Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Markets

Serbia Set to Get €2.4 Billion in IMF Financing, First in Decade

- Serbian premier says economy 'resilient, but not unbreakable'
- IMF offers better terms than market roiled by war, inflation

By Misha Savic
November 2, 2022 at 3:14 AM EDT *Updated on November 2, 2022 at 11:04 AM EDT*

The International Monetary Fund reached an agreement with Serbia on about €2.4 billion ($2.4 billion) in funding, the first such financing for the Balkan nation in a decade.

After securing a staff-level agreement in Belgrade, the IMF said its executive board may approve the 24-month arrangement in December. The financing would help support Serbia's budget and spending programs as economic growth is forecast to slow this year, Prime Minister Ana Brnabic told state broadcaster RTS late Tuesday.

"After a strong recovery from the pandemic, Serbia is now facing headwinds from the adverse global and regional environment, including Russia's war in Ukraine," the IMF said in a statement. The fund expects economic growth to slow to 2.5% this year and 2.25% in 2023.

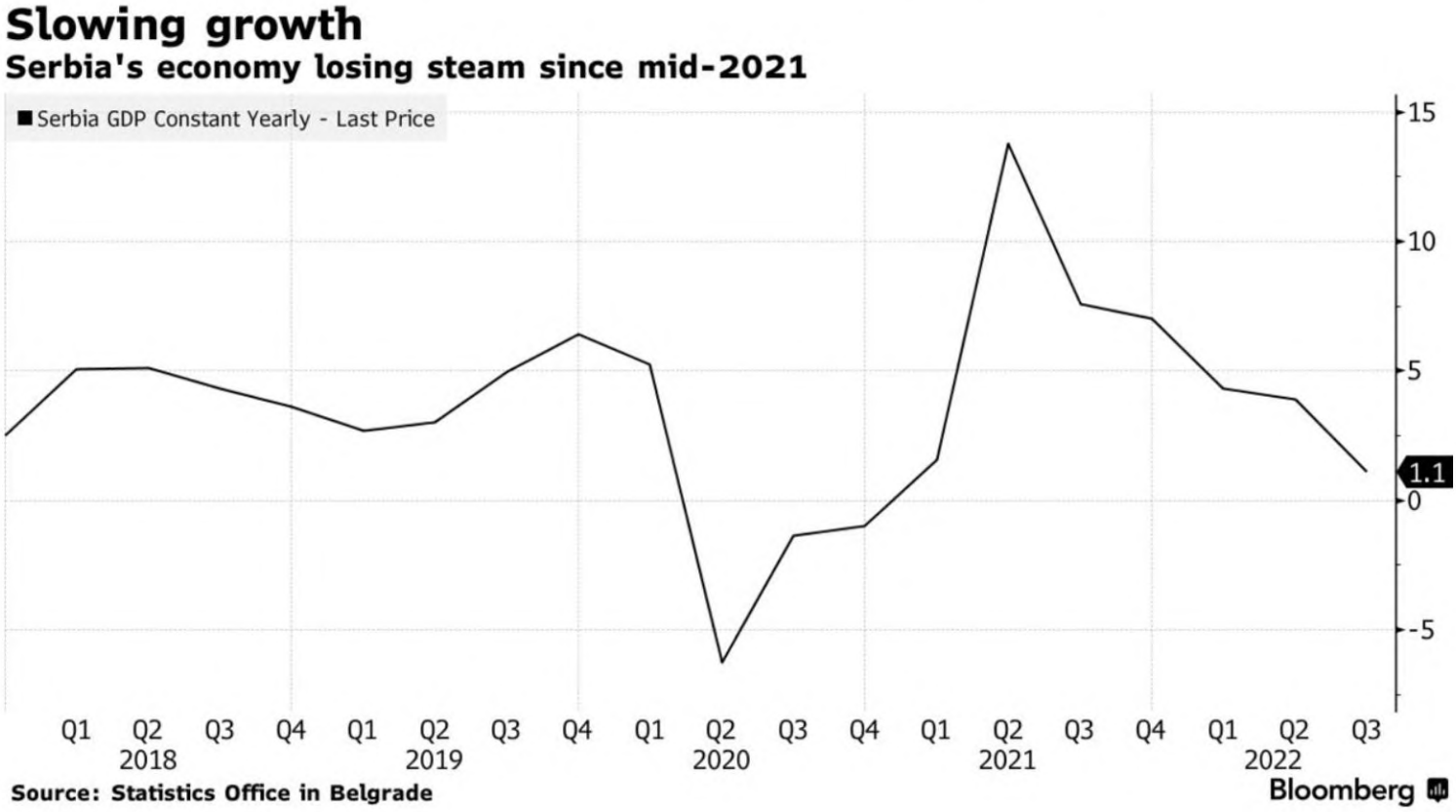
The Serbian government has said IMF financing would offer better terms than tapping the market, as Russia's war in Ukraine and spiraling inflation worsen credit conditions. Once approved, the IMF channel would enhance Serbia's options after it negotiated a $1 billion loan from the United Arab Emirates in September.

