

Jorgovanka Tabakovi: Instant payments, global inspiration

Speech by Dr Jorgovanka Tabakovi, Governor of the National Bank of Serbia, at the opening of the conference "Instant payments, global inspiration", organised by the National Bank of Serbia, Belgrade, 6 March 2024.

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Ladies and gentlemen,

On the brink of a new era, we have gathered at the conference themed "Instant Payments, Global Inspiration" to jointly embrace the future of innovative types of payments that is approaching us at a fast pace. As the Governor of the National Bank of Serbia, I have not only the honour and privilege, but also a deeply personal responsibility to open this gathering, which is a reflection of our shared commitment to creating a more inclusive, accessible and efficient economic environment.

Critical for the development of the economy, as well as of the payment ecosystem, are stable and predictable business conditions, echoed by the movement of macroeconomic indicators. Despite the challenges posed by global uncertainty, the National Bank of Serbia carefully weighed its decisions and gradually tightened its monetary policy stance in the fight against inflation, using all instruments on hand, and has thus contributed to the preservation of the country's overall macroeconomic stability. Regardless of the multidimensional crisis – the pandemic, the energy crisis and the situation in Ukraine, even in conditions when many developed countries are struggling with recession, we have managed to maintain economic growth and record employment gains. Since peaking in March last year, inflation has been on a steady downward path and we expect it to continue down going forward. The fall in inflation was largely aided by monetary policy with a measured but well-timed increase in interest rates, which also had a favourable effect on the stabilisation of inflation expectations. Early last year, when double-digit inflation rates were recorded, I pointed out repeatedly that at the end of 2023 it will be at a twice lower level – and that has come true. The strong fall in inflation continued this year as well. In January, y-o-y inflation declined further, to 6.4%, fully in line with our nowcast model. Our estimate is that inflation slowed down further in February, to around 5.5% y-o-y. We continue to keep a close eye on domestic and international factors, ready to take additional measures if necessary.

For more than a decade, the National Bank of Serbia has maintained the stability of the exchange rate through well-timed and unbiased interventions in the FX market in either direction, which contributed not only to lower core inflation, but also to preserving confidence in the business and investment environment. A stable exchange rate is the key ingredient to monetary and financial stability in Serbia and plays an important role in creating a favourable environment for citizens and businesses. The National Bank of Serbia remains committed to maintaining high FX reserves as the foundations of the country's resilience to external shocks and to safeguarding the stability of the dinar as the pillar of macroeconomic stability.

Our activities have ensured the reliability of all six payment systems that we operate, as well as the safety and efficiency of execution of payment transactions in those systems.

At this moment, apart from the standard account to account transfer, instant payments are also used for the payment of bills by scanning the NBS IPS QR code, payment in physical and internet points of sale and transfer of funds via a mobile phone number. We provided to households and corporates an extremely simple model of paying their monthly bills by scanning the NBS IPS QR code via mobile banking applications on the bills issued by providers of utility and other services. We enabled the execution of instant payments on points of sale via different methods (IPS show, IPS scan), thus giving a chance to merchants to offer at their points of sale a new, modern instrument allowing funds disposal within seconds, at lower fees, and to independently prepare solutions tailored to their needs. We gave the opportunity to citizens to simply execute instant payments via mobile banking applications, just by entering the mobile phone number of a registered payee or selecting it from their phonebook, without bothering to remember templates or write down or enter the payee's account number.

In other words, rather than just dealing with money in its basic form, a traditional task of institutions such as ours, we are stepping up and modernising the financial future of our country, so that each and every citizen has the opportunity to participate in the digital economy with ease and certainty.

I recall the day when first ideas about instant payments were no more than an outline on paper, a dream of faster and safer payment in every situation. That outline has long become the reality of the Republic of Serbia and a part of our everyday habits. The possibilities of cashless payments that we will consider at this conference reflect our wish and determination to continue to exceed the average speed of positive change in the world, because we have proved we can do it. And as we do it, we also signpost the way and serve as an example for many countries around the world. The National Bank of Serbia receives compliments from institutions such as the European Central Bank, International Monetary Fund, World Bank, while many countries from different continents asked to learn from us and we generously provided our help.

In light of Seneca's wise words: "If one does not know to which port one is sailing, no wind is favourable," I am thinking about the journey undertaken by the NBS. This quote reflects the very essence of our efforts: to have a clear vision and goal ahead of us. It is precisely this clarity of direction that has enabled us to turn each challenge into an opportunity and each effort into a step towards success. It took time, patience and unremitting commitment to achieve what we have today – a Serbia which is on the map of global leaders in innovation.

In the digital world where borders are disappearing faster than ever it is our responsibility to Serbian citizens to make clever use of the technological development. To integrate new opportunities and raise the standard of security and reliability in financial exchange.

Innovation is what differentiates a leader from a follower. All of us here today have the opportunity to change things and introduce new products and services, but responsibility goes hand in hand with this.

By trimming interbank fees, we directly reduced the costs for merchants, facilitating their decision to accept payment card payments. In addition to the NBS IPS system, I

must also mention our DinaCard and numerous activities to develop the national card system. It is an important pillar of independence of the national payment system. In a sound way, it contributes to the profitability of accepting card payments, wider availability of payment services, all of which has a direct positive impact on further economic development and the reduction of the grey economy in Serbia.

As the central bank, we feel a connection with each individual whose life we can make better. And I also believe that we share with you a vision where payment services are not a privilege, but the right of each man. For centuries we have lived in a region where we are often at a crossroads, where our decisions and actions take place in a more or less dramatic context or circumstances. And this is not likely to change. But our doubts and hesitations today will always be the greatest impediment to our achievements tomorrow. For this reason, we need to move forward and have great confidence in ourselves and our abilities. I have personally always trusted in the power of innovation and progress. I did not begin my career in the world of finance, but in the very heart of education, where the seed of all great ideas is most often born. A passion for knowledge and learning continues to guide me to this day, and I am aware that the only way forward is through constant improvement and advancement, sometimes even despite the changes brought by the future.

For this reason, as we are working to enhance our instant payment system – the NBS IPS system, let us also recall the words of Miloš Crnjanski: "To the future we should go. All happier nations look to the future and go towards it." May our joint work not turn into a mere record in the history of payment innovation. May it be a bright example leading the generations to come, evidence that once vision, innovation and cooperation are joined together, there are no limits to what can be achieved. Thank you for being here today, not only as conference participants, but also as partners in shaping this future.

Ready to create a better future for Serbia together with you, a Serbia which is a part of the world and not looking at anyone's back but at the progress of its future generations, I extend my warm greetings and thanks.