On the domestic market, three issues were sold by direct negotiation at interest rates of 2.4 percent

Two days ago, on Tuesday, the state borrowed 690 million euros on the domestic market. It is about three issues of Eurobonds that were sold through direct bargaining. In the case of the first security, the state received 90 million euros, and the interest it will have to pay after the four-year maturity is 3.95 percent plus the six-month Euribor. In the case of the second three-year bond, it collected EUR 250 million at an interest rate of 3.75 percent plus the six-month Euribor. She collected the most money from a bond that matures in 53 weeks, which means that it is a one-year issue, and it is 350 million euros. Only in this case the interest rate is fixed and amounts to 2.4 percent.

Who bought the government debt is not specified, but it is undoubtedly about banks, which are mostly buyers of government debt securities, although they can also be insurance companies, international investors. Since in the case of "paper" for three and four years it is a variable interest rate, i.e. one that is related to the movement of the Euribor, it is clear that investors are protected from the devaluation of money in a situation where further growth of interest rates is expected in the future.

These days, the Euribor changes its value on a daily basis and on August 22 it was 0.908 percent, and just five days earlier it was 0.754 percent. According to the current price of money, it means that the interest on a four-year debt is almost five percent per year, and it will only be higher.

Ivan Nikolić, director for scientific research development at the Economic Institute in Belgrade, believes that, according to current prices, we borrowed more favorably on the domestic market than we could on the international market.

"Unfortunately, that is the price that is possible at the moment." It can't be cheaper than that. It is incomparably less favorable and more expensive than last year and the year before last, but we have entered a period of more expensive borrowing. It just means that the state has to be much more careful about spending that would be more risky and about excessive giving that would create a bigger deficit", says Nikolić, explaining that the funds were not taken only for the current deficit, but also for the refinancing of obligations that are due.

According to him, no matter how much the price of capital went up compared to last year, it will be even more unfavorable in the medium term. So in the next two, three years, until the world fights inflation, capital will be expensive. Monetary conditions will, without a doubt, tighten further. This has already been announced by the American central bank FED, and will be followed by the European Central Bank. As a result, government bonds will also be more expensive.

"As much as the price of the sold bonds seems unfavorable to us, they will be even more expensive." Caution is required with any increase. We have inflation, so some expenses must increase, including salaries and pensions. It will be challenging in any case", says

Nikolić.
In the National Bank’s August inflation report, it is written that uncertainty in the international financial market continued to affect the domestic securities market (HoV). This was confirmed by the further growth of interest rates at two-year HoV auctions, which were increased several times, reaching the level of 3.6 percent, which is 0.65 percent higher than the auction of this maturity at the end of the first quarter. At the auction of dinar HoV maturities of ten years, compared to the previous auction of this maturity on February 9, 2021, the interest rate was 6.7 percent. In June, a bond in euros with a maturity of 53 weeks was issued by direct negotiation, which was sold at a nominal value of 350 million euros, at a coupon rate of 2.4 percent.
In the aforementioned NBS report, the further growth of the Euribor is estimated, namely the three-month, not the six-month, which is taken into account for the interest calculation. Three monthsIn the next two years, the national Euribor will range from 1.2 to 1.3 percent. It is interesting that the three-month Euribor now stands at 0.453 percent, which means that it is half as low as the six-month rate, which shows that in the next two years it can remain twice as high, or around two percent, Politika writes.