Republic of Serbia

Rating report

Foreign currency

Long-term issuer rating/Outlook
BB+/Stable

Senior unsecured debt/Outlook
BB+/Stable

Short-term issuer rating/Outlook
S-3/Stable

Local currency

Long-term issuer rating/Outlook
BB+/Stable

Senior unsecured debt/Outlook
BB+/Stable

Short-term issuer rating/Outlook
S-3/Stable

Rating rationale

Solid GDP growth supported by resilient FDI inflows: Serbia's growth outlook has softened but remains resilient: after solid GDP growth of 3.9% in 2024, we expect activity to expand by around 2.1% in 2025, supported by consumption and investment despite global trade tensions and domestic political uncertainty. We project growth to strengthen toward 3% in 2026, supported by rising incomes, new manufacturing capacity coming onstream and preparatory investment for Expo 2027. FX reserves are ample, though coverage has moderated.

Moderate public debt and effective budget management: Serbia's public debt remains moderate, with the debt-to-GDP ratio expected to remain broadly stable, moving marginally from 44.5% in 2024 to 44.3% by 2030, supported by modest fiscal deficits and strong nominal GDP growth.

Political volatility and weakening reform outlook: Serbia faces rising political volatility and a weakening reform outlook, with institutional frictions increasingly weighing on policy predictability. The potential full enforcement of U.S. sanctions on NIS pressures Serbia's alignment with EU energy-security objectives and poses a risk to external stability, higher inflation, a weaker current account and greater contingent fiscal burdens.

Rating challenges: i) institutional weaknesses and slow progress on structural reforms, including gaps in governance, rule of law, which continue to weigh on policy predictability; ii) heightened uncertainty over Serbia's access to and cost of energy security following the enforcement of U.S. sanctions on Gazprom Neft and its subsidiaries, including NIS; and iii) elevated external vulnerabilities, reflected in a still-high external debt burden, a significant foreign-currency share in public and private debt, and a current account deficit that remains dependent on sustained FDI inflows, leaving the economy exposed to shifts in external financing conditions.

Figure 1: Serbia's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	a-	RSD [+0]	Serbia [-1]	1/3	BB+
Public finance risk		20%	aa+			0	
External economic risk		10%	cc			- 1/3	
Financial stability risk		10%	aaa			- 1/3	
ESG risk	Environmental factors	5%	b			0	
	Social factors	7.5%	ccc			0	
	Governance factors	12.5%	b+			- 1/3	
Sovereign Quantitative Model* **		**bbb-**				**-1**	
Additional considerations						**0**	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.
**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.
*** Scope's SQM signals and indicative credit rating of 'bbb-', which was approved by the rating committee.
****The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's Sovereign Rating Methodology.

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Credit strengths and challenges

