

## THE MONETARY POLICY OF THE REPUBLIC OF SERBIA IN COMPARISON WITH NEIGHBORING COUNTRIES IN THE PERIOD FROM 2019-2024. YEARS

**Summary:** *Economic as well as economic progress of each country largely depends on the developed strategy and application of adequate monetary policy, where their mutual dependence permeates and is conditioned by numerous factors that are part of internal and external events. The period from 2019 to 2024 is accompanied by changes on the global level, which have natural and geopolitical characteristics. The readiness of each country to deal with the emerging problems in monetary policy largely depends on its readiness and the strategic frameworks in which it previously implemented monetary policy. Essentially, it is important to keep in mind that the coordination of monetary policy on the global level has a significant role, because the interdependent economy and economy has an impact on the stability of the monetary system of each country. In order to observe the similarities but also the differences in the monetary policy of the Republic of Serbia and the surrounding countries, the work deals with analysis and comparison in the period from 2019 to 2024.*

**Keywords:** *monetary policy, coordination of monetary systems, global crisis, Republic of Serbia, neighboring countries*

---

\* Univerzitet Singidunum, Beograd, Srbija.  
E-mail: stefan.dubovac92@gmail.com

## 1. INTRODUCTION

Economic trends within each country, in their scope and intensity of development, reflect on the overall economic and monetary policy, where it should certainly be borne in mind that internal and external influences are very often of crucial importance. Looking at the period from 2019 to 2023, viewed from a global perspective, it is very oscillatory in terms of numerous natural but also political problems, where real economic and monetary confrontations have arisen due to the emergence of pandemics as well as war conflicts. The problems caused by such influences are particularly felt by countries whose economy is not significantly developed or is unstable in terms of currency fluctuations. The Republic of Serbia, which has been basing the last decade on strategic development and achieving stability of economic empowerment, is also directing its monetary policy in parallel in order to stay in step with overall economic trends. That is why, in the period of emergence of global problems and possible negative impact on the economic system, the Republic of Serbia relatively effectively faced the problems with numerous measures, which in some way reduced the collapse of the monetary system. As a contribution to this, a comparative analysis of the monetary policy of the Republic of Serbia and the surrounding countries, for the period 2019 to 2023 with projections for 2024, can also be used, which is essentially the subject of this work. Therefore, the goal of the work is to observe the effects of monetary policy on the overall development of countries, especially when considering the period that is analyzed in relation to the projections of the further development of the monetary system. In order to more adequately present the subject and the goal of the work, the methodological approach is first of all analytical-statistical, where, based on previous research in this area, the monetary policy in this period is analyzed using a comparative method. It is important to keep in mind that when monitoring the environment, one thinks first of all of the countries of the former Yugoslavia, where Bulgaria and Romania are additionally looked at. Also, it should be borne in mind that almost all observed surrounding countries are part of the European Union, candidates or are in the process of negotiations, which certainly has an impact on the development of the monetary system of the countries.

## 2. COORDINATION OF THE MONETARY SYSTEM AS A RESPONSE TO GLOBAL CRISES

The problems that have arisen on the global level, and which can consequently have an impact on general economic and economic trends, reflect negatively on the monetary system of the states, and that is why the need to constantly review the theoretical postulates on which the future monetary policy

will be developed has been observed. The significant fact that the coordination of monetary systems is necessary, which would equalize the consequences of negative economic trends, which often turn into crisis situations, was certainly observed there <sup>1</sup>. Substantial changes in the coordination aspect are reflected in certain modifications within the strategy, where flexibility is possible in targeting inflation, from directing prices to the aggregate level to the influence that central banks can have <sup>2</sup>. The essence of the coordination of monetary movements within countries, especially when economic problems are present, must be within the framework of an active global process, which will increase their interdependence, and which can have the effect of reducing the negative consequences of monetary policy to a minimum, thereby transferring the reflection of the domestic economy on countries in the surrounding area <sup>3</sup>. This practically means that the macroeconomics of one country, which consequently creates the instability of the monetary policy, can be effectively transferred to the macroeconomic plan, both of neighboring countries and on a wider global level.

