

**CONEO**

# Ideas that pay off.

Monthly Newsletter

March, 2024.

CONEO.RS

## 1.

### **STRICTER LENDING CONDITIONS EXPECTED FOR BUSINESSES IN SERBIA**

Serbian banks are set to tighten credit conditions for businesses in Q1 2025, according to a survey by the National Bank of Serbia (NBS). This adjustment reflects banks' increased risk perception and a more cautious approach to lending.

- » Long-term dinar loans were eased in late 2024, but short-term dinar and foreign currency loans faced stricter criteria.
- » Companies increased loan demand, but interest may decline as they seek alternative funding sources.
- » Households continued borrowing at high levels, with eased conditions for cash and refinancing loans.
- » Lower interest margins and fees, along with stable real estate conditions, may support further credit growth.

Banks have already introduced stricter collateral requirements and lowered maximum loan amounts, which could impact business financing in the coming months.

## 2.

### **EURIBOR DECLINES, BUT MORTGAGE RATES IN SERBIA REMAIN UNCHANGED**

Despite the recent decline in Euribor, mortgage holders in Serbia have not yet seen a reduction in their monthly payments. The National Bank of Serbia (NBS) has capped interest rates for home loans at a maximum of 5% until the end of 2025, preventing immediate adjustments.

- » Lower Euribor typically leads to reduced loan rates, but the timing depends on individual loan agreements.
- » NBS has introduced a 5% cap to protect borrowers from sudden interest rate increases.
- » Without this limit, mortgage rates would currently be around 5.5%, based on market trends.

This temporary measure ensures payment stability, but borrowers should monitor market developments throughout 2025.

## 3.

### SELF-EMPLOYMENT SUBSIDIES FOR 2025: GRANTS UP TO 380,000 RSD

The National Employment Service has opened a public call for unemployed individuals who want to start their own business.

- » A one-time grant of 380,000 RSD is available, with up to 420,000 RSD for persons with disabilities.
- » Funds can be used to establish a business, cooperative, or company where the founder will be employed.
- » Applicants must be registered as unemployed, complete entrepreneurship training, and meet de minimis aid criteria.
- » The grant is not available for certain restricted activities or those who have previously received it.

To apply, candidates must submit a completed form, a business plan, and proof of training. Applications can be submitted in person, by mail, or online.

Priority is given to harder-to-employ groups such as long-term unemployed individuals, persons over 50, youth without experience, persons with disabilities, and women from underdeveloped areas.

Approved candidates must sign a contract within 45 days, after which funds will be disbursed. The recipient must operate the registered business for at least 12 months and comply with all contractual obligations, or they may be required to repay the subsidy.

## 4.

### SERBIA LEADS IN TOURISM GROWTH

At the Global Leaders Forum in Dublin, Serbia was recognized as the fastest-growing country in tourism traffic, with strong expectations for continued expansion. This recognition, presented by Oxford Economics CEO Adrian Cooper, highlights Serbia's rising profile as a global travel destination.

- » Serbia recorded the highest tourism growth rate, driven by targeted promotion strategies.
- » Experts predict continued demand, keeping Serbia at the forefront of global travel trends.
- » Recognition at an international forum further strengthens its position in the tourism market.

With record-breaking growth in 2024, Serbia is set to expand its influence in the travel industry throughout 2025.



## 5.

### ECB CUTS INTEREST RATES BY 25 BASIS POINTS

The European Central Bank (ECB) has lowered its three key interest rates by 25 basis points. Effective March 12, 2025, the deposit rate will be 2.5%, the main refinancing rate 2.65%, and the marginal lending rate 2.9%.

- » Disinflation is progressing as expected, with inflation forecasts at 2.3% in 2025, 1.9% in 2026, and 2.0% in 2027.
- » Core inflation is projected at 2.2% in 2025, gradually stabilizing at 2% over the medium term.
- » Wage growth is slowing, and profit margins are absorbing some inflationary pressure.
- » Lower interest rates will ease borrowing costs, boosting lending, though credit activity remains weak due to past rate hikes.
- » Economic growth projections have been revised down to 0.9% for 2025, 1.2% for 2026, and 1.3% for 2027, reflecting weaker exports and investment uncertainty.

## 6.

### NBS KEEPS INTEREST RATE AT 5.75% FOR THE FIFTH CONSECUTIVE MONTH

The National Bank of Serbia (NBS) has maintained the benchmark interest rate at 5.75%, with deposit and credit facility rates remaining at 4.5% and 7%, respectively. The rate has been unchanged since September 2024, when it was lowered by 25 basis points as part of a gradual monetary easing cycle.

- » Inflation remains stable at 4.3%, within the NBS target range.
- » Monetary policy remains cautious amid global uncertainties.
- » Food and energy prices contributed to slowing inflation in 2024.
- » Geopolitical risks and market fragmentation continue to shape economic trends.

