

## Jorgovanka Tabakovi: Industrial policy supporting Serbia's long-term economic growth

Speech by Dr Jorgovanka Tabakovi, Governor of the National Bank of Serbia, at the 33rd Kopaonik Business Forum, Kopaonik, 2 March 2026.

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For those who do not know me – I am Jorgovanka Tabakovi, Governor of the National Bank of Serbia, now in my fourteenth year in that role, but above all a Serbian woman and a citizen of this country, wishing to remind you all, in a particular way, that fifteen days ago we marked the Feast of the Presentation of the Lord – Serbia's Statehood Day and Constitution Day – and, above all, to remind all of us who we are. For everything we do stems from who we are.

*It is easy to be the descendant  
of the glorious and the brave  
To carry a surname and glory  
upon one's chest like decorations  
But each of us is bound, in heart  
and in our deeds,  
to preserve the honour of our ancestors  
and to remind our descendants  
of the meaning of endurance.  
For what else do we have, and what remains behind us,  
if we forget who we are?  
How much sacred blood lives in us, in the dust  
of our homeland from which we were made  
How much glory, the honour of Serbian soldiers and peasants,  
and imperial crowns, the wisdom of geniuses we carried across the world,  
with a heart as great as God's mercy watching over us,  
the mercy that keeps the Serbian soul alight,  
so justice within us may never fade,  
so the knight within the Serb may never sleep.*

Never forget, especially in these difficult times, who we once were, who we ought to be, and what we leave to the generations that come after us.

And there is a proverb, a piece of folk wisdom, that speaks about dogs but in truth speaks more about people: "If your dog barks at you, someone else is feeding it." This is not a proverb about dogs, but about the times we live in – times in which, until recently, we spoke of a single conflict, and today of many conflicts, while we are expected to function as though everything were normal.

As I approached the lectern, I asked my colleague, Vice Governor Ana Ivkovi, to enlarge on her phone the date on this folder that I have kept for a long time and that is also connected to the history of our forums and to the story of industrial policy. Here – on this folder, I noticed quite by chance a small metal plate engraved with the words "Merkur 1926". For those who may not know, the women's handbags and leather goods

factory "Mercur" was founded in 1926 in Baka Palanka. It employed 1,300 workers and was a leader not only in the former Yugoslavia but also in Europe. The then First Lady carried its products around the world, promoting one of Serbia's industries. When did its decline begin? It began with the breakup of the state. That is why we speak today of reindustrialisation and industrial policies. And that is why I began my remarks by reminding us of who we are – let us not forget who we once were, how capable we are, and how much we can achieve.

Many times in life, everything has seemed almost hopeless, and yet life has unfailingly returned to normal. Never the same normal – but normal nonetheless. What is destroyed can be rebuilt; what is broken can be repaired. Only people remain permanently damaged by the behaviours they have experienced outside the bounds of normality, normality understood as living in accordance with natural laws and cycles, and in harmony with divine laws. That is why the greatest loss for humankind, and for each individual, is precisely the realisation that we are losing that element of normality. Especially for those to whom unnatural states offer the illusion of fulfilment.

This is how I began my address last year at the conference "Investments in Focus: Global Trends, Local Responses." The theme of this forum is similar, as are its participants, while global conditions are becoming increasingly complex. For years now, including in this very place, I have spoken about changes in the global economic and political order, and about the new economic reality that is taking shape. Not about a new order, but about a new reality.

### **What are the conditions in which we operate?**

- Major structural shifts, including accelerated development of artificial intelligence, are permanently reshaping the way global trade, investment and financial markets function. This is not necessarily negative, but it does require adaptation.
- We are working in an environment whose common denominator is uncertainty. So-called global uncertainty indices reached extreme levels last year and were again on the rise in mid-February this year.
- We are witnesses to sanctions imposed in the fields of energy and finance, which in itself speaks to their importance for the national security and sovereignty of every country.
- In times of disorder, or better to say in the absence of order, only the one who created that disorder may know, or maybe even not, who will suffer and who will survive.

