Serbia

At the end of 2021, Serbia recorded the GDP growth rate of 7.4% in 2021, owing mainly to the expansion in the sectors of services, construction, manufacturing and mining. A negative contribution to growth came from agricultural production, which fell by 5.4% in 2021, due to the drought. In addition, sound macroeconomic fundamentals and robust monetary and fiscal policy measures enabled Serbia to weather the COVID-19 crisis more easily.

In 2021, relative stability of the dinar exchange rate against the euro was preserved owing to adequate NBS interventions in the interbank FX market. During the year, Moody's upgraded Serbia's credit rating, Fitch affirmed it, while Standard & Poor's revised the investment rating outlook from stable to positive, confirming macroeconomic stability, a favourable growth outlook, and the adequacy of economic policy before and during the crisis. In June 2021, J.P. Morgan included Serbia's dinar bonds in its renowned bond indices. By adopting the Law on Digital Assets and the new Law on the Capital Market, Serbia improved its regulatory framework, which lays ground for further development of the capital market.

In the middle of the year, year-on-year inflation began to rise, trending above the upper bound of the target tolerance band as of September. The rise occurred due to the supply-side factors, mainly from the international environment, such as hikes in primary commodity prices, the European energy crisis and disruptions to global supply chains. External debt reached € 36.5 billion or 68.5% of GDP at end-2021.

In mid September, for the first time in history, Serbia issued the green Eurobond worth € 1 billion, which marked it as one of the few European countries and the first non-EU European country issuing the green instrument.

At end-2021, net assets of the banking sector amounted to RSD 5,048.0 billion (around 81% of GDP). In terms of the ownership structure of the banking sector, the largest share was held by foreign-owned banks (87%), while domestic state-owned banks and domestic private banks accounted for 7% and 6%, respectively.

Concerning lending, at end-2021, the credit portfolio was worth RSD 2,941 billion. The bulk of the portfolio related to corporate (49.5%) and household loans (44.7%). In 2021, the domestic lending activity continued up, driven by both supply and demand-side factors. The supply of loans went up on the back of NBS monetary policy in the previous period, extension of validity and increase in the amount of loans granted under the Guarantee Scheme, favourable financing conditions in the domestic and international money market, as well as interbank competition. On the other hand, the demand for loans expanded owing to greater needs for liquidity etc.

Serbian banking sector was adequately capitalized in 2021. At end-2021, Capital Adequacy Ratio stood at 20.8%.

As loans account for a dominant share of total balance sheet assets of the domestic banking sector (64.3%), the share of NPLs in total loans is a significant measure of asset quality. Following record low values of the share of NPLs in total loans in 2020, the coronavirus pandemic slowed the downward trend of this indicator. At the end of 2021, it stood at 3.6%.

Serbian banking sector liquidity remained high in 2021, with no adverse impact of the coronavirus pandemic in this business segment. At the end of 2021, the average monthly liquidity ratio stood at 2.1, well above the regulatory minimum (1.0).

The Serbian banking sector posted a positive financial result in 2021. Banking sector's profit at year end resulted in RoA of 1.2% and RoE of 7.8%. RoA was below the region's average, as well as RoE owing to high capitalization of the Serbian banking sector.

Banking sector's net profit before tax amounted to RSD 53.9 billion in 2021, increasing by RSD 7.8 billion (or 16.9%) from 2020. Total profit of RSD 54.7 billion was made by 20 banks (99.1% of banking sector net assets), while three banks operated at a loss of RSD 0.8 billion.

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