

Serbia

GDP growth rate of 2.5% in 2023, for the second year in a row, has been considered a success and result of coordinated action of monetary and fiscal policies. The economy grew thanks to increased production capacities of export sectors, and measures aimed to make Serbia a desirable investment destination. FDI inflow reached €4.5 billion and was at a record level for the second year in a row (5.7% of GDP).

The country's FX reserves increased by €5.5 billion, to the record level of €24.9 billion at end-2023. Public debt reached 48.4% of GDP at the end of 2023.

The NBS's measures and activities, implemented in cooperation with the government, contributed to preserving Serbia's credit rating at one step away from investment grade in 2023. A positive perception of Serbia as an investment destination is confirmed by the maintenance of Serbia's credit rating, with a stable outlook, by the Standard & Poor's, Fitch and Moody's during the globally challenging 2023, with Standard & Poor's and Fitch assessing our rating at one notch away from investment grade.

At the end of 2023, inflation was halved and measured 7.6% at end-2023 or half the level recorded in 2022.

In 2023, it was maintained the relative stability of the dinar against the euro. The year 2023 became the sixth in a row of past seven years (since 2017) which the National Bank of Serbia ended as the net buyer of foreign currency, in the total amount of €9.1 billion. As 2023 turned out to be yet another year in which foreign capital inflow exceeded the current account deficit, the country's FX reserves increased by €5.5 billion, to the record level of €24.9 billion at end-2023. In 2023, increase of gold in FX reserves continued, to the record level of close to 40 tonnes. Standing at an all-time high of €2.4 billion, gold holdings accounted for around 10% of FX reserves.

Banking sector continued to dominate the Serbian financial system and was the key factor of its stability. It participated with 90.9% in the balance sheet total of the NBS-supervised segments of the financial sector, which was around 80% of GDP in 2023. At the end of 2023, net assets of banking sector were 5,941.240 billion dinars, where loans and receivables accounted for the dominant share.

Among 20 banks operating in Serbia in 2023, 15 banks were in the majority ownership of foreign shareholders, three banks with the majority private domestic capital and two in the majority ownership of the Republic of Serbia. Regarding the ownership structure of banks in the majority ownership of foreign shareholders, structure is the following: those from Italy (26.3%), Austria (19.4%), Hungary (13.9%) and Slovenia (9.9%) held the largest shares in total assets, while banks from other countries accounted for 7.3% of total assets. At the end of the year, the banking sector employed 21,899 persons, 96 fewer than at end-2022.

In December 2023, the average monthly banking sector liquidity ratio was twice higher than the prescribed minimum (1.0) and equalled 2.51. Liquidity Coverage Ratio – LCR has been in use since June 2017 and equals 193.7%, also confirming high banking sector liquidity.

The Serbian banking sector remained adequately capitalised in 2023 as well. Capital adequacy ratio stood at 21.38% at the end of the 2023, significantly above the regulatory minimum (8%). Core capital adequacy ratio stood at 19.67% (the regulatory minimum is 6%), and CET 1 capital adequacy ratio equalled 19.62% (the regulatory minimum is 4.5%). The leverage ratio, i.e. ratio of core capital and total balance sheet and off-balance sheet exposure at end-2023 stood at 10.33%.

Serbian banking sector asset quality was preserved at end of December 2023. The share of NPLs in total loans stood at 3.21%, still very close to the historical minimum (since the adoption of the NPL Resolution Strategy in August 2015, this indicator dropped by as much as 19.0 percentage points). Total gross NPLs equalled RSD 107.3 billion, of that 39.7% were corporate NPLs (with a 2.57% NPL ratio) and 59.5% household NPLs (with a 4.31% NPL ratio).

The year 2023 witnessed further development of the market of payment services that are provided in Serbia by 20 banks and, also, by nine payment institutions and six electronic money institutions.

In 2023, 19 banks operated with profit, while one bank posted a negative pre-tax financial result. In 2023, the Serbian banking sector again recorded a positive pre-tax net financial result (RSD 138.16 billion): RoA increased from 1.9% in 2022 to 2.4% and RoE from 13.8% to 18.0%. Due to the dominant reliance of domestic banks on traditional credit-deposit business models, the greatest generator of the Serbian banking sector net profit in 2023, as in previous years, was net income from fees and interests (RSD 304.9 billion, up by RSD 85.4 billion or 38.9% from the year before). Net income from interest stood at RSD 227.6 billion in 2023, up by RSD 77.7 billion or 51.8%, reflecting the rise in key rates prompted by the NBS and ECB monetary policy tightening.