Bearing in mind that within the European Monetary Union, there are several holders of fiscal and one carrier monetary politics, coordination macroeconomic politics it comes to the fore more and more, which in practice can mean that in addition to the positive effect, it also has its negative consequences. On the other hand, countries that are not part of the European Union can develop their monetary and fiscal policy autonomously, but this requires strong discipline in budget operations, as well as constant supervision by the Central Bank. In such conditions, the monetary policy of these countries undergoes constant review by the IMF, analysis of micro and macroeconomic trends, as well as coordination of all actors in order to achieve liquidity and make the monetary system stable.

The Republic of Serbia, as a candidate for membership of the European Union, sets its monetary policy according to the arrangements and guidelines of the IMF, and on the basis of which it develops a strategy, which must be harmonized with the real situation in the country as well as movements on the global level. The environment of the Republic of Serbia itself is mainly within the framework of the states that are members of the Union, and in order to create a picture of the movement and state of the monetary policy of Serbia, the analysis is based on the presentation of the state of our country, with the overall monetary policies of the sur-

<sup>1</sup> Carney, M. (2019, August): The growing challenges for monetary policy in the current international monetary and financial system. *Remarks at the Jackson Hole symposium*, Vol. 23, 377-411.

<sup>2</sup> Brkan-Vejzović, AIDA, & Bajramović, A. (2020): Causality of macroeconomic trends and capital market performance. *Proceedings of the Dzemal Bijedic University in Mostar. Faculty of Economics*, 18 (29), 33-47

<sup>3</sup> Bartsch, E., Boivin, J., Fischer, S., Hildebrand, P., & Wang, S. (2019): Dealing with the next downturn: From unconventional monetary policy to unprecedented policy coordination. *Macro and Market Perspectives*, 105, 1-16.

rounding countries that are members of the European Union, and for the period from 2019 to 2023. This period is important for analysis, in order to see the effects of the measures implemented by all countries, so that the crisis that started with the pandemic and continued with the war in Ukraine, was overcome and reflected in the domain of monetary policy stability. The need for an analytical approach stems from the need to observe how much and whether the guidelines and measures adopted by our monetary policy are in sync with the policy implemented by neighboring countries, which as members of the European Union implemented with a coordinating policy. Certainly, it should be borne in mind that the Republic of Serbia, as a candidate for membership of the Union, is obliged to monitor monetary flows and adjust its policy according to the strategy of Europe.

### 3. THE READINESS OF THE MONETARY POLICY OF THE REPUBLIC OF SERBIA FOR THE CRISIS

The economic and financial period until 2013 was extremely unstable for Serbia, which was accompanied by unstable monetary policy and negative macroeconomic balance. Changed by the reform of the monetary system, the strategy is aimed at stabilizing finances, especially the public sector, and at the same time strengthening and recovering the economy<sup>4</sup>. The basis of the package measures of monetary policy is based on principles that are guided by special fiscal rules, responsible fiscal management, stronger fiscal discipline, coordination at all levels of government, and at the same time risk reduction and ensuring long-term sustainability.

Monetary consolidation took place strongly aimed at stabilization, but also in phases, so the first initial step was aimed at estimating and increasing GDP, with an increase in employment and the formation of time series of capital. As the assessment of Serbia's capital in the period up to 2019 recorded a growth of almost 40%, the strategy was further focused on investments that would be significantly above the level of depreciation, and could significantly further influence the increase in GDP, which ranged from projections for a 12.5% increase in GDP<sup>5</sup>. Mainly this investment investment, according to monetary policy assessments, would be necessary but also sufficient to achieve stability and preserve the real value of the capital, which would ensure economic capacity in Serbia.

