Last week, the National Bank of Serbia raised the reference interest rate to three percent in an attempt to fight inflation, but it also reached an agreement with the banks to reduce the levy to at least partially ease the rise in prices and the inflationary crisis caused by the war in Ukraine. The rate hike is a response to increased inflationary pressures, but the central bank believes that this level will not threaten the economy.
It remains to be seen how and if the NBS and other institutions in the country will deal with this problem and help the economy due to rising interest rates.
"We all moved our projections a bit, because inflation didn't seem so persistent at first, but we hope for the best, because we see that it is slowing down in the world," Tabaković pointed out earlier. She emphasized that in the future, banks will be obliged to notify the central bank in advance of their intention to change the prices of their services, instead of freely deciding about it, which they have been doing so far.
The governor said at the press conference that inflationary pressures are no longer only external due to the war in Ukraine, but due to spillovers from other markets, inflation has taken root on the internal level as well. "We will find ways to deal with internal inflation, with inflation that does not come from outside, and you will hear everything else about inflation at the presentation of the inflation report together with the new projections on August 17," said the governor.
The growth of consumer prices in Serbia accelerated this year, reaching 12.8 percent in July, driven primarily by food and energy prices. July inflation was expected to accelerate to 12.3 percent, before slowing in August, according to a Bloomberg survey.
Tabaković added that the NBS will participate in the same way in deciding on all prices that affect the consumer basket.
Because of this, many central banks tightened their monetary policies faster than expected in recent months, so the European Central Bank (ECB) raised interest rates earlier in July by 0.5 percent, while the Federal Reserve (Fed) has raised the rate since the beginning of the year. to 2.5 percent, and the Bank of England raised the benchmark interest rate earlier this month to 1.75 percent, the highest since 1995.
"Under such circumstances, a large number of central banks are revising their inflation projections upwards, with the assessment that there are still more pronounced risks that inflation could be higher and more persistent than expected. The above-mentioned factors may cause the outlook for global economic growth to be less favorable, thereby affecting the increase volatility on the international financial market and directing global capital flows from developing countries to more developed economies", the central bank announced.
With this tightening of monetary policy, the NBS seeks to limit the secondary effects on inflationary expectations and ensure that inflation in Serbia is on a downward path, as well as that, by the end of the projection period, it returns to the limits of the permitted deviation from the target, according to the central bank.

Governor Tabaković stated that the NBS has bought 1.125 billion euros on the foreign exchange market since May, because the supply of euros is greater than the demand. The governor cited "foreign direct investments, exports and tourists who pay with cards" as the basis for the inflow of a larger amount of euros on the market, Bloomberg Adria writes.