



National Bank of Serbia

Introductory speech at the presentation of the
Inflation Report – May 2026

Dr Jorgovanka Tabaković, Governor

Belgrade, 13 May 2026

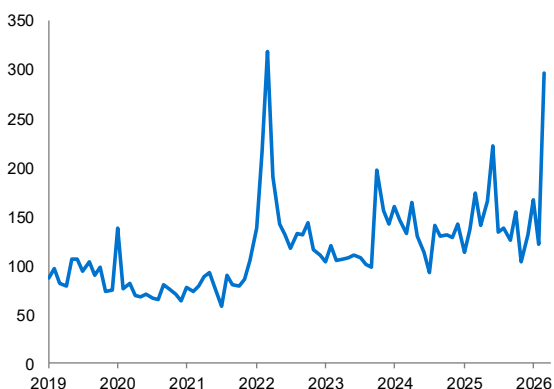
Ladies and gentlemen, esteemed members of the press, dear colleagues,

Welcome to the presentation of our latest *Inflation Report*, during which we will present our estimates of the current macroeconomic developments, expectations for the period ahead, and an explanation of monetary policy decisions taken since the previous *Report*.

The global economy has been operating for an extended period under conditions of exceptionally heightened uncertainty, with no signs of a more durable easing. Shocks have been unfolding one after another – just as it appears that a degree of stabilisation may be emerging, new and unpredictable disruptions arise, once again altering the economic outlook. The latest escalation of the conflict in the Middle East is precisely such an event, having triggered a **strong energy shock** and once again raised questions regarding supply security and movement in global energy prices.

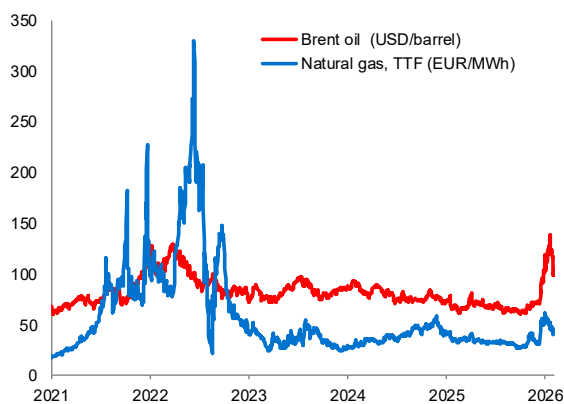
The change in the outlook for economic developments is already evident in the projections of relevant international institutions and central banks – **projected inflation is being revised up, while projected economic growth is being revised down** due to higher energy prices and a decline in real incomes. At the same time, given that risks are pronounced and asymmetric, and that traditional assumptions about future developments are becoming increasingly uncertain, **alternative scenarios** are being developed. These take into account the possibility of further escalation of geopolitical tensions and more persistent inflationary pressures, in order to capture a broader range of possible outcomes.

Chart 1 Global Geopolitical Risk Index
(in pp)



Source: Caldara and Iacoviello (2022); data downloaded from <https://www.matteolacoviello.com/gpr.htm>

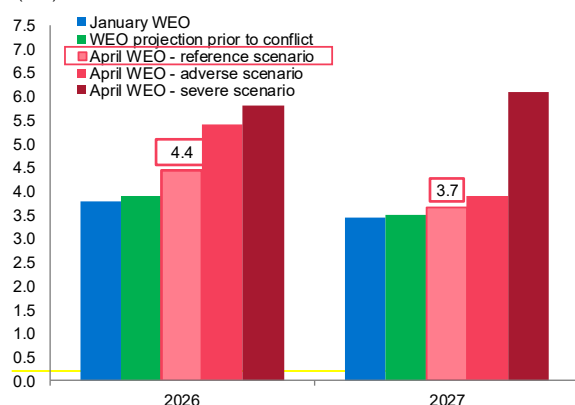
Chart 2 Movement in energy prices



Source: Refinitiv.

