3.0	3.7	2.9	3.4	3.4	3.5
Nominal GDP											
Gross Domestic Product (GDP)	10.6	6.7	6.6	6.7	6.4	8.6	8.7	6.7	6.6	6.6	6.6
Domestic demand (absorption), contribution to GDP growth	11.2	8.0	6.6	8.1	7.9	7.3	7.2	7.7	6.7	6.6	6.6
Net exports of goods and services, contribution to GDP growth	-0.7	-1.3	0.0	-1.4	-1.4	1.3	1.5	-1.0	-0.1	0.0	0.0
Consumption	10.3	7.5	8.5	7.9	7.3	8.4	8.1	6.9	6.8	6.8	6.8
Non-government	9.6	7.2	7.3	8.1	7.2	8.5	8.3	6.9	6.9	6.9	6.9
Government	12.9	8.4	12.6	6.9	7.6	8.1	7.4	6.8	6.6	6.6	6.6
Investment	12.4	7.9	-0.4	7.3	8.4	2.1	2.3	9.4	4.8	4.7	4.7
Gross fixed capital formation	12.6	3.4	2.3	3.9	3.8	8.7	7.5	4.6	6.8	4.2	6.4
Non-government	8.3	2.9	2.5	5.5	4.9	8.5	5.6	5.8	6.3	6.3	6.3
Government	23.7	4.4	1.9	0.3	1.5	9.2	12.1	1.8	7.8	-0.7	6.6
Exports of goods and services	7.6	6.5	8.1	6.5	7.1	9.3	9.8	4.6	7.1	7.2	7.2
Imports of goods and services	8.2	8.2	7.5	8.3	9.1	6.1	6.4	6.1	6.7	6.8	6.7
Memorandum items											
Nominal GDP (billions of dinars)	9,748	10,406	10,393	11,107	11,061	12,066	12,021	12,826	13,670	14,573	15,539
GDP deflator (percent)	6.3	4.5	4.5	3.6	3.5	3.9	4.5	3.1	3.0	3.0	3.0

Sources: SORS; and IMF staff estimates and projections.

Table 4a. Serbia: Balance of Payments (Billions of Euros), 2024–31 1/

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.8	-4.6	-4.3	-5.7	-5.7	-5.1	-4.6	-5.8	-6.0	-6.2	-6.3
Trade of goods balance	-6.8	-7.6	-6.5	-9.2	-7.9	-9.0	-8.1	-8.1	-8.4	-8.7	-9.0
Exports of goods	29.9	31.8	32.5	33.2	34.4	35.2	36.2	38.8	41.7	44.7	47.9
Imports of goods	-36.6	-39.4	-38.9	-42.4	-42.2	-44.2	-44.3	-47.0	-50.1	-53.4	-56.8
Services balance	2.8	2.5	2.3	2.9	2.4	4.0	4.0	3.0	3.1	3.3	3.6
Exports of nonfactor services	14.5	15.4	15.2	17.1	16.7	19.7	19.9	19.8	21.2	22.7	24.4
Imports of nonfactor services	-11.6	-12.8	-12.9	-14.2	-14.3	-15.8	-15.9	-16.9	-18.1	-19.4	-20.8
Income balance	-5.2	-4.6	-5.6	-4.9	-5.8	-5.7	-6.2	-6.6	-7.0	-7.4	-7.8
Net interest	-1.7	-1.8	-1.8	-1.9	-1.8	-1.9	-1.8	-1.5	-1.1	-1.1	-1.0
Others, including reinvested earnings	-3.5	-2.8	-3.8	-3.0	-4.0	-3.8	-4.5	-5.1	-5.9	-6.3	-6.8
Current transfer balance	5.4	5.0	5.4	5.5	5.6	5.7	5.7	6.0	6.3	6.6	6.9
Official grants	0.3	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Others, including private remittances	5.1	4.7	5.3	5.2	5.3	5.5	5.5	5.7	6.0	6.3	6.6
Capital and financial account balance 1/	5.5	4.1	3.0	3.8	5.7	7.4	6.3	6.7	7.0	7.2	7.5
Capital transfer balance	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign direct investment balance	4.6	2.6	2.3	3.8	2.8	4.4	4.1	4.4	4.7	5.0	5.3
Portfolio investment balance	0.4	-0.2	-0.9	2.4	2.5	2.7	1.7	0.9	0.9	1.5	1.3
of which: debt liabilities	0.7	-0.2	-0.6	2.4	2.5	2.7	1.7	0.9	0.9	1.5	1.3
Other investment balance	0.3	1.5	1.5	-2.4	0.4	0.3	0.5	1.4	1.5	0.8	0.9
Public sector 1/ 2/	0.7	0.2	0.2	-1.7	-0.4	0.8	-0.4	0.4	0.5	-0.3	-0.2
Domestic banks	-0.8	0.3	0.9	-0.6	0.5	-0.7	0.4	0.5	0.6	0.6	0.6
Other private sector 3/	0.4	1.0	0.3	-0.1	0.3	0.2	0.4	0.5	0.4	0.5	0.5
Errors and omissions	0.4	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.2	-0.6	-1.8	-1.9	0.0	2.3	1.7	0.9	1.1	1.1	1.2
Financing	-2.2	0.6	1.8	1.9	0.0	-2.3	-1.7	-0.9	-1.1	-1.1	-1.2
Gross international reserves (increase, -)	-2.8	0.6	1.5	2.1	0.5	-1.8	-1.2	-0.8	-1.1	-1.1	-1.2
Memorandum item											
GDP	83.3	88.9	88.7	95.0	94.4	103.3	102.7	109.6	116.9	124.6	132.9

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), 2024–31 1/

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-4.5	-5.2	-4.9	-6.0	-6.0	-4.9	-4.5	-5.3	-5.1	-5.0	-4.7
Trade of goods balance	-8.1	-8.5	-7.3	-9.7	-8.3	-8.8	-7.9	-7.4	-7.2	-7.0	-6.8
Exports of goods	35.9	35.8	36.6	34.9	36.4	34.0	35.2	35.4	35.6	35.8	36.0
Imports of goods	-44.0	-44.3	-43.9	-44.6	-44.7	-42.8	-43.1	-42.8	-42.8	-42.8	-42.8
Services balance	3.4	2.8	2.6	3.1	2.5	3.8	3.9	2.7	2.7	2.7	2.7
Income balance	-6.3	-5.2	-6.3	-5.1	-6.1	-5.5	-6.1	-6.1	-6.0	-6.0	-5.9
Current transfer balance	6.5	5.7	6.1	5.8	5.9	5.6	5.6	5.5	5.4	5.3	5.2
Official grants	0.3	0.4	0.1	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Others, including private remittances	6.1	5.3	6.0	5.4	5.7	5.3	5.3	5.2	5.2	5.1	5.0
Capital and financial account balance 1/	6.6	4.6	3.4	4.0	6.0	7.1	6.2	6.1	6.0	5.8	5.7
Capital transfers balance	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign direct investment balance	5.6	3.0	2.6	4.0	3.0	4.2	4.0	4.0	4.0	4.0	4.0
Portfolio investment balance	0.5	-0.2	-1.0	2.6	2.6	2.6	1.7	0.8	0.8	1.2	1.0
Other investment balance	0.4	1.6	1.7	-2.5	0.4	0.3	0.4	1.3	1.3	0.6	0.7
Public sector 1/ 2/	0.9	0.2	0.2	-1.8	-0.4	0.8	-0.3	0.4	0.4	-0.3	-0.2
Domestic banks	-0.9	0.4	1.1	-0.6	0.5	-0.6	0.4	0.5	0.5	0.5	0.5
Other private sector 3/	0.4	1.1	0.4	-0.2	0.4	0.2	0.4	0.4	0.4	0.4	0.4
Errors and omissions	0.5	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.6	-0.6	-2.0	-2.0	0.0	2.2	1.7	0.8	0.9	0.8	0.9
Financing	-2.6	0.6	2.0	2.0	0.0	-2.2	-1.7	-0.8	-0.9	-0.8	-0.9
Gross international reserves (increase, -)	-3.4	0.6	1.7	2.2	0.5	-1.7	-1.1	-0.8	-0.9	-0.8	-0.9
Memorandum items:											
Nominal growth of exports of goods	7.0	6.6	8.7	4.2	5.9	6.0	5.3	7.3	7.3	7.2	7.2
Nominal growth of import of goods	6.4	7.5	6.3	7.6	8.4	4.3	4.9	6.1	6.6	6.6	6.5
Volume growth of exports of goods	6.9	4.5	7.4	2.8	3.0	3.7	3.5	5.0	5.0	5.0	5.0
Volume growth of import of goods	8.3	6.5	7.8	5.5	4.5	2.4	3.6	3.9	4.4	4.4	4.4
Trading partner import growth	2.0	1.6	4.3	2.5	3.1	3.1	3.0	3.3	3.3	3.3	3.3
Export prices growth	0.1	2.0	1.2	1.4	2.8	2.1	1.7	2.2	2.1	2.1	2.1
Import prices growth	-1.7	1.0	-1.4	2.0	3.7	1.9	1.3	2.1	2.1	2.1	2.0
Change in terms of trade	1.8	1.1	2.6	-0.6	-0.9	0.2	0.4	0.2	0.1	0.0	0.0
Gross official reserves (in billions of euro)	29.3	29.3	29.0	28.3	28.5	30.0	29.7	30.5	31.6	32.6	33.9
(In months of prospective imports of GNFS)	7.3	6.7	6.7	6.0	6.0	6.0	5.9	5.7	5.6	5.4	5.2
(in percent of short-term debt)	644.4	645.3	638.1	621.5	627.1	660.0	652.7	670.9	694.6	717.9	745.3
(in percent of broad money, M2)	67.2	62.1	62.6	55.3	55.9	54.1	53.7	51.5	49.6	47.6	46.4
(in percent of risk-weighted metric) 4/	164.7	157.3	158.5	142.1	143.6	138.0	136.6	134.1	128.6	125.3	123.1
GDP (billions of euros)	83.3	88.9	88.7	95.0	94.4	103.3	102.7	109.6	116.9	124.6	132.9

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), 2025–31
(In billions of euros)

	2025	2026	2027	2028	2029	2030	2031
	Est.	Proj.					
Total financing requirement	6.0	12.6	10.3	9.3	12.5	11.6	11.0
Current account deficit	4.3	5.7	4.6	5.8	6.0	6.2	6.3
Debt amortization	3.2	7.4	4.6	2.7	5.4	4.4	3.4
Medium and long-term debt	2.9	6.0	4.6	2.7	5.4	4.4	3.4
Public sector	1.6	4.3	2.1	0.7	3.6	3.8	3.2
Of which: IMF	0.0	0.5	0.6	0.0	0.0	0.0	0.0
Of which: Eurobonds	0.0	1.0	1.0	1.7	1.6	1.0	0.7
Of which: Domestic bonds (non-residents)	-0.1	0.0	-2.2	-2.7	0.5	0.6	0.2
Commercial banks	0.3	0.7	0.7	0.9	0.3	0.1	0.1
Corporate sector	1.0	1.1	1.7	1.1	1.5	0.5	0.2
Short-term debt	0.3	1.4	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.1	0.8	0.0	0.0	0.0	0.0	0.0
Corporate sector	0.2	0.6	0.0	0.0	0.0	0.0	0.0
Change in gross reserves (increase=+)	-1.5	-0.5	1.2	0.8	1.1	1.1	1.2
Total financing sources	5.7	13.1	10.9	9.3	12.5	11.6	11.0
Capital transfers	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Foreign direct investment (net)	2.3	2.8	4.1	4.4	4.7	5.0	5.3
Portfolio investment (net) 1/	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Debt financing (excl. except. financing)	4.9	9.7	6.7	4.2	7.0	6.3	5.5
Medium and long-term debt	4.6	8.3	6.7	4.2	7.0	6.3	5.5
Public sector 2/	1.9	4.9	2.5	0.5	3.4	3.9	3.4
Of which: Eurobonds	0.0	3.0	1.9	2.1	2.2	2.3	1.8
Of which: Domestic bonds (non-residents)	0.3	0.3	-1.5	-2.3	0.6	0.6	0.2
Commercial banks	0.5	1.3	1.3	1.4	0.9	0.7	0.7
Corporate sector	2.2	2.2	2.9	2.4	2.7	1.7	1.4
Short-term debt	0.3	1.4	0.0	0.0	0.0	0.0	0.0
Other net capital inflows 3/	-1.3	0.6	0.1	0.8	0.8	0.4	0.2
o/w trade credit and currency and deposits	-0.9	-0.8	-0.9	-0.8	-0.8	-0.8	-0.7
Total financing needs	0.2	-0.5	-0.6	0.0	0.0	0.0	0.0
Exceptional financing (net)	0.2	-0.5	-0.6	0.0	0.0	0.0	0.0
IMF	0.2	-0.5	-0.6	0.0	0.0	0.0	0.0
Development partners, *by debtor:* 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SOEs (from IFIs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
Gross international reserves (without except. financing)	26.6	26.6	28.3	29.2	30.3	31.3	32.6
as % of ARA Metric	145.3	134.0	130.3	128.3	123.3	120.3	118.3
Gross international reserves (with except. financing)	29.0	28.5	29.7	30.5	31.6	32.6	33.9
as % of ARA Metric	158.5	143.6	136.6	134.1	128.6	125.3	123.1
Debt service	5.1	9.2	6.3	4.2	6.6	5.5	4.4
Interest	1.9	1.8	1.8	1.5	1.1	1.1	1.0
Amortization	3.2	7.4	4.6	2.7	5.4	4.4	3.4

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, 2025–31 1/

	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.
Fund repurchases and charges 1/							
In millions of SDRs	68	495	521	74	31	31	31
In millions of euros	81	578	610	87	37	37	37
In percent of exports of goods and NFS	0.2	1.1	1.1	0.1	0.1	0.1	0.1
In percent of GDP	0.1	0.6	0.6	0.1	0.0	0.0	0.0
In percent of quota	10.3	75.6	79.5	11.3	4.8	4.8	4.8
In percent of total external debt service	1.6	6.3	9.6	2.1	0.6	0.7	0.8
In percent of gross international reserves	0.3	2.0	2.1	0.3	0.1	0.1	0.1
Fund credit outstanding (end-period)							
In millions of SDRs	949	516	41	-	-	-	-
In millions of euros	1,108	603	48	-	-	-	-
In percent of exports of goods and NFS	2.3	1.2	0.1	-	-	-	-
In percent of GDP	1.2	0.6	0.0	-	-	-	-
In percent of quota	145.0	78.8	6.3	-	-	-	-
In percent of total external debt	2.1	1.1	0.1	-	-	-	-
In percent of gross international reserves	3.8	2.1	0.2	-	-	-	-
Memorandum items:	(In millions of euros, unless otherwise indicated)						
Exports of goods and NFS	47,686	51,090	56,085	58,670	62,840	67,384	72,223
Quota (in millions of SDRs)	654.8	654.8	654.8	654.8	655.8	656.8	657.8
GDP	88,674	94,380	102,684	109,619	116,857	124,619	132,915
Total external debt service	5,128	9,229	6,334	4,176	6,578	5,498	4,418
Public sector external debt	26,994	27,595	27,938	27,675	27,396	27,434	27,664
Total external debt	52,036	54,296	56,387	57,898	59,418	61,304	63,349
Total external debt stock excluding IMF	50,858	53,625	56,274	57,833	59,353	61,239	63,284
Gross international reserves	29,008	28,509	29,670	30,497	31,578	32,634	33,880

