



MONTHLY REPORT

Analysis of Public Debt
and General
Government Debt

January 2020

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Bloomberg Page <RSMF> <GO>
Belgrade, January 2020
#94

INTRODUCTION

The monthly report of the PDA is the report presenting a comprehensive analysis of the status, structure and dynamics of the public debt of the Republic of Serbia, as well as the risk analysis related to the process of public debt management, aimed at raising the level of transparency and accurate and timely awareness of investors, state institutions and other entities interested in the public debt of the Republic of Serbia. The PDA Monthly Report is published aiming at the improvement of the activities of the Republic of Serbia in the field of public debt through its informative contents, in accordance with internationally acknowledged standards and good business practice, as well as enabling stakeholders to grasp public debt, being the field of the public finance, in an easy and accurate manner, i.e. the activities and goals of the PDA.

During 2019, in the auction of government securities on the domestic market, the Republic of Serbia sold RSD 261.3 billion of government securities denominated in RSD, and EUR 646.6 billion of government securities denominated in EUR, and it is 94% of total planned issue amount for 2019.

For the first time in 2019, seven-year RSD benchmark bond was issued in total amount of RSD 150 billion, in order to fulfill one of the conditions for inclusion of a local bond denominated in RSD in the J.P. Morgan GBI-EM Index. Thanks to the great interest of investors, the bond was fully realized, which is one more proof that foreign investors, whose share in the seven-year RSD benchmark bond is 58%, have confidence in the future growth of the Serbian economy, especially in the domestic currency. Accepted yield of this bond decreased by 1.88 percentage points between January and November 2019, from 4.57% to 2.69%, respectively, due to high investor demand on primary auctions.

We managed to appear twice on the international financial market in 2019 and we confirmed the lowest interest rates on government securities issued by the Republic of Serbia so far. In June 2019, after years of absence in the international capital market, the Republic of Serbia successfully issued the first euro-denominated government bond with a maturity of 10 years in the total amount EUR 1.0 billion, with a minimum interest rate of 1.5% (coupon rate) and a yield of 1.619%, with demand reaching a record 6.4 billion euros and listed on the London Stock Exchange. In November 2019, the Republic of Serbia sold an additional 550 million euros of bonds with a yield of 1.25 percent, which is lower by 37 basis points compared to the initial yield on bonds issued in June 2019, and at the same time the lowest yield ever achieved on bonds of the Republic of Serbia issued in the international financial market. The Republic of Serbia used these resources from Eurobonds to repurchase previously issued Eurobonds on the international financial market, in the total amount of USD 1.69 billion, Eurobonds with maturity in 2020 (USD 1.29 billion) and Eurobonds with due in 2021, (USD 400 million).

The positive fiscal results that Republic of Serbia achieved were further confirmed by an increase in the credit rating in 2019 by two rating agencies, Fitch Ratings and Standard and Poor's upgraded Serbia's rating to BB + with BB, while Moody's upgraded the outlook on the Government of Serbia's ratings to positive from stable. In the next year, the rating agencies envisaged the possibility of upgrading the credit rating to the investment level.

At a session of the Government of the Republic of Serbia held on December 12, 2019, the Decisions of Long-Term Securities of the Republic of Serbia planned for 2020, were adopted. In line with the goals of the Public Debt Management Strategy, it is planned to extend the maturity of the government bonds denominated in RSD currency to twelve years, and twenty years for government bonds denominated in EUR currency, that will lead to further market deepening. We expect the issuance of dinar securities with longer maturities to attract new foreign professional investors as well as further accelerate their inclusion in global international emerging market indices.

For the first time in 2020, it is planned to issue government securities with maturities of 5.5 and 12.5 years, which mature in July 2025 and August 2032, respectively, with the aim to better plan the maturity of these bonds in the future.

In January 2020 the total number of auctions was 2 (out of which 1 auction was in RSD and 1 auction was in EUR). Total receivings in this period amount to RSD 12,278,470,000 and EUR 150,000,000, at par value.