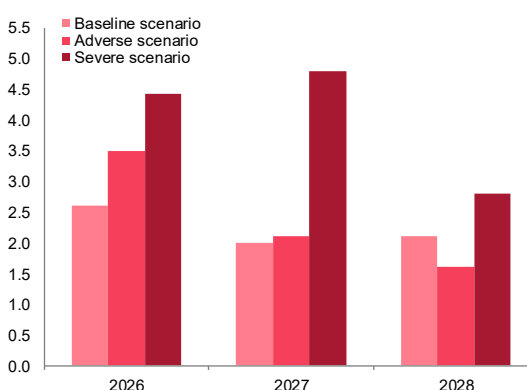
In line with the new circumstances and heightened risks, in April the **IMF** projected higher global inflation, now expected at 4.4% this year, while in the event of a more prolonged and intense shock it could increase further – to above 5% or even 6%. Had the war in the Middle East not broken out, the IMF indicated that it would most likely have revised up its global growth projections in the April report, but under the current circumstances it was compelled to revise them down, to 3.1% for this year under the reference scenario. As regards our most important economic partner, the euro area, projections have also become less favourable than three months ago due to the current energy shock. In March, the **ECB** revised its projections, forecasting average inflation growth in the baseline scenario at 2.6% this year, up from levels around the 2.0% target in the December projection round. Should such inflation growth materialise, it would inevitably reduce purchasing power and consumption in the euro area and, accordingly, slow economic growth to 0.9% this year.

Chart 3 Global inflation projections in three scenarios and comparison to previous projections (in %)



Source: IMF WEO, April 2026.

Chart 4 Euro area inflation projections in three scenarios (in %)



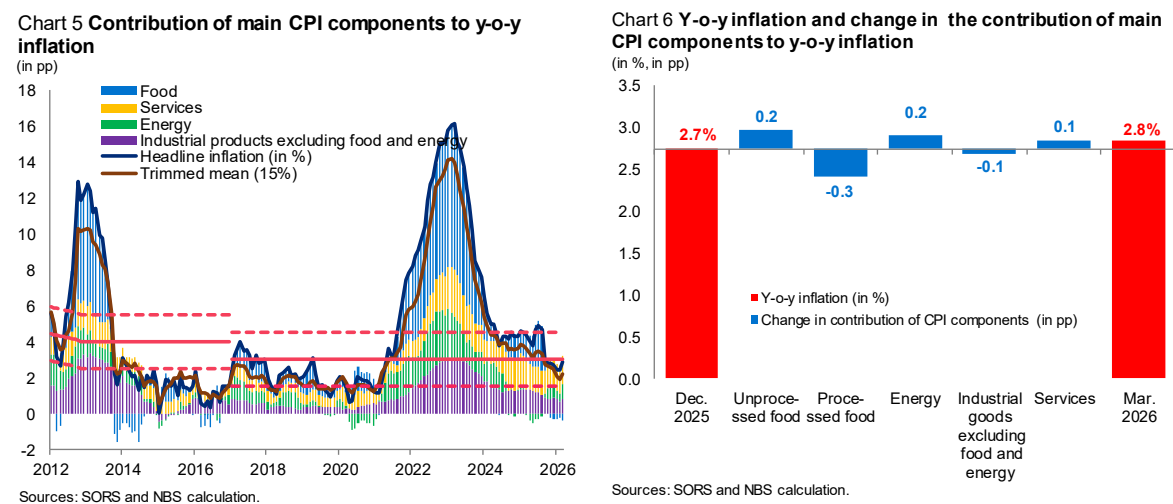
Source: ECB, March 2026.

In such a challenging environment, the NBS conducts a cautious monetary policy and, in cooperation with the Government, strives to preserve macroeconomic stability in Serbia and has been successful in doing so. In the first quarter, inflation has been lower than expected and has been moving below the target midpoint of 3%. The significant increase in global energy prices has so far not been reflected to a greater extent in inflation expectations of the financial and corporate sectors. However, higher energy costs affect inflation not only directly, through higher prices of petroleum products, but also indirectly through increases in the prices of food, industrial goods and services, while higher costs and lower disposable income on this basis will also be reflected in economic growth. Therefore, like other central banks, we

have revised our inflation projection upwards and our economic activity projection downwards compared to our February projection.

