Macroeconomic Outlook for Serbia in 2026

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What Kind of Economic Year Awaits Us in 2026?

Executive Summary

Moderate acceleration of economic growth: Following a low GDP growth rate of 2% in 2025, current projections point to an acceleration of growth to around 3% in 2026.

Labour market stable, but with structural weaknesses: Unemployment (8.2%) and the share of employment in the informal economy (11.9%) remain low, but have slightly deteriorated compared to 2024 due to a decline in agricultural employment. Gender gaps and a persistently high share of young people not in employment, education or training (NEET) at 23.4% remain a significant challenge.

Wages rising faster than productivity: Real wages increased by 8.2% in 2025, but labour cost growth is not matched by productivity gains. The gap between average and median wages is widening, while increases in the minimum wage and public sector wages from January will spill over into private-sector wage growth during 2026.

Decline in foreign direct investment inflows: FDI amounted to 3.8% of GDP by the end of Q3 2025 (around EUR 2.5 billion), roughly half the level recorded in 2024. The decline is concentrated in mining and construction, while manufacturing posted a modest increase. After several years of high FDI inflows relative to the CEE8, Serbia joined Hungary and the Czech Republic in 2025 as a country experiencing falling FDI inflows, pointing to potential vulnerabilities in a growth model reliant on foreign capital.

Stable fiscal position, but mounting pressures: Public debt remains below 50% of GDP, but a slight increase in the debt-to-GDP ratio and a fiscal deficit of around 3% of GDP are expected in 2026, primarily due to high public investment related to EXPO 2027.

External trade with a widening deficit: Exports grew by 8.4% in 2025, while imports rose by 7.2%, resulting in a trade deficit of EUR 8.8 billion. The EU remains Serbia's main trading partner, with Germany the most important export market. US tariffs have not significantly affected Serbian exports, while an improvement in business sentiment in the euro area could have a positive impact on export growth this year.

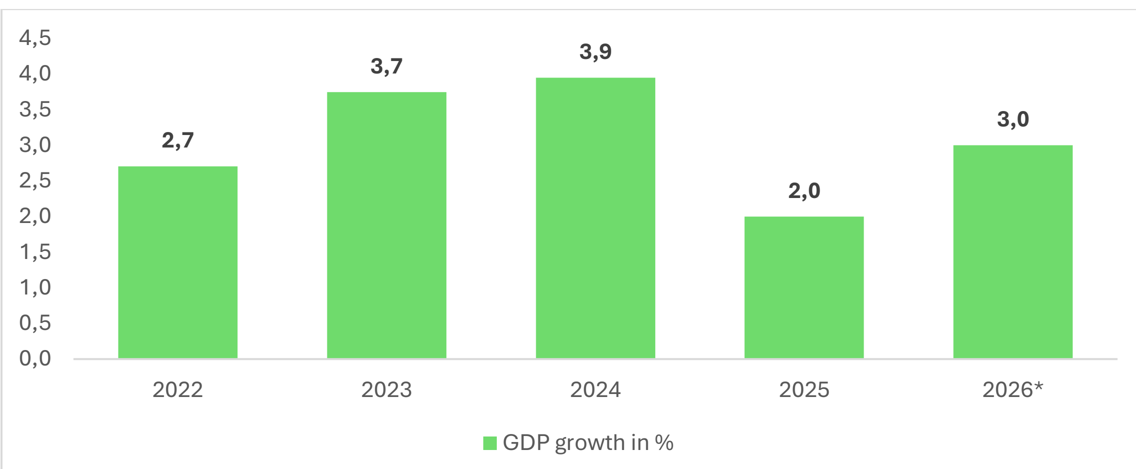
Inflation easing, but new risks emerging: By the end of 2025, inflation had converged toward the National Bank of Serbia's target (around 3%), but the expiration of administrative price controls and uncertainties in the energy sector represent potential inflationary risks.