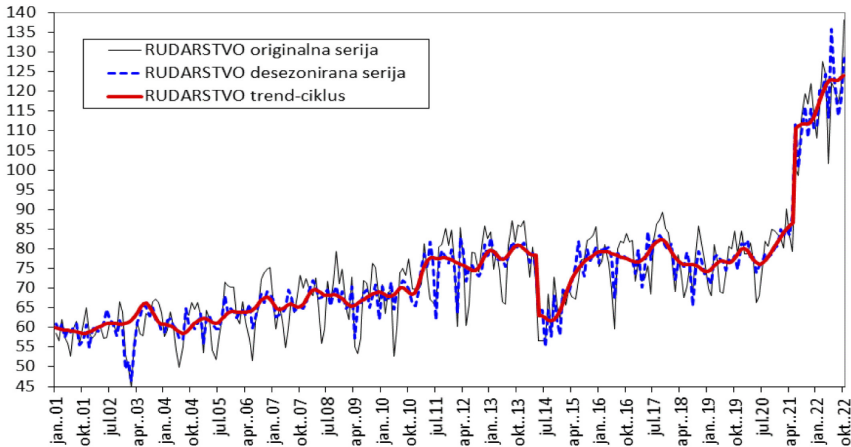
Monetary consolidation, which was strategically determined in this period, first of all meant that the Republic of Serbia would achieve significant progress and economic growth by achieving macroeconomic stabilization, privatization, invest-

---

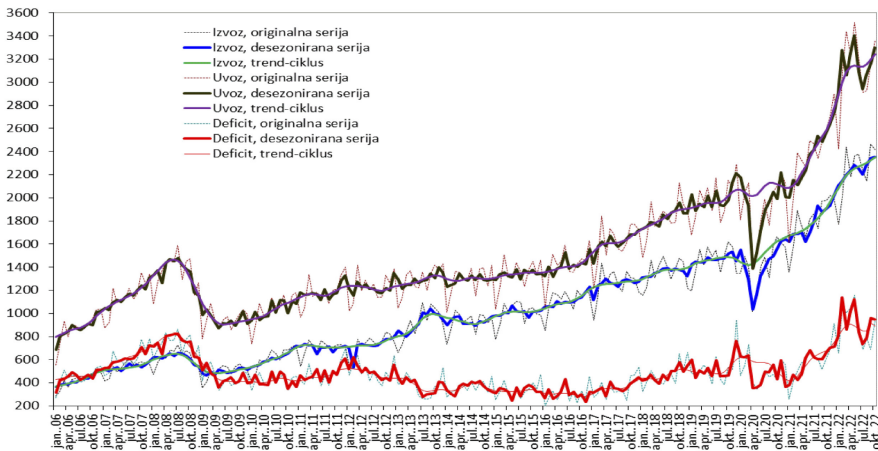
<sup>4</sup> Ješić, M. (2016): The role of the fiscal agent in the success of the inflation targeting monetary regime. *Economic ideas and practice*, no. 21, 77-99

<sup>5</sup> Nikolić, I. (2023): *Economy of Serbia monitored through the lens of MAT in the period 2020-2023*. Economic Institute, Belgrade

ments, foreign investments, restructuring of the banking and public sector, which was a kind of challenge because the deficit was already becoming high. current balance of payments and high external debt. We can illustrate the real state of the economy and with it the state of our monetary system in this period through the movement of our most important economic branch - mining, but also foreign trade, and in both cases, from their development, a stable monetary system can be ensured.



**Figure 1.** Movement of the mining index of the Republic of Serbia for the period 2001-2022. years<sup>6</sup>



**Figure 2.** Trend of foreign trade exchange of the Republic of Serbia for the period 2006-2022. years<sup>7</sup>

<sup>6</sup> Source: Stamenković , S. (2022) : Rating economic activities . *Macroeconomic analyzes and trends* (2022), no. 335 , 5

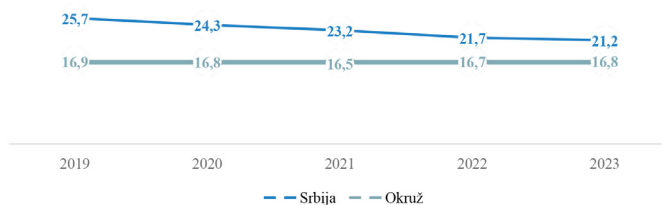
<sup>7</sup> Source: Stamenković , S. (2022) : Rating economic activities. *Macroeconomic analyzes and trends* (2022), no. 335 , 8

Parallel to the economic and economic decline, which is characteristic for this period, monetary policy leads the fight against inflation, so that period is known for the introduction of inflation targeting. In order to establish stable financial conditions, clearly, the monetary system has opted for further implementation of privatization, investment, strengthening the control of central banks, as well as the continuation of restrictive fiscal policy. Therefore, in this period, monetary consolidation is aimed at reducing expenditures, primarily discretionary expenditures and subsidies, controlling wages in the public sector and pensions, while giving priority to capital expenditures.