### **The key question is how to move forward and what our responses should be. As always:**

1. Proactive, not reactive policy.
2. Diversification of investments, markets and sources of financing.
3. A focus on the long term and on the sustainability of growth.
4. Cooperation at the domestic, regional and global levels.

And let us not forget: just as it is important to make the right decision, it is equally important to avoid the wrong one. The greatest risk is not the shock itself, but an incorrect response to it.

**(Slide 2)** The good news is that we have maintained stability in Serbia even in such conditions.

**Among other things, we have:**

- a relatively stable exchange rate of the dinar against the euro,
- a stable and resilient financial sector, of which I am particularly proud, and
- record high FX and gold reserves, which serve as a buffer against external shocks and sudden changes in the financial market.

Maybe these is not news for you, but it is a precondition for good news.

**I will single out several figures for 2025:**

1. Inflation measured 2.7% at end-December and was within the target band, where we expect it to stay in the medium run as well.
2. Exports of goods and services reached record EUR 48 bn.
3. The goods export to import cover ratio of 92% was by 25 pp higher than in 2012.
4. We have record gold holdings valued at EUR 7.5 bn, which account for over 25% of total FX reserves. I will return to this point later.
5. Dinar savings continued growing last year. In fact, they rose by 8%. Our most recent analysis of the profitability of dinar and FX savings confirms that over the past thirteen years, dinar savings have been more profitable than FX both in the short and long term.
6. Credit activity has supported growth, with investment loans to the corporate sector increasing by 12.8% and housing loans to citizens rising by 19%.
7. The share of non-performing loans is at its lowest level, 2.1%.
8. For the first time, almost full coverage of the average consumer basket by the average wage, and of the minimum consumer basket by the minimum wage, has been achieved. This represents an increase of about 35 pp in coverage compared to 2013.
9. We have maintained investment grade rating with Standard & Poor's and are just half a step away from that rating with Fitch.

I have presented only a few points, and I let everyone make their own conclusions.

After the introduction, I will address four topics:

1. The first topic is developments in 2025;
2. The second topic is the February projections of the National Bank of Serbia;
3. The third topic is the importance of overall macroeconomic stability and predictability; and
4. The fourth topic is the challenges and opportunities in the coming period.

Let me start with inflation.

**(Slide 3)** At the end of last year, inflation in Serbia stood at the mentioned 2.7%, and in January this year at 2.4%, which is within the target band of the National Bank of Serbia.

- Such outcome was also supported by the implementation of the Government of the Republic of Serbia's decree, which for six months limited wholesale and retail trade margins to 20%.
- Another piece of good news is that for more than ten years, inflation in Serbia has been comparable to inflation in countries of the region running the same monetary policy regime.
- Another positive development is the slowdown of core inflation during 2025 to a level of 4%, with a reduced contribution from both services and goods, confirming the weakening of inflationary pressures.
- Altogether, this has ensured that both short- and medium-term inflation expectations of the financial sector remain anchored within our target band of 3±1.5%.

**(Slide 4)** When it comes to policy responses, let me remind you that the key policy rate is our main instrument, but it is not the only one. Last year, we also made use of the flexibility of our monetary framework and prudential measures to support more favourable financing, particularly for citizens with lower monthly incomes and for the purchase of a first property.

- We systemically regulated the maximum interest rates on different types of household loans, so that the rates reflect market conditions while preventing sudden sharp adjustments.
- I will reiterate that credit activity has supported growth, with investment loans to the corporate sector increasing by 12.8% and housing loans to households rising by 19%.

**(Slide 5)** We maintained the relative stability of the exchange rate of the dinar against the euro in 2025.

- To be quite precise, the exchange rate changed by mere 0.2% and I will get back to that later.

We have also maintained gross FX reserves at a high level by all measures, despite increased demand for foreign currency since the end of last year.

