

## Jorgovanka Tabakovi: Stability serves the interest of each of us

Speech by Dr Jorgovanka Tabakovi, Governor of the National Bank of Serbia, at the 24th Belgrade Economic Forum, Belgrade, 29 October 2024.

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Before the formal part, I wish to congratulate everyone on Serbia joining the ranks of countries that have a special place on the global investment map! Congratulations to the citizens of Serbia on obtaining the well and long deserved investment grade rating!

Honoured Mr Tsomokos, distinguished hosts and participants of the Belgrade Economic Forum,

It is my pleasure to greet you on behalf of myself and the National Bank of Serbia. I'll start with a theme from a book because I believe it reflects the times we live and work in. Say goodbye to the world you knew – we are living in a new era. The complexity of the present moment makes our conditions of doing business among the most economically challenging in history but also the most technologically advanced! Moreover, we have long witnessed growing hotbeds of division – major social divides in the most developed countries. In diplomatic language, we define this as unprecedented social polarisation. Uncontrolled proliferation of social media strongly contributes to this. As writer Meša Selimovi said: "*Misfortune and evil are always known by everyone; only the good remains hidden*".

It is easy to give advice, to rise and preach, to confidently talk about theory. It's easy to wave moral convictions, to claim impotence... While we are bound to find new sources of growth, individuals spread fear against them. It has long been said that people can be divided into two groups: those who go forward and achieve something, and those who go behind them and criticise.

Yes, healthy scientific and social scepticism to question things is always welcome, and that's why we are here. However, doubts that question growth and development lack both social and economic foundation.

Ladies and gentlemen,

In the past nearly half-decade, global conditions have increasingly emphasised the choice between price stability, economic growth and financial stability. In Serbia, we have brought inflation back within the target band, maintained the country's financial stability, and preserved economic growth, which is returning to high pre-pandemic rates!

- Inflation was halved last year, and since May this year, it has returned within our target range of  $3\pm 1.5\%$ .
- We have also maintained the stability of the financial sector, with the NPL ratio at a historic low of 2.7%.
- Dinar savings at record levels exceeding RSD 170 bn are now almost ten times higher than in 2012.
- We are also witnessing new records in FDI inflows, totalling EUR 4.6 bn last year, and it looks likely that we will have another record year.

For over a decade, the first association with the National Bank of Serbia has been the relative stability of the dinar exchange rate against the euro, as a key pillar of business certainty and investor and consumer confidence. We have grown accustomed to this stability, which has easily come to be taken for granted because it benefits everyone!

- The dinar appreciated against the euro by 0.1% last year and has appreciated by the same amount this year.
- FX reserves were at a record high of EUR 28.3 bn at the end of September, more than two and a half times greater than in 2012.
- All investment decisions, including those regarding investments in gold, are made following a detailed analysis of current and anticipated market trends, and considering total FX reserves.
- Today, Serbia's gold reserves amount to 47.3 tonnes, are valued at EUR 3.7 bn, and account for 13% of total FX reserves. Their value is now more than five times greater than at the end of 2012.
- Ten years ago, domestic companies posted a net loss of over RSD 130 bn, while last year they posted a record net profit of RSD 972 bn.
- All these results have officially brought us into the group of countries with an investment grade rating!

For the coming period, the National Bank of Serbia's projections indicate the following:

- Inflation will remain within target bounds until the end of this year and in the following two years;
- We project further GDP growth acceleration in the range of 4–5% over the next two years;
- We also estimate that FDI will continue to cover the current account deficit, contributing to the sustainability of Serbia's external position.

Thus, there is every reason for realistic optimism, as these conditions facilitate long-term decision-making important for prosperity and inclusiveness.

We are also working intensively on joining SEPA – the Single Euro Payments Area. Serbia is the only country in the region that has developed the technical infrastructure for instant payments – our NBS IPS payment system, which already applies financial message standards like those in SEPA. Joining this area will enable lower payment costs between the European Union and the Western Balkan economies, resulting in cheaper transactions for both citizens and businesses.

Ladies and gentlemen,

Despite growing global protectionism, it is clear that globalisation's achievements cannot be undone. It is an irreversible process, and all the good it has brought must be wisely used, of course, alongside strengthening our self-sufficiency. These two do not cancel each other out.

On behalf of the National Bank of Serbia, I can promise:

- that we will continue to work in the general interest,
- that relative exchange rate stability has no alternative, and

- that there will be no negative interest rates in Serbia, as I neither want nor can ever accept that money fails to fulfil one of its fundamental roles – to generate earnings through savings and the concept of compounding.

I also remind you of some economists' assessments that "negative interest rates are a sign of central banks' despair, not a solution to economic problems", and that they are "a dangerous experiment with unknown consequences".

I believe this is the key to endurance in these uncertain times. We will continue to support those aware of the importance of stability, which serves the interest of each of us, while fighting where cracks that undermine the system emerge. I will always fight against negative phenomena, and I will fight for the people.

And finally, I want to repeat something that is often forgotten or taken for granted. Stability is not a given! The only free cheese is in the mousetrap. Peace should not be taken for granted either. We cannot influence major states regarding polarisation, but we can support our development opportunities.

Therefore, expect the National Bank of Serbia to continue leading numerous innovations, but never at the cost of system stability!  
Once again, congratulations to the citizens of Serbia on the investment grade rating that we have long deserved and that now rightfully belongs to us, and I wish you a successful 24th Belgrade Economic Forum!