#### 4. THE PARALLEL OF MONETARY POLICY

The period from 2019 to 2023 can be seen as a significant moment of re-examination of the correctness of the assembly policy, but also as a crossroads where different periods from crisis to development intertwine. And this is not only characteristic for the Republic of Serbia, but also for the entire region, where there are noticeable tuberous changes in monetary flows, especially inflationary changes that threaten to harm economic activity through price growth, the banking sector through changes in interest rates and foreign exchange policy conditioned by exchange rate instability. Conceptual framework analysis focuses precisely on these threats of monetary policy, possible instability, which affects inflationary changes, which are increasingly evident on the global level.

The first segment of the comparative analysis is focused on the banking sector, where we can observe interest rate fluctuations that are conditioned by economic and economic trends. The analysis is based on statistical calculations and the arithmetic mean of annual interest rates for each individual year. The surrounding countries were approached in aggregate percentage.

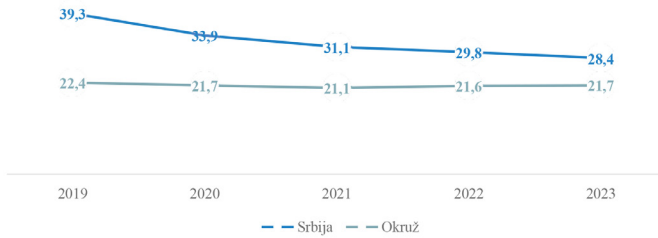


**Figure 3.** *Movement of annual bank interest rates from 2019 to 2023<sup>8</sup>*

Looking at the graph, the high interest rate in the Republic of Serbia is noticeable, which, in addition to its high values, also records oscillations, especially at the beginning of the observed period, in order to maintain its stability in the period of 2022 and 2023. On the other hand, the state of the environment

<sup>8</sup> Creation of the author

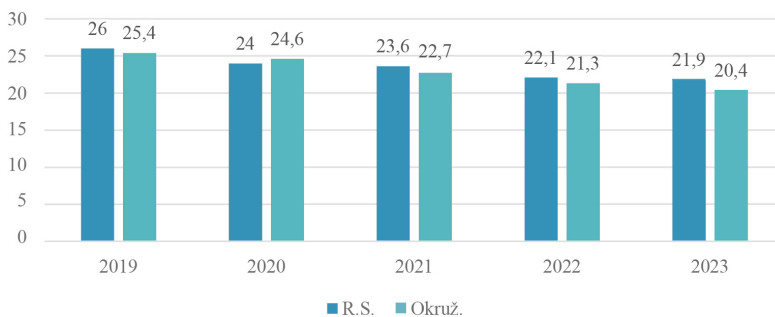
monitors the stability and uniformity of interest rates, without major oscillations, which is a kind of indicator of monetary stability. Although the noticeable increase in interest rates in the Republic of Serbia, its overall contribution to the stability of the monetary system did not have an extremely negative impact, because on the other hand, the economic sector, through foreign investments, stabilized the negative trends in bank interest rates.



**Figure 4.** Trends in annual foreign investment from 2019 to 2023<sup>9</sup>

The renewed uniformity of annual foreign investments is noticeable in the surrounding countries, which largely means that their continuity and stability can have an impact on monetary policy. The Republic of Serbia, which in the past had smaller investments of this type, has just decided its strategy on increased foreign investments for the sake of economic recovery and stability. This is exactly what the graph shows, where the initial year of 2019 had the most investments, but later, due to numerous fur situations, that trend would decline. Of course, the reasons should be sought both in external, global movements on the geopolitical level, but also in internal factors that are often associated with foreign policy.

