

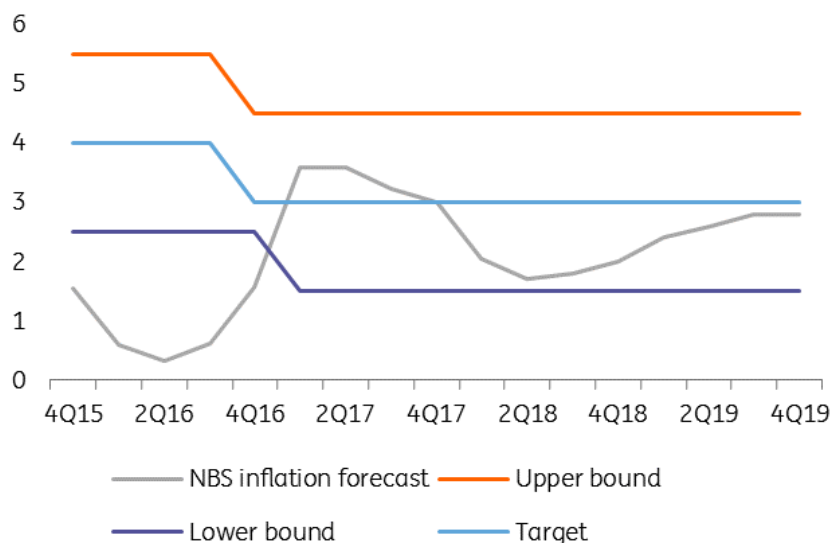
## Serbia: Another non-consensus rate cut?

We expect the central bank to cut rates by 25bp to 3% after it surprised the market last month by lowering rates as both inflation and FX are well behaved



Source: Shutterstock

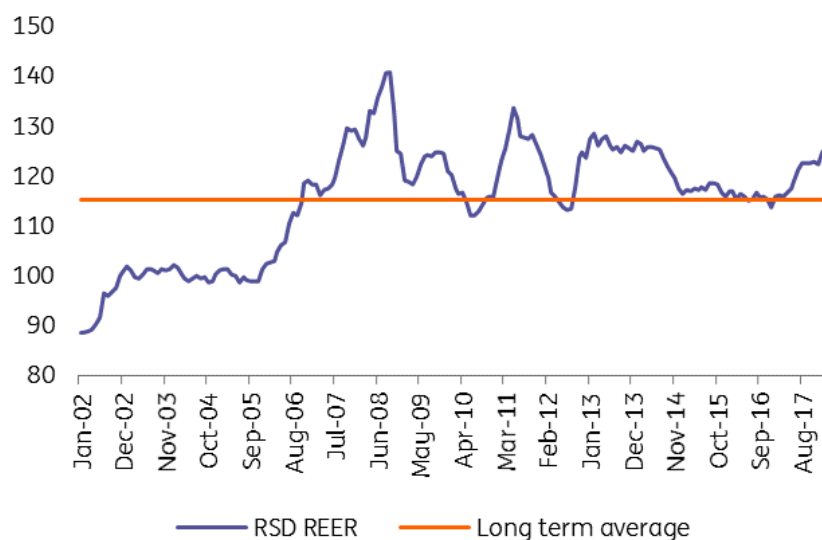
## NBS forecast: a window of opportunity to cut rates



Source: NBS

We had the same non-consensus view for the previous meeting and we got it right. Still, this time, we acknowledge that risks to our call are higher as global and country-specific geopolitical risks have increased. So far, the Dinar has shrugged-off the uncertainties. On the contrary, the FX interventions continued to be one sided: to curb RSD strengthening pressures as the real effective exchange rate (REER) shows some overshooting.

## RSD REER

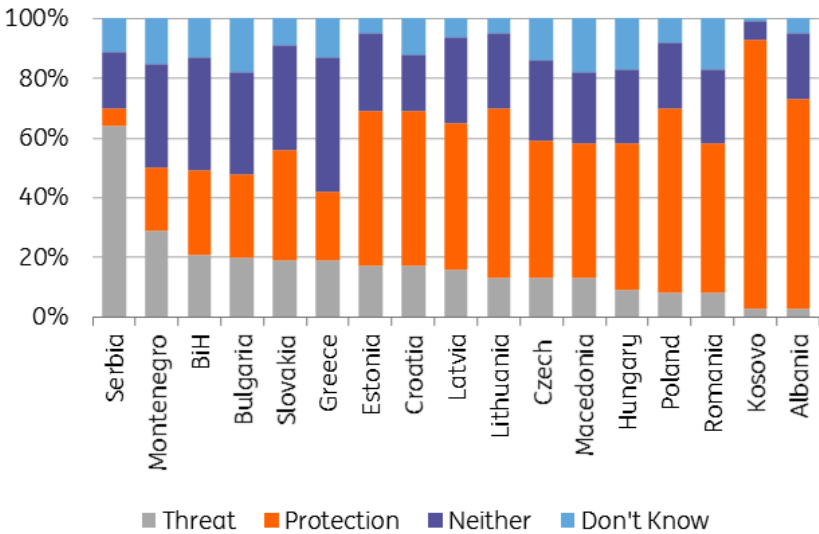


Source: NBS

Nevertheless, the ongoing developments might call for some prudence, but the inflation outlook has not changed at all. Hence, provided the geopolitical noise is considered as transitory by the

NBS policymakers, another rate cut is likely in our view.

### Geopolitics: NATO threat or protection?



Source: Gallup

To sum-up, we hold on to our call for a rate cut in Serbia, but acknowledge that uncertainties might lead policymakers to a comfortable “on hold” decision, while citing the need for further assessment of the recent policy easing on the inflation outlook.