Opportunities for recovery in tourism and industry: In 2025, tourism recorded a slight decline compared to 2024, while industrial growth remained weak (1.1%) due to a contraction in mining and the suspension of production at Petrohemija following US sanctions, despite a recovery in manufacturing (4.5%). Resolving the NIS issue would have positive effects on industrial output, while new capacities in congress tourism could generate additional growth opportunities.

Acceleration of Economic Growth

Economic growth in 2025 amounted to 2% of GDP, representing a significant slowdown compared to the initial projections from October 2024, which had forecast growth of 4.1%. The slowdown observed last year was also present across the broader region. In the CEE8 countries (EU members since 2004, excluding the Baltic states), the unweighted average growth projection for 2025 initially stood at 2.8%, but the region ultimately recorded growth of 2.1%, almost identical to the growth rate achieved in 2024.

Graph 1: Economic growth in % of GDP

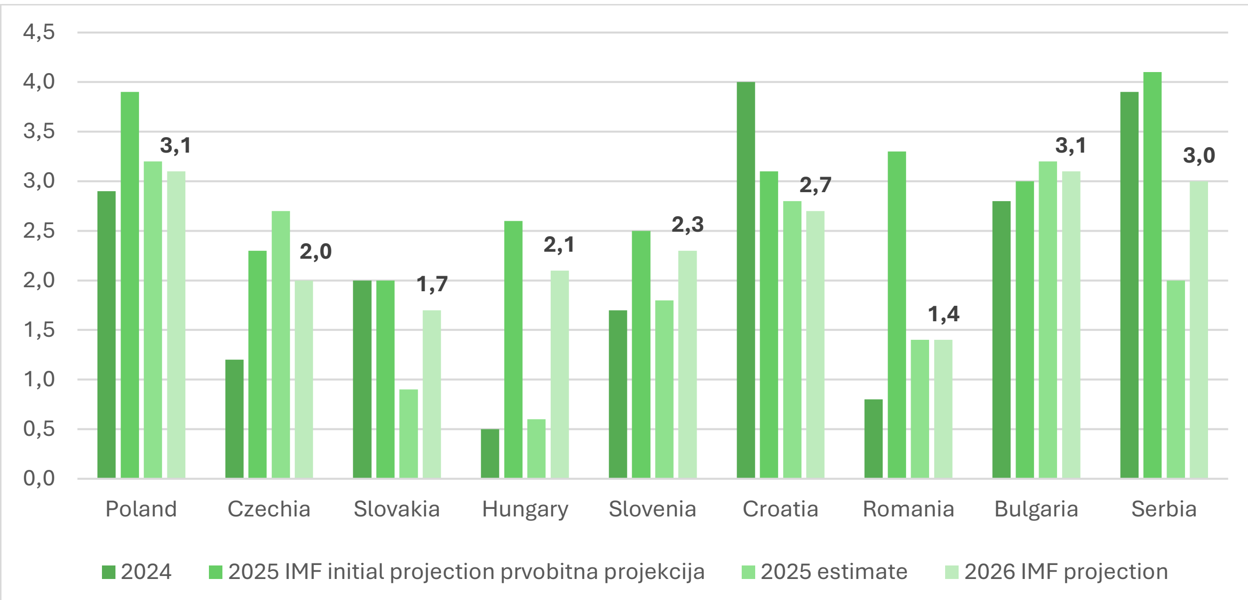


Source: Statistical Office and and IMF

The slowdown in growth was particularly pronounced in Hungary, Serbia, and Romania, where projected growth rates were effectively halved. A common feature across these countries has been political and social instability, manifested through the annulment of presidential elections and a change of government (Romania), a referendum-driven electoral climate ahead of parliamentary elections (Hungary), and prolonged mass protests followed by a change of government (Serbia).

For the current year, the IMF projects GDP growth of 3%, while the National Bank (3.5%) and the Ministry of Finance are somewhat more optimistic (3.6%). The downward revision of the IMF's growth projection reflects slightly weaker private consumption growth, delays in the implementation of public investment projects, lower inflows of foreign direct investment, and softer external demand weighing on exports.