- FX reserves, which cover 6.8 months of imports of goods and services, remain well above adequacy standards.

We have continued to increase our gold reserves as well.

- We currently hold 53.4 tonnes of gold, valued at EUR 7.5 bn, which accounts for over 25% of gross FX reserves.
- Gold has become an instrument of monetary sovereignty, resilience and trust, and our investment strategy is tailored to conditions of pronounced systemic risks in the global financial market.
- That is why I am surprised when I see a headline claiming that we "boasted about our gold reserves and now what". What could have prompted such a headline? Is it because of short-term fluctuations in the precious metals market, which are yet another sign of pronounced uncertainty and volatility in commodity and financial markets? And I ask myself, how can anyone be – there is no milder word –

malicious when it comes to gold reserves, which represent security, safety, and a country's reputation? In the face of such a headline, I pose the question: What does the state mean to some people?

- For the sake of accuracy, last year the price of gold increased by 65%, and so far this year by an additional approximately 20%. Extending the observation period back to 2012, we have increased the quantity of gold more than three and a half times, and its value more than twelve times, confirming the soundness of our investment strategy.

**(Slide 6)** As for movements in the real sector, economic growth slowed to 2% last year, after measuring 3.9% in 2024, due to the elevated geopolitical and geoeconomic uncertainty, and socio-political developments in the country. Why avoid acknowledging what we see is happening around us? Also, the sanctions imposed on the Serbian Oil Industry (NIS) resulted in the absence of any significant push to growth at the end of the year. You all know how large the direct and indirect impact of shutting down production is, as well as of the uncertainty of production and other uncertainties in relation with NIS – let us not underestimate that.

- Still, the key sources of investment and consumption remained at a high level.
  - As for investment sources, the share of government capital expenditures remained high at around 7% of GDP. Financing from own sources also continued, as did financing through credit activity. Though lower, FDI inflows also continued.
  - As for sources of consumption, their growth was facilitated by the preserved formal employment of the private sector and further real growth in wages and pensions. Just like with gold, I am also surprised by statements that "every now and then we have wage growth that is then eaten up by inflation." If it were so, then we would not be having high and real wage growth! I would remind you that for the first time we also have almost full coverage of the average consumer basket by average wage and the minimal consumer basket by minimum wage, which is around 35 pp above the level from 2013!
  - When it comes to the country's external position, the FDI inflow was lower compared to the record year of 2024, but it remained diversified and predominantly channelled to tradable sectors. According to FDI Intelligence's "Cities and Regions of the Future" report from 2025, several Serbian cities have been ranked among the most attractive destinations for FDI.
- In terms of cross-border trade, goods export in 2025 rose by 8.7%, driven by the manufacturing industry, with the highest contribution coming from sectors associated with the automotive industry.
- As for services, export of information and communication services kept the two-digit growth rate, with the 30% share in the total export of services.
- As to proposals to support exports by allowing the dinar to depreciate and thereby increase import coverage by exports, I will provide just a few figures, and let everyone draw their own conclusions.
- From 2017 until end-2025, the NBS was a net FX buyer in the amount of EUR 11.3 bn. I will say it again – a net FX buyer in a considerable amount. This means

that we prevented excessive strengthening of the dinar against the euro. And how could we have let the dinar depreciate. What kind of absurd and artificial activity would we be engaging in if we were to weaken a dinar that is strengthening?

- Next, goods and services export rose from EUR 11.5 bn in 2012 to almost EUR 48 bn in 2025, and in the same period the export-to-import ratio rose by around 25 pp, to 92%.
- I believe that all of these data speak volumes about the justification of the mentioned proposals-

**(Slide 7)** In May last year we became part of the Single Euro Payments Area (SEPA). The good news is that SEPA payments will soon be possible through our banks, and citizens will not have any additional obligations or needs for any special settings.

At the same time, the use of our Dina payment card increased further in 2025 as well.