I will now turn in more detail to macroeconomic developments, our expectations and monetary policy decisions.

Y-o-y inflation remained below the target midpoint of 3% during the first quarter of this year, which was lower than expected in our previous Report. Thereafter, in April, inflation accelerated to 3.3%, from 2.8% in March, almost entirely as a result of a significant increase in global oil prices and, on that basis, higher prices of petroleum products in the domestic market. Food prices have remained at a lower level than a year earlier, indicating that the expiry of the decree capping wholesale and retail trade margins has so far had no major impact on food price growth. In this way, our expectations have been confirmed that, following the expiry of the decree, **no automatic increase in margins and their return to pre-decree levels should be expected.** The fact that the decree was not extended after February shows that **economic policymakers in Serbia honour their commitments and that the margin cap served as a temporary measure pending the adoption of systemic legislation** aimed at establishing a more durable framework governing relations between producers, suppliers and retailers.

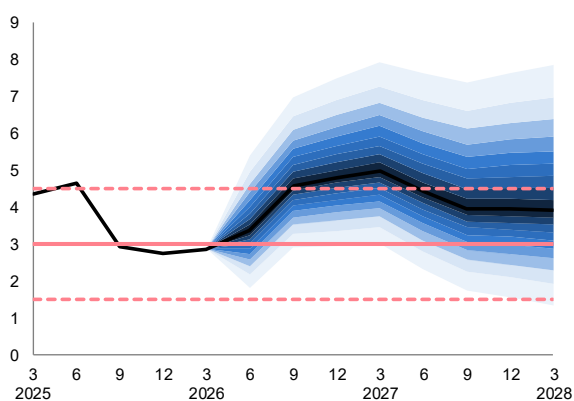


Y-o-y core inflation has been hovering slightly above 4% since the start of this year, driven primarily by increases in service prices. It is noteworthy that, so far, the sharp rise in global energy prices has not generated significant second-round effects on other prices through inflation expectations. Since the beginning of the year, inflation

expectations of the financial sector for two and three years ahead have remained around the target midpoint. The government has significantly contributed to mitigating the effects of the energy shock by implementing measures aimed at limiting increases in domestic petroleum product prices – it reduced excise duties on fuel, supplied the market with diesel fuel from commodity reserves, and banned exports of petroleum products, thereby preventing a more pronounced increase in retail petroleum product prices.

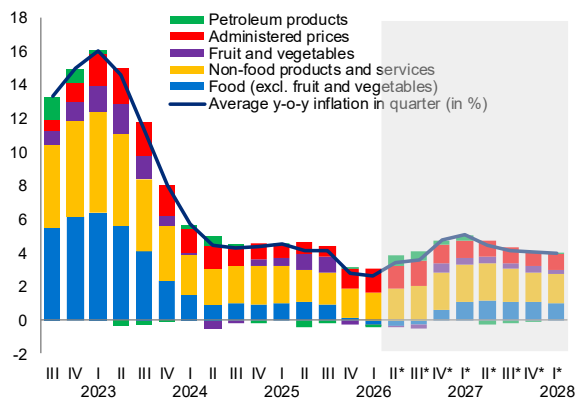
According to our new central projection, inflation will remain within the target band over the remainder of the current quarter and throughout the third quarter. A sharp increase in global prices of oil and other primary commodities, combined with the low base from September last year due to the implementation of the decree capping wholesale and retail trade margins at 20%, will temporarily push inflation slightly above the upper bound of the target towards the end of this year and at the beginning of next. Thereafter, **inflation will decelerate and return within the target band, with average inflation in the second quarter of 2027 projected at the upper bound of the target. We also expect inflation to continue slowing gradually over the remainder of 2027 and to remain within the target band until the end of the projection horizon.** The disinflation process over the coming year will be supported by the still restrictive monetary policy stance, the expected gradual easing of cost-push pressures from the international environment, and the anticipated slowdown in growth of real wages and their closer alignment with productivity gains. Further strengthening of demand anticipated in 2027 due to the hosting of the international exhibition Expo is not expected to generate pressures that would push inflation outside the target band.