The industrial production in the Republic of Serbia in January 2020 increased by 6.3% relative to January 2019, and decreased by 6.5% relative to 2019 average.

I. GENERAL GOVERNMENT DEBT AND PUBLIC DEBT STOCK AND STRUCTURE AS OF JANUARY 31, 2020

	EUR	USD	RSD	% GDP
Direct Liabilities (A)				
Internal Debt	9.969.901.511	10.989.822.858	1.172.258.028.699	20,1%
External Debt	12.759.581.025	14.064.886.705	1.500.267.709.104	25,7%
<i>Direct Liabilities in Total</i>	22.729.482.537	25.054.709.563	2.672.525.737.803	45,9%
Contingent Liabilities (B)				
Internal Debt	177.899.979	196.099.154	20.917.426.160	0,4%
External Debt	1.301.306.059	1.434.429.724	153.007.176.066	2,6%
<i>Contingent Liabilities in Total</i>	1.479.206.038	1.630.528.879	173.924.602.226	3,0%
Non-Guaranteed Local Government Debt (C)				
Internal Debt	240.200.257	264.772.753	28.242.674.135	0,5%
External Debt	96.665.799	106.554.715	11.365.935.698	0,2%
<i>Non-Guaranteed Local Government Debt in Total</i>	336.866.056	371.327.468	39.608.609.834	0,7%
Non-Guaranteed Debt of Public Enterprise Putevi Srbije and Koridori (D)				
	85.325.162	94.053.930	10.032.506.973	0,2%
Central Government Public Debt (A+B)	24.208.688.575	26.685.238.442	2.846.450.340.029	48,9%
General Government Public Debt (A+B+C+D)	24.630.879.793	27.150.619.840	2.896.091.456.835	49,7%