The application of special monetary policy instruments within the observed period can be achieved through intervention on the foreign exchange market, which is conditioned by market and economic conditions, as well as the need to reduce inflationary shocks.



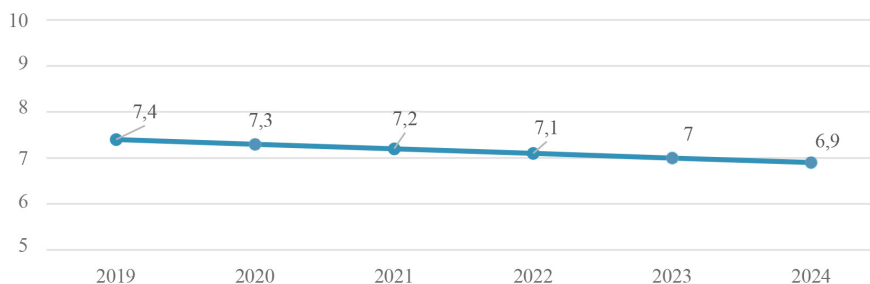
**Figure 5.** Intervention on the foreign exchange market from 2019 to 2023<sup>10</sup>

<sup>9</sup> Creation of the author

<sup>10</sup> Creation of the author

Comparing the application of special measures of monetary policy in the field of interventions on the foreign exchange market, it is noticeable that the Republic of Serbia somewhat follows the neighboring countries, which can certainly add to the fact that the economic problems that arose in that period have an equal impact on the monetary system of all countries. This intervention is certainly at a very high level, but as it is conditioned by the need to mitigate inflationary shocks, it is certainly a necessity, which we can freely say can have a positive effect in the short term, while in the long term, the negative consequences can be a simultaneous blow to the monetary system.

What is certainly reflected in the monetary policy, in the period that follows the changes on the global level, are credit and deposit facilities, which record a decline that is characteristic both for the Republic of Serbia and the surrounding countries, and which is also planned as a project policy for 2024. a year.



**Figure 6.** Credit and deposit facilities from 2019 to 2024<sup>11</sup>

The planned and implemented measures to reduce deposits are certainly significant for the further development of monetary policy, which is particularly evident in the Republic of Serbia, because it certainly means that the readiness and liquidity of banks is at a high level, which enables their stability, and therefore that their business with securities of value reflects the real financial situation.

The development of monetary policy, in particular We can follow the Republic of Serbia illustratively through the aspect of gross domestic product (GDP) development. GDP of the Republic of Serbia for the period 2002-2015. is noticeably growing at an average annual rate of about 3%<sup>12</sup>. The decline was recorded first in 2009 in the range of 3.5% and in 2015 by 1.7%, as a direct negative consequence of the global economic crisis that affected world economic trends<sup>13</sup>. The

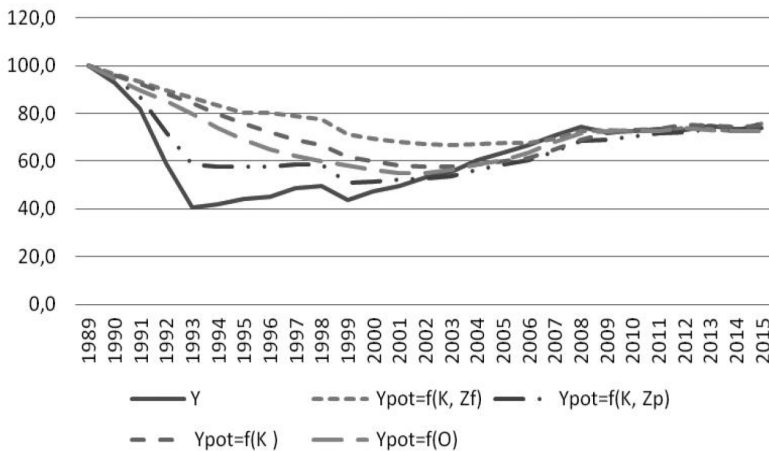
<sup>11</sup> Creation of the author

<sup>12</sup> Jakopin, E. (2020): Effects of structural changes in the economy of the Republic of Serbia: Old problems, new reform challenges. *Economic Horizons*, 22 (3), 191-208.