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), 2024–31 1/

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	3,944	4,238	4,256	4,529	4,514	4,864	4,916	5,238	5,581	5,949	6,338
Taxes	3,497	3,731	3,783	4,026	4,028	4,369	4,394	4,684	4,994	5,322	5,674
Personal income tax	403	436	443	470	464	517	507	541	576	614	655
Social security contributions 2/	1,225	1,372	1,388	1,508	1,515	1,632	1,623	1,719	1,832	1,953	2,081
Taxes on profits	297	285	294	290	302	332	336	359	383	408	435
Value-added taxes	952	1,000	998	1,085	1,082	1,190	1,182	1,261	1,345	1,434	1,528
Excises	415	435	438	457	429	470	489	532	569	606	646
Taxes on international trade	89	93	94	100	100	108	108	115	122	130	139
Other taxes	116	109	128	116	135	120	149	157	168	177	188
Non-tax revenue	414	454	451	455	445	446	479	509	540	579	618
Capital revenue	11	15	8	15	15	15	15	15	15	15	15
Grants	21	38	15	34	26	34	28	30	32	34	31
Expenditure	4,136	4,550	4,509	4,863	4,844	5,226	5,275	5,557	5,922	6,242	6,650
Current expenditure	3,382	3,772	3,745	4,089	4,078	4,390	4,427	4,698	4,991	5,316	5,662
Wages and salaries 3/	907	1,032	1,030	1,130	1,129	1,228	1,228	1,310	1,397	1,489	1,587
Goods and services	795	891	879	951	928	1,028	1,009	1,078	1,149	1,225	1,306
Interest	180	197	189	214	208	227	233	243	257	274	292
Subsidies	239	246	260	250	253	254	264	282	301	320	342
Transfers	1,260	1,406	1,386	1,543	1,560	1,652	1,692	1,784	1,887	2,008	2,135
Pensions	930	1,045	1,045	1,173	1,173	1,245	1,279	1,351	1,422	1,517	1,611
Other transfers 4/	331	361	342	371	387	407	414	433	465	491	524
Capital expenditure	703	734	716	736	727	804	815	830	894	889	947
Net lending	23	22	23	15	15	10	11	7	11	11	12
Amortization of activated guarantees	28	22	26	23	23	22	22	22	26	26	28
Fiscal balance	-192	-312	-253	-334	-330	-362	-358	-320	-342	-293	-312
Financing	192	312	253	334	330	362	358	320	342	293	312
Domestic	-17	292	161	313	270	338	296	231	217	179	215
External	209	20	92	21	60	24	63	89	125	113	97
Memorandum items:											
Gross debt (public and publicly guaranteed) 5/	4,584	4,707	4,658	4,969	4,943	5,353	5,362	5,688	5,972	6,263	6,560
Publicly guaranteed debt	195	213	183	251	207	259	217	212	211	215	202
Nominal GDP	9,748	10,406	10,393	11,107	11,061	12,066	12,021	12,826	13,670	14,573	15,539

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), 2024–31 1/

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	40.5	40.7	41.0	40.8	40.8	40.3	40.9	40.8	40.8	40.8	40.8
Taxes	35.9	35.9	36.4	36.2	36.4	36.2	36.6	36.5	36.5	36.5	36.5
Personal income tax	4.1	4.2	4.3	4.2	4.2	4.3	4.2	4.2	4.2	4.2	4.2
Social security contributions 2/	12.6	13.2	13.4	13.6	13.7	13.5	13.5	13.4	13.4	13.4	13.4
Taxes on profits	3.0	2.7	2.8	2.6	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Value-added taxes	9.8	9.6	9.6	9.8	9.8	9.9	9.8	9.8	9.8	9.8	9.8
Excises	4.3	4.2	4.2	4.1	3.9	3.9	4.1	4.1	4.2	4.2	4.2
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
Other taxes	1.2	1.0	1.2	1.0	1.2	1.0	1.2	1.2	1.2	1.2	1.2
Non-tax revenue	4.2	4.4	4.3	4.1	4.0	3.7	4.0	4.0	4.0	4.0	4.0
Capital revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.2	0.4	0.1	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Expenditure	42.4	43.7	43.4	43.8	43.8	43.3	43.9	43.3	43.3	42.8	42.8
Current expenditure	34.7	36.2	36.0	36.8	36.9	36.4	36.8	36.6	36.5	36.5	36.4
Wages and salaries 3/	9.3	9.9	9.9	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Goods and services	8.2	8.6	8.5	8.6	8.4	8.5	8.4	8.4	8.4	8.4	8.4
Interest	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Subsidies	2.5	2.4	2.5	2.3	2.3	2.1	2.2	2.2	2.2	2.2	2.2
Transfers	12.9	13.5	13.3	13.9	14.1	13.7	14.1	13.9	13.8	13.8	13.7
Pensions	9.5	10.0	10.1	10.6	10.6	10.3	10.6	10.5	10.4	10.4	10.4
Other transfers 4/	3.4	3.5	3.3	3.3	3.5	3.4	3.4	3.4	3.4	3.4	3.4
Capital expenditure	7.2	7.1	6.9	6.6	6.6	6.7	6.8	6.5	6.5	6.1	6.1
Net lending	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Amortization of activated guarantees	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fiscal balance	-2.0	-3.0	-2.4	-3.0	-3.0	-3.0	-3.0	-2.5	-2.5	-2.0	-2.0
Financing	2.0	3.0	2.4	3.0	3.0	3.0	3.0	2.5	2.5	2.0	2.0
Domestic	-0.2	2.8	1.5	2.8	2.4	2.8	2.5	1.8	1.6	1.2	1.4
External	2.1	0.2	0.9	0.2	0.5	0.2	0.5	0.7	0.9	0.8	0.6
Memorandum items:											
Gross debt (public and publicly guaranteed) 5/	47.0	45.2	44.8	44.7	44.7	44.4	44.6	44.3	43.7	43.0	42.2
Publicly guaranteed debt	2.0	2.0	1.8	2.3	1.9	2.1	1.8	1.7	1.5	1.5	1.3
Nominal GDP (billions of RSD)	9,748	10,406	10,393	11,107	11,061	12,066	12,021	12,826	13,670	14,573	15,539

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, 2025–27 1/
(Central government debt, Euro billions)

	Debt Stock			Debt Service					
	March 2026 (end of period, preliminary data)			2025	2026	2027	2025	2026	2027
	(In Euro bln)	(Percent of total debt)	(Percent of GDP)	(In Euro bln)			(Percent of GDP)		
Total	39.4	100.0	41.7	3.8	4.8	5.6	4.3	5.1	5.4
External	28.1	71.3	29.7	1.6	2.9	4.9	1.8	3.1	4.7
Multilateral creditors 2/	8.3	21.2	8.8	0.6	1.2	1.3	0.7	1.3	1.3
IMF	2.2	5.6	2.3						
World Bank	0.0	0.0	0.0						
ADB/AfDB/IADB	0.0	0.0	0.0						
Other Multilaterals	6.1	15.6	6.5						
o/w: IBRD	2.3	5.8	2.4						
EIB	1.5	3.9	1.6						
Others (IDA, EU, CEB, EBRD, EUROFIMA, KfW)	2.3	5.9	2.5						
Bilateral Creditors	5.8	14.8	6.2	0.3	0.4	2.2	0.4	0.4	2.2
Paris Club	0.3	0.7	0.3	0.0	0.0	0.0	0.0	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	5.5	14.0	5.9	0.3	0.4	2.2	0.3	0.4	2.2
o/w: UAE	1.9	4.8	2.0						
China	2.8	7.2	3.0						
Russia	0.6	1.5	0.6						
Others	0.2	0.5	0.2						
Bonds	10.3	26.2	10.9	0.0	1.0	1.0	0.0	1.1	1.0
Commercial creditors	3.1	8.0	3.3	0.7	0.3	0.3	0.7	0.3	0.3
Other international creditors	0.4	1.1	0.5	0.0	0.1	0.0	0.1	0.1	0.0
o/w: JICA	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	11.3	28.7	12.0	2.2	1.8	0.7	2.4	2.0	0.7
Held by residents, total	10.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	0.9	n/a	n/a	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	8.7	22.2	9.3	2.0	1.6	0.4	2.2	1.7	0.3
Loans and other domestic debt	2.6	6.5	2.7	0.2	0.3	0.3	0.2	0.3	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	4.3	1.8						
o/w: Public guarantees	1.7	4.3	1.8						
o/w: Other explicit contingent liabilities 4/		0.0	0.0						
Nominal GDP	94.4			88.7	94.4	102.7			

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.
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, 2024–31 1/

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
				(Billions of RSD, unless otherwise indicated; end of period) 1/							
Net foreign assets 2/	3,293	3,448	3,153	3,316	3,044	3,519	3,144	3,214	3,308	3,389	3,494
In billions of euro	*28.1*	*29.5*	*26.9*	*28.4*	*26.0*	*30.1*	*26.9*	*27.5*	*28.3*	*29.0*	*29.9*
Foreign assets	3,962	3,884	3,857	3,763	3,817	3,987	3,984	4,112	4,277	4,433	4,607
NBS	3,444	3,448	3,419	3,316	3,355	3,519	3,489	3,584	3,710	3,832	3,977
Commercial banks	517	436	439	447	462	467.7	496	527	567	601	631
Foreign liabilities (-)	-668	-674	-704	-623	-773	-572	-840	-898	-968	-1,044	-1,114
NBS	0	0	0	0	0	0	0	0	0	0	0
Commercial banks	-668	-674	-704	-623	-773	-572	-840	-898	-968	-1,044	-1,114
Net domestic assets	1,806	2,319	2,277	2,820	2,809	3,095	3,264	3,773	4,260	4,861	5,454
Domestic credit	3,473	4,281	4,181	5,111	4,870	5,963	5,608	6,352	7,022	7,697	8,444
Government, net	-27	286	142	565	392	792	508	625	828	1,001	1,208
NBS	-758	-595	-661	-484	-563	-501	-618	-684	-602	-536	-477
Claims on government	95	95	86	95	86	95	86	86	86	86	86
Liabilities (deposits)	853	690	747	579	649	596	704	770	688	622	563
Banks	731	880	803	1,048	955	1,293	1,126	1,309	1,430	1,537	1,685
Claims on government	822	971	889	1,139	1,041	1,383	1,212	1,396	1,516	1,623	1,771
Liabilities (deposits)	91	91	86	91	86	91	86	86	86	86	86
Non-government sector	3,529	4,024	4,039	4,575	4,519	5,200	5,151	5,768	6,235	6,737	7,277
Households	1,625	1,902	1,942	2,191	2,231	2,492	2,566	2,885	3,114	3,358	3,620
Enterprises	1,831	2,039	2,025	2,289	2,207	2,600	2,494	2,779	3,010	3,259	3,526
Other assets, net	-1,666	-1,962	-1,903	-2,290	-2,062	-2,868	-2,344	-2,580	-2,763	-2,837	-2,990
Capital accounts (-)	-1,500	-1,779	-1,703	-2,061	-1,851	-2,559	-2,113	-2,328	-2,488	-2,538	-2,665
Broad money (M2)	5,100	5,529	5,431	5,972	5,852	6,469	6,409	6,986	7,568	8,250	8,948
Currency in circulation	400	438	430	481	462	538	516	566	621	683	751
Demand deposits	1,590	1,744	1,697	1,914	1,821	2,141	2,035	2,234	2,451	2,693	2,962
Time and saving deposits	636	697	680	765	730	856	815	895	982	1,079	1,187
Foreign currency deposits	2,475	2,649	2,624	2,799	2,839	2,975	3,043	3,291	3,514	3,795	4,048
In billions of euro	*21.2*	*22.6*	*22.4*	*24.0*	*24.2*	*25.5*	*26.0*	*28.1*	*30.0*	*32.5*	*34.6*
				(Year-on-year percent change, unless otherwise indicated)							
Memorandum items											
M2	13.6	8.4	6.5	7.8	7.7	9.2	9.5	9.0	8.3	9.0	8.5
Velocity (M2)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.7
Deposits at constant exchange rate	14.2	8.3	6.3	7.7	7.9	9.0	9.4	9.0	8.2	9.0	8.3
Credit to non-gov. (current exchange rate)	11.3	11.4	10.9	9.3	9.9	10.1	10.8	9.7	7.0	6.9	6.9
Credit to non-gov. (constant exchange rates) 3/	11.4	11.4	11.6	9.4	9.2	10.1	10.9	9.7	7.0	7.0	6.9
Domestic	8.5	14.1	14.3	13.8	12.0	13.7	14.0	12.0	8.1	8.1	8.0
Households	10.3	17.1	19.4	15.3	15.0	13.8	15.0	12.5	7.9	7.9	7.8
Enterprises and other sectors	7.1	11.5	9.9	12.5	9.3	13.6	13.1	11.5	8.3	8.3	8.2
External	16.0	7.4	7.5	2.2	4.6	3.7	5.3	5.5	4.9	4.7	4.5
Credit to non-gov. (real terms) 4/	6.7	7.2	8.0	5.1	6.1	6.1	6.1	6.4	3.9	3.8	3.7
Domestic credit to non-gov. (real terms)	4.0	9.7	11.4	9.3	8.0	9.5	9.2	8.6	4.9	4.9	4.8
Households	5.7	12.6	16.3	10.8	10.9	9.6	10.1	9.1	4.7	4.7	4.6
Enterprises and other sectors	2.6	7.3	7.2	8.0	5.3	9.4	8.2	8.2	5.1	5.0	5.0
External	11.1	3.2	4.8	-1.8	0.8	-0.1	0.8	2.3	1.7	1.5	1.4
Deposit euroization (percent of total) 5/	52.7	52.0	52.5	51.1	52.7	49.8	51.6	51.3	50.6	50.2	49.4
Credit euroization (percent of total) 5/	61.9	61.0	60.4	60.3	61.5	59.8	60.4	59.3	58.3	57.9	57.4

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, 2024–31 1/

	2024	2025		2026		2027		2028	2029	2030	2031
		CR 25/340	Est.	CR 25/340	Proj.	CR 25/340	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	3,444	3,448	3,419	3,316	3,355	3,519	3,488	3,584	3,710	3,832	3,977
In billions of euro	*29.4*	*29.5*	*29.1*	*28.4*	*28.6*	*30.1*	*29.8*	*30.6*	*31.7*	*32.8*	*34.0*
Gross foreign reserves	3,444	3,448	3,419	3,316	3,355	3,519	3,489	3,584	3,710	3,832	3,977
Net domestic assets	-1,776	-1,627	-1,781	-1,334	-1,523	-1,328	-1,461	-1,365	-1,289	-1,182	-1,080
Net domestic credit	-1,137	-988	-967	-696	-669	-689	-564	-424	-300	-144	10
Net credit to government	-758	-595	-661	-484	-563	-501	-618	-684	-602	-536	-477
Claims on government	95	95	86	95	86	95	86	86	86	86	86
Liabilities to government (-)	-853	-690	-747	-579	-649	-596	-704	-770	-688	-622	-563
Reserve money	1,670	1,821	1,640	1,982	1,832	2,191	2,028	2,219	2,421	2,650	2,896
Currency in circulation	400	438	430	481	462	538	516	566	621	683	751
Commercial bank reserves	873	957	829	1,051	957	1,175	1,070	1,174	1,289	1,416	1,557
Required reserves	452	479	490	506	514	538	550	595	636	687	732
Excess reserves	421	478	339	545	444	637	519	579	653	729	825