Chart 7 Inflation projection
(y-o-y rates, in %)



Source: NBS.

Chart 8 Contributions to y-o-y inflation by component
(average y-o-y rates, in pp)



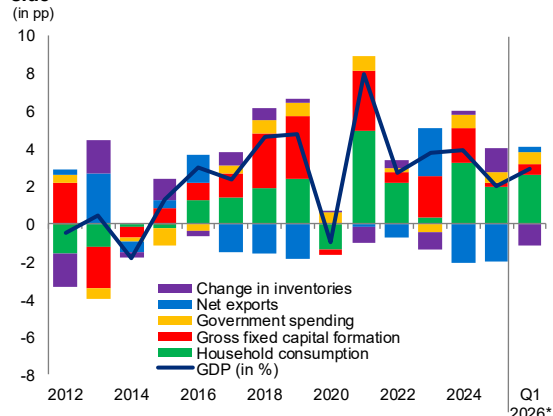
Source: NBS.
* NBS projections.

An important assumption underlying this projection is that the energy shock will be temporary and that, as early as the third quarter of this year, global oil prices – and consequently the prices of other primary commodities – will begin to decline and continue falling until the end of the projection horizon. We have also assumed that the new agricultural season will outperform the last year's, contributing to higher supply of fruit and vegetables in the domestic market. This assumption is also supported by weather conditions observed so far this year, although cereal production will depend crucially on temperature levels and precipitation during the summer months.

According to the preliminary estimate of the Statistical Office of Serbia, y-o-y growth of economic activity in Q1 equalled 3.0%, fully consistent with our expectations in February. Growth acceleration relative to the year before stemmed from the increased activity in services sectors, primarily retail trade, and the recovery of tourism. Industrial production contracted in y-o-y terms, reflecting mainly reduced production of petroleum products in January and the associated lower activity in the chemical industry. The remainder of Q1 saw a considerable rebound in industrial production, mainly owing to manufacturing growth.

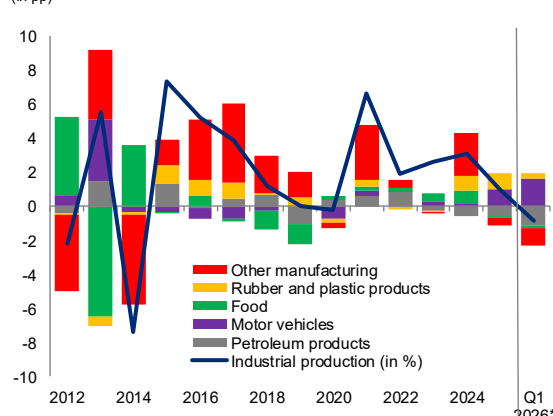
Due to the tightening of geopolitical tensions amid the outbreak of war in the Middle East, our projection of GDP growth for this year was revised from 3.5% to 3.0%. At the same time, due to the protracted impact of global uncertainty on investment confidence ever since the last year, the 2027 economic growth was revised from 5.0% to 4.5%.

Chart 9 Contributions to y-o-y GDP growth rate, expenditure side (in pp)



Sources: SORS and NBS calculation.
* NBS estimate.

Chart 10 Contributions to y-o-y industry growth rate (in pp)



Sources: SORS and NBS calculation.
* NBS estimate.

Our economy is expected to rise at a steady pace in the medium term, around its potential level of around 3.5% annually.