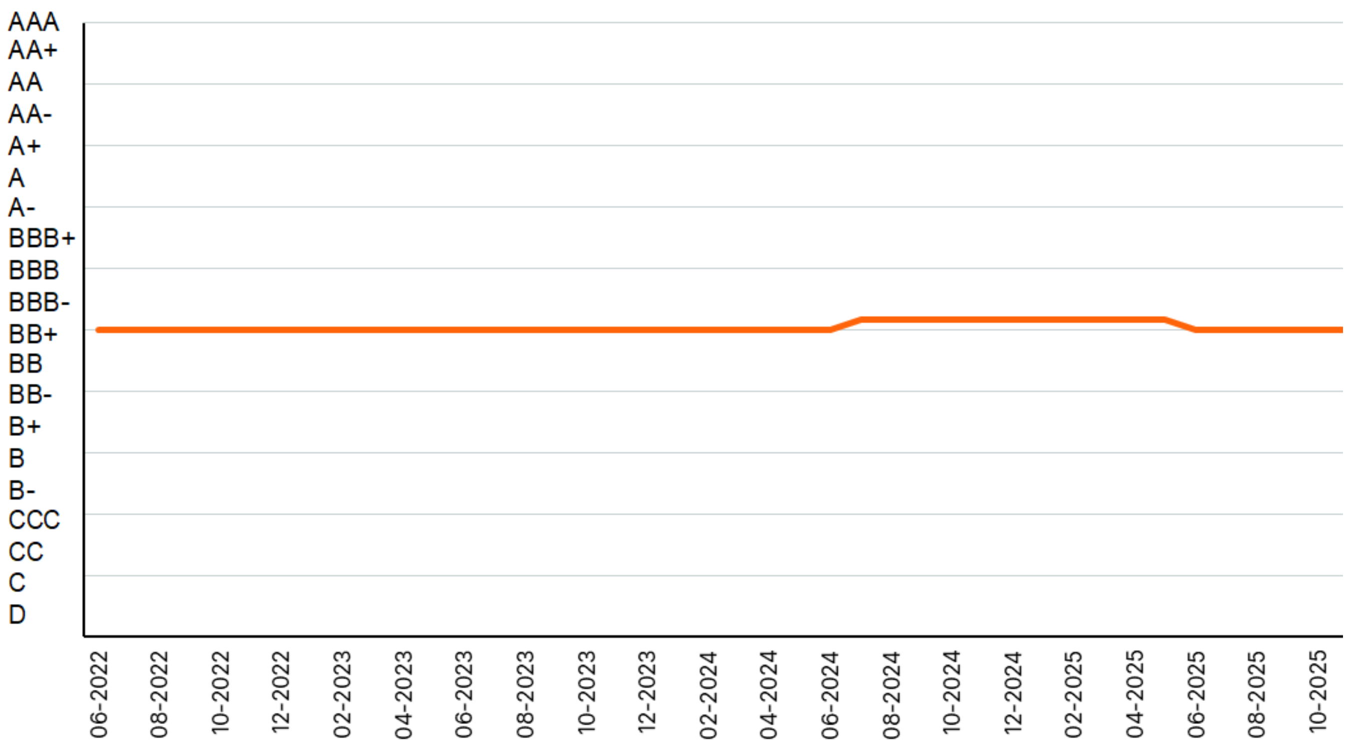
Credit strengths	Credit challenges
• Well-established macroeconomic policy framework with a good record of sustained and balanced growth rates • Moderate public debt, effective budget management • Solid FDI inflows	• Elevated external vulnerabilities due to high external debt and high FX share of debt • Political uncertainty, institutional weaknesses, slow progress on structural reforms • Uncertainties regarding access to and cost of energy security

Outlook and rating triggers

The Stable Outlook reflects the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
• Governance and/or political risks eased, including through material progress toward EU accession • External position further strengthened, due to robust exports or increased net FDI inflows • Debt/GDP ratio set on a firm downward trajectory over the medium run	• Governance and/or political risks increased, affecting the quality and predictability of policymaking • Increase in external vulnerabilities, weighing on reserve adequacy • Steady increase in debt/GDP ratio in the medium run

Figure 2: Rating history



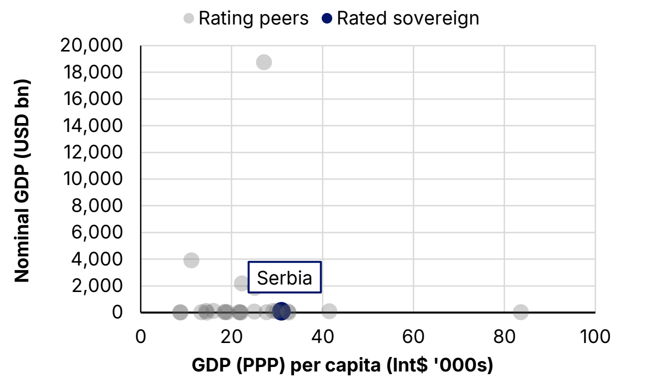
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Serbia's *Domestic Economic Risk*