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, 2022–26

	2022	2023	2024				2025				2026	
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb
Capital adequacy												
Regulatory capital to risk-weighted assets	20.2	21.4	21.2	21.8	21.9	21.3	21.0	21.3	21.0	20.2	20.2	20.2
Regulatory Tier 1 capital to risk-weighted assets	18.8	19.7	19.5	20.2	20.1	19.6	19.3	19.7	19.4	18.6	18.6	18.6
Nonperforming loans net of provisions to regulatory capital	6.5	6.0	6.3	5.4	5.0	4.6	4.5	4.5	4.2	4.2	4.3	4.3
Regulatory Tier 1 capital to assets	11.0	11.0	10.8	11.2	11.2	10.7	10.8	11.2	11.0	10.8	10.8	10.7
Large exposures to capital	86.7	85.6	95.9	87.7	89.0	95.7	98.8	79.8	83.7	84.0	84.0	84.0
Regulatory capital to assets	11.7	11.9	11.7	12.2	12.1	11.6	11.7	12.1	11.9	11.7	11.7	11.6
Asset quality												
Nonperforming loans to total gross loans	3.0	3.2	3.2	2.9	2.7	2.5	2.3	2.3	2.2	2.1	2.1	2.1
Sectoral distribution of loans (percent of total loans)												
Deposit takers	0.7	0.2	0.1	0.3	0.1	0.3	0.1	0.2	0.3	0.3	0.4	0.4
Central bank	3.3	11.0	11.8	10.0	11.2	9.6	9.8	7.8	9.5	6.4	6.9	6.5
General government	2.2	2.7	2.7	2.7	3.1	4.1	4.1	4.3	4.8	5.5	5.4	5.4
Other financial corporations	1.1	1.0	1.0	1.1	1.1	1.5	1.4	1.4	1.2	1.3	1.2	1.2
Nonfinancial corporations	47.6	43.4	42.2	42.3	41.3	41.6	40.7	41.6	40.9	41.8	40.9	40.7
Agriculture	2.8	2.4	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.1	2.0	2.0
Industry	18.4	16.4	16.3	16.4	15.9	15.7	15.1	15.3	15.1	15.7	15.2	15.1
Construction	4.1	4.0	3.8	4.0	3.9	4.1	4.0	4.2	4.1	4.5	4.4	4.4
Trade	10.7	9.4	9.4	9.3	9.0	9.0	8.9	9.3	9.2	9.0	8.8	8.8
Other loans to nonfinancial corporations	11.7	11.2	10.4	10.4	10.5	10.6	10.6	10.7	10.5	10.5	10.4	10.5
Households and NPISH	43.2	39.4	39.6	39.3	38.9	39.9	39.7	41.2	41.0	42.9	42.4	42.3
Households and NPISH of which: mortgage loans to total loans	17.4	15.5	15.4	15.2	14.9	15.3	15.2	15.7	15.7	16.4	16.2	16.2
Foreign sector	2.0	2.3	2.6	4.3	4.3	3.1	4.1	3.5	2.3	1.8	2.8	3.4
IFRS provision for NPLs to gross NPLs	58.1	60.5	59.1	60.7	61.8	62.3	61.7	61.0	62.4	61.5	61.5	61.3
IFRS provision of total loans to total gross loans	3.1	3.2	3.2	3.0	2.9	2.9	2.7	2.6	2.6	2.4	2.3	2.3
Earnings and Profitability												
Return on assets	1.9	2.5	3.1	3.2	3.1	2.8	3.1	2.9	2.9	2.8	2.7	2.4
Return on equity	13.9	18.1	22.2	22.7	22.4	20.3	21.8	21.5	21.0	20.6	19.7	17.3
Liquidity												
Customer deposits to total (noninterbank) loans	120.5	132.1	134.2	133.1	131.6	136.3	131.2	127.1	124.7	122.4	121.0	120.9
Foreign-currency-denominated loans to total loans	65.5	59.7	58.5	59.5	57.8	57.2	56.9	57.4	55.2	56.1	56.0	56.4
Average monthly liquidity ratio	2.2	2.5	2.7	2.6	2.4	2.5	2.5	2.4	2.3	2.2	2.2	2.2
Average monthly narrow liquidity ratio	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.6	1.7	1.7
Sensitivity to Market Risk												
Net open position in foreign exchange to regulatory capital	1.5	0.8	1.0	0.2	1.7	1.5	1.3	1.4	2.1	1.1	0.5	1.1
Foreign-currency-denominated liabilities to total liabilities	62.1	57.9	58.5	57.5	57.5	55.9	56.5	55.9	55.2	55.4	57.0	57.4
Classified off-balance sheet items to classified balance sheet assets	39.6	45.2	45.8	45.8	48.2	48.6	48.6	46.7	47.6	47.3	47.3	47.3

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. External Sector Assessment

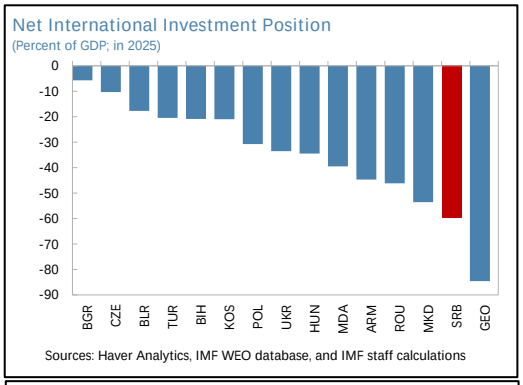
Overall Assessment: Serbia's external position was broadly in line with the level implied by fundamentals and desirable policies in 2025. The current account deficit widened slightly on the back of lower services and transfers surpluses, despite a reduction in the goods trade deficit. Net FDI inflows halved as inflows into the mining, construction, and manufacturing sectors declined sharply. Portfolio outflows emerged as the government proceeded to a net repayment of Eurobonds. The NBS intervened to address NIS-related FX demand pressures. As a result, international reserves declined. The EBA-Lite current account model points to a gap of 0.1 percent, lower than in 2024 (0.6 percent). Risks to external stability are moderate, but sizable international reserve buffers and relatively long external debt maturities represent important mitigating factors.

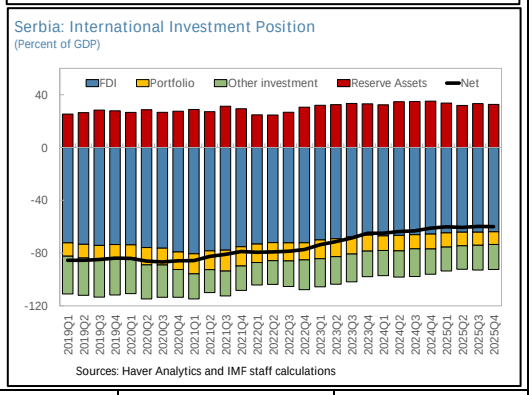
Potential Policy Responses: Serbia's history of strong macroeconomic management, notably the authorities' emphasis on fiscal discipline, has helped support external stability. This should continue, alongside structural reforms to improve the business environment, reduce the infrastructure gap, and boost productivity. These will be crucial for enhancing Serbia's external competitiveness, as will a rethinking of the authorities' strategy to support investment and growth. These reforms should also create the conditions for a gradual move to more dinarization and exchange rate flexibility, an important driver of external stability.

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) improved to -59.9 percent of GDP in 2025 from its peak of -93 percent of GDP in 2020, sustaining the declining path observed since 2021. Nevertheless, Serbia's NIIP remains more negative than its regional peers mainly due to its large, though declining, stock of FDI liabilities. The NIIP improved by 26 ppt of GDP since 2020, mostly due to a 24 ppt of GDP decline in gross (mostly FDI) liabilities and 8 ppt increase in reserve assets. Debt liabilities, 96 percent of which are in long-term instrument, also continued their downward trend, reaching 49 percent of GDP in 2025.

Assessment. Under the baseline scenario, external debt is expected to continue declining in the medium term, mostly on account of automatic debt dynamics and despite elevated current account deficits. Reserves assets are expected to continue increasing as FDI recovers from the recent decline and other investment flows increase in euro terms, leading to a continued improvement in the NIIP in the medium term.





2025 (% GDP)	NIIP: -59.9	Gross Assets: 60.1	Debt Assets: 20.2	Gross Liab.: 120.0	Debt Liab.: 49.0

Current Account

Background. Serbia's current account (CA) deficit increased slightly to 4.9 percent of GDP in 2025, compared to 4.5 percent in 2024. The higher deficit reflected a decline in the services and transfer surpluses—driven by higher tourism imports and weaker net remittance inflows—only partly offset by an improvement in the goods trade balance on strong export volumes and lower import prices. The ratio of primary income deficit to GDP, largely reflecting dividend repatriation, stabilized. Net FDI inflows remained positive in 2025 but declined sharply, more than halving relative to 2024 amid lower inflows and higher

outward investment by Serbian residents. Serbia's CA deficit is projected to remain elevated in 2026, and record a one-off improvement in 2027 as the Belgrade EXPO boost tourism exports, before gradually declining to the norm in the medium term.

Assessment. The CA model suggests that the external position was broadly in line with the level implied by fundamentals and desired policies. An adjustor is included to account for exceptional imports related to the ramp up of EXPO-2027-related investments.[1] The estimated CA gap stood at 0.1 percent of GDP in 2025, 0.5 ppt lower than in 2024. The estimated CA gap consists of the CA norm (-3.8 percent of GDP) and the cyclically-adjusted CA (-3.6 percent of GDP). The authorities' tighter fiscal stance and lower health expenditure gaps relative to the rest of the world contributed to narrowing the gap.

Serbia: Model Estimates for 2025 (In Percent of GDP)

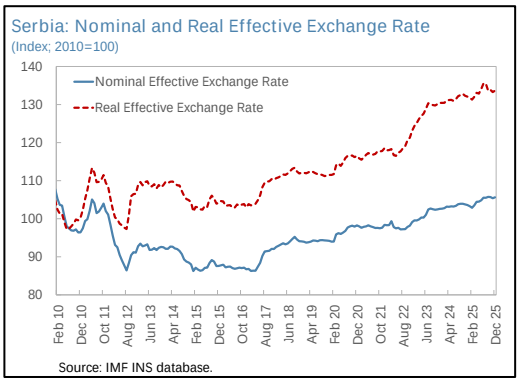
	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-4.9	
Cyclical contributions (from model) (-)	-0.1	
Additional temporary/statistical factors (-)	-0.9	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-3.6	
CA Norm (from model) 2/	-3.8	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-3.8	
CA Gap	0.1	-6.9
o/w Relative policy gap	1.2	
Elasticity	-0.4	
REER Gap (in percent)	-0.3	18.3

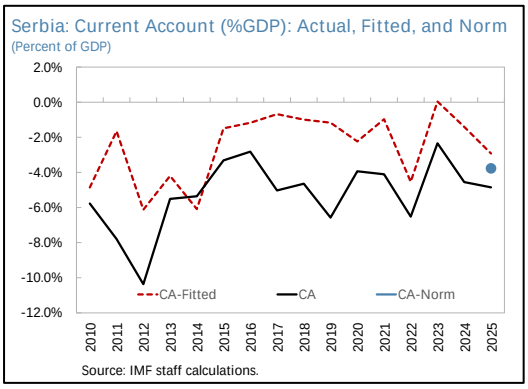
1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The Serbian dinar appreciated by 1.4 percent in real effective terms in 2024, largely on account of nominal appreciation pressures against most trading partners' currencies. Notably, the dinar appreciated by 3.9 percent against the U.S. dollar. However, the dinar faced depreciation pressures against the euro in 2025, prompting the NBS to sell FX to maintain the stability of the domestic currency.

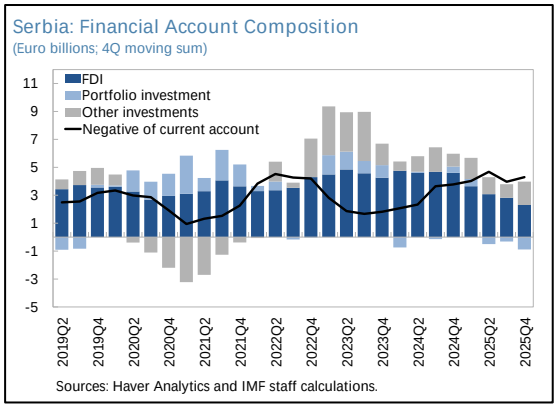
Assessment. The REER model suggests a real exchange rate overvaluation of 18.3 percent in 2025. However, given large REER model estimation uncertainties, the bottom-line real exchange rate assessment relies on the CA model instead of on the REER model. Based on the estimated CA gap and an elasticity of -0.4, it suggests an undervaluation of 0.3 percent. While the de facto stabilized exchange rate regime plays a crucial role as an anchor for the private sector given the high level of euroization of the economy, a gradual return to a more flexible exchange rate over the medium term would be more consistent with the inflation targeting regime, help the economy absorb external shocks, and ease pressures international reserves from these. In parallel, it is crucial to pursue reforms to boost competitiveness and promote the continued dinarization of the economy.





Capital and Financial Accounts: Flows and Policy Measures

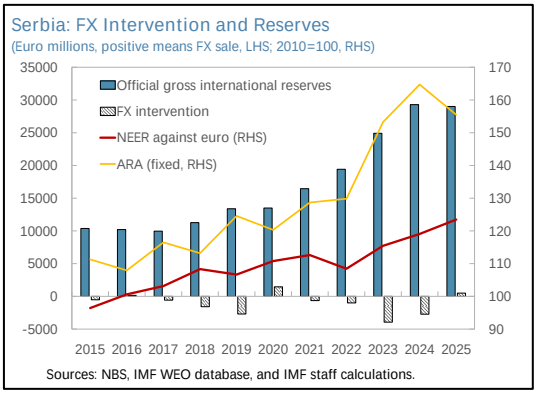
Background. Net FDI has been a strong driver of financial account flows in Serbia, averaging 6.1 percent of GDP between 2020–24. Smaller portfolio and other financial inflows were primarily the result of government Eurobond transactions and trade credit. In 2025, net FDI inflows declined substantially, standing at only 2.5 percent of GDP as a result of lower inflows into the mining, construction, and manufacturing sectors. Portfolio outflows emerged in 2025 due to a net repayment of Eurobonds by the government, while other financial inflows from loans—mostly contracted by private sector entities—continued.



Assessment. Net FDI inflows are expected to recover somewhat in 2026, but remain below the 2020–24 level as a percentage of GDP, as the external uncertainty (particularly in the automotive sector) linger, [investment in the mining sector continues to moderate, and foreign investors find the authorities' current investment promotion incentives less attractive. Reforms are urgently needed to boost productivity, improve governance and the business environment, and address critical infrastructure gaps. A new investment promotion strategy is also needed.

FX Intervention and Reserves Level

Background. In 2025, gross international reserves in percentage of ARA metric decreased, as financial inflows weakened and NIS-related uncertainty triggered surge in FX demand in 2025Q4, prompting the NBS to intervene to sell FX. Nevertheless, reserves remained above the upper bound of the Fund's adequacy range, at 155 percent. Reserves mainly comprise foreign exchange holdings in the form of liquid investment grade securities and foreign exchange deposits, although gold holdings have also increased in recent years.



Assessment. Reserve levels are assessed as adequate over the projection horizon. Even at Serbia's high level of euroization, reserves at over 60 percent of M2 provide ample buffers. Under the baseline, international reserves are projected to continue increasing in euro terms over the medium-term. The level of reserves in terms of the ARA metric is, however, expected to decline and settle at around 120–130 percent.

[1] The adjustor is estimated using an estimate of EXPO-related spending in 2025, and the elasticity of public investment to public imports (estimated at 0.5). EXPO-related spending is expected to increase as the EXPO year closes in.