The projected growth of economic activity will be led by domestic demand, with the contribution of consumption and fixed investment, supported by higher disposable income and continued implementation of infrastructure projects within the “Leap into the Future – Serbia Expo 2027” programme. Growth is also expected to be underpinned by exports, which have proven, over and over again – in the face of low external demand, crisis in the European automobile industry and even the last year’s slower FDI inflow – **their resilience based on high diversification by product and geography**. Nevertheless, projections for 2026 include a faster rise in imports relative to exports, amid growing consumption and investment activity, which will lead to a negative contribution of net exports. On the other hand, in 2027 GDP growth will likely receive a positive contribution from net exports, mainly owing to the rise in services exports, associated with the rollout of the specialised international exhibition Expo.

Chart 11 GDP growth projection
(y-o-y rates, in %)

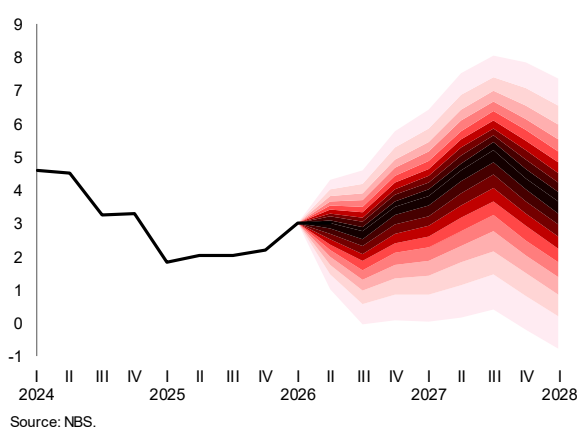
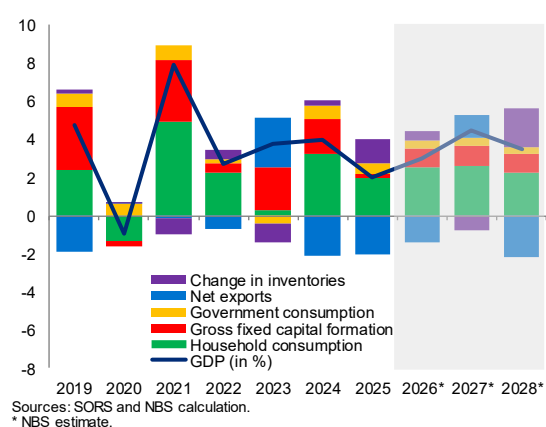


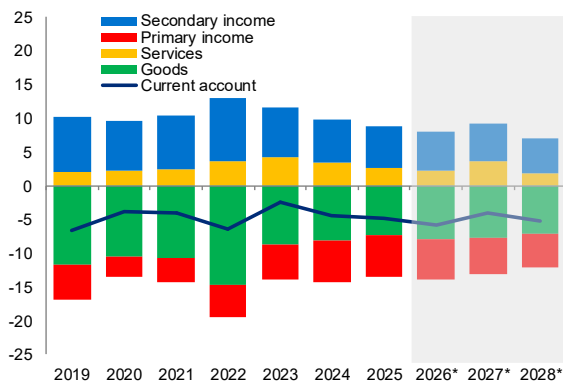
Chart 12 Contributions to real GDP growth
(in pp)



Due to a sharp rise in global energy prices, the current account deficit share in GDP is projected at around 6% this year, with a decline to around 4% in 2027, as a result of the Expo rollout and the rise in tourist and business services. In value terms, commodity exports recorded y-o-y growth of 7.4% in Q1 2026, driven by higher exports of manufacturing, with automobile industry branches being the strongest contributors. Concurrently, commodity imports rose by 3.0% y-o-y, with a positive contribution of equipment imports and reduced imports of intermediate goods, primarily energy and to some extent also consumer goods. This has lowered the current account deficit in Q1 considerably compared to the same period of 2025, to merely 0.8% of GDP.

Heightened geopolitical tensions negatively affect investment confidence, resulting in lower than expected FDI inflow, amounting to EUR 369.3 mn in Q1 this year.