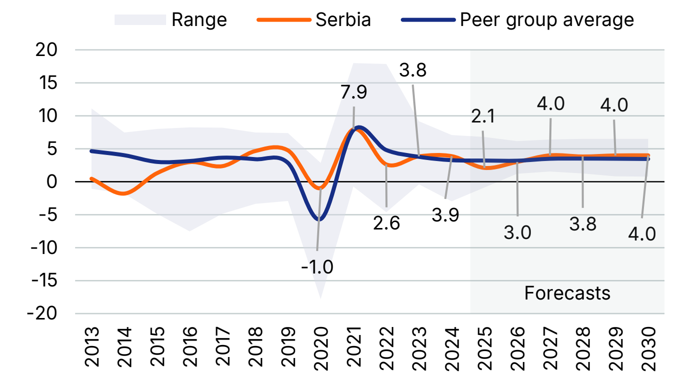
SQM[1] indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Growth potential and outlook	Strong	1/3	Solid medium-run growth potential of 4.0%, supported by steady net FDI
	Monetary policy framework	Neutral	0	Pre-crisis record of managed inflation, adequate monetary policy
	Macroeconomic stability and sustainability	Neutral	0	Improved macro-economic stability, but relatively low domestic savings

Figure 3: Nominal GDP and GDP per capita (2024)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



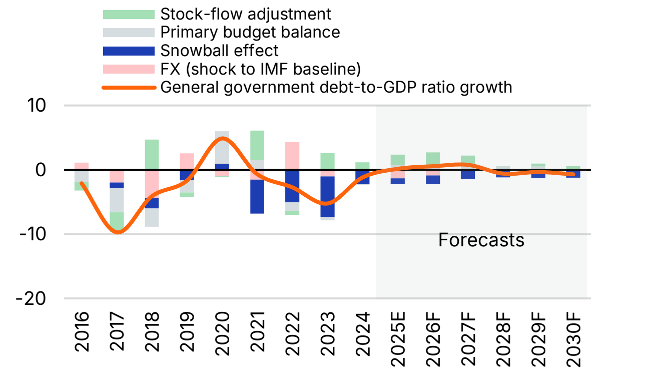
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Serbia's *Public Finance Risk*

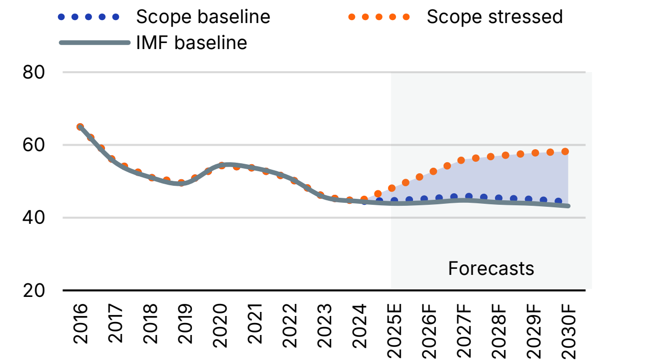
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Fiscal policy framework	Neutral	0	Pre-crisis record of fiscal prudence; development of new fiscal-rules framework and ongoing IMF policy support anchor fiscal discipline; high public investments
	Long-term debt trajectory	Neutral	0	Stable debt trajectory over medium run, but exposure to significant exchange-rate risk
	Debt profile and market access	Neutral	0	Long maturities and high share of multilateral, institutional debtholders but elevated share of FX debt

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

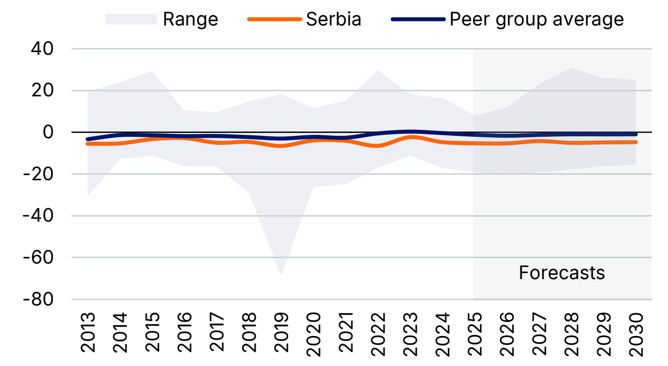
[1] Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Serbia's *External Economic Risk*