Annex II. Risk Assessment Matrix[1]

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Global Conjunctural Risks			
Geopolitical tensions and intensification of conflicts	High Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High Spillovers from geopolitical tensions and escalating military 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, high energy prices will pass through to high domestic inflation, and demand for fiscal support, such as from households or the state-owned energy sector, may rise and weaken the fiscal position.	• Monetary policy to look through impact of supply shocks to cushion the economic impact of large-scale demand but to decisively tighten if second-round effects emerge. • 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 contingency options, including, investment prioritization, and cuts to low-priority spending. • Target support to vulnerable households. • Adjust energy tariffs to reflect 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
Trade-related risks • Protectionism and trade disruptions	High Tariff and nontariff measures disrupt global supply chains and inflict an outsized impact on economic activity and prices. Trade diversion spurs protectionist measures by more countries amplifying inflation from profit margin decompression or strategic complementarities.	High Rising protectionism and trade disruptions 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.	• 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.
• New trade agreements	Low Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	Low Relief from U.S. tariffs on Serbia or the EU may offer limited economic upside. With 2 percent of Serbian exports going to the U.S., rescinding the current 10 percent tariff will have only marginally positive effects. The 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.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Fiscal vulnerabilities and higher interest rates	High Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	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 provision of credit to the economy.	• Maintain stability- and market-oriented macro-financial and structural policies to ensure a predictable business environment 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. • 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.
Global Structural Risks			
Climate change	Medium Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic 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. • Implement Serbia's Integrated National Energy and Climate Plan and transparently

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.	communicate any changes at an early stage.
AI acceleration	Medium Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions.	Low Accelerated AI adoption may bolster Serbia's thriving, export-oriented ICT sector, unlock productivity gains in industry, and help with the transition to higher value-added manufacturing, thereby strengthening international competitiveness and improving potential output.	• Improve energy infrastructure and enhance grid resilience to meet data-driven electricity needs. • Ensure high-capacity data connectivity and access to digital services by households and firms. • Adopt education and labor market policies to facilitate a transition to higher-skilled professions and provide targeted and temporary support to workers vulnerable to displacement • Strengthen the business environment to maximize the benefits of AI adoption by firms.
Domestic Risks			
Social discontent	Medium Widespread anti-government protests resume, heightening	High Renewed unrest may weaken economic activity and adversely	• Pursue equitable and inclusive macroeconomic policies.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
	political uncertainty and eroding consumer, business, and foreign investor confidence.	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.	• 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.
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.
Delayed or unsuccessful NIS resolution	Medium Re-activation of sanctions on macro-critical oil company NIS and disruption of domestic fuel supplies in the event of delayed or	High Emerging fuel shortages would affect a wide range of industries and public services with adverse repercussions on economic	• Tighten monetary and fiscal policy in the event of intensifying inflation with emerging second-round effects and/or a large-scale

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
	unsuccessful negotiations to divest Russian shareholdings.	growth, inflation, and foreign investor confidence, requiring far-reaching contingency and support measures with the potential to weaken fiscal and external buffers.	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.
Faster-than-expected credit growth	High Strong credit growth is associated with deteriorating lending standards and loan quality. Systemic risks build up.	High Robust lending activities would fuel inflation. Build-up of systemic risks, including increases of non-performing loans, could adversely and abruptly affect banks' balance sheets, lending, domestic consumption and investment.	• Strengthen monitoring of credit growth and quality of loans. • Phase out supervisory guidance on cash loan rates and contain credit growth. • Adopt preemptive macroprudential measures to strengthen financial resilience.
Interruption to EU funding	Medium A suspension of EU funding in the event of significant slippages in reforms.	Medium Given the relatively small funding size (total 1.5 percent of GDP distributed over 2025–27) and its main usage for financing projects, a suspension will have marginal effects on fiscal deficit but may weigh on market sentiment and require investment prioritization.	• Take corrective action to accelerate reform progress in the agreed reform agenda. • Careful prioritization planning in the event of EU funding interruption.

Annex III. Sovereign Risk and Debt Sustainability Analysis

Annex III. Figure 1. Serbia: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting sizable fiscal and external buffers. But rising current spending pressures and an ambitious public investment agenda are slowing the pace of debt reduction. Financing is manageable, also reflecting a robust creditor base. Rising pension liabilities will require pension reform to underpin longer-term fiscal sustainability.
Near term 1/	...	...	
Medium term	Low	Moderate	Medium term risks for public debt sustainability are assessed to be moderate, despite the mechanical signal yielding a low risk rating at the margin. Efforts to cushion the impact of rising energy prices, ambitious public investment outlays for EXPO 2027 and rising current spending pressures ahead of elections are contributing to the deficit. But public debt remains on a declining path, helped by steady economic growth, some drawdown of government deposits, and lower infrastructure spending from 2028. Fiscal financing risks appear manageable, given comfortable average debt maturities, a large share of official financing, liquid domestic banks, and effective debt management.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test		...	
Long term	...	Moderate	Long term risks are moderate. The pension system is helped by rising female retirement ages, retirement of smaller age cohorts, stagnating life expectancy, and scope for further employment gains. But absent mitigating measures, a shrinking and aging population will put pressures on public finances in the long term.
Sustainability assessment 2/	...	Sustainable	Debt is sustainable. Debt is projected to continue to decline and GFNs appear manageable. But disciplined expenditure prioritization is key amid renewed economic shocks, current spending pressures and large public investment outlays. Fiscal-structural and SOE reforms need to be sustained to further lower fiscal risks.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Serbia is at a moderate overall risk of sovereign stress and debt is sustainable. Fiscal and external buffers are sizeable, but efforts to cushion the impact of rising energy prices, ambitious public investment outlays for EXPO 2027 and rising current spending pressures ahead of elections are contributing to the deficit, calling for disciplined fiscal expenditure prioritization to maintain confidence. Public debt remains on a declining path, helped by steady economic growth, some drawdown of government deposits, and lower infrastructure spending from 2028. Sustained progress with fiscal-structural and SOE reforms and continued prudent public debt management will help ensure further fiscal risk reduction. In the long term, debt sustainability risks from an ageing population will need mitigating measures.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex III. Figure 2. Serbia: Debt Coverage and Disclosures

	CG	GG	NFPS	CPS	Other	Comments
1. Debt coverage in the DSA: 1/						
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

		Subsectors captured in the baseline	Inclusion	Comments
CPS, NFPS, GG: expected, CG	1	Budgetary central government	Yes	
	2	Extra budgetary funds (EBFs)	No	except Serbia's two road funds
	3	Social security funds (SSFs)	Yes	
	4	State governments	No	not applicable
	5	Local governments	Yes	
	6	Public nonfinancial corporations	No	
	7	Central bank	No	
	8	Other public financial corporations	No	

	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
3. Instrument coverage:					

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

	Consolidated	Non-consolidated
5. Debt consolidation across sectors:		

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

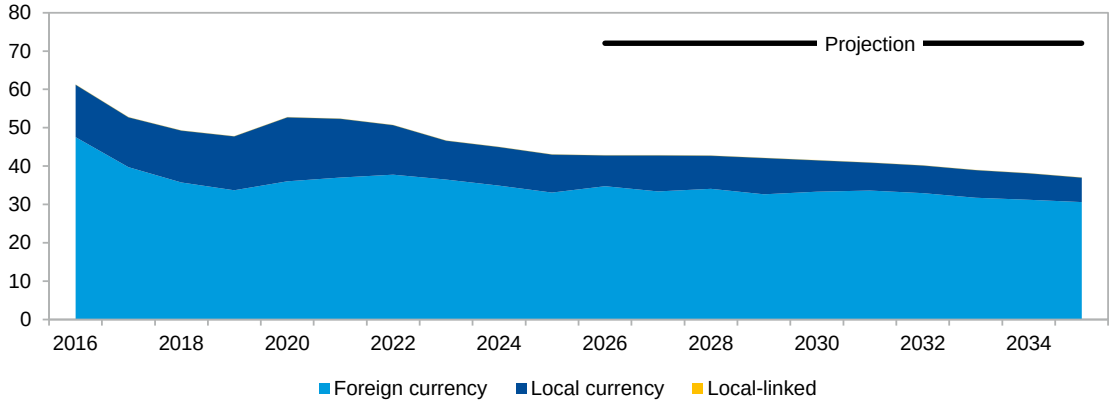
		Holder / Issuer	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS, NFPS, GG: expected, CG	1	Budget. central govt									0
	2	Extra-budget. funds									0
	3	Social security funds									0
	4	State govt.									0
	5	Local govt.									0
	6	Nonfin pub. corp.									0
	7	Central bank									0
	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

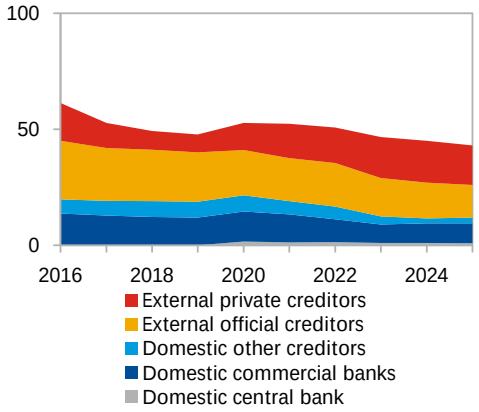
Commentary: Serbia's debt coverage and disclosure is consistent with standard recommendations.

Annex III. Figure 3. Serbia: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)

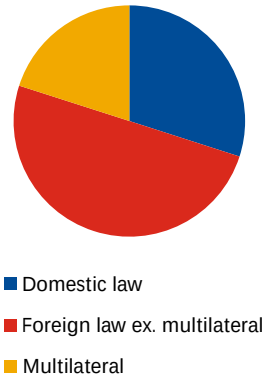


Public Debt by Holder (Percent of GDP)



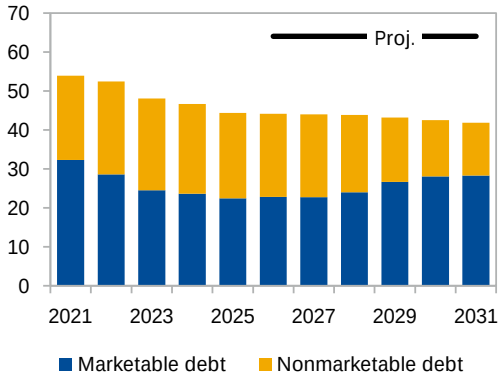
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (Percent)



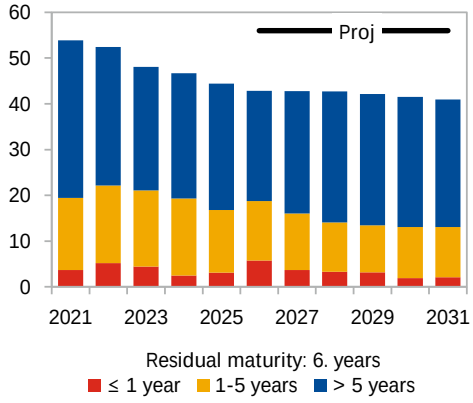
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)

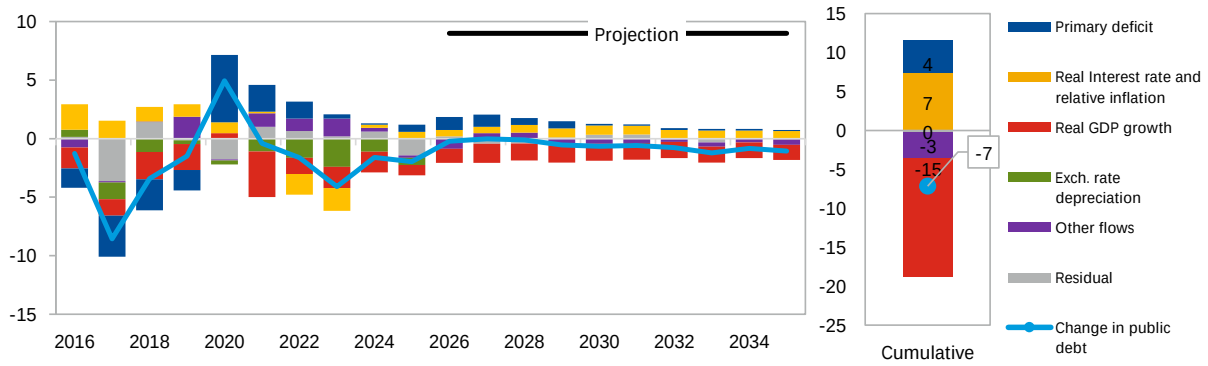


Note: The perimeter shown is general government.

Commentary: In the medium term, public debt is projected to decline with increasing shares of marketable instruments and lengthening maturities. Around half of public debt is governed by foreign law and debt holdings by external private creditors have increased in recent years.

Annex III. Figure 4. Serbia: Baseline Scenario

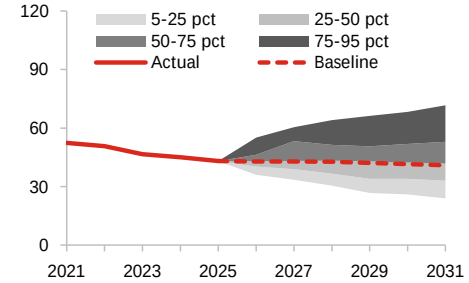
	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	43.1	42.8	42.8	42.7	42.1	41.5	40.9	40.1	38.9	38.1	37.0
Change in public debt	-2.0	-0.2	0.0	-0.1	-0.6	-0.6	-0.6	-0.8	-1.2	-0.8	-1.1
Contribution of identified flows	-0.5	-0.4	0.4	0.3	-0.7	-1.0	-0.9	-0.7	-0.9	-0.8	-1.0
Primary deficit	0.6	1.1	1.0	0.6	0.6	0.1	0.1	0.2	0.1	0.1	0.1
Noninterest revenues	41.0	40.8	40.9	40.8	40.8	40.8	40.8	40.7	40.7	40.7	40.7
Noninterest expenditures	41.6	41.9	41.9	41.4	41.4	41.0	40.9	40.9	40.8	40.8	40.8
Automatic debt dynamics	-0.9	-0.7	-1.1	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6
Real interest rate and relative inflation	0.6	0.5	0.6	0.6	0.8	0.8	0.7	0.7	0.7	0.7	0.6
Real interest rate	-0.1	0.1	-0.2	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.4
Relative inflation	0.6	0.4	0.8	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Real growth rate	-0.9	-1.2	-1.6	-1.5	-1.4	-1.4	-1.4	-1.4	-1.4	-1.3	-1.3
Real exchange rate	-0.6	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.2	-0.9	0.5	0.5	-0.6	-0.5	-0.4	-0.2	-0.4	-0.3	-0.5
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.2	-0.9	0.5	0.5	-0.6	-0.5	-0.4	-0.2	-0.4	-0.3	-0.5
Contribution of residual	-1.4	0.2	-0.4	-0.4	0.1	0.3	0.4	0.0	-0.3	0.0	-0.1
Gross financing needs	6.5	7.5	7.9	6.0	6.7	5.5	5.1	5.0	4.4	4.7	4.6
of which: debt service	5.9	6.4	6.9	5.4	6.1	5.4	5.0	4.8	4.3	4.6	4.5
Local currency	2.7	1.9	0.5	1.4	0.6	2.2	1.9	1.7	1.1	1.6	1.6
Foreign currency	3.2	4.5	6.4	4.0	5.4	3.2	3.0	3.2	3.2	3.0	2.9
Memo:											
Real GDP growth (percent)	2.0	2.8	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	4.5	3.5	4.5	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.9
Nominal GDP growth (percent)	6.6	6.4	8.7	6.7	6.6	6.6	6.6	6.4	6.5	6.5	6.5
Effective interest rate (percent)	4.3	3.8	4.0	4.1	4.2	4.3	4.2	4.1	4.1	4.1	4.0



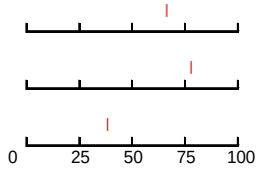
Commentary: In the medium term, public debt is projected to decline, helped by some drawdown of goverment deposits, steady growth, and easing current and infrastructre spending that are weighing on the primary deficit in the near term.

