

The idea that domestic state and private companies could issue corporate bonds in order to get favorable money was launched before the presentation of anti-crisis measures, and found its place in the state anti-corona package. Experts with whom Nova.rs spoke warn that issuing such securities is a delicate operation, which must not turn into what it is starting to look like - and that is "the primary issue of money from the 1990s", according to broker Nenad Gujanicic, ie "financing of public companies by the National Bank", which economist Milojko Arsic warns about.

"We want to help the private sector through guarantee schemes with commercial banks... We will have more actions with corporate bonds to strengthen some of our companies such as Roads of Serbia or EPS, but also other private companies that want to encourage exports and investments in the region," said on Wednesday evening the President of Serbia, Aleksandar Vucic, and added that these mechanisms have already been made and that the first decisions were made by the National Bank of Serbia in the previous days.

The question is whether the issuance of corporate bonds, as a mechanism that the state has simplified to help the economy cope with the consequences of the pandemic, has just become a mechanism for "strengthening" state and public companies.

Stock market analyst and chief broker at Momentum Securities Nenad Gujanicic reminds that when bonds are issued on the market, investors want to know what the funds are intended for, because, as he says, the purpose and justification of the project largely determines the risk of investors, increased by interest, will not be able to recover.

"This means that the company, during the issue of bonds, presents 'Prospect' to the investment public, which states the financial conditions for issuing the bond, significant risks, the company's financial condition and plans on how the collected funds will be used," Gujanicic explains for Nova.rs.

Gujanicic points out that he sees the biggest problem in the situation in which the selected companies will actually have secured bond placement due to the decision that the National Bank of Serbia (NBS) buys these securities on the secondary market, there will be a fairly low level of investor interest (banks, above all) evaluate the quality of these bonds, because they will have a safe buyer on the secondary market.

"It can happen so easily that the NBS portfolio is filled with unbelievable debt securities, because none of the issuers is listed on the market, it does not have most of the elements of a corporation like those in market economies. Therefore, these announced operations are largely reminiscent of the primary issue of money during the 1990s, which is certainly a huge risk to the stability of public finances", warns Nenad Gujanicic for Nova.rs.

Milojko Arsić, a professor at the Faculty of Economics in Belgrade, is worried about the role of the National Bank in the whole story about corporate bonds "in the Serbian way".

"The NBS should buy corporate bonds exclusively in the function of conducting monetary policy, ie in order to provide sufficient liquidity on the market. That should by no means be a

way to help certain companies," emphasizes Arsic.

According to his assessment, for now - and in the foreseeable future - there is no need for such a way of providing liquidity, because commercial banks already have enough government securities that they can sell to the central bank.

"During the state of emergency, the NBS bought government bonds worth 341 million euros. It also regulates liquidity in the foreign exchange market and through 'swap' transactions.

That is why it would not be good for the NBS to buy corporate bonds that are potentially low quality, because that could mean that some kind of quasi-fiscal functions are transferred to the central bank, and that it serves to finance public companies, which is completely inappropriate for its role," emphasizes Professor Arsic, Nova reports.