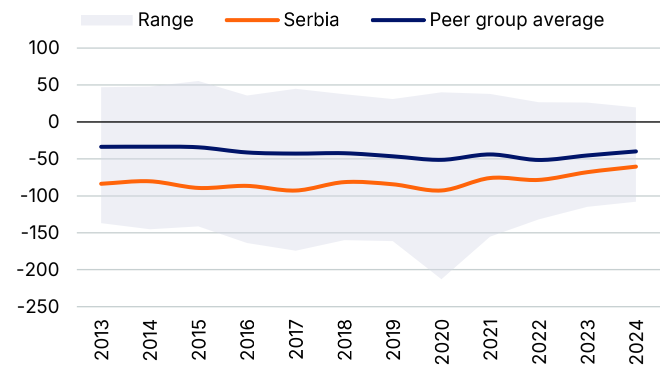
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
cc	Current account resilience	Neutral	0	High investment needs with low domestic savings; energy import dependence
	External debt structure	Neutral	0	Large current account deficits are largely financed by FDI inflows
	Resilience to short-term external shocks	Weak	- 1/3	High reliance on external financing, significant foreign-currency debt exposure, and vulnerability to energy-supply disruptions

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



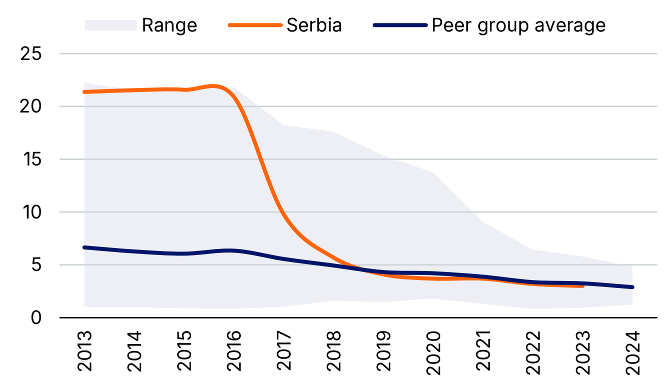
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Serbia's *Financial Stability Risk*

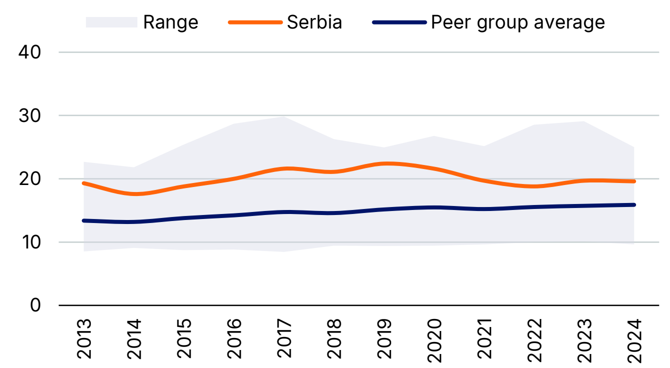
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Mostly foreign-owned, well-capitalised and liquid banking sector; low contingent liability risk to the sovereign balance sheet
	Financial sector oversight and governance	Neutral	0	Conservative banking framework supports overall stability in the system, macroprudential tools framework regarded as 'equivalent' to the EU one
	Financial imbalances	Weak	- 1/3	High euroisation of deposits and loans (at around 50% of the total) represents a financial stability concern

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



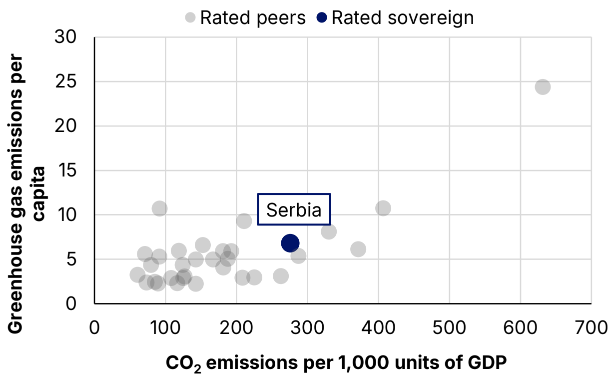
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Serbia's *ESG Risk*