II. OVERVIEW OF CENTRAL GOVERNMENT DEBT OF THE REPUBLIC OF SERBIA AS OF JANUARY 31, 2020.

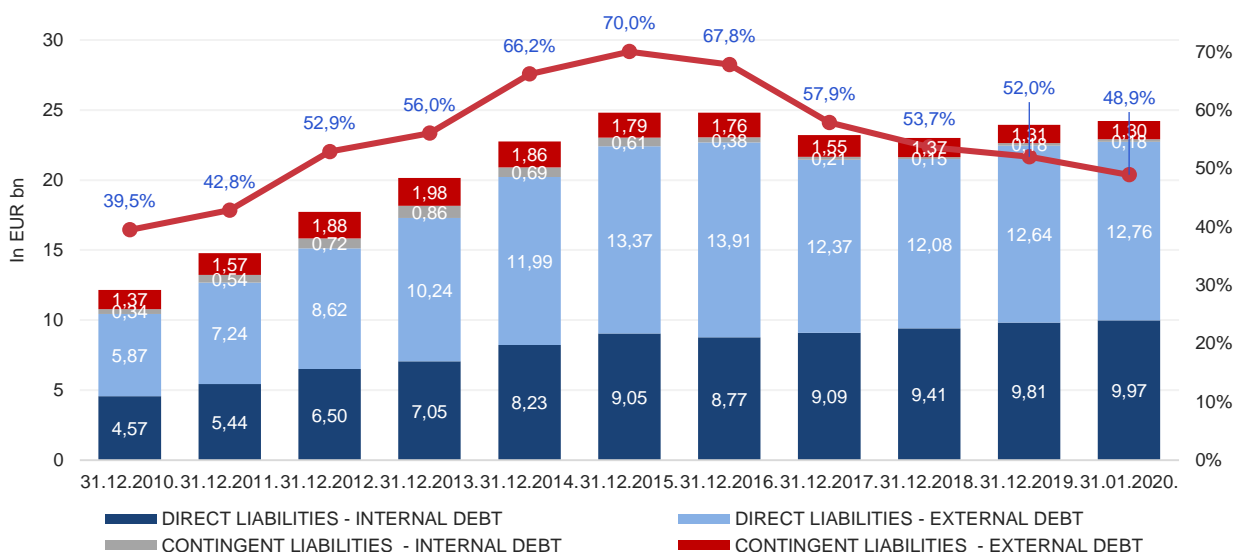
1. DIRECT LIABILITIES

1.1. INTERNAL DEBT			
Debt Description	Debt stock as of January 31, 2020 in EUR	Debt stock as of January 31, 2020 in USD	Debt stock as of January 31, 2020 in RSD
GOVERNMENT SECURITIES ISSUED IN THE DOMESTIC MARKET	9.506.418.477	10.478.925.491	1.117.761.832.654
RETAIL BONDS	17.928.199	19.762.255	2.107.992.319
OTHER LIABILITIES	445.554.834	491.135.112	52.388.203.726
INTERNAL DEBT (direct liabilities 1.1.)	9.969.901.511	10.989.822.858	1.172.258.028.699
1.2. EXTERNAL DEBT			
Debt Description	Debt stock as of January 31, 2020 in EUR	Debt stock as of January 31, 2020 in USD	Debt stock as of January 31, 2020 in RSD
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	2.198.648.545	2.423.570.385	258.516.436.365
INTERNATIONAL DEVELOPMENT ASSOCIATION	218.081.473	240.391.217	25.641.954.225
EUROPEAN INVESTMENT BANK	1.214.664.208	1.338.924.408	142.819.853.161
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	80.073.192	88.264.683	9.414.981.862
COUNCIL OF EUROPE DEVELOPMENT BANK	195.941.344	215.986.152	23.038.724.466
EXPORT - IMPORT BANK OF CHINA	1.100.010.032	1.212.541.105	129.338.849.596
EUROBONDS	3.192.326.890	3.518.902.066	375.352.837.981
KfW DEVELOPMENT BANK	64.427.740	71.018.701	7.575.394.344
PARIS CLUB CREDITORS	1.008.021.230	1.111.141.844	118.522.833.799
FOREIGN GOVERNMENT LOANS	2.999.915.082	3.306.806.522	352.729.115.343
EUROPEAN UNION	2.700.000	2.976.210	317.465.190
INTERNATIONAL MONETARY FUND	484.771.289	534.363.413	56.999.262.770
EXTERNAL DEBT (direct liabilities 1.2.)	12.759.581.025	14.064.886.705	1.500.267.709.104
TOTAL DIRECT LIABILITIES (1.1. + 1.2.)	22.729.482.537	25.054.709.563	2.672.525.737.803