Annex III. Figure 5. Serbia: Medium-Term Risk Analysis

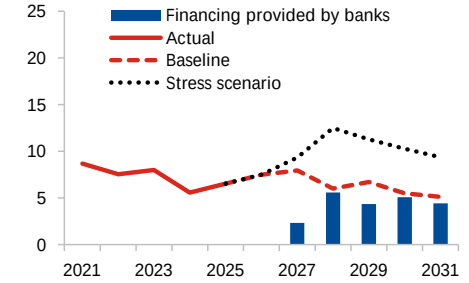
Final Fanchart (Percent of GDP)



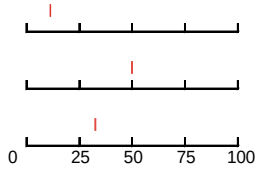
Debt fanchart module	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	47.7	0.7	
Probability of debt non-stabilizaiton *(percent)*	16.6	0.1	
Terminal debt-to-GDP x institutions index	24.1	0.5	
Debt fanchart index (DFI)		1.4	
Risk signal: 3/		Moderate	



Gross Financing Needs (Percent of GDP)



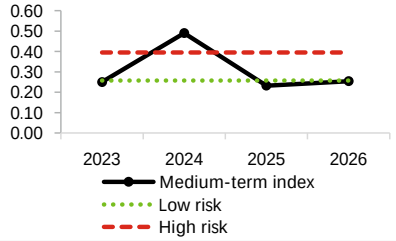
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	6.5	2.2	
Initial Banks' claims on the gen. govt *(pct bank assets)*	13.3	4.3	
Chg. In banks' claims in stress *(pct banks' assets)*	12.8	4.3	
GFN financeability index (GFI)		10.8	
Risk signal: 4/		Moderate	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab.

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.4	0.3	0.5	0.2
GFN finaceability index	10.8	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		Low		
Final assessment:		Moderate		

Prob. of missed crisis, 2026-2031, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 42.0 pct.

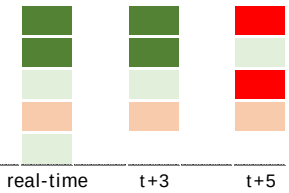
Commentary: The Debt Fanchart Module and the GFN Financeability Module suggest moderate debt sustainability risks while the medium-term index is moderate. Domestic financing risks are mitigated by a liquid banking sector and offical creditors meeting a substantial share of near- to medium-term financing needs.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex III. Figure 6. Serbia: Realism of Baseline Assumptions

Forecast Track Record 1/



Comparator Group:

Emerging Markets, Non-Commodity Exporter, Program

Color Code:

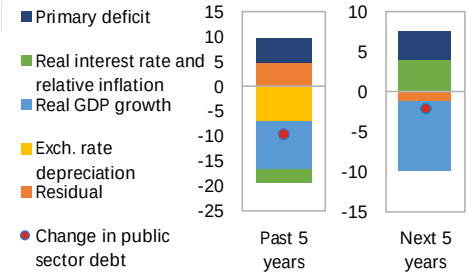
Optimistic
- > 75th percentile
- 50-75th percentile

Pessimistic
- 25-50th percentile
- < 25th percentile

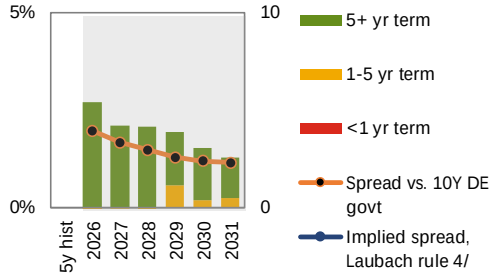
Historical Output Gap Revisions 2/

Public Debt Creating Flows

(Percent of GDP)

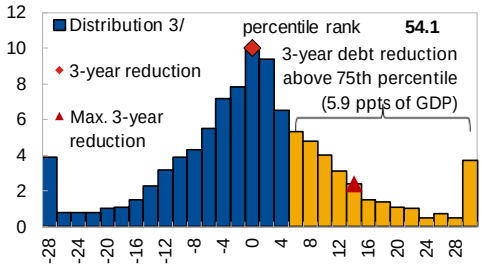


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

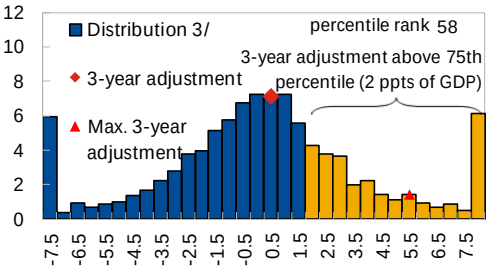


3-Year Debt Reduction

(Percent of GDP)

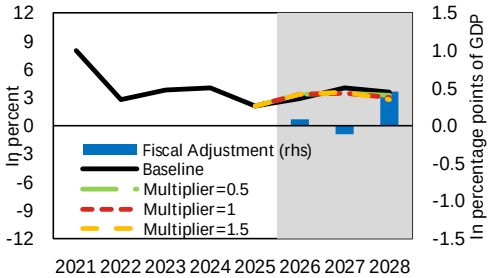


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



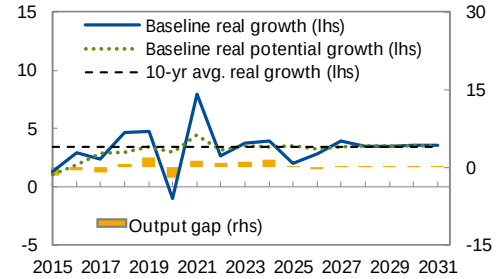
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(Percent)



Commentary: Despite a challenging backdrop, Serbia's economic performance has been favorable in recent years. Realism analysis suggests that projected fiscal deficit and public debt trajectories are without systemic biases and broadly in line with history and peers. Medium-term projections are putting potential growth at around 3.5 percent, driven by productivity catch-up and capital accumulation.

Source: IMF staff.

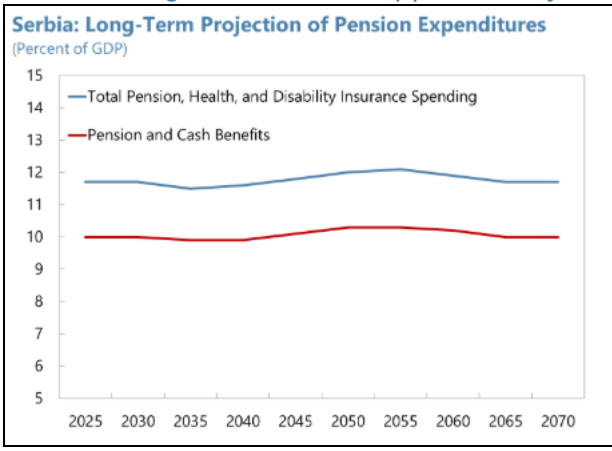
1/ Projections made in the October and April WEO vintage.

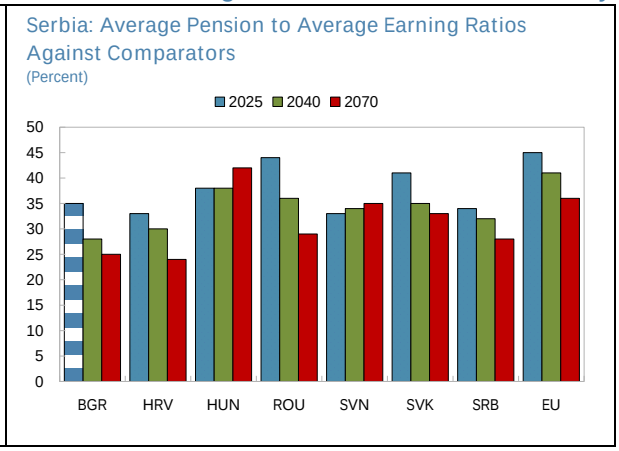
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex III. Figure 7. Serbia: Supplementary Information on Long-Term Pension Sustainability





Source: Serbia Fiscal Council, 2026, *Long-term Projection of Serbia's Pension System from 2025 to 2070*.

Staff comments: Using EU methodology, the Serbian authorities completed, for the first time, an actuarial study finding that the pension system remains sustainable through 2070 if the current reformed pension indexation fiscal rule is followed, showing a moderate risk of the public Pay-As-You-Go (PAYG) pension system to long-term public debt sustainability.

Based on the study's actuarial assumptions and constant social security contribution rate of about 35 percent of gross wages, pension spending is projected to remain broadly stable at around 10 percent of GDP through 2070. Replacement rates are broadly in line with those in peer countries. While the PAYG system does not accumulate significant financial assets, the projected pension stabilization benefits from the 2019–22 reforms on rule-based pension indexation. Under this rule, pensions are indexed to wages if the pension bill is below 10 percent of GDP; indexed to 50 percent wages and 50 percent CPI (Swiss formula) if the pension bill is between 10–10.5 percent of GDP; and indexed to CPI only if the pension bill is above 10.5 percent of GDP.

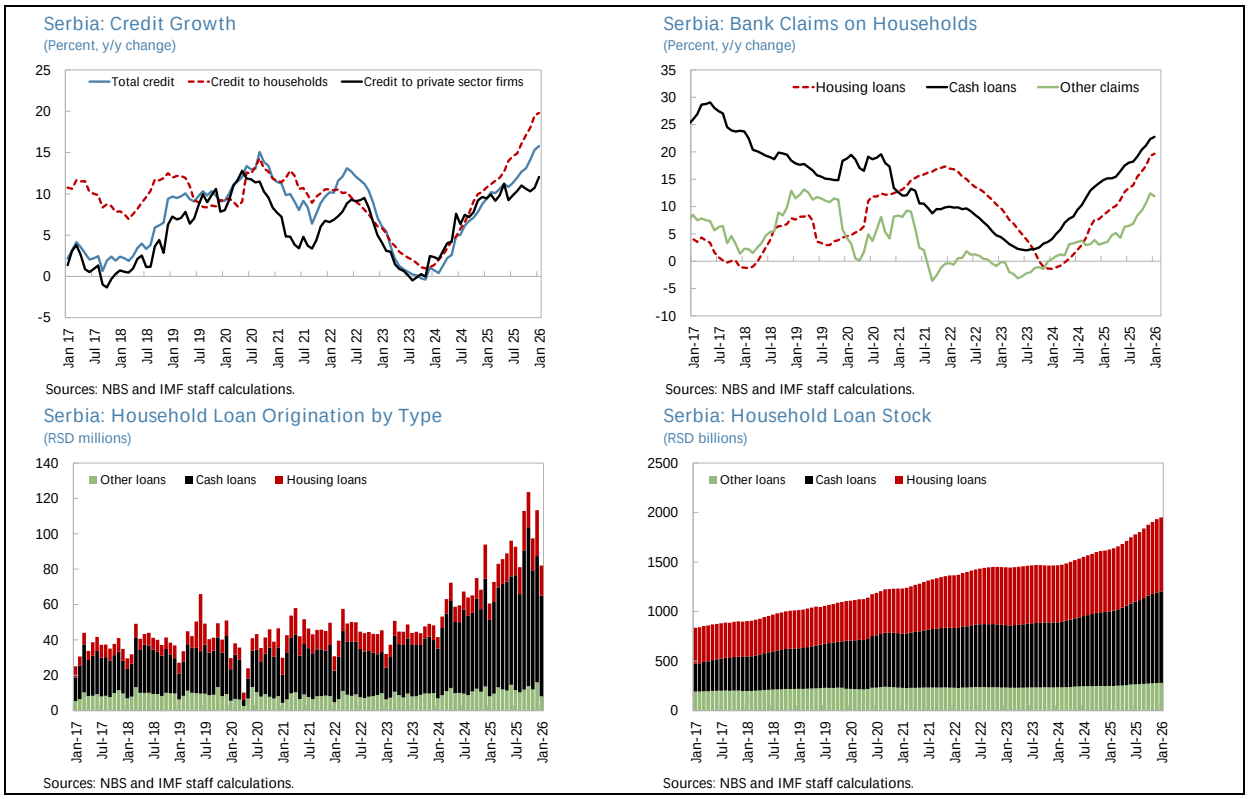
However, given this study has limited robustness analysis on key demographic and macroeconomic assumptions, the long-term sustainability of the pension system remains subject to moderate risks, particularly from more adverse demographic developments and weaker potential growth.

Annex IV. Consumer Lending in Serbia

After a lull in 2023, credit growth in Serbia has accelerated to a rapid clip, led by borrowing by the household sector. Supply and demand factors have supported the increase, leading to a widening of the credit gap and initiating macroprudential policy tightening by the authorities. Consumer lending has been particularly prominent, yet, compared to previous episodes of robust consumer credit growth, household finances seem stronger and the quality of loan exposures appears to have improved. Still, the authorities should closely monitor developments and assess risks, also by fully leveraging available credit registry information. Supervisory policies that are contributing to a further loosening of funding conditions for households should be reconsidered. Options to flexibly adjust capital charges or borrower-based instruments should be explored to lean against a possible build-up of systemic risk at an early stage.

A. Household Credit Has Been Rising Briskly

1. Private sector credit has risen strongly following a brief period of stagnation in mid-2023. Whereas borrowing by the corporate sector has petered out at an annual growth rate of around 10 percent in 2025, household lending has continued to see a rapid pace of expansion, reaching about 20 percent by the end of the year. Particularly cash loans, an unsecured, limited-recourse type of consumer lending, have increased their share of loan origination since mid-2023. By contrast, housing loans and other forms of household lending have grown more moderately. As a result, cash loans accounted for more than 47 percent of the household credit portfolio of Serbian banks at end-2025, after 44 percent in mid-2023.

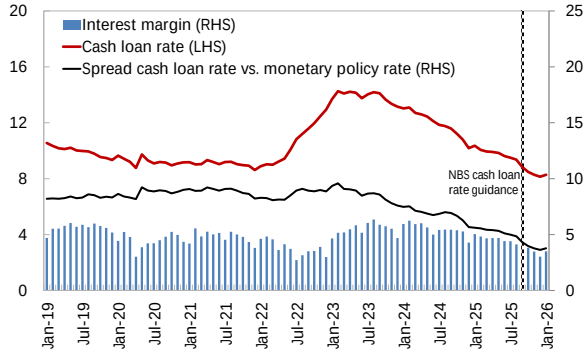


2. Both supply and demand factors appear to have supported an accelerated rate of consumer lending.

- Consumer credit supply has been characterized by better borrowing conditions for households. Interest rates on (chiefly dinar-denominated) cash loans have declined from a peak of 14 percent in mid-2023 to 8 percent by end-2025, far surpassing 75 basis points of cuts to key monetary policy rates over the period. Despite an improving funding environment for banks, interest margins have compressed, reflecting NBS supervisory guidance to lower interest rates on cash loans and intensifying competition in the banking sector, including from more active state-owned financial intermediaries and from private banks seeking to increase lending volumes to stabilize profits amid declining lending rates.

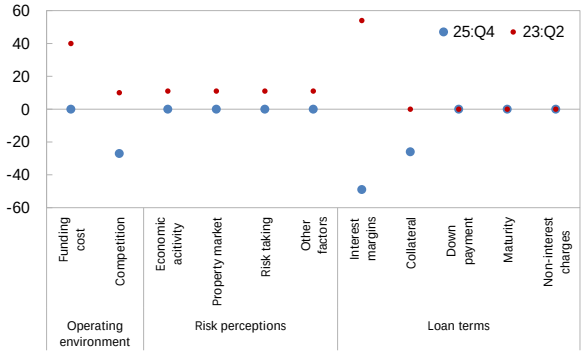
- Consumer credit demand has benefited from better employment prospects and robust real wage gains, with households channeling proceeds to consumption and to the refinancing of existing loans on more favorable terms.