Graph 2: GDP growth rate in selected countries, in % of GDP



Source: IMF. World Economic Outlook

Agriculture Worsened Labour Market Indicators

Labour market conditions in Serbia have not changed significantly, with the unemployment rate at 8.2% (compared to 5.8% in the EU) and the share of employment in the informal economy at 11.9%, both recorded at low levels. The employment rate of the working-age population (15–64) stands at 66.9% (EU: 71.1%). However, these indicators have slightly deteriorated compared to the same quarter of 2024 due to a decline in formal, and particularly informal, employment in agriculture.

Nevertheless, gender inequality and youth labour market integration remain persistent challenges. The employment rate of women is lower than that of men (44.9% vs. 58.2%), while the unemployment rate among women is higher (9% vs. 7.5%). The share of young people not in employment, education, or training (NEET) stood at 23.4% (EU: 9.2%).

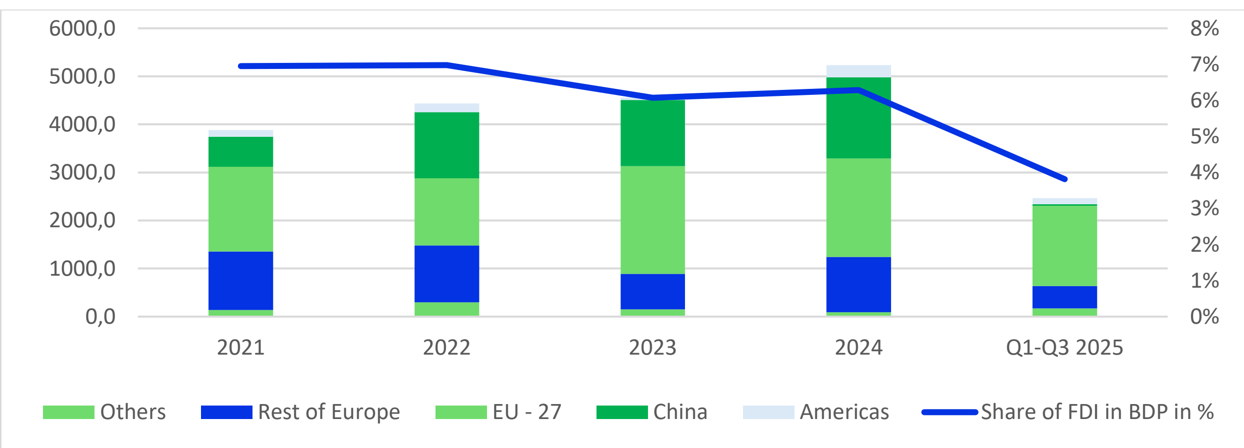
The average net wage in November 2025 amounted to just under RSD 112,000. Real wage growth year on year was 8.2%, but the increase in labour costs continues to outpace productivity growth. At the same time, the gap between the average and the median wage is widening, with the median wage standing at RSD 86,702 in the same month.

The information and communication sector remains the highest-paying sector in the country. The 10% increase in the minimum wage, the 5% rise in public sector wages from January 2026, and persistent labour shortages are expected to exert additional upward pressure on private-sector wages during the course of this year.

Decline in FDI Inflows

By the end of the third quarter of 2025, FDI inflows amounted to only about half of their 2024 level, reaching 3.8% of GDP, or approximately EUR 2.5 billion. By country of origin, the sharpest decline was recorded in inflows from China, followed by a reduction in investment from non-EU European countries, while FDI inflows from the EU remained broadly in line with levels observed in previous years.

Graph 3: FDI inflow to Serbia by country of origin, in million of euros (leftvaxis) and % of GDP (right axis)