- The total number and value of transactions are each 16% higher relative to 2024.
- The total number of goods and services payments is 21% higher, with the number of payments at online points-of-sale increasing by 32%.

And this is not mere statistics for us. Today, when even global developments confirm the significance of our national payment cards for our countries' sovereignty, these are particularly important indicators.

**(Slide 8)** Another topic are expectations going forward, and I shall start with inflation.

According to our February projection, inflation will remain within the bounds of the target tolerance band both during 2026 and in the medium term, with a continued contribution of monetary policy measures.

- Given the geopolitical risks and the growing fragmentation in the global market, which could reflect on the prices of primary commodities, value chains and capital flows, we will continue to carefully monitor and assess all movements. The central bank is not "late" if it does not respond momentarily. Often enough, an overreaction is a greater risk than a lack of reaction.

In terms of economic activity, we expect GDP growth to accelerate to 3.5% this year and to 5% in 2027.

- In 2026, growth will be driven by domestic demand, i.e. fixed investments and consumption.
  - Investment growth will be propped by the realisation of infrastructure projects planned within the "Leap into the Future – Serbia 2027" programme.
  - Consumption growth will be supported by the additional increase in disposable income on account of wages and pensions, as well as more favourable credit terms.
- In 2027 we also expect growth to pick up on account of the increased services export, owing to the Expo exhibition, and our Minister of Finance Mr Mali will speak about that.

As for our country's external position, this year we expect the share of current account deficit in GDP to be below 5.5%, based on increased realisation of infrastructure projects and further growth in disposable income. Next year we expect it to drop below 4% of GDP thanks to greater services export and activation of additional export capacities.

- We also expect an FDI inflow of between 4% and 5% of GDP over the medium term. As our companies join global flows and the transfer of new knowledge and technologies, these investments should contribute to an increase in overall factor productivity and the continued gradual shift to sectors with higher gross value added.

**(Slide 9)** Naturally, all projections are accompanied by risks, which is why we do alternative scenarios. Even when we include the estimated effects of risks, we see that the inflation projection this year could differ from the baseline scenario by 0.5 pp in either direction, while with growth, this effect could be 0.2 pp also in either direction.

**(Slide 10)** When we speak about the importance of overall macroeconomic stability and predictability, I have no doubt that all of us here today are aware of the times in which we live and the risks to which we are exposed. Where differences may arise is in the perspective from which we view those risks.

- The majority of you must operate in such conditions.
- A smaller number belong to the group of those who, from a safe distance, explain where we are and how we arrived here. These are advisers without responsibility.
- Some of us have the duty to ensure predictability for business despite those risks. No one knows – nor do we expect them to know – what pressures from the global financial market we face on a daily basis. Our task is to help the economy focus on its core activities rather than on day-to-day movements, for instance the exchange rate or short-term plans.
- I therefore pose a simple question: who is troubled, and why, by the relative stability of the dinar against the euro? The fact is that everyone benefits from a relatively stable exchange rate – businesses, citizens and the government alike. One could say that a relatively stable dinar exchange rate is a public good, as confirmed by late-2025 developments. At that time, certain advocates of allowing the dinar to fluctuate without restriction commented on changes in the second decimal place as if they were shifts capable of destabilising the market. Should I call this hypocrisy or political opportunism? What distinguishes theory from practice is our responsibility for people, growth and development, and social stability. We depend on the conditions of the time in which we live, but above all on the decisions we make and for whose consequences we bear responsibility.
- We must safeguard stability in a challenging and competitive global environment, at a time of faster change than ever across all fields. Without it, even the best-designed investment policies, strategies and other documents cannot deliver sustainable results. Every potentially lost opportunity for growth means additional time and energy needed to return to growth rates of four per cent and above.

For all these reasons, nothing can be taken for granted. Not even peace can be taken for granted – it is not a given, nor the result of luck.