Serbia: Cash Loan Rates and Bank Interest Margins
(Percent, LHS; Percentage points, RHS)



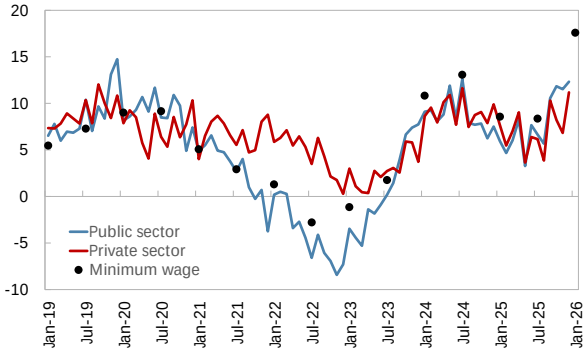
Sources: NBS and IMF staff calculations.

Serbia: Household Loan Supply Drivers
(Net balance, percent, negative=easing)



Source: NBS.

Serbia: Real Wage Developments
(Percent y/y change)



Sources: SORS, Eurostat, and IMF staff calculations.

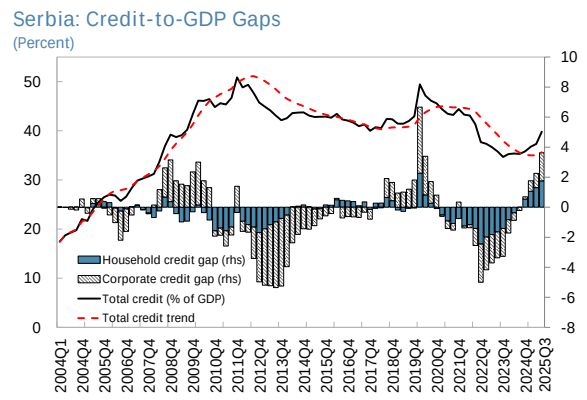
Serbia: Household Loan Demand Drivers
(Net balance, percent, negative=easing)

Source: NBS.

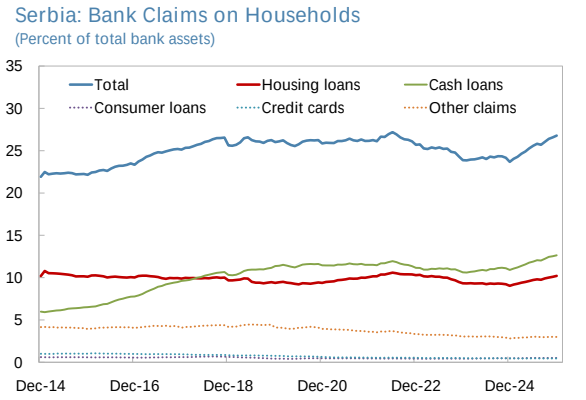
B. Financial Stability Risks Appear Contained

3. Buoyant consumer lending growth has contributed to a widening credit gap, but household finances appear comparatively sound. The credit gap has risen to about 4 percent of GDP, close to its historic high, with about half the increase accounted for by household borrowing. Still, the credit gap remains comfortably below the 10 percentage points threshold that is commonly associated with pre-crisis credit expansion rates.[1] Additionally, banks do not appear overexposed to household lending, as its relative size on balance sheets is still aligned with its 2018–22 average. As a share of GDP, household debt is also below most peer economies in the region. Finally, the current stock of consumer credit seems to be far better supported by household incomes and is underpinning a smaller share of private consumption than in late 2020, pointing towards lower, albeit recently increasing, debt servicing and macro-financial risks from consumer borrowing than at the beginning of the decade.

4. The quality of consumer lending has strengthened. Traditionally, most consumer loans were extended at variable interest rates, yet the share of fixed-rate contracts has increased to about four fifths in recent years. Moreover, maturities have lengthened and the share of dinar-denominated credit has been approaching 100 percent. Encouragingly, the distribution of debt-service-to-income (DSTI) ratios (at origination) in the stock of outstanding cash loans is showing some shift towards lower-risk brackets since mid-2023, indicating the positive effects of rising household incomes and/or more conservative lending practices of banks. Nevertheless, higher-risk cash loans with DSTI ratios above 50 percent have also increased, pointing towards possible pockets of vulnerability.



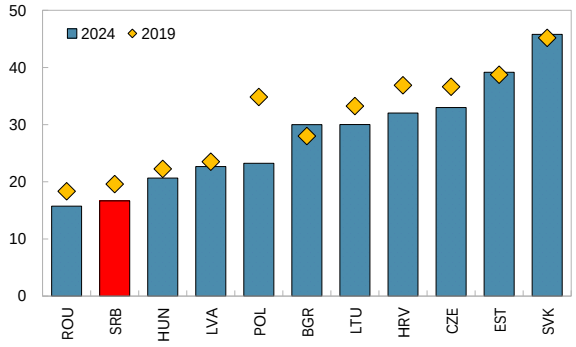
Sources: NBS and IMF staff calculations.



Sources: NBS and IMF staff calculations.

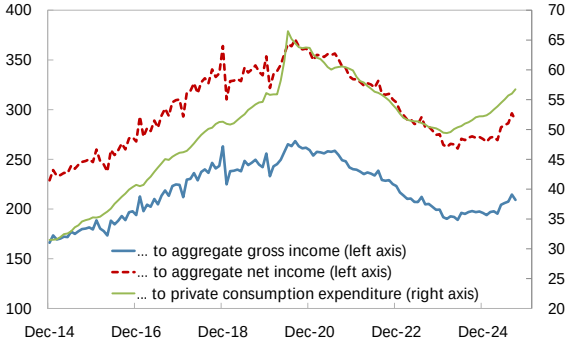
[1] See, e.g., Drehmann and Tsatsaronis (2014), "Anchoring Countercyclical Capital Buffers: The Role of Credit Aggregates", International Journal of Central Banking, Vol. 7, No. 4, pp. 189–240.

Serbia: Household Debt
(Percent of GDP)



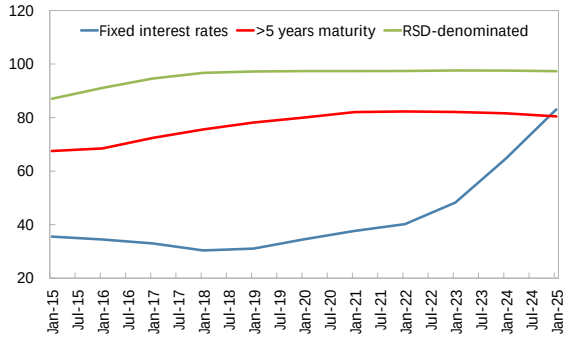
Sources: Haver Analytics and IMF staff calculations.

Serbia: Cash Loans, Consumer Loans, and Credit Cards ...
(Percent)



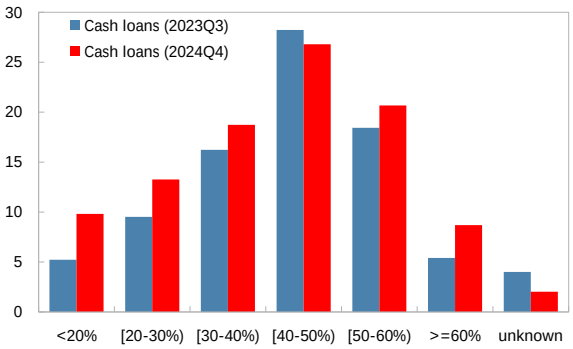
Sources: SORS, NBS, and IMF staff calculations.

Serbia: Structure of Consumer Loans
(Percent)



Sources: NBS and IMF staff calculations.

Serbia: Debt-Service-to-Income Ratios
(Share of total loans, percent)

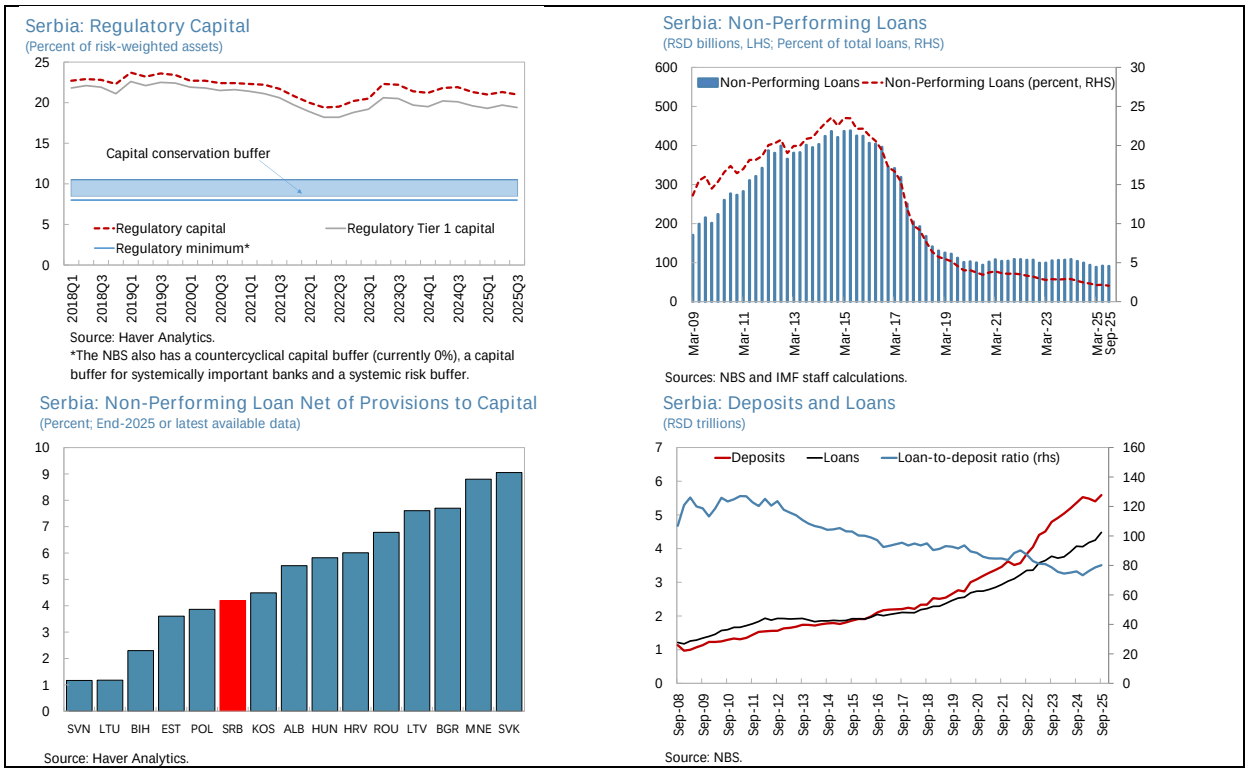


Sources: NBS and IMF staff calculations.

C. The Banking Sector is Resilient

5. The strength of Serbia's financial sector may act as an effective buffer against potential risks from consumer lending. Bank capitalization has remained far above regulatory thresholds for many years, with NBS stress test results indicating a high degree of resilience against even large-scale shocks to household incomes.[2] Even if stress were to materialize, non-performing loan (NPL) ratios have reached historic lows and NPL provisioning appears more favorable than in many peer economies, suggesting scope for a deterioration of consumer credit exposures without systemic consequences for the banking system. Likewise, liquidity risks appear limited as the rise in the stock of loans has been accompanied by a robust expansion of the domestic deposit base.

[2] See, e.g., National Bank of Serbia (2024), "Annual Financial Stability Report", pp. 57–58.



D. Policy Considerations

6. While the growth in consumer lending since mid-2023 does not seem to be a cause for immediate concern, the segment's dynamism calls for close monitoring and analysis. Generally, credit for consumption purposes is carrying higher risks than other forms of household lending, such as mortgages. Collateralization is usually weaker and recourse to other assets is more limited, giving borrowers a stronger incentive to renege on debt servicing obligations and raising losses for banks in the event of default. Additionally, consumer credit is mostly facilitating consumption smoothing and frequently used by lower-income households, leaving it supported by more volatile cash flows than mortgage loans. Lastly, the tightness of borrower-based measures in Serbia appears more lenient than in other European countries, in particular the DSTIs that are of most relevance for consumer loans.

Annex IV. Table 1. Serbia: Borrower-Based Macroprudential Measures for Credit Growth and Leverage in EU

Measure	ALB	AUT	BEL	BGR	CZE	EST	FIN	FRA	GRC	HUN	HRV	IRL	LVA	LTU	MKD	MNE	MLT	NLD	POL	PRT	ROU	SRB	SVK	SVN
Debt-service-to-income (DSTI, percent)		40	50	50	50	50	60	35	40-50	60	40-45		40-45	40	50	50	40			50	40	60	60	50
Debt-to-income (DTI, ratio)			9		8.5-9.5								6–8										8	
Loan-to-value (LTV, percent)		90	80-90	85	90	85-90	90		80-90	90		70-90	70-90	70-85	80	80	75	100	80-90	80-90	85	90	90	70-80
Loan-to-income (LTI, ratio)												4												
Loan maturity (year)		35		30	30	30	30	25					30	30	30		40	40	35	40		30	30	
Loan amortisation																								
Stress test/Sensitivity test																								

Source: ESRB.
Note: Loan amortization is a macroprudential tool that requires minimum amortization rates for high LTV/LTI loans, ensuring more rapid deleveraging. Stress/sensitivity tests require lenders to perform a stress test for each (usually mortgage) loan, generally to interest rate shocks.

7. Acknowledging the possibility of emerging systemic financial sector risks from a widening credit gap, the National Bank of Serbia (NBS) has activated the CCyB. Tightening the CCyB is a welcome step to lock-in additional releasable capital that could cushion a future downturn in the credit cycle. At the same time, the CCyB is a macroprudential policy instrument that is too broad to target growth of a specific segment of the credit market and is unlikely to be binding in an environment of highly capitalized banks. Consequently, the NBS should assess alternative macroprudential measures to address potential risks from buoyant consumer lending and stand ready to deploy an appropriate mix of policies once warranted. Specifically,

- The NBS should make maximum use of the information available in Serbia's credit registries to gauge the soundness of consumer borrowing. For instance, information about borrower incomes should be exploited to identify whether high debt service loans are skewed towards more vulnerable households, important for financial stability and consumer protection concerns, and to help with tracking any deterioration in debt servicing capacity at an early stage. Likewise, analyzing the purpose of a loan can elucidate the existence and quality of collateral that may contribute to cushion loan losses in the event of default. Where data gaps exist, measures should be taken to improve the comprehensiveness of credit records.

- The NBS should reconsider its supervisory guidance on cash loan rates. Against a backdrop of already rapidly growing consumer lending and shrinking bank interest margins from intensifying competition, steering borrowing rates below market equilibria, even if motivated by socio-economic reasons, appears unwarranted. It is also prone to weaken monetary policy transmission as consumer loans are the only credit segment that is almost exclusively denominated in dinar, as opposed to mortgages that are largely indexed to foreign exchange and corporate loans where about three quarters are denominated in or indexed to foreign exchange.

- The NBS should explore options to set additional capital charges against (risky forms of) consumer lending. For example, a sectoral systemic risk buffer could create further space to absorb potential losses should the quality of consumer loan portfolios deteriorate. Higher risk weights or stricter provisioning requirements, possibly calibrated on the basis of DSTIs, may have similar effects. Still, such instruments, while strengthening the resilience of the financial system, are unlikely to materially affect lending decisions or the supply of credit due to the high capitalization rates of the banking sector.