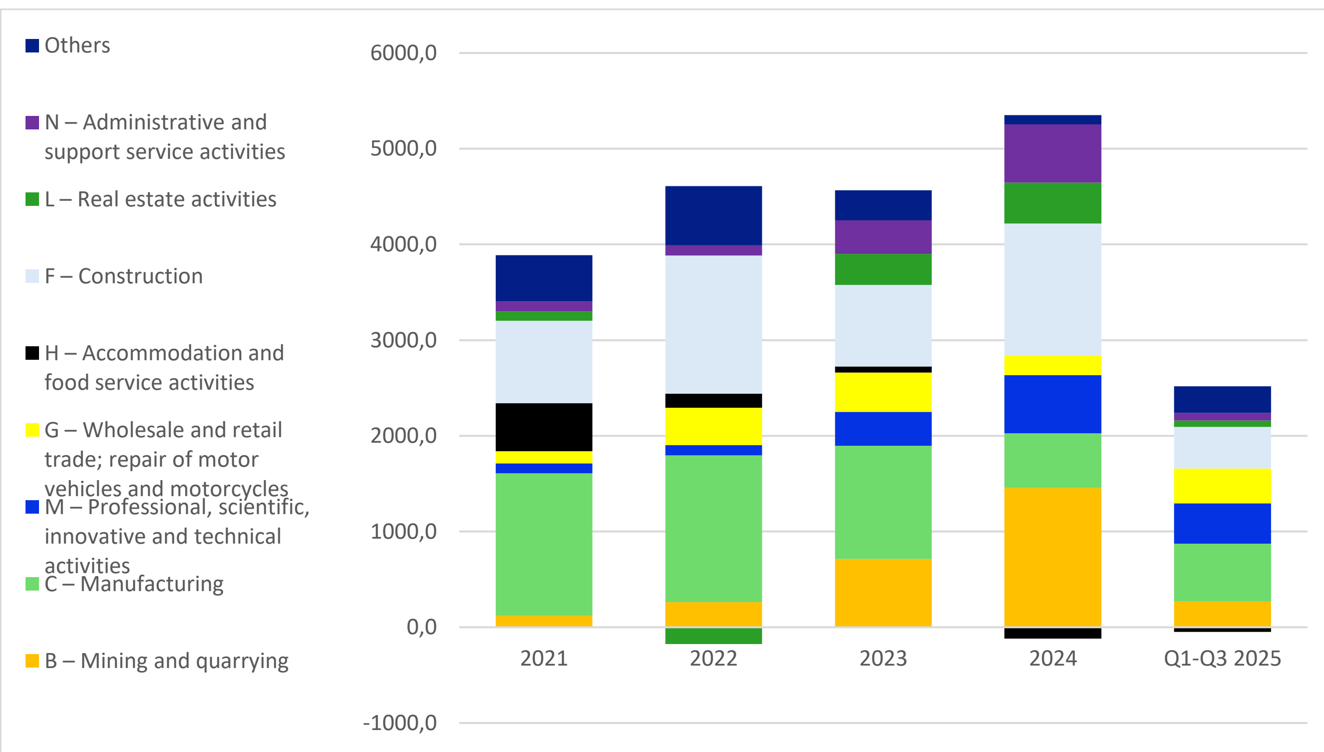


Source: National bank of Serbia

By sector, FDI inflows declined primarily in non-tradable activities, most notably mining (down by 80%), construction (down by 70%), as well as real estate activities and administrative and support service activities (each down by around 85%). At the same time, FDI inflows increased modestly in manufacturing (by 5%) and rose sharply in wholesale and retail trade (by 80%).