"The proposed standby arrangement will be additional support to financing in challenging conditions in the global economic environment," Serbia's central bank said in a statement. IMF funding will also aid "structural reforms," particularly in the energy sector, it said.

President Aleksandar Vucic said this week that the impact of the war in Ukraine is hurting the country's economic outlook after a flash estimate showed growth slowing for the fifth consecutive quarter to 1.1% in the July-to-September period.

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM



"At the meeting with the IMF, we were told that Serbia's economy is resilient, but not unbreakable," Brnabic said. "Therefore, we must not relax."

Serbia's maturing debt in 2023 includes 2.6 billion euros in securities due in January, April and July, Finance Minister Sinisa Mali said in September. His ministry will propose a budget review this month amid rising costs for energy supplies, large infrastructure projects, welfare spending, agriculture subsidies and economic stimulus. Spending will likely widen the budget gap, initially set at 3% of gross domestic product.

The IMF funding signals that Vucic's government is taking precautions as financial markets come under pressure, Jakub Kratky, an analyst at Generali Investments in Prague, said in an email.

"I see the whole approach as a good sign that Serbian authorities are aware of a potential liquidity squeeze," Kratky said. Although credit terms are better under the IMF, the deal isn't "risk-free" because Serbia will face funding freezes if it makes insufficient progress on reforms, he said.

Terms of Service Do Not Sell My Info (California) Trademarks Privacy Policy
©2022 Bloomberg L.P. All Rights Reserved
Careers Made in NYC Advertise Ad Choices Help

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Serbia 'in a hurry' to ease energy dependence on...
Saved to Dropbox • Nov 6, 2022 at 7:39 AM

FINANCIAL TIMES myFT

Insights for leaders. How will the midterms change Washington?

Subscribe now. Save 50%.

Serbia + Add to myFT

Serbia 'in a hurry' to ease energy dependence on Russia

Sanctions on Moscow force Belgrade to outline plans to weaken oil and gas ties to traditional ally

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

An NIS oil plant in Pancevo, Serbia. Belgrade is considering retaking majority control of its main oil company from Russia's Gazpromneft © Oliver Bunic/Bloomberg

Marton Dunai in Belgrade 8 HOURS AGO

Receive free Serbia updates

We'll send you a *myFT Daily Digest* email rounding up the latest Serbia news every morning.

Enter your email address

Sign up

Serbia is considering a move to retake majority control of NIS, its main oil company, from Russia's Gazpromneft as it rushes to protect itself from the impact of sanctions on Moscow, said the Balkan country's president.

Belgrade is also preparing a half-dozen other projects to diversify the country's energy sources, including closer co-operation with Hungary, in a bid to cut its dependency on Russia, Aleksandar Vučić said.

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

"It's crazy that we didn't think about connecting with each other and building this infrastructure network before," said Vučić. "We were not in the habit of wars in Europe, but now it is different. Almost everything changed. That's why we are in a hurry."

Advertisement

Moscow's acquisition of Serbian gas storage and oil refinery operators and Belgrade's more recent failure to secure long-term alternative supplies have left the landlocked country exposed as the EU targeted Russian energy after its invasion of Ukraine. In recent years Serbia has imported all of its gas and up to half of its oil from Russia.

From December EU sanctions mean Croatia will be barred from transporting Russian oil shipments to Serbia. And if Brussels overturns an exemption from a Russian ownership ban,

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Belgrade's main oil company NIS will no longer be allowed to do business with EU entities; this would effectively shut down its operations as it receives all its oil via Croatia's Adria pipeline.

Aleksandar Vučić: 'If there were other sanctions against Russian-owned enterprises, it will be a huge problem for us' © Johanna Geron/Reuters

According to three sources with knowledge of the situation, several groups including the

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Serbian government and Hungary's energy company MOL have considered buying the controlling stake from majority owner Gazpromneft, though talks on a sale have stalled. MOL declined to comment.

For now, NIS can operate normally because its refineries have been retooled to handle oil from Iraq and other countries and because of Belgrade's exemption from EU sanctions on Russian companies.

But Vučić said Serbia, an EU membership candidate, needed to consider "all the possibilities", including taking over NIS and sourcing alternative supplies.

"If there were other sanctions against Russian-owned enterprises, it will be a huge problem for us," Vučić told the Financial Times. "We will have to act anyway . . . we have to secure enough oil and gas to our people."

Advertisement

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

He added: “If nobody wants to work with NIS . . . then we’ll act, but it’s not the case so far.”

Vučić is treading carefully because he wants to avoid confrontation while his country relies on gas imports from Russia, a traditional ally of Serbia, analysts said. Vuk Vuksanović, a researcher at the Belgrade Centre for Security Policy, said only drastic conditions such as a cessation of Russian gas flows or expanded European sanctions would trigger a hostile takeover of NIS.

Recommended

EU energy

Croatia aims for role as eastern Europe’s ‘energy gateway’

Having formed a new government last month after winning elections in April, Vučić plans to spend about €2bn a year upgrading energy infrastructure, including new oil and gas links

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

to Bulgaria, Romania, North Macedonia and possibly Montenegro.