- The NBS should investigate the scope to amend and recalibrate its current setting of borrower-based measures. DSTI caps are generally considered an effective tool to reduce the risk of loan default as they directly link a borrower's debt servicing burden to her or his income. Moreover, DSTIs also appear well-suited to rein in credit growth.[3] Employing granular and detailed credit

[3] For instance, Malovana et al. (2025) suggest that tightening DSTIs has a much stronger effect on bank lending than tightening loan-to-value (LTV) ratios. See Malovaná, Simona, Martin Hodula, Zuzana Gric, and Josef Bajzík (2025), "Borrower-Based Macroprudential Measures and Credit Growth: How Biased is the Existing Literature?", Journal of Economic Surveys 39, pp. 66–102.

registry information to perform rigorous stress testing of bank exposures would support the adequate calibration of macroprudential policy instruments to lean against an undue build-up of systemic banking sector risks.

Appendix I. Program Statement

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

Belgrade, May 28, 2026

Dear Ms. Georgieva:

Serbia's economy is expected to remain resilient despite headwinds from the challenging global environment. While growth slowed in 2025, we expect it to recover over 2026–27. Unemployment remains near historic lows and inflation is within the National Bank of Serbia's (NBS) tolerance band. Despite an elevated current account deficit driven by higher global petroleum prices and imports related to our infrastructure program, foreign exchange reserves remain ample, ensuring that we have no balance of payments needs. The financial sector is sound, well regulated, and closely monitored. Fiscal revenues remain robust, and we are committed to maintaining fiscal deficits within the limits agreed under the PCI, consistent with public debt remaining on a downward path. Public investment related to EXPO 2027 and broader infrastructure priorities will support future growth. We remain committed to safeguarding Serbia's energy security, macroeconomic stability, and fiscal sustainability during this period of petroleum price shocks and geopolitical tensions.

To continue leveraging the IMF's support for Serbia's macroeconomic and financial stability, we request completion of the Third Review under the 36-month Policy Coordination Instrument (PCI) approved on December 9, 2024. The PCI supports our efforts to maintain fiscal discipline while creating space for public investment and priority social spending, and advances our structural reform agenda, including fiscal-structural reforms. In support of this request, this Program Statement outlines our objectives and 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.

We reaffirm our commitment to a rules-based, market-driven economy as a cornerstone of macroeconomic stability and sustainable growth. In this context, we will not, without prior consultation with the Fund, introduce or intensify administrative or supervisory measures that directly affect private sector price or interest rate formation, including price caps, margin controls, and interest rate ceilings or floors. We will also not, without prior consultation with the Fund, introduce or expand government-sponsored credit or credit guarantee schemes.

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 Third Review under the PCI. We therefore authorize their publication and posting on the IMF website, subject to the 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 2026–27. 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 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 economic performance is expected to remain resilient, despite a challenging global environment.

- Growth. Growth is expected to increase to around 3 percent in 2026, from 2 percent in 2025. The external environment remains challenging, dampening demand from major trading partners and weighing on consumer and investor sentiment. At the same time, economic activity will be supported by robust gains in household disposable income, accelerated public investment ahead of EXPO 2027, continued expansion of manufacturing export capacity, and signs of a rebound in agricultural output. The outlook remains subject to significant downside risks, particularly amid unusually high uncertainty surrounding the war in the Middle East and its impact on global commodity markets.

- Inflation. Headline inflation has remained below our 3 percent target since September 2025. Despite the full phase-out of margin and price controls in March, inflation remained contained at 2.8 percent year-on-year, while core inflation stayed elevated at 4.2 percent. Looking ahead, core inflation is expected to decline only gradually amid persistent service price pressures, while higher energy costs will add to headline inflation. At the same time, a cautious monetary policy approach, government measures to cushion the impact of higher fuel prices, and a favorable outlook for food prices, reflecting a strong start to the agricultural season, are expected to keep average annual inflation close to target in 2026. Nevertheless, upside risks to inflation remain relatively high amid an unusually uncertain global environment.

- Balance of payments. The current account deficit widened to 4.9 percent of GDP in 2025, as a decline in the services surplus and a widening primary income deficit more than offset higher remittances and a smaller goods deficit supported by stronger automotive exports. Amid heightened global and domestic uncertainty, net FDI inflows fell from 5.6 percent of GDP in 2024 to 2.6 percent of GDP, portfolio outflows emerged, and the activation of sanctions on NIS increased FX demand, contributing to a decline in gross international reserves to €29.0 billion at end-December 2025. These pressures have since abated, and gross international reserves stood at €28.2 billion at end-April 2026. The current account deficit is projected to widen further to about 6 percent of GDP in 2026, reflecting higher energy imports related to the war in the

Middle East, EU steel import restrictions, the import intensity of infrastructure investment, and still-elevated dividend repatriation, while FDI inflows are expected to remain impacted by continued global and domestic uncertainty. Despite these pressures, reserves—which we continue to strengthen through regular gold purchases on the domestic market—are projected to remain at comfortable levels throughout the projection horizon.

- Fiscal. Prudent fiscal policies helped keep the general government deficit at 2.4 percent of GDP at end-2025, below the program ceiling despite disruptions related to the activation of sanctions on NIS. The main drivers of this overperformance included resilient personal income tax and social security contributions, slower-than-expected capital expenditure outlays, and restrained goods and services spending. On financing, we issued our first triple-tranche Eurobond in April 2026, underscoring strong investor demand. The issuance comprised two euro-denominated bonds—a €1 billion five-year at 4.25 percent, and a €900 million twelve-year at 4.875 percent. The twelve-year tranche was issued as a green bond to support investment. The ten-year dollar-denominated Eurobond was issued in the amount of USD 1.25 billion, we also hedged its obligations into euros and achieved an effective euro coupon rate of 4.66 percent.

3. Serbia continues to face considerable risks. The war in the Middle East has intensified concerns about the security and cost of energy supplies. Negotiations on the divestment by current shareholders are showing promise, but until they conclude, U.S. sanctions macro-critical oil company NIS remain unresolved. A flare-up of political tensions ahead of upcoming parliamentary and presidential elections could weigh on economic activity. A further widening of geopolitical conflicts could disrupt trade links, weaken external demand, and intensify disruptions in global commodity markets. At the same time, the 2026 agricultural season presents upside potential and could support growth while helping to dampen food price 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 is supported by our continued commitment to prudent macroeconomic policy and ambitious structural reform. The PCI adds to our resilience by enhancing economic policy credibility.

Economic Policies

A. Fiscal Policies

5. We are committed to fiscal deficits of no more than 3.0 percent of GDP over 2026–27 and to the special fiscal rules on public wages and pension indexation. To strictly support the 3.0 percent cap on fiscal deficits we will further prioritize public investment should that become necessary. We have also, during 2026, implemented across-the-board cuts of current and capital expenditure across the public sector of about 1–2 percent. For 2026, we are targeting 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 increased pensions by 12.2 percent in December 2025,

consistent with special fiscal rule indexation formula, bringing expected pension spending to 10.6 percent of GDP in 2026.

6. In response to the energy price shock stemming from the war in the Middle East, we implemented several temporary measures. We intend to phase these out or refine them in a timely manner as the economy adjusts and the global energy outlook evolves.

- In March 2026, we introduced a temporary 20 percent reduction in fuel excise duties, followed by an additional and since removed further 5 percent cut in April-May, with an estimated fiscal cost of about 0.06 percent of GDP per month. We also released 70,000 tons of petroleum products from strategic reserves to supplement imports; while this carries no immediate fiscal cost, replenishment costs will depend on prevailing oil prices at that time. These measures have helped smooth the path of petroleum price increases for businesses and households, supporting a more gradual macroeconomic adjustment to the shock. Under the baseline scenario, where oil prices remain broadly at current levels, we intend to phase out these measures by July 2026 to avoid prolonged energy subsidization and accommodate their cost within the programmed fiscal deficit ceiling of 3.0 percent of GDP through reprioritization of both capital and current expenditure.

- In an adverse scenario of a material and persistent increase in oil prices, additional temporary measures may be needed. These would be time-bound, with clear sunset clauses not extending beyond the end of the upcoming heating season. Options include extending or deepening fuel excise cuts, releasing additional petroleum reserves, subsidizing gas for district heating companies and the most affected businesses, expanding support for energy-vulnerable households, or introducing other targeted social measures. We estimate that these measures could cost up to 2 percent of GDP over the remainder of this year and into early next year. We will seek to accommodate these costs within the program fiscal envelope through further reprioritization of capital expenditure, subject to the contractual and physical limits to delaying ongoing investment projects. As a fiscal anchor and safeguard under the adverse scenario, we remain committed to keeping public debt below 46 percent of GDP by 2027, as envisaged at PCI approval.

7. We are committed to resolving domestic arrears in SOE Roads of Serbia (RoS).

- To underpin arrears reporting and clearance, and following Fund technical assistance, RoS is (i) conducting a comprehensive stocktaking of unpaid liabilities and arrears; (ii) introducing detailed monthly reporting to the Ministry of Finance and the Ministry of Construction, Transportation, and Infrastructure (MCTI) on contractor invoices and outstanding payments; and (iii) preparing a formal arrears clearance strategy. Completion of these three arrears control measures is a Reform Target (new RT, end-July 2026). To strengthen operational oversight, RoS will also establish monthly reporting to the relevant ministries on new work orders.

- To strengthen Roads of Serbia's (RoS) revenue base, we increased highway tolls by 4.3 percent in July 2025, followed by an additional increase on highway sections that include bridges or

tunnels in January 2026. In line with the Law on Fees for the Use of Public Goods, we intend to implement a further CPI indexation of tolls in July 2026. We have introduced tolls for heavy trucks on the Belgrade bypass and intend to extend them to other regional roads. Government's Working Group on Roads of Serbia will also by September 2026 review RoS's operational obligations to ensure their alignment with the company's financial envelope.

- We target a net reduction in domestic arrears in 2026 and 2027, consistent with the June and December 2026 and June 2027 QTs (Table 1a). To the extent that other corrective measures prove insufficient, we will provide transfers from the Republican budget to Roads of Serbia and other budget beneficiaries to ensure compliance with the programmed arrears reduction path.

8. We have engaged external consultants to perform comprehensive assessment of the financial position in the City of Belgrade. The report will cover current financial position, key financial risks, and financial projections for next three years. We expect the consultants to present their initial report by September 2026, so that it can inform financial planning and strengthen decision-making ahead of the upcoming budget cycle.

9. Our financing remains well diversified, and sovereign bond spreads stable. We plan to meet financing needs through a mix of domestic and international market borrowing, loan agreements, the use of government deposits, and continued borrowing from international and bilateral partners, while increasing the share of dinar-denominated debt to over 30 percent. General government debt declined to 44.7 percent of GDP at end-2025.

10. 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). Pensions 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. Should such support become necessary due to the energy price volatility, it will be provided transparently through the budget, consistent with deficit limits, and we will reassess SOE and energy sector policies accordingly.

11. 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

12. We continue enhancing public financial management (PFM).

- We have completed and published a comprehensive actuarial analysis of the Serbian pension system (end-March 2026 RT, met). The analysis indicates that the current pension rule keeps the system sustainable through 2070, with pension spending projected at around 10 percent of GDP. The ratio of the average pension to the average wage is projected to decline from 46.5 percent to 38.6 percent over the analysis horizon, conditional on a return to positive net migration, in line with the experience of other countries following EU accession, We plan to expand this work to include an assessment of long-term health spending needs. Following completion of this broader analysis, we will consider amending the Budget System Law to incorporate regular updates of actuarial pension and health projections into the budget process.

- 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 expenditures. In the planned revision of the Budget System Law, we intend to make the tax expenditure report a regular annual publication.

- Building on the recommendations of the IMF's Fiscal Transparency Evaluation (FTE) from February 2025, we have improved the medium-term budget framework presentation in the Budget documentation to show revenue, expenditure, and financing outturns for the two preceding years and projections for the two subsequent years (end-June 2026 RT, met). 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 exploitation, annual key project and financial data on public-private partnership projects (PPPs), and annual fiscal data on government-SOE relations (end-June 2026 RT). We have clarified in the Budget System Law certain provisions related to contingency reserves and will consider in the future articulating more explicit criteria for allocation of reserves and in year reporting on the use of reserves. We also intend to start publishing data on government deposits. The budget participation e-portal for citizens has become operational in 2025H2.

- We are enhancing the budgeting and accounting electronic system SPIRI. Since 2026, budget execution for all indirect budget users has been conducted through SPIRI, and a commitment registry has been established and will be updated regularly, including for capital projects. We will analyze options to strengthen pre-approval before commitments are entered into, including by linking commitments to validated invoices through unique approval numbers and enhanced reporting that would provide an integrated view of commitments, liabilities, and arrears, thereby supporting early monitoring and reducing the risk of arrears accumulation.

- The phased rollout of the central electronic public wage and employment registry, Iskra, is well advanced and strengthens planning, execution, and oversight of wage spending. It currently covers direct and indirect Republican-level budget users—including the judiciary, culture, social affairs, education (excluding higher education), health—and local self-government units, including preschools and cultural and social welfare institutions. Remaining public employees, including those in the Ministry of Defense, Ministry of Internal Affairs, the Security Information Agency (BIA), and higher education, will be integrated by 2029, subject to available funding.

- We have implemented the 2023–25 Action Plan for Improving the Medium-Term Budget Framework (MTBF). Consistent with this plan, we adopted a budget baseline methodology in May 2025 and applied it in the 2026 budget cycle to assess fiscal space in the outer years of the MTBF. Going forward, we will further strengthen the methodology to help line ministries distinguish more consistently between baseline spending and new policies.

- We will assess options to strengthen arrears control within public administration and among indirect budget beneficiaries. The current survey-based arrears data collection lacks precision due to its manual nature, low update frequency, reliance on self-reporting, and incomplete coverage of expenditure categories. To improve accuracy and coverage, we will explore the use of existing electronic databases—including the Central Invoice Registry System (CIRS), the e-invoicing system, and SPIRI—to develop a more reliable framework for monitoring and reporting unpaid liabilities and arrears. Material arrears will be audited and cleared based on published criteria.

- The Public Financial Management Reform Program (PFMRP) 2026–30, with an accompanied Action Plan for the period 2026–28 was adopted in May 2026 at a session of the Government of the Republic of Serbia. The Program is based on the findings of the World Bank's PEFA assessment and the SIGMA recommendations within the framework of the assessment "Principles of Public Administration 2024".

- We are implementing World Bank-supported methodologies to strengthen monitoring of fiscal risks from SOEs, local governments, litigation, and natural disasters, while addressing shortcomings in the quality and timeliness of data. We will continue expanding the scope and depth of disclosure on realized contingencies and emerging fiscal risks in line with the budget cycle.

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

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

- The Ministry of Finance is preparing, in consultation with the IMF, World Bank, and EU, a Roadmap to strengthen the public investment management (PIM) institutional framework, with dated milestones and action steps. The Roadmap will set out measures to enhance secondary legislation by expanding the PIM Decree to better integrate different types of public investments, including projects of special importance to the Republic of Serbia and public-private partnerships.

- In this context, we will strengthen the institutional framework for public investment management to improve project appraisal, prioritization, and oversight. Major projects (exceeding the €20 million threshold set in the 2023 Decree on Capital Projects) will be subject to stricter appraisal requirements, including the introduction of standardized cost-benefit analysis templates and the disclosure of underlying costing assumptions to the Ministry of

Finance before submission to the Capital Commission for ranking and possible budget inclusion. Planned reforms will also refine the Commission's prioritization criteria, strengthen monitoring of cost and time overruns, and deepen the assessment of maintenance costs for medium-term budgeting. This work program will be anchored in the next revision of the Decree on Capital Projects (new RT, end-July 2027).