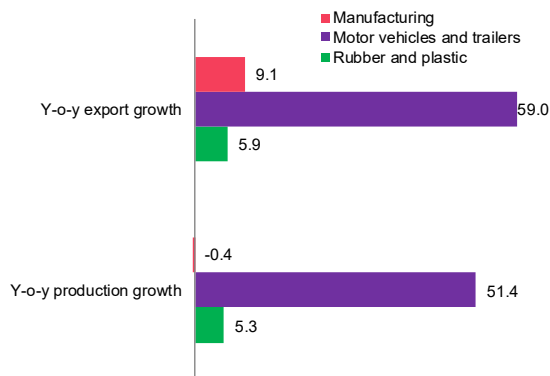
Chart 13 Current account and FDI projection
(in % of GDP)



Source: NBS.

* NBS projection.

Chart 14 Production and exports in Q1 2026
(y-o-y rates, in %)

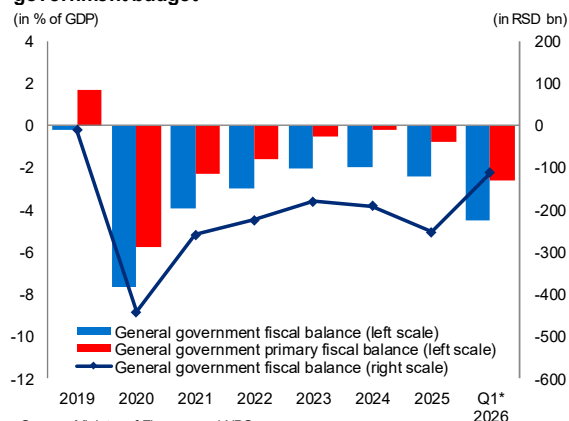


Sources: SORS and NBS calculation.

It is worth noting that, even in such challenging circumstances, we successfully issued eurobonds of different maturities in the international financial market at end-April, in the total amount of around EUR 3 bn, whereby the government ensured financing not only for this year, but also for early repayment of eurobonds maturing in 2027. The issued 12Y bond is a green bond, intended for investment in sustainable development projects in our economy.

Our responsible approach to public finance management is also confirmed by the fact that last year's budget deficit turned out lower than projected. Thanks to this, as well as the higher-than-expected revenues on several grounds since the beginning of this year, the government is in a position to take measures to mitigate the effects of the energy shock.

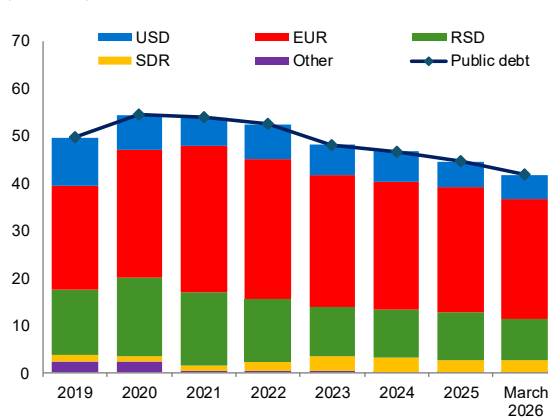
Chart 15 Fiscal and primary balance of the general government budget
(in % of GDP)



Source: Ministry of Finance and NBS.

*Share of projected nominal GDP for Q1.

Chart 16 Public debt (central government)
(in % of GDP)



Source: Public Debt Administration.

