

Jorgovanka Tabakovi: Brave old world

Speech by Dr Jorgovanka Tabakovi, Governor of the National Bank of Serbia, at the presentation of the EBRD Transition Report "Brave old world", Belgrade, 28 April 2026.

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Good morning, everyone!

We are truly fortunate to be able to gather here once again thanks to our dear Mr Matteo Colangeli, the EBRD's Regional Director for the Western Balkans. It is my great pleasure that today we are joined by our esteemed colleague Mr Dimitar Bogov, Regional Lead Economist in the EBRD's Regional Policy and Strategy Department, whom you all remember as the Governor of the central bank of North Macedonia, with which we maintain excellent cooperation. Three governors of the Macedonian central bank changed during my term in office, but Dimitar was the incumbent when I took office at the NBS. It is also a particular pleasure that Mr Ralph De Haas, Director of Research at the EBRD, is with us today. Matteo, I gladly accepted to attend this conference just because of you, as you truly deserve it. Like I always say, people are the institutions. In fact, they are the most admirable face of any institution. Matteo has been that for the EBRD in Serbia and will remain so. I once told him that he is one of the few people whose number I have saved in my phone – along with that of Mr Lev Ratnovski, the IMF Resident Representative in Serbia – which is quite rare, as I do not usually communicate personally with representatives of international institutions in that way. However, the title of the presentation chosen by Mr De Haas for today's event – "Brave Old World" was not selected by chance. I believe Ralph is someone who knows how to read and anticipate events, or to recognise those who have anticipated them, and to say at the right moment that it is time for us to be a "brave old world." I interpret this in my own way: the old world does not mean demographically old, but rather that we should be brave in preserving the old values.

Although we will be speaking about demography and its impact today on production, survival, and progress in society, we must in fact speak not only about numbers, but about the kind of people we are shaping and the values we instil in them. That may be more valuable than all the figures, migration flows, and demographic processes, as well as the well-known saying: "We all want to live long, but no one wants to grow old," which is yet another paradox of our time. Recognising that this is the moment to speak about a brave old world is not something everyone can do. That is why I am glad you are with us. Just as Aldous Huxley was not properly understood in his time – when people were more concerned with who influenced him than with what he was saying – they failed to grasp that the man born on 26 July 1894, had long ago anticipated the realities we are living today. In that sense, we are speaking about the courage to embrace change because delaying change only increases the costs of inevitable adjustments. Why do I say this? From Aldous Huxley to the present day, history and those who have recorded events have established, both intuitively and quantitatively, that recessions have a greater impact on public disappointment than wars. Please take this with you as the key message and conclusion of everything we will discuss: recessions disillusion people more than a war.

That is why we must fight against recessions and why the EBRD is a very valuable partner in Serbia's progress and growth.

In the previous Report, your focus was on industrial policies as an instrument for strengthening economic resilience. The current Report addresses the structural challenges faced by both advanced and developing markets.

The Report to be presented today is not a report on ageing, although the statistics are clear and not encouraging. It provides an overview of economic realities and the profound economic consequences of demographic changes.

Demographic changes affect all key segments of the economy – the labour market, economic growth, and inflation dynamics. Unfortunately, the trends indicate a declining number of workers relative to the total global population and increasing fiscal pressures on those grounds. When the size and structure of the population change, the structure of growth changes as well, requiring strategic responses of economic policy.

To be even more specific: when we speak of demographic changes, economic policymakers generally refer to a declining fertility rate, population ageing, and a shrinking labour force. I see increased life expectancy as a civilisational achievement, and I would like it to be complemented by a higher quality of life and healthier ageing of this brave world. Because people are, and always will be, at the heart of each policy.

I have frequently spoken about demographic changes at the Serbian Davos – the Kopaonik Business Forum as one of the key challenges facing economic policymakers. The fact is that in the years ahead, growth will depend less on the quantity of labour and more on its quality, adaptability and productivity.

Now, I could speak about each of these concepts – quality, adaptability and productivity – as these are precisely the values I insist on. I insist on not just any people, but on people cultivating certain values. Adaptability does not mean constantly changing jobs or endlessly looking for greener pastures under the pretext that staying in one place too long leads to routine.

From the perspective of the NBS, I can say that working at the central bank does not mean losing adaptability. On the contrary, those of us who are part of it and who represent its public face continuously adapt to changing circumstances. That is how adaptability should be understood.

I will say a couple of words about:

- the potential impact of demographic changes on economic growth and stability,
- global differences in this respect,
- potential policy responses, and
- measures undertaken in Serbia.

First, regarding the impact on economic growth and stability, I will single out three areas, underlining that people are not statistics:

1. One economic consequence of a shrinking labour force is lower-than-potential GDP growth, with all the associated repercussions.
2. A frequently emphasised impact is the pressure on pension, social, and healthcare systems.
3. Finally, if demographic changes are not managed appropriately, the demonstrated resilience of the European labour market, partly supported by migration processes, is not something that may be put to test because it is already under strain.

Second, what is also evident in this area is global divergence, that is, differences in the age structure across regions, which I am sure colleagues will elaborate on in detail. In regions with rapidly ageing populations, new sources of productivity growth are being sought and measures are being designed to strengthen social protection systems. On the other hand, regions with relatively young populations must invest significantly in education and job creation in order to avoid instability.

What could be the solutions?