<sup>13</sup> Marjanović, D., & Ivanović, L. (2021): *Analysis of the main macroeconomic indicators as a function of the stability of the countries of the Western Balkans*, <http://ebooks.iien.bg.ac.rs/1714/1/marjanovic%2C%20ivanovic.pdf>, [22. 01 .2024 .]



first quarter of 2014 in part of the real GDP growth, and when compared to the previous year, there was a slight decrease of 0.1% <sup>14</sup>, and according to the data of the World Bank, the GDP in 2015 per inhabitant was \$5,730 <sup>15</sup>



**Figure 6 .** Trend of real and potential GDP of Serbia 2002-2015. years<sup>16</sup>

Further movements of GDP within the framework of monitoring and development of the monetary system in the Republic of Serbia, after the period of 2015, is imbued with constant growth, with projections that at the level of the National Bank of Serbia are guided in the direction of a further positive trend.

We can see this in the following graph, which shows the percentage of annual GDP growth, which after 2021, when it has the highest percentage, as a sign of the recovery of the economy, later records a certain stagnation in the real as well as the projection segment. This is mainly due to crisis situations, where first there was a pandemic crisis and then the war conflicts that are raging in the world.

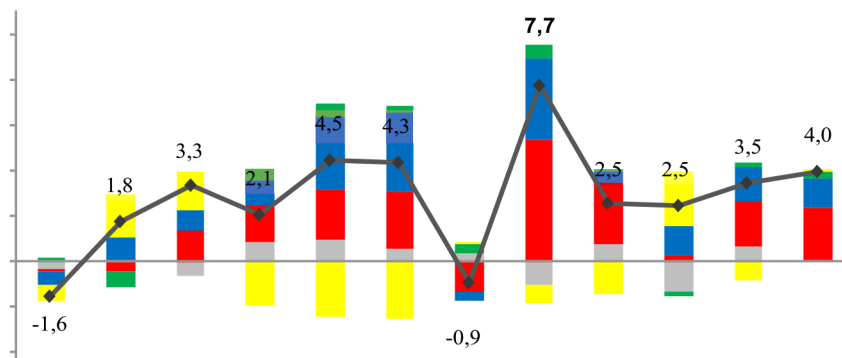
The Republic of Serbia can be continuously monitored, it is noticeable that it has been in crisis situations for a long period of time, as radical reforms of the financial and economic system take place in the further phase of economic development . One of the reasons for slower economic development is the very low degree of development of the capital market, which developed very slowly and was incorporated into economic flows. Legislation reforms, especially in the banking sector, in a certain way, enabled the strengthening of market standards and the

<sup>14</sup> Jakopin, E. (2020): Effects of structural changes in the economy of the Republic of Serbia: Old problems, new reform challenges. *Economic Horizons* , 22 (3), 191-208.

<sup>15</sup> Arsić, M. (2016) : Long-term consequences of the economic collapse of the Serbian economy during the 90s of the 20th century, *Economic Ideas and Practice*, No. 22. Belgrade : Faculty of Economics, 23-41.

<sup>16</sup> Source: Arsić, M. (2016): Long-term consequences of the economic collapse of the Serbian economy during the 90s of the 20th century, *Economic Ideas and Practice*, No. 22. Belgrade : Faculty of Economics, 28.

development of the capital market, which characterize modern financial markets, thus creating the conditions for correcting accumulated deviations in the sphere of finance and economy . The economic development of the Republic of Serbia has recognized the capital market as an important condition for development, so it wisely turns to investments and investment funds that encourage the economic development of a country that is increasingly turning to macroeconomics.