Chart 17 RSD/EUR exchange rate and FX interventions

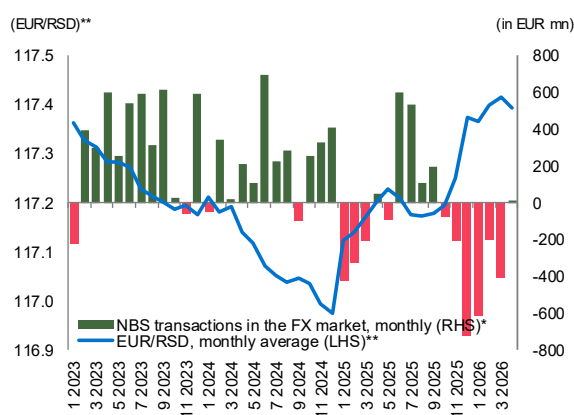
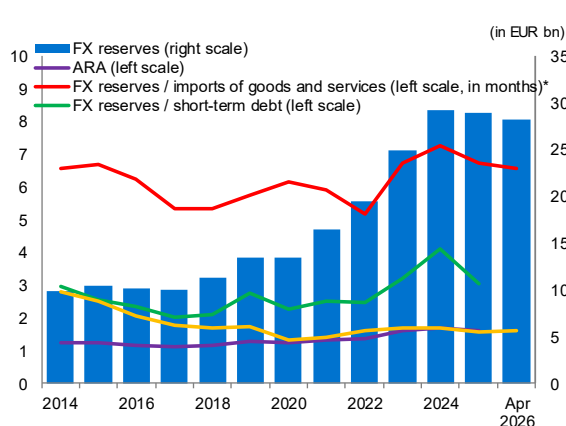


Chart 18 FX reserves and relevant adequacy indicators

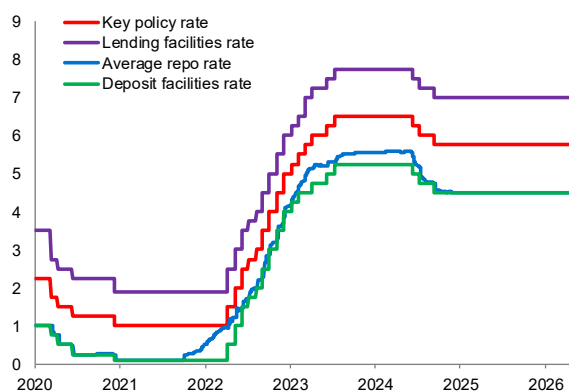


Assuming there is no significant deepening of the energy crisis, we do not expect the fiscal deficit to exceed the planned level this year, nor do we expect to see any major increase in the public debt share to GDP (42% in March).

The heightened global uncertainty and investors' increased risk aversion brought about by the new crisis also had moderate effects on the domestic financial market. Under the impact of increased global uncertainty, as well as the seasonally typical higher FX demand of energy importers at the beginning of the year, depreciation pressures prevailed during Q1. In such circumstances, the NBS net sold EUR 1.2 bn in the FX market. The impact of the seasonal factor has gradually weakened, and as of April the NBS acted also on the purchase side, with the total net FX purchase of EUR 15 mn.

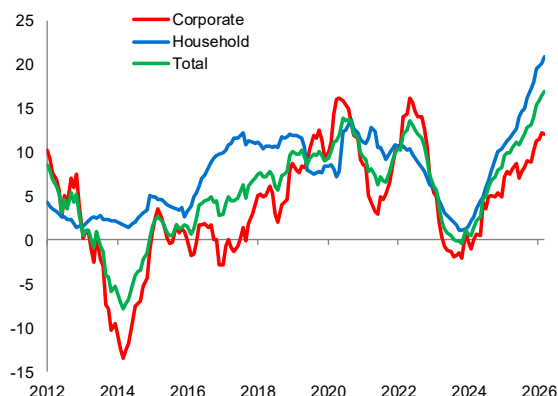
Thanks to the past accumulation of FX reserves, we are able to ensure relative stability of the dinar exchange rate against the euro in conditions of heightened depreciation pressures. At end-April 2026, FX reserves amounted to EUR 28.2 bn, being more than a sufficient guarantee of security and stability for the period ahead – reserve adequacy indicators, such as the coverage of 6.6 months of goods and services imports and around 300% of debt maturing in the following year, point to more than adequate reserves. An additional assurance stems from record-high gold reserves which we continue to strengthen through domestic purchases. They currently stand at 54 tonnes, accounting for around one-fourth of gross FX reserves. Due to the Middle East conflict, gold price volatility increased significantly, but price changes have remained positive since the beginning of this year.