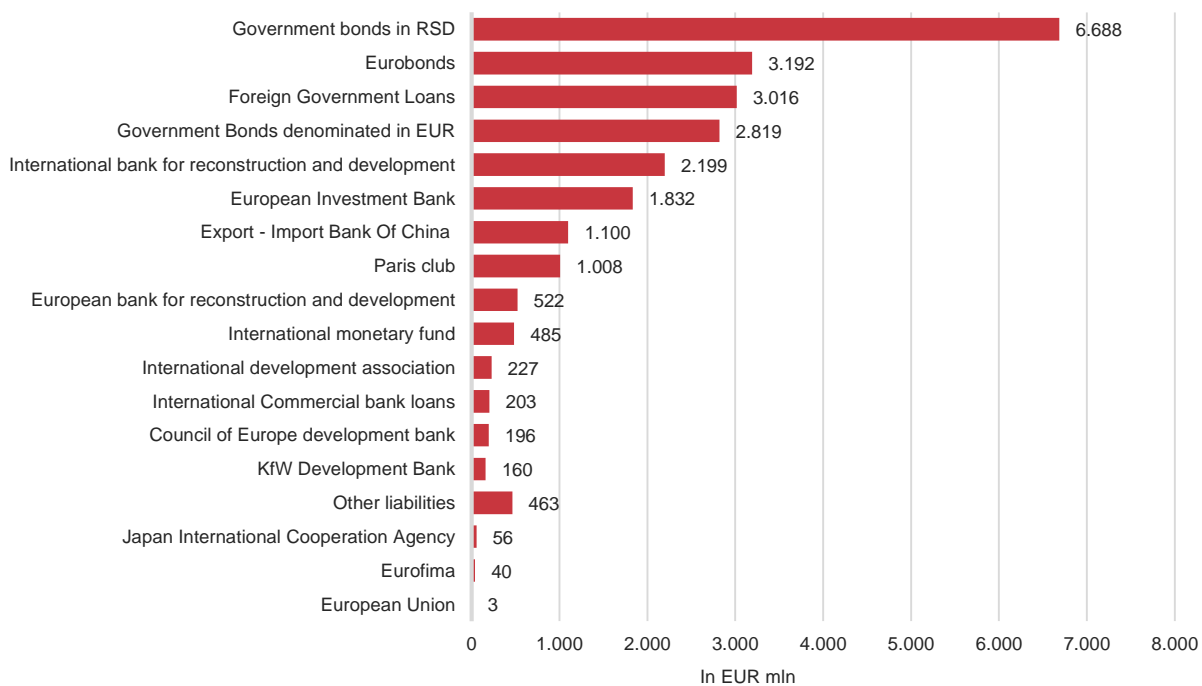
2. CONTINGENT LIABILITIES

2.1. INTERNAL DEBT			
Debt Description	Debt stock as of January 31, 2020 in EUR	Debt stock as of January 31, 2020 in USD	Debt stock as of January 31, 2020 in RSD
COMMERCIAL BANK LOANS	177.899.979	196.099.154	20.917.426.160
INTERNAL DEBT (direct liabilities 2.1.)	177.899.979	196.099.154	20.917.426.160
2.2. EXTERNAL DEBT			
Debt Description	Debt stock as of January 31, 2020 in EUR	Debt stock as of January 31, 2020 in USD	Debt stock as of January 31, 2020 in RSD
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	441.960.402	487.172.970	51.965.571.461
EUROPEAN INVESTMENT BANK	617.671.998	680.859.870	72.625.688.226
KfW DEVELOPMENT BANK	95.885.456	105.694.543	11.274.183.200
TOTAL EUROPEAN COMPANY FOR THE FINANCING OF RAILROAD ROLLING STOCK - EUROFIMA	40.183.160	44.293.899	4.724.723.900
INTERNATIONAL DEVELOPMENT ASSOCIATION	9.113.761	10.046.100	1.071.593.338
JAPAN INTERNATIONAL COOPERATION AGENCY - JICA	55.500.950	61.178.699	6.525.784.997
FOREIGN GOVERNMENT LOANS	15.632.793	17.232.029	1.838.099.128
INTERNATIONAL COMMERCIAL BANK LOANS	25.357.539	27.951.616	2.981.531.817
EXTERNAL DEBT (direct liabilities 2.2.)	1.301.306.059	1.434.429.724	153.007.176.066
TOTAL CONTINGENT LIABILITIES (2.1. + 2.2.)	1.479.206.038	1.630.528.879	173.924.602.226
TOTAL INTERNAL DEBT (1.1.+ 2.1.)	10.147.801.490	11.185.922.012	1.193.175.454.858
TOTAL EXTERNAL DEBT (1.2.+ 2.2.)	14.060.887.085	15.499.316.429	1.653.274.885.170
TOTAL CENTRAL GOVERNMENT DEBT (1 + 2)	24.208.688.575	26.685.238.442	2.846.450.340.029

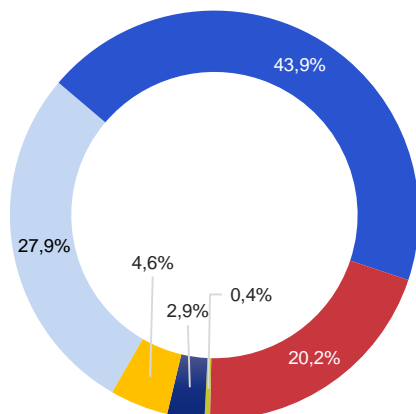
CENTRAL GOVERNMENT PUBLIC DEBT STOCK, STRUCTURE AND PUBLIC DEBT TO GDP RATIO, 31.12. 2010. - 31.01.2020.



