

BUFF/10/175

December 20, 2010

**Statement by the Staff Representative on the Republic of Serbia
Executive Board Meeting
December 22, 2010**

This statement provides information that has become available since the issuance of the staff report (EBS/10/231). The new information does not alter the thrust of the staff appraisal.

1. **The prior actions for the sixth review have been completed.** On December 16, the government re-submitted to parliament the pension law with only two changes with respect to the initial submission, in line with the terms of the prior action (see TMU, ¶21). The government has also submitted to parliament the 2011 budget law and supportive legislation consistent with the program.

2. **In line with program projections, CPI inflation rose further in November, and the NBS has again hiked the policy rate.** Inflation rose to 9.6 percent (y-o-y) in November, compared with 8.9 percent in October. Higher inflation continues to reflect mainly increases in processed food prices and pass-through of currency depreciation. In its latest policy meeting, the NBS increased the policy rate by 100 basis points, taking the cumulative increase since the tightening cycle began in August to 350 basis points.

3. **In the past week the dinar appreciated, and the NBS purchased foreign exchange.** In contrast to the trend observed in the last few months, the dinar at one point appreciated by about 3 percent relative to its lowest recent value, and the NBS intervened by buying €116 million, but the foreign exchange market remains volatile.