Chart 19 Key policy rate and average repo rate
(in %)



Source: NBS.

Chart 20 Corporate and household lending
(y-o-y growth rates, in %, at constant exchange rate, 30 September 2024)



Source: NBS.

Interest rates on dinar government securities in the domestic primary and secondary markets recorded a slight increase since the beginning of the year, which was also the case with interest rates on new loans to the private sector. Nevertheless, the average interest rate on dinar cash household loans was kept close to the historical minimum recorded in the last quarter of 2025, as a result of enabled favourable lending for lower-income citizens, consistent with the NBS's supervisory expectations. In March, this interest rate equalled 8.3%. At the same time, lending activity to the non-monetary sector continued to accelerate its y-o-y growth, which measured close to 17% in March and was driven by working capital and investment loans in the corporate sector, and by cash and housing loans in the household sector. Alongside the preservation of banks' asset quality, this contributed to the share of NPLs in total loans remaining near its historical low, amounting to 2.09% in March.

In the period since the last *Report* the key policy rate has been kept unchanged. Ever since September 2024, it has stood at 5.75%. We have been aware that caution is called for in monetary policy decision-making, especially since the escalation of the Middle East conflict, which has induced a significant rise in global prices of energy and other primary commodities, and reflected on supply chains and capital flows to emerging economies, including Serbia. **Monetary policy decisions require utmost caution whenever the economy faces supply-side shocks, such as the current energy shock, given that inflationary pressures are higher than expected, with negative effects on economic growth.** Important criteria in decision-making will be the duration and intensity of the global energy shock, as well as the degree of pass-

through to other prices via the inflation expectations channel. In any case, as so far, the NBS Executive Board will continue to conduct a cautious monetary policy and take all the necessary measures to ensure price stability in the medium term.

We also identified geopolitical tensions, and the consequent rise in energy and commodity prices, as the main risk to the projections back in February, which is why we prepared alternative projection scenarios that took into account the materialisation of these risks. However, at that time we did not assume that a direct conflict in the Middle East could occur and that, as a consequence, we would see a daily change in global oil prices of around 20 dollars per barrel. We are seeking to assess the negative effects of the current conflict in the Middle East on our economy from all angles and through all potential transmission channels, but there are still many unknowns and they are difficult to estimate, as the situation in the Middle East remains highly uncertain, along with its impact on global inflation and global economic growth. What we can do, and what we are doing at this moment, is to vary the assumptions regarding the level and trajectory of global energy prices and, through our models, assess the effects on inflation, GDP, and balance-of-payments developments.

We are presenting our projections to the IMF as well. As a result of our joint consideration of macroeconomic indicators and discussions under the third review of the ongoing Policy Coordination Instrument, our macroeconomic projections and the IMF's projections for Serbia are now much more aligned. Compared with the April *World Economic Outlook*, the IMF now sees lower inflation, which is almost fully aligned with our projection, while for next year it still projects lower economic growth, though it is now more favourable, standing at 4%.

Ladies and gentlemen, dear colleagues,

In times of heightened global uncertainty, we do not hide our pride in the preserved macroeconomic stability in Serbia, which represents the foundation of the domestic economy's resilience to external shocks. A stable financial system, well-anchored inflation expectations, and preserved exchange rate stability make it possible to

mitigate the effects of external shocks and shield our citizens and businesses from exposure to excessive market fluctuations.

Going forward, our monetary policy will remain focused on the preservation of price and financial stability, while maintaining the flexibility to respond in a timely manner to changes in the international environment. Careful monitoring of developments in the energy market and of the transmission mechanisms of external shocks will be of crucial importance for decision-making. In conditions where geopolitical risks are becoming a more permanent feature of the global environment, monetary policy must be both cautious and adaptive – focused on preserving stability, while also remaining sufficiently flexible to support sustainable economic growth and the living standard of our citizens.

In the continuation of the conference, colleagues from the Economic Research and Statistics Department will present our projections in greater detail, after which we remain open to your questions.