

The People's Party (NS) announced today that "Serbia, in terms of the amount of dinars in circulation, is like a man who lives on liters and blood, although science proves that this is impossible without five liters", so "fundamental reform of the financial system is necessary"

"Serbia's GDP in 2020 at constant prices was 45.7 billion euros, and the level of money supply in the same year was 13.3 billion euros. A similar trend is in 2021 with the growth of GDP and the money supply of 14.3 billion euros," said the president of the National Assembly Committee for Economy and Finance, Borislav Borović, in a written statement. He emphasized that "science fiction is that with 3.5 times less dinars than the amount of GDP, domestic goods and services can be paid for, taking into account the coefficient of the speed of money circulation."

"The National Bank of Serbia (NBS) forgets that the basic task of every central bank is to provide the necessary amount of domestic money to pay for goods and services on its territory. The required amount is the optimal ratio of operating dinars (M2 aggregate) to the domestic GDP," stated Borović.

He pointed out that "there are two major anomalies regarding the amount of money."

"If the money supply exceeds the required level, inflation usually occurs. On the contrary, the lack of money supply causes frightening illiquidity of the economy and citizens, as is currently the case in Serbia," Borovic said.

According to him, "the minimum level of operating dinars in relation to GDP is 50 percent."

"Foreign currency deposits and foreign currency savings are not operational money because they are not the subject of everyday transactions. The growth of the money supply is conditioned by the secondary issue of money through the credit activity of commercial banks," said Borović.

He assessed that "the NBS did not want or did not know how to stimulate commercial banks to issue enough loans", while "at the same time, it practically left the primary issue to commercial banks".

Thus, he emphasized, "there was a paradox that loans to households rose to eight billion euros, and for the economy fell to 11.4 billion euros."

"If we include the illegal indexation of loans to citizens and the economy and loose foreign exchange control, which is the cause of a huge and legal outflow of foreign currency from the country, it is clear that a fundamental reform of Serbia's financial system is necessary," Borovic said, Danas reports.