- An old saying goes: Fortune favours the brave or the brave are favoured by fortune. The essence is the same. Fortune is also analysed by the IMF in a paper entitled "Emerging Market Resilience: Good Luck or Good Policies?". The conclusion is as expected: good policies, and strengthened monetary, fiscal and macroprudential frameworks in emerging markets, played a key role during periods of global shocks, contributing to higher growth and lower inflation. Compared with the period before the global financial crisis, progress in these areas contributed on average to 0.5 pp higher economic growth and 0.6 pp lower inflation during the recent global shocks. Serbia was included in the analysis and received the same assessment.
- Another IMF analysis indicates that without structural reforms, fiscal consolidation and sustainable growth, a soaring public debt looms above Europe, possibly approaching an average of 130% of GDP by 2040, and in some countries even go well above that level. That is why the figures the Minister of Finance, Mr Mali, will speak about should not be taken as a given or as something that came about by itself, but as a result of considerable effort.
- Our medium-term fiscal framework confirms the sustainability of public finances and the continuation of the declining path of public debt, which, at below 45% of GDP, is well beneath the Maastricht criteria.

Ladies and gentlemen,

Whether certain events are truly coincidences, or whether coincidences do not exist, I do not know. But I do know that we have learned a difficult lesson: we have an obligation to defend ourselves against all "coincidences" by building buffers and maintaining a long-term focus. I shall conclude by speaking about the challenges and opportunities ahead.

When it comes to climate change, I will repeat that I am not a fatalist. Yes, commitment is essential, but so is flexibility. However much ambitious goals are needed, it is even more important that they be realistic and achievable – adapted to real circumstances, so that they do not remain merely figures on paper to be casually revised.

Regarding the impact of modern technologies and innovation on productivity, let us recall the Solow paradox. There is no doubt that the introduction of computers and IT technologies in the 1970s and 1980s, with a time lag, ultimately demonstrated their full benefits, and only in the 1990s did their impact on productivity growth become clear. I am mentioning this in connection with the so-called artificial intelligence. There is no doubt that the latest technologies can have a positive effect on productivity, but patience alone will not suffice – the outcome also requires sound policies and joint responses.

It is also a fact that it remains difficult to determine to what extent certain changes in the labour market are the result of structural factors and to what extent of the cyclical ones. Analyses indicate that the net effect of the changes brought to jobs by so-called artificial intelligence will be positive overall. Nevertheless, such an outcome requires common global responses to the inevitable labour market changes. This is a task for all of us, and it is something I have spoken about for years.

Last year I also spoke about the growing technological and income gap between Europe and the United States, about the need for integration at the level of the entire European market, about the necessity of deeper analysis of demographic trends, and about new sources of growth – which will mean directing resources towards sectors with comparative advantages in the international market.

Personally, I would like to see greater application of new technologies in agriculture. An economy based on knowledge, innovation and their application in strategic areas such as energy, security and food must be part of the strategy for the new economic reality. Strengthening existing and building new science and research capacities, and linking them closely with the economy, as well as investing in new critical infrastructure such as supercomputers and data centres, form part of our country's response in developing and applying new technologies.

We are all witnessing irreversible, interdependent changes in global politics and economics. I would not be wrong to call them tectonic changes. As I said at the outset, I will not judge whether they are for better or worse, but I will draw a logical conclusion: in every change we must find opportunities for our own progress. The earlier one "boards that train," the more opportunities one will seize.

I shall conclude as I began. The good news is that in Serbia, even amid tectonic changes, we have preserved stability. Among other things, we have:

- a stable dinar exchange rate against the euro;
- a stable and resilient financial sector; and
- record-high FX and gold reserves, which safeguard against external shocks and sudden changes in financial markets.

As I said, these may not be headlines, but they are preconditions for good news. Let us avoid excessive rhetoric and always bear in mind that when your dog barks at you, you should pay attention to who is feeding it – that is your responsibility.

Thank you all. I wish you a successful 33rd Kopaonik Business Forum.