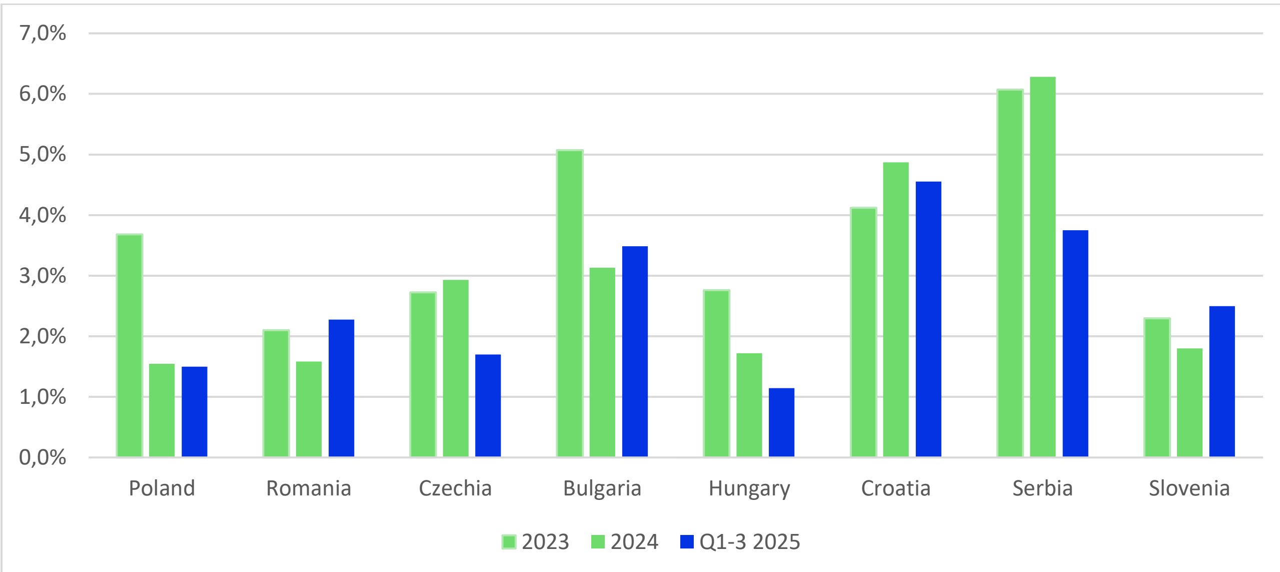
Compared with the CEE8 countries, Serbia recorded significantly higher FDI inflows relative to GDP over the previous three years, averaging around 6% of GDP. These relatively high FDI inflows, together with elevated public capital expenditure, offset the markedly lower level of domestic private investment. However, this growth model has inherent weaknesses that may become evident in the event of a slowdown in foreign capital inflows, which are internationally mobile, potentially volatile, and influenced by factors largely beyond the control of domestic policymakers (such as changes in other countries' trade policies or rising geopolitical tensions). Alongside Hungary and the Czech Republic, Serbia experienced a decline in FDI inflows during the first three quarters of 2025, while other countries in the region recorded stable or higher inflows when measured as a share of GDP.