Vučić held talks with Hungarian premier Viktor Orbán last month on strengthening energy ties, including an oil pipeline to hook up Serbia to Hungary's network, and an electricity partnership.

Serbia would like to take a 10-15 per cent stake in Hungary's Paks nuclear power plant, where two new reactor blocks are under construction. Russian state-owned Rosatom supplies fuel to Paks and is building its new reactors but is not subject to western sanctions.

The plan could give Serbia access to up to 600MW of power generating capacity from Paks, although Vučić said there was no final decision on the issue yet. In return, Hungary would gain a similar stake in Serbia's national power company, whose hydroelectric dams contribute about a quarter of Serbia's power.

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM
Advertisement

"We have full trust in Hungary as a country and [in] this kind of energy alliance," Vučić said.

Serbia's inefficient economy leaves it vulnerable to disruption of energy flows, Aleksandar Macura, an energy expert at the RES Foundation in Belgrade, told a conference last week.

"Serbia needs three times as much energy to produce the same GDP as the EU average," Macura said.

But the president said a gas pipeline to Bulgaria would be operational before next winter's heating season, adding capacity to import 1.8bn cubic metres a year of gas, about half of the country's annual consumption.

Belgrade is also in talks with Azerbaijan about gas shipments starting next year.

Advertisement
Copyright The Financial Times Limited 2022. All rights reserved.
Reuse this content
Comments
Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Vucic said that "with another [pipeline to] North Macedonia, we can connect ourselves with the Trans-Adriatic and the Trans-Anatolian pipelines [which transport gas from Azerbaijan], as well as LNG terminals in Greece. This is all part of our diversification."

Latest on Serbia

EU energy

Hungary to help build oil pipeline to ship Russian crude to Serbia

Serbia

Serbia calls on IMF and UAE for support as borrowing costs soar

Kosovo

EU-brokered deal leaves Kosovo and Serbia mired in antagonism

Kosovo

Serbia and Kosovo agree to ease travel restrictions

Europe Express

Western neglect and homegrown troubles afflict the Balkans Premium

Europe

Nato seeks to ease Balkan tensions as Kosovo and Serbia warn of tough talks

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Interview Kosovo

Kosovo seeks western help to boost Nato and EU ambitions

Comments

Follow the topics in this article

EU energy + Add to myFT

Energy crisis + Add to myFT

War in Ukraine + Add to myFT

Oil & Gas industry + Add to myFT

Utilities + Add to myFT

How easy or hard was it to use FT.com today?

Leave feedback

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Support

Legal & Privacy

Services

Tools

Community & Events

More from the FT Group >

Markets data delayed by at least 15 minutes. © THE FINANCIAL TIMES LTD 2022. FT and 'Financial Times' are trademarks of The Financial Times Ltd.
The Financial Times and its journalism are subject to a self-regulation regime under the FT Editorial Code of Practice.

A Nikkei Company

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

Politics

Serbia votes against Russian proposal in the UN

11/10/2022 · Snezana Bjelotomic

The UN General Assembly opened a debate on the annexation of the four Ukrainian regions of Donetsk, Lugansk, Kherson and Zaporizhzhia to Russia, following the referendum held at the end of September.

Russia requested that the vote be secret, which the Assembly refused. The results are the following – 107 countries voted 'in favour' of a public vote, 13 were against and 39 abstained. Serbia was among the 107 countries that said the vote should be public.

Russia said on Monday it had targeted military and energy facilities in the latest attack on Ukraine, however, some of the missiles fell on civilian areas. Moscow said it was retaliating for Ukraine's terrorist attack on the Crimean Bridge on Saturday, while an advisor to the Ukrainian president, Mykhailo Podolyak, called the bridge attack "too cynical even for Russia".

UN Secretary-General Antonio Guterres said he was shocked by Russia's latest missile attacks on Ukrainian cities and discussed the matter with Ukrainian President Volodymyr Zelensky.

The UN General Assembly met to consider a draft resolution that would condemn the referendums and declare the annexations illegal.

Diplomats said a vote on the resolution is likely to take place on Wednesday or Thursday. The resolution would require Moscow to "immediately and unconditionally" desist from the planned annexations, call on all countries not to recognise them, and insist on the immediate, complete and unconditional withdrawal of Russian forces from all internationally recognised Ukrainian territories.

(Nova, 11.10.2022)

Received by NSD/FARA Registration Unit 11/07/2022 10:20:44 AM

1. **Serbia votes in favour of a UN resolution against Russia** Serbia voted in favour of the UN resolution condemning Russian...
2. **Serbia votes in favour of expelling Russia from the UN Human Rights Council** At the request of Western countries, the UN General Assembly...
3. **Did Serbia get good gas price because of its friendship with Russia?** Serbia purchased natural gas from Russia the first quarter...

Powered by **YARPP**.

Support Serbian Monitor

With your help we can do better!

Payment Options

Friend: € 10.00 EUR – monthly

Subscribe

Sign up for Serbian Monitor ENG

YOU WILL GET OUR NEWS IN YOUR EMAIL EVERY DAY!

Email Address*

* = required field

Subscribe