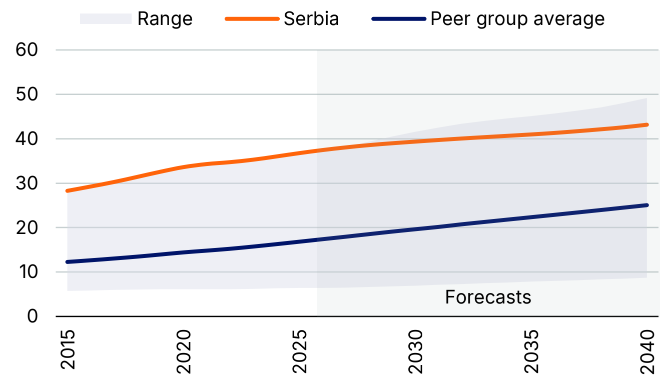
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b-	Environmental factors	Neutral	0	Increasing use of renewable energy sources; still elevated energy reliance on coal
	Social factors	Neutral	0	An ageing population and elevated youth unemployment constrain labour supply
	Governance factors	Weak	- 1/3	Limited progress on EU accession reforms, lack of tangible progress towards a sustainable settlement with Kosovo, recent public unrest

Figure 11: CO_2 emissions per capita/GDP (2023), $mtCO_2e$



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

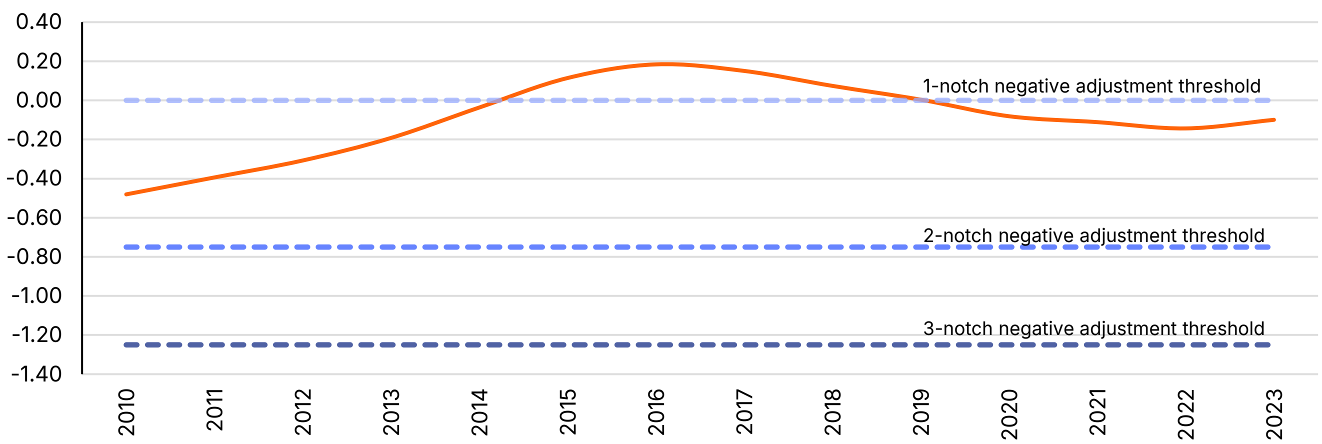
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	**Other**
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	**0.0**
Positive adjustment, notches	3	1	1	1	1	**0**

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Serbia, three-year moving average