Graph 4: FDI inflow to Serbia by industry, in million of euros



Source: National bank of Serbia

Graph 5: FDI inflow in selected countries, in % of GDP

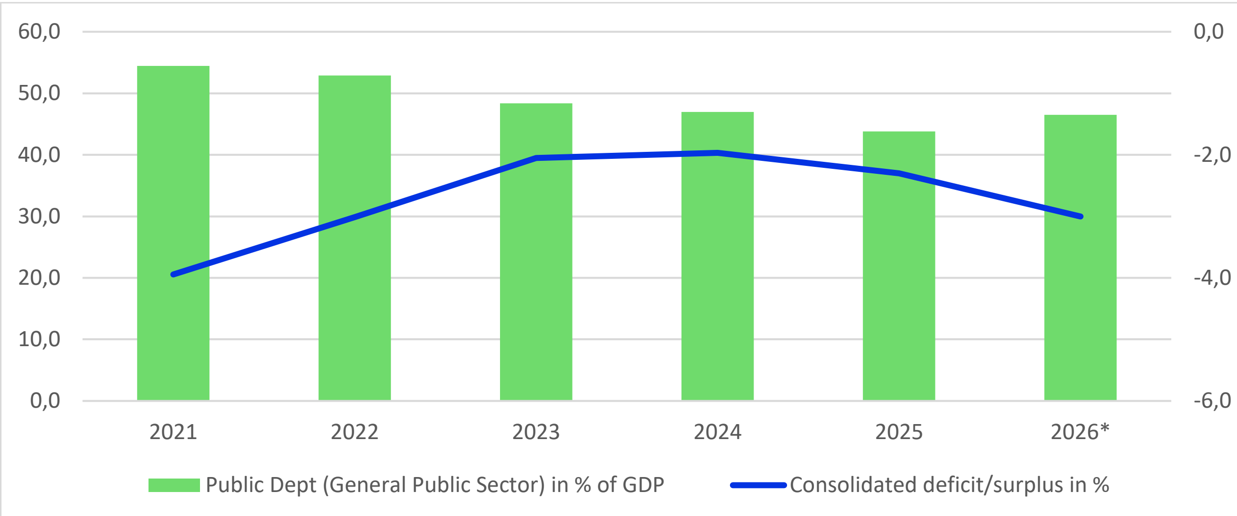


Source: National banks of selected countroes and Eurostat

Public Finances Remain Stable

Public debt has remained stable and below 50% of GDP since 2023. Nevertheless, the Ministry of Finance's Fiscal Strategy envisages a moderate increase in public debt in 2026, driven by a slight widening of the fiscal deficit, which is projected at around 3% of GDP, still in line with the Maastricht criteria, reflecting high public investment spending associated with investment programmes related to EXPO 2027.

Graph 6: Public debt (left axis) and deficit (right axis) in % of GDP



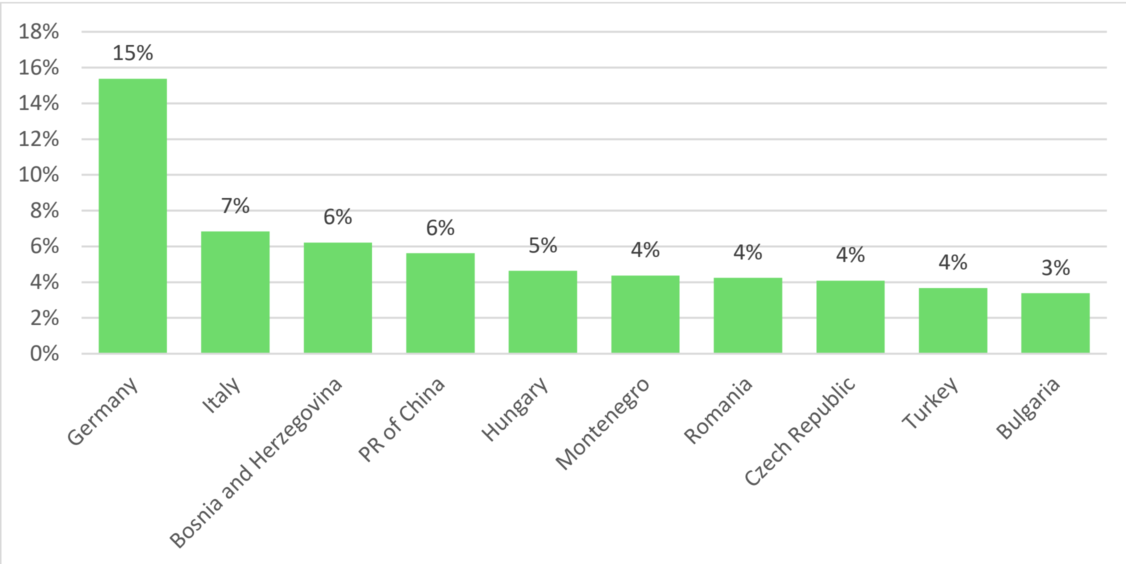
Source: Ministry of finance and the Fiscal strategy

Resilient Trade

The EU remained Serbia's largest foreign trade partner in 2025, followed at a much lower level by CEFTA member states and China. Germany stands out as the dominant partner, accounting for 15% of Serbia's total exports, with Serbia recording a trade surplus in bilateral trade with Germany. In 2025, exports grew by 8.4% year on year, while imports increased at a slightly lower rate of 7.2%, resulting in a trade deficit of EUR 8.8 billion. Machinery and transport equipment were the largest export product group by value.

US tariffs did affect Serbian exports: while total exports increased by 8.4%, exports to the US market declined by 6%, equivalent to approximately EUR 40 million.