- Investment in technology and artificial intelligence to increase productivity and compensate for labour shortages. This does not mean that advanced technology alone will resolve negative demographic trends. On the contrary. While technological changes increase productivity in some occupations, they may displace workers in others. This is precisely where the key role of policy lies. Helping people adapt more quickly and easily, retrain and remain employed. My guest and I would say that overthinking is counterproductive. In other words, idleness and a lack of work are what truly undermine people. From the central bank's perspective, a productivity-raising transformation has a disinflationary effect and simulates medium-term growth, but only if carried out efficiently.
- One of the answers is also active labour market policies that increase activity and participation rates. It is a fact that in almost all countries there is still significant potential to activate people and integrate them into the labour market and here policies can be an important driver of the necessary changes.
- However, demographic adjustment will not be achieved through public sector action alone. It also requires the active involvement of the private sector as an important driver of adjustment, which entails investment that increases productivity, export capacity, technology, knowledge, and competitiveness.
- In Europe, the importance of migrations for alleviating labour shortages is also emphasised, but they must be well managed.
- Finally, structural reforms that are focused on advancing educational systems and investing in human capital, have no alternative when it comes to effectively managing the demographic transition.

And the list of possible responses does not end there – quite the contrary. However, it is not my role to offer advice on long-term policies, just as we in the National Bank of Serbia are independent in choosing instruments and measures to achieve our objectives.

But what I can and want to say is that, globally, during and after the energy shock of 2022, investment in renewable energy sources accelerated. So-called dirty energy is being replaced with cleaner energy. But, nothing can replace people. That is why I will reiterate that I see investment in productivity growth – one that brings people a higher

quality of life and saves time as a valuable resource – as the key response to the changes we are discussing today. I will not open the question of how that free time will be used or in what way. Where does Serbia stand in this context?

According to the latest EBRD report, Serbia belongs to the group of countries with a moderate population decline of 13% in the period from 1990 to 2023, the key underlying reason being a low fertility rate. Why not say that we have moved from valuing individuality and respect for the individual to a point where freedom is seen as living alone, not starting a family and postponing it beyond the most biologically favourable period for women under the belief that career and freedom cannot go hand in hand? All the women at the NBS are proof to the contrary. For those who may not know, the NBS ranks first in the world in terms of gender equality among 178 central banks as more than 57% of key managerial positions here are held by women. I have been Governor for 14 years, so we may soon find ourselves advocating for men's rights within the NBS. However, on the topic of fertility, I want to emphasise the following: a woman cannot become a mother without a man. In other words, where a woman's role begins and a man's continues and vice versa, but this is not the issue at hand. What matters here is fertility, as well as the institution of marriage, not just the broader discussion of demographic change. Freedom can exist within a healthy relationship between a man and a woman.

In recent years, as the EBRD notes, Serbia has been exhibiting trends that run counter to those seen in most other European countries. And on this point, I will not resort to the impersonal "Brussels-style" phrasing that things simply "happened" on their own – we have made it so that Serbia follows a slightly different trajectory.

Contrary to the European Union's average, where the total fertility rate dropped from 1.54 in 2014 to 1.34 in 2024, Serbia has seen growth in the same period, from 1.46 to 1.64. The divergence in trends in our favour has led to the improvement in Serbia's ranking among comparable European peers, from the 27th place among 36 countries in 2014 to the 5th place in 2024. Serbia is also in the group of countries with the relatively smallest decline in women's employment after childbirth.

The Republic of Serbia has also set up the Council for Family and Demography and is currently developing its first comprehensive Demographic Development Strategy for the period 2026–2036, including the projections until 2050.

Presenting Serbia's Development Programme until 2035, President Vuc highlighted policies aimed at strengthening the birth rate as the first and key priority for our sustainable growth and development. It is a fact that, compared to the period fifteen years ago, there has been a significant increase in financial allocations for families such as:

- parental allowance
- direct financial support to families in proportion to the number of children, and
- subsidies for mothers to purchase their first real estate.

Through measures supporting parenthood, the priority task remains the same: creating an environment where young people see their future in Serbia, stay in Serbia, and start their families there.

Esteemed colleagues,

To wrap up, I would like to point out a few conclusions:

- Demographic changes are slow, but their effects are cumulative and profound, and therefore they must be managed strategically.
- Again, it is a fact that not even favourable demographics on their own are sufficient for the quality development of a society. This brings us back to the question of sound policies and growth strategies.
- We are aware that the demographic trend of population ageing is the result of a range of highly complex factors – from economic and social to cultural and health-related – which is why the responses to these challenges lie in coordinated cross-sectoral action. The central bank cannot directly address demographic changes, as they do not fall within our remit formally. However, we contribute by setting a good example and by helping to create sound monetary and financial conditions that support effective responses to demographic changes.
- And if people believe that stability will endure, it becomes more lasting. When expectations are well anchored, temporary shocks are less likely to turn into persistent inflation. In a world of ageing population, where every percentage point of real income carries increasing weight, preserving purchasing power becomes not only an economic objective but also a social responsibility.
- Therefore, preserving stability, investing in people and fostering productivity growth constitute a unique response to demographic and all other structural changes. Not fear, not improvisation, but the courage to undertake changes, which, if delayed, only increase the cost of inevitable adjustments. Although current conditions place the focus on the shorter term and on measures to overcome them, managing structural changes must remain a priority.
- Finally, faith in people, faith in the human being – is what sustains us in these difficult times. But then again, when has it ever been easy? Yet we have always continued to make progress.

Thank you all. And in closing, I would like to say: if you are raising children and if you yourselves were raised by mothers, never begin with the notion "I can do everything on my own and I don't need anyone," because life is, at its core, a matter of compromise. Compromise not in the sense of negating one's own identity, but in the sense of dialogue and mutual understanding that sustain the family, society, and the state as a whole. We may have policies, resources and research, but if we do not raise people to understand that living alone is not the future, then all other measures will be in vain. It is for that unity and togetherness we cherish at the NBS, and of which I am truly proud, that I also advocate when it comes to demographic policies.

Once again, dear Matteo, congratulations on your new position – it is well deserved!