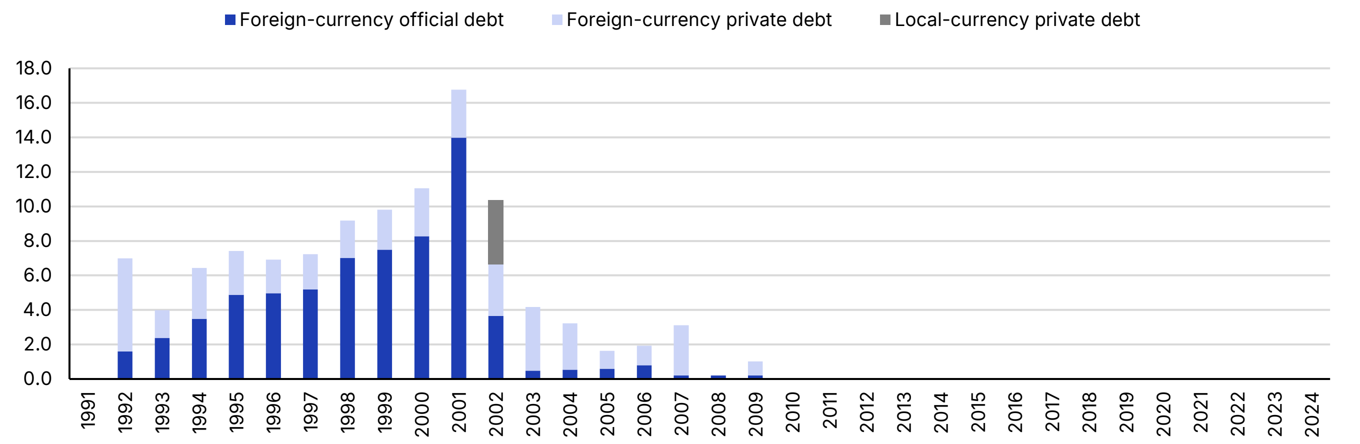
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under Scope's credit-rating definitions.
Source: Bank of Canada–Bank of England Sovereign Default Database, Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
China
Romania
Turkey

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5-year USD CDS spread (bps) as of 20 November 2025	149

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	**GDP per capita (PPP)**, Int$ '000s	IMF	20.6	21.0	23.7	26.7	28.9	31.0
	Nominal GDP, USD bn	IMF	54	56	66	67	81	89
	Real growth, %	IMF	4.8	-1.0	7.9	2.6	3.8	3.9
	CPI inflation, %	IMF	1.8	1.6	4.1	12.0	12.4	4.7
	Unemployment rate, %	WB	10.4	9.0	9.8	8.4	8.3	7.2
Public Finance	**Public debt**, % of GDP	IMF	49.5	54.3	53.6	50.9	45.7	44.5
	Net interest payment, % of government revenue	IMF	4.8	4.9	4.0	3.5	4.3	4.6
	Primary balance, % of GDP	IMF	1.9	-5.0	-1.5	1.3	0.5	0.1
External Economic	**Current-account balance**, % of GDP	IMF	-6.6	-3.9	-4.1	-6.5	-2.3	-4.7
	Total reserves, months of imports	WB	5.2	6.1	5.3	4.8	6.2	6.2
	NIIP, % of GDP	IMF	-84.4	-92.7	-75.9	-78.4	-67.9	-60.5
Financial Stability	**NPL ratio**, % of total loans	IMF	4.1	3.7	3.7	3.2	3.0	-
	Tier 1 ratio, % of risk-weighted assets	IMF	21.1	21.9	21.4	18.9	19.2	19.5
	Credit to the private sector, % of GDP	WB	40.2	43.4	41.4	38.4	33.0	33.0
ESG	**CO_2 per EUR 1,000 of GDP**, $mtCO_2e$	EC	304.6	301.3	287.7	279.2	259.1	241.0
	Income share of bottom 50%, %	WID	16.5	16.3	16.3	16.3	16.3	-
	Labour-force participation rate, %	WB	67.8	67.4	71.4	72.4	72.2	72.4
	Old-age dependency ratio, %	UN	32.6	33.6	34.3	34.7	35.3	36.0
	Composite governance indicators*	WB	-0.1	-0.1	-0.1	-0.1	-0.1	-
	Political stability, index	WB	0.0	-0.1	-0.1	-0.1	-0.1	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodology

Sovereign Rating Methodology, January 2025

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