Graph 7: Share of the top 10 Serbian export markets in 2025



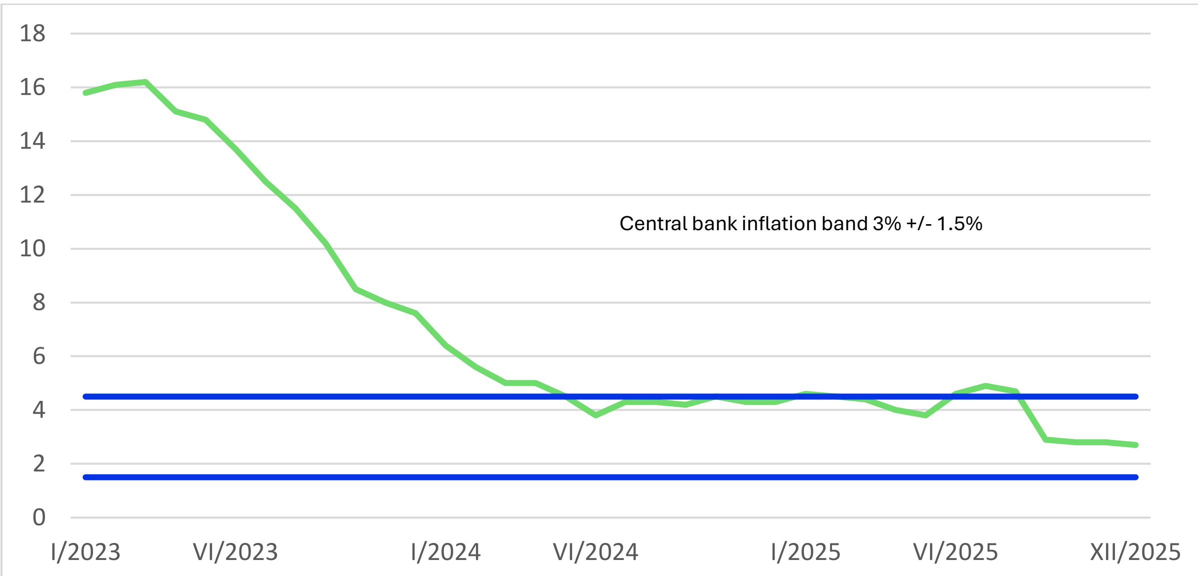
Source: Statistical Office

Easing of Inflation

Following a decline in inflationary pressures, price growth slowed markedly from mid-2024, but subsequently hovered near the upper bound of the target range (around 4.5%) before converging toward the midpoint of the corridor by the end of the year (3% year on year). This disinflation was supported by the administrative measure capping retail trade margins introduced in early September last year; however, this measure is set to expire at the end of February, which could trigger a renewed wave of retail price increases. In addition, the still unresolved situation regarding NIS may lead to higher fuel prices.

On the other hand, according to National Bank of Serbia (NBS) data, inflation expectations of the real economy and the financial sector two years ahead remain within or slightly above the upper bound of the NBS target, at 5% and 3.3%, respectively, unchanged since May.

Graph 8: Inflation in Serbia 2023-2025; same month of the previou year = 100 (m/m-12)