**Figure 7 .** *Percentage movement of monetary policy through GDP with projections until 2025.*<sup>17</sup>

## 5. CONCLUSION

The process of stability of the monetary policy of each country is conditioned by numerous factors, and essentially viewed on the macroeconomic level, it is known that within the framework of microeconomics there is a clear strategy of monetary development, but also a cooperative approach to harmonization with neighboring countries. The Republic of Serbia has proposed such a need as a priority for overall development, and thus it has relatively readily welcomed the period since 2019, which has been globally riddled with numerous economic problems caused by external forces, and thus maintained the stability of the monetary system. This is also confirmed by the previous analysis of monetary policies with neighboring countries, where the parameters that are key to stability generally move within the framework of the countries that are part of the Economic Union. The way in which monetary policy should be directed further depends to a large extent on further global developments, but also on the continuity of harmonizing the monetary strategy with real needs and the state of domestic economic and economic development.

<sup>17</sup> Source: *Macroeconomic trends in Serbia* (2023). <https://www.nbs.rs/>, [24.01.2024. ]

**LITERATURE**

- Arsić, M. (2016): Dugoročne posledice ekonomskog sloma privrede Srbije tokom 90-tih godina 20-tog veka, *Ekonomске ideje i praksa*, br.22. Beograd : Ekonomski fakultet, 23-41.
- Brkan-Vejzović, A. I. D. A., & Bajramović, A. (2020): Kauzalitet makroekonomskih trendova i performansi tržišta kapitala. *Zbornik Radova Univerziteta Džemal Bijedić u Mostaru. Ekonomski Fakultet*, 18(29), 33-47
- Bartsch, E., Boivin, J., Fischer, S., Hildebrand, P., & Wang, S. (2019): Dealing with the next downturn: From unconventional monetary policy to unprecedented policy coordination. *Macro and Market Perspectives*, 105, 1-16.
- Carney, M. (2019, August): The growing challenges for monetary policy in the current international monetary and financial system. *Remarks at the Jackson Hole symposium*, Vol. 23, 377-411.
- Jakopin, E. (2020): Efekti strukturnih promena u privredi Republike Srbije: Stari problemi, novi reformski izazovi. *Ekonomski horizonti*, 22(3), 191-208.
- Ješić, M. (2016): Uloga fiskalnog agenta u uspešnosti monetarnog režima targetiranja inflacije. *Ekonomске ideje i praksa*, br. 21, 77-99
- Marjanović, D., & Ivanović, L. (2021): *Analiza glavnih makroekonomskih indikatora u funkciji stabilnosti zemalja Zapadnog Balkana*, <http://ebooks.iien.bg.ac.rs/1714/1/marjanovic%2C%20ivanovic.pdf>, [22.01.2024.]
- *Makroekonomska kretanja u Srbiji* (2023). <https://www.nbs.rs/>, [24.01.2024.]
- Nikolić, I. (2023): *Ekonomija Srbije praćena optikom MAT-a u periodu 2020-2023*. Ekonomski institut, Beograd
- Stamenković, S. (2022): Ocena privredne aktivnosti. *Makroekonomske analize i trendovi* (2022), br. 335, 2-14

## MONETARNA POLITIKA REPUBLIKE SRBIJE U POREDENJU SA SUSEDNIM ZEMALJAMA U PERIODU OD 2019-2024. GODINE

**Sažetak** *Ekonomski ali i ekonomski napredak svake zemlje u velikoj meri zavisi od razvijene strategije i primene adekvatne monetarne politike, pri čemu se njihova međusobna zavisnost prožima i uslovljena je brojnim faktorima koji su deo unutrašnjih i spoljnih dešavanja. Period od 2019. do 2024. godine prate promene na globalnom nivou, koje imaju prirodne i geopolitičke karakteristike. Spremnost svake zemlje da se suoči sa nastalim problemima monetarne politike u velikoj meri zavisi od njene spremnosti i strateških okvira u kojima je ranije sprovodila monetarnu politiku. U suštini, važno je imati na umu da koordinacija monetarne politike na globalnom nivou ima značajnu ulogu, jer međuzavisna ekonomija i privreda utiču na stabilnost monetarnog sistema svake zemlje. U cilju uočavanja sličnosti ali i razlika u monetarnoj politici Republike Srbije i zemalja u okruženju, rad se bavi analizom i poređenjem u periodu od 2019. do 2024. godine.*

**Ključne reči:** *monetarna politika, koordinacija monetarnih sistema, globalna kriza, Republika Srbija, zemlje u okruženju*