The NBS expects inflation to gradually decline in 2025, supported by tight monetary conditions, lower import prices, and a stable agricultural season.





## 7.

### PROPOSED LAW TO CAP INTEREST RATES ON MOST LOANS

The National Bank of Serbia (NBS) has proposed a Law on Financial Services Consumer Protection, introducing limits on interest rates for nearly all loan types, including mortgages, consumer, cash loans, credit cards, and overdrafts.

- » Mortgage rates will be capped at 5% in 2025, with gradual adjustments until 2028.
- » Credit card interest rates are capped at 17.75%, while overdraft rates are limited to 19.75%.
- » Consumer and cash loan rates are set at a maximum 14.75%, with an effective limit of 15.75%.

The law requires banks to offer struggling mortgage borrowers at least two relief options: selling the property themselves or transferring ownership to the bank to settle the debt.

Other proposed reforms include improved consumer information, a strengthened Bank Restructuring Fund, and enhanced NBS supervision. Additionally, NBS will have the right of first refusal on domestically mined gold to boost Serbia's reserves.

The Serbian Parliament's Finance Committee has approved the proposals, marking a step toward better financial stability and consumer protection.

## 8.

### SERBIA NEARING INVESTMENT-GRADE CREDIT RATING

Serbia is on the verge of securing an investment-grade credit rating, with Fitch assigning a BB+ rating with a positive outlook. This reflects strong economic policies and could lead to lower borrowing costs and greater investor confidence.

- » GDP grew by an average 4.6% (2021–2024), despite slow growth in key EU markets.
- » Foreign direct investment (FDI) reached €5.2 billion in 2024, a 120% increase from pre-pandemic levels.
- » Public debt stands at 47.4% of GDP, well below the EU average of 90%.
- » Inflation has stabilized at 2%, with expectations to remain within target levels.

Securing investment-grade status would attract new investors and strengthen Serbia's position as a key regional economic player.



## 9.

### REDUNDANCY PROCESS: A GUIDE FOR EMPLOYERS IN SERBIA

Companies may need to reduce staff due to financial or operational changes. In Serbia, redundancy is legally regulated, requiring compliance to protect employee rights.

#### 1 Decision-Making:

- Justify the need for layoffs.
- List affected positions and selection criteria.
- Consider reassignment or retraining before termination.
- Provide a notice period as per labor laws.

#### 2 Termination Notices:

- State the reason for dismissal.
- Specify severance pay and notice period.
- Employees have reemployment priority if the position is reinstated within three months.

#### 3 Severance & Rights:

- Severance must be paid before termination.
- Unpaid salaries and benefits must be settled within 30 days.

#### Compliance & Risks:

Failure to follow proper procedures may lead to legal disputes and reinstatement claims. Employers should ensure compliance and seek legal guidance.

## 10.

### YOUTH GUARANTEE PROGRAM: FINANCIAL SUPPORT FOR EMPLOYMENT & TRAINING

The National Employment Service (NSZ) has launched eight public calls under the Youth Guarantee Program, offering 200 million RSD in financial support to employers and unemployed youth.

#### Eligibility:

- » Employers: Private sector, tax-compliant, and registered with NSZ.
- » Unemployed youth: Registered with NSZ in Kruševac, Sremska Mitrovica, or Niš, part of the Youth Guarantee Program, and not employed by the applying company in the last six months.

#### Support & Training:

- » Up to 960 hours of training (max six months).
- » Employers receive up to 220,000 RSD per trainee.
- » Trainees get 35,000 RSD/month + transport costs.
- » Employers must hire at least 50% of trainees for six months.

#### Self-Employment Grants:

Unemployed youth who complete entrepreneurship training can apply for subsidies to start a business.

## 11.

### **SERBIA EXPANDS WORKFORCE WITH 79,000 WORK VISAS IN 2024**

In 2024, Serbia issued approximately 79,000 work visas, making it easier for foreign workers to access the labor market.

- » Despite global challenges, Serbia's economy remains strong.
- » The IT sector has grown nearly eightfold, driving exports.
- » The country is positioning itself as a regional leader in innovation, R&D, and high-tech industries.
- » Serbia maintains strong trade ties with the EU while benefiting from free trade agreements with China, Egypt, the UAE, and others.

With its strategic location and expanding economic influence, Serbia continues to attract global investment and talent.



**CONEO**

# Ideas that pay off.

Monthly Newsletter

March, 2024.

CONEO.RS



## CONTACT

### **CONEO – Revizija d.o.o. BEOGRAD**

Knez Mihailova 22,  
Belgrade, 11000, Serbia

+385 11 3039104

[www.coneo.rs](http://www.coneo.rs)

### **Christian Braunig Managing Partner**

e-mail

### **Nevenka Petrović Director**

e-mail