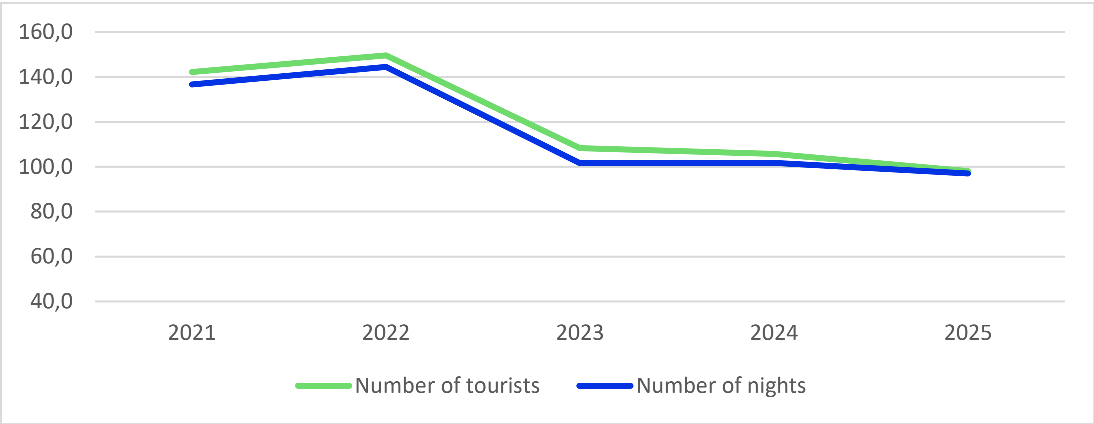


Source: Statistical Office

Tourism oportunities

Following the post-COVID-19 recovery of the tourism sector, record levels were reached in absolute terms, but a slight decline was recorded in 2025 compared with the previous year. Almost 4.5 million tourists visited Serbia, generating just over 12 million overnight stays. The Draft Tourism Development Strategy envisages, over the medium term, an annual increase in tourist overnight stays of 4-6% in the coming years, while the construction of new congress tourism capacities linked to the EXPO project could expand supply and support further tourism development.

Graph 9: Number of tourists and tourist nights in Serbia; previous year = 100

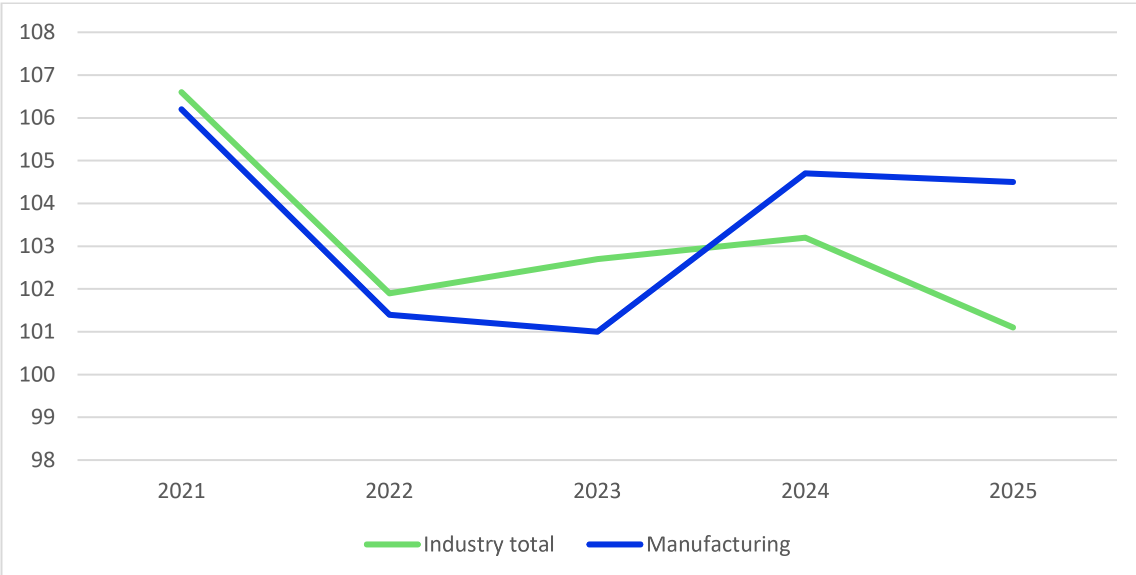


Source: Statistical Office

Manufacturing recovery

Industrial output recorded low growth in 2025 (1.1%), primarily due to a contraction in the mining sector, while manufacturing, which employs the largest share of the industrial workforce, continued the recovery that began in 2023, with output growth of 4.5%. Positive expectations that manufacturing growth will continue in the coming year are based on the improvement in the Economic Sentiment Indicator in the euro area, which rose to 99.4 in January, its closest level to the long-term average of 100 points since January 2023. However, a major risk remains the unresolved issue of transferring the Russian ownership stake in NIS and the associated US sanctions.

Graph 9: Industrialand manufacturing output index;previous year = 100



Source: Statistical Office and the National bank of Serbia. Data for 2025 are up to November

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