- To strengthen the efficiency and transparency of public investment management and mitigate fiscal risks, including by reinforcing the gatekeeping role of the PIM Department, we will continue working with Fund technical assistance (TA) to develop graduated approval requirements for projects to progress from the idea stage (Form 1) to the proposal stage (Form 2) and readiness stage (Form 3), based on standardized cost-benefit analysis for major investment projects. This framework will support a unified project pipeline with standardized procedures for ranking and monitoring ongoing and future public investment projects (excluding PPPs at this stage), with any exceptions quantified and regularly disclosed. We will also establish a framework to monitor cost overruns for projects exceeding €20 million and implement it in the PIMIS/SPIRI application starting in 2027. In parallel, we will develop a unified framework for traditional public investment projects and PPPs to support efficient choices between traditional PIM procurement versus PPP investment modalities.

- We will consult with the IMF on ways to better integrate infrastructure maintenance needs and related operational costs into medium-term budgeting and request Fund TA to develop costing methods across economic expenditure categories, including capital spending, to better incorporate maintenance and operational costs into capital projects and the capital budget.

- The Public Investment Management Information System (PIMIS) was rolled out at the Republican level in 2024, and we plan to extend its use to local and provincial levels in 2027. We will also strengthen integration between PIMIS and the budget system SPIRI by incorporating SPIRI project identification codes into PIMIS and aligning financial information across the two systems.

- 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. In March 2026, we commenced the annual publication of 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, met).

- 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 (end-June 2026 RT). This would align the PPP Law with the June 11, 2015, Memorandum of Economic and Financial Policies under the 2015 SBA.

- We recognize that the effectiveness of public investment management reforms in improving asset allocation and achieving value for money depends on ensuring that new public investment

projects are assessed through this system. We plan to engage with the IMF on this matter well ahead of the next investment cycle, scheduled to begin in 2028.

14. 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 ongoing implementation of the recently acquired commercial off-the-shelf (COTS) IT system. We will continue tackling this through a comprehensive strategy outlined below:

- Since late 2024, STA has launched nine recruitment rounds and filled 433 positions. Several selection processes remain ongoing, reflecting lengthy government recruitment procedures, and we expect additional hires once these are completed. However, no new recruitment rounds were launched in 2026 due to delays in the Ministry of Finance's approval of the new wage rulebook supporting the recently adopted STA job systematization. To address the risks this poses to the STA's recruitment program, the Ministry of Finance and the STA will agree on, and the Ministry of Finance will approve, the STA wage rulebook by end-May 2026.

- We have amended the Law on Tax Procedure and Tax Administration to allow STA to audit and serve taxpayers outside their region of residence, which would also enable consolidation of STA operations into a lower number of branches.

- To speed up recruitment processes at STA and in public administration more broadly, the Ministry of Public Administration and Local Self-Government (MPALSG), in consultation with relevant stakeholders, will identify, by end-June 2026, the necessary administrative or legislative changes to enable electronic delivery of recruitment rejection decisions, ahead of the full introduction of the HRMIS IT HR management system.

15. We continue advancing broader revenue administration reforms.

- The Ministry of Finance is on track to implement an IT solution to provide the STA with summary data from the e-invoicing system for the preparation of pre-filled (informative) VAT returns starting in 2027 (new RT, end-December 2026), with the objective of strengthening VAT compliance and increasing VAT revenue.

- By end-July 2026, the STA will prepare a report for the Ministry of Finance identifying measures to raise the collection rate on tax assessments. Measures to be considered include strengthened risk-based audit targeting; greater focus on larger taxpayers with capacity to pay; prioritizing more recent tax periods to shorten audit times and increase the likelihood of collection; and closer coordination between audit and tax-debt units to secure assets early.

- STA will strengthen its Unexplained Wealth Sector (UWS), targeting about one audit per auditor per year (around eight annually at current staffing). Six UWS decisions are currently under second-instance appeal; once these are resolved, the Ministry of Finance will prepare a report on the reasons for repealed assessments, and the STA will implement corrective measures to strengthen the robustness of future assessments; in parallel, the Ministry of Finance will

introduce measures to ensure that second-instance appeals are resolved within 90 days. By end-September 2026, the Ministry of Finance and the STA will consider amendments to the Law on Origin of Property and the Special Tax to prevent the alienation of assets during appeals, and propose to the Government regulations on the storage and security of UWS data.

- STA is integrating the COTS IT system into its operational processes.
- To enhance compliance and transparency, the STA published in 2025 a list of large tax debtors (over RSD 20 million) and will update it annually.
- Ongoing reforms will incorporate recommendations from the updated Tax Administration Diagnostic Assessment Tool (TADAT) assessment.

C. Energy Sector Policies

16. We are taking steps to resolve U.S. sanctions on the NIS oil company. The continued operation of the NIS-owned Pančevo refinery is macroeconomically critical for Serbia. The OFAC license for crude oil imports by NIS has most recently been extended until June 16, 2026. We are closely monitoring negotiations between the existing NIS shareholders and prospective buyers and expect them to conclude before the expiration of the license in a manner that would allow for the removal of U.S. sanctions. Should these negotiations prove unsuccessful, we will take the necessary executive and legislative measures to resolve the situation in a way that would allow for the removal of U.S. sanctions. In the event that the Serbian state was to acquire shares in NIS, such an operation would represent a below-the-line acquisition of financial assets and not affect the headline fiscal deficit.

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

- Tariffs. We are committed to regular inflation-linked indexation of household electricity tariffs and intend to propose the next indexation by end-2026. We also plan to review the current block tariff structure and outline reform options by end-August 2026.
- Affordability. We will continue using block tariffs that offer lower electricity prices below a set consumption threshold. Our expansion last year of the program to support energy-vulnerable consumers from 75,000 to 195,000 beneficiaries strengthened the safety net. The total cost of the program to support energy-vulnerable consumers is RDS 3.3 billion. We may consider further widening, through the use of fiscal resources, the energy vulnerable support program in an adverse energy price scenario.
- SOE reform. We aim to accelerate the implementation of the Elektroprivreda Srbije (EPS) restructuring plan, including by commencing personnel optimization in support functions by early 2027. To improve the operational efficiency of Elektrodistribucija Srbije (EDS), we have

engaged external consultants to prepare an EDS restructuring plan, which we intend to adopt by end-June 2026. We will continue publishing the financial statements of EPS and Srbijagas.

- Governance. The November 2025 Decree on Criteria for Defining Salaries or Remuneration for Company Bodies, together with the 2012 Law on Maximum Public Sector Salaries, had the unintended effect of preventing EPS from fulfilling its contractual remuneration obligations to members of its supervisory board. We intend to resolve this irregularity by end-June 2026, in accordance with applicable Law and Decree. Having a fully functional supervisory board, including independent international external members, is critical to strengthening EPS's governance and to preserving recent improvements.

- Energy non-payments. EPS and Srbijagas will continue monthly reporting on the top 50 debtors by the stock (total overdue amounts) and the flow (12-month increases) of receivables. Non-payment undermines social fairness and energy security and, given that many non-payers are SOEs, represents quasi-fiscal deficits. As higher energy prices may exacerbate these risks, the Ministry of Finance will consider options, including engaging external consultants, to analyze the drivers of overdue receivables and identify steps for their resolution.

- Public energy investments. As EPS and EDS are proceeding with major investments, we will systematically prioritize the most cost-effective investment projects to preserve their financial sustainability and reduce fiscal risks.

- Private energy investments. We will be facilitating private energy investments, including in renewables. To address bottlenecks in the permitting for solar installations that may be hindering uptake, the Ministry of Energy will identify key constraints in the current permitting process and, in consultation with relevant stakeholders, including MCTI and EDS, prepare by end-August 2026 a time-bound action plan to streamline procedures, reduce administrative burdens, and support increased deployment of solar systems.

- Gas supply and diversification. We intend to ensure continued gas supply to Serbia in 2026 and beyond through existing supply arrangements, our gas storage capacity, diversification of supply—including increased purchases from Azerbaijan and use of the EU joint gas platform—and by prioritizing investments in gas interconnectors with North Macedonia and Romania.

- Continency planning. State-owned reserves of oil and refined petroleum cover about 63 days of imports, and we will aim to expand that to 90 days when conditions permit. Gas reserves of about 600 million cubic meters are sufficient to meet demand through October, given lower consumption during the summer period, and could extend further if disruptions occur later in the year.

18. To prepare for the EU's Carbon Border Adjustment Mechanism (CBAM), we have adopted new Laws on the Carbon Tax and on the Import Tax on Carbon-Intensive Products. These laws introduce a domestic carbon tax and an import tax of €4 per ton of emissions above the technological minimum, effective January 1, 2026, and to be collected starting in 2027. To support

emissions-reducing investment, companies primarily engaged in electricity generation can benefit from a tax credit of up to 20 percent of the value of eligible investment, capped at 80 percent of their carbon tax liability and credited against carbon tax obligations.

D. Monetary and Exchange Rate Policies

19. The primary monetary policy objective is to maintain price stability. Amid an unusually uncertain global environment with relatively high upside risks to inflation, we will continue to closely monitor domestic and international price developments and take policy decisions on a meeting-by-meeting basis, guided by incoming data. We stand ready to tighten monetary policy if inflation settles above the upper bound of the tolerance band, inflation expectations rise, or second-round effects emerge, and will continue to communicate clearly the transitory impact of the March phase-out of margin and price controls to support the anchoring of inflation expectations. Under the PCI, inflation developments are 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 causes and appropriate policy measures. The center point is set at 3.2 percent for end-June 2026 and 5.0 percent for end-December 2026. The relevant inflation indicator is the 12-month change in the end-period CPI published by SORS.

20. Preserving the relative stability of the dinar against the euro remains an important pillar of our policy framework. We used our ample FX reserves to address depreciation pressures arising from strong FX demand, including from dividend repatriation, energy imports, and uncertainty around the resolution of NIS in 2025Q4. FX supply was also weaker, reflecting slower FDI inflows and services net exports. As a result, gross international reserves declined by €286 million to €29.0 billion at end-December 2025. Depreciation pressures persisted in the early months of 2026, but we resumed net FX purchases in April 2026, ending the month with gross international reserves at €28.2 billion. We remain committed to maintaining net international reserves well above the program's NIR floor of 100 percent of the ARA metric.

21. 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

22. Serbian banking system is sound. Serbian banks are well capitalized with average capital adequacy ratio of about 19.5 percent as of March 2026, liquid, and profitable. NPLs are low, at 2.1 percent as of February 2026. Dinarization of deposits and receivables increased to 45.0 percent and 39.7 percent by March 2026, respectively.

23. We are strengthening the regulatory and supervisory framework and financial infrastructure.

- Consistent with EU best practice, we have established a Bank Resolution Fund (BRF) and started collecting its ex ante contributions from banks in 2026. At the same time, we have correspondingly reduced the Deposit Insurance Fund (DIF) premiums and implemented a risk-based premium calculation to reduce the 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 our stance, including by tightening borrower-based measures, should developments warrant.

- Payment services under the EU's Single Euro Payments Area (SEPA) have become available for Serbian banks on May 4–5, 2026, reducing cross-border transaction costs and providing faster and more efficient transactions.

- We will let the supervisory guidance on reducing interest rates on unsecured consumer loans and mortgage loans introduced in September 2025 expire as planned in September 2026.

24. We are monitoring the developments under the mortgage guarantee scheme for first-time young homebuyers. We have expanded the scheme by another €300 million given its strong take-up (about 75 percent of the scheme's current envisaged €600 million was used by February 2026).

25. We continue ensuring soundness and strong oversight of state-owned financial institutions.

- We will continue adhering to the August 2016 Government Conclusion on Banka Poštanska Štedionica (BPS) to exit the medium and large corporate lending business, limit its lending to SOEs to a total amount less than the amount of public sector deposits at the bank, and focus on serving the retail and SME markets. We continue closely monitoring credit risks in the bank, including those related to the recent expansion of lending under the mortgage guarantee scheme and unsecured consumer lending. We are committed to consulting with the IMF in advance in case of any strategic changes to, or material expansion of, BPS activities.

- We are committed to consulting with the IMF in advance of any material expansion of the activities of the Development Fund (DF) and the Export Credit and Insurance Agency (AOFI).

F. Structural, Product Market, and Governance Policies

26. We have phased out price and margin controls on food and household essentials (end-February, 2026 RT, met). We adopted in Parliament in April 2026 three new laws—on Trade, Consumer Protection, and Trading Practices for Certain Goods—incorporating the feedback received from the EU.

27. 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.

28. We will cover the top managers and board members of Republican SOEs by the asset declaration regime starting from 2027. We will amend the Anti-Corruption Law by end-2026 to achieve that objective (new RT, end-December 2026).

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

- Serbia achieved strong results in the Sixth Round MONEYVAL Mutual Evaluation Report adopted in December 2025, with a significant level of effectiveness assessed in 7 of 11 areas. The remaining four areas—related to supervision of the non-financial sector, financial intelligence, and terrorist financing prevention and investigations—received a moderate effectiveness rating. Serbia was placed under regular monitoring, the best possible outcome following a MONEYVAL mutual evaluation.

- We will ensure timely implementation of all AML/CFT-related EU directives and regulations, in line with FATF standards and EU deadlines. We will continue strengthening supervisory and enforcement capacities to address evolving risks, while the NBS will maintain on- and off-site inspections focused on high-risk non-residents, cross-border financial flows, and virtual asset service providers.

Program Monitoring

30. 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		2027
	End-Dec.			End-Jun.			End-Dec.			End-Jun.	End-Dec.	End-Jun
	QT	Actual	Status	QT	Act.	Status	QT	Act.	Status	QT	QT	Proposed QT
	CR 24/337			CR 25/176			CR 25/340			CR 25/340	CR 25/340	
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	252.7	met	174.7	342.0	183.0
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	1,781.9	met	999.0	1,967.0	1,023.0
3 Floor on Net International Reserves (in billions of euros) 4/	11.6	21.8	met	11.9	20.2	met	12.8	20.1	met	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	12.0	7.6	met	-1.0	-4.0	-5.0
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	met	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/disputed government obligations with Libya on a 1981 loan.

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. Serbia: 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	Met	Ensuring long-term fiscal sustainability and supporting the credibility of the fiscal rule
3	Annual publication of data on the value of procurement under Special Laws	End-March 2026	Met	Strengthening the transparency of public procurement
4	Ministry of Finance publishes a report on tax expenditure	End-July 2026		Strengthening revenue mobilization and achieving fiscal objectives
5	Ministry of Finance incorporates key fiscal data on two previous and two subsequent years in the Budget documentation	End-June 2026	Met	Fiscal transparency and medium-term budgeting
6	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		Fiscal transparency and accountability
7	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		Strengthening fiscal discipline and managing fiscal risks
8	Roads of Serbia completes three measures: (i) conduct a comprehensive stocktaking of unpaid liabilities and arrears; (ii) introduce detailed monthly reporting to the Ministry of Finance and the Ministry of Construction, Transportation, and Infrastructure on contractor invoices and outstanding payments; and (iii) prepare a formal arrears clearance strategy.	End-July 2026	New	Strengthening fiscal discipline and managing fiscal risks
9	Ministry of Finance implements IT solution to provide STA with summary e-invoice data for VAT purposes	End-December 2026	New	Strengthening revenue mobilization and achieving fiscal objectives
10	The Government adopts the amendments to the Decree on Capital Projects to enhance public investment project prioritization and transparency, and to improve governance of project selection.	End-July 2027	New	Strengthening fiscal discipline and managing fiscal risks
	Other—Structural Reforms			
11	The Government allows the margin caps for food retailers and wholesalers expire, as per the currently stated intention	End-February 2026	Met	Effective product market functioning and overall macroeconomic policy credibility
12	Amend the Law on Prevention of Corruption to bring SOE top managers and board members into the asset declaration regime starting in 2027	End-December 2026	New	Strengthening governance and controlling fiscal risks

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.