CREDITORS OVERVIEW AS OF JANUARY 31, 2020

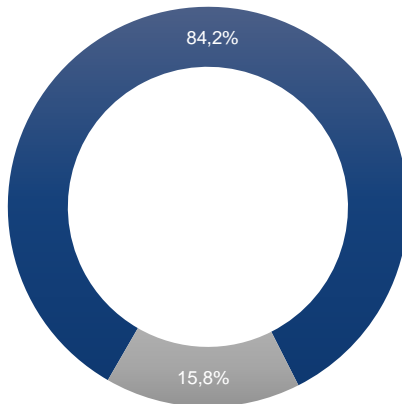


CENTRAL GOVERNMENT
PUBLIC DEBT CURRENCY
STRUCTURE AS OF JANUARY
31, 2020



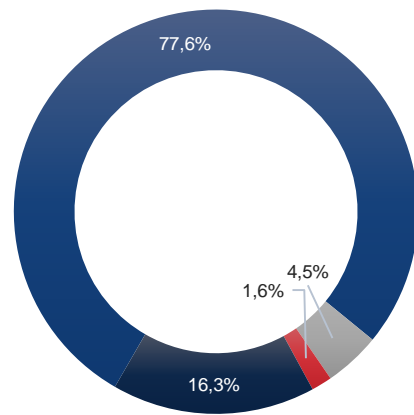
■ RSD ■ EUR ■ USD ■ CHF ■ SDR ■ Other

INTEREST RATE STRUCTURE
AS OF JANUARY 31, 2020



■ Fixed Rates ■ Variable Rates

VARIABLE INTEREST RATES
STRUCTURE
AS OF JANUARY 31, 2020



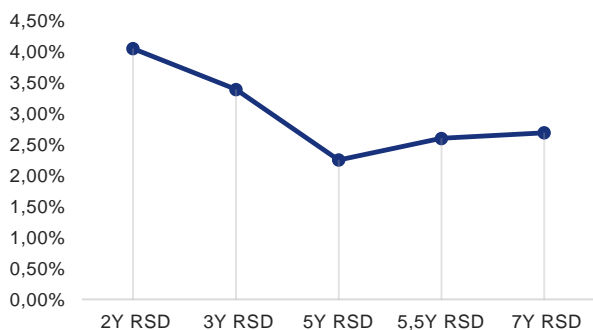
■ EURIBOR and LIBOR on EUR
■ LIBOR USD
■ LIBOR CHF
■ Other

III. OVERVIEW OF NON-MATURED GOVERNMENT SECURITIES ISSUED ON DOMESTIC MARKET

GOVERNMENT SECURITIES STOCK AS OF JANUARY 31, 2020

Maturity	Nominal value of debt stock	Last coupon rate	Last accepted rate
Government Bonds Denominated in RSD			
3Y Government Bond with fixed coupon rate	176.829.350.000,00	3,75%	3,39%
5Y Government Bond with fixed coupon rate	137.801.088.250,00	4,00%	2,25%
5.5Y Government Bond with fixed coupon rate	12.278.470.000,00	3,00%	2,60%
7Y Government Bond with fixed coupon rate	348.546.380.000,00	4,50%	2,69%
10Y Government Bond with fixed coupon rate	110.882.410.000,00	5,88%	4,80%
Total in RSD	786.337.698.250 RSD		
Government Bonds Denominated in EUR			
2Y Government Bond with fixed coupon rate	197.766.000,00	1,00%	0,84%
3Y Government Bond with fixed coupon rate	533.461.000,00	1,25%	0,60%
5Y Government Bond with fixed coupon rate	918.110.000,00	1,75%	1,48%
7Y Government Bond with fixed coupon rate	65.129.000,00	2,50%	2,50%
10Y Government Bond with fixed coupon rate	632.371.000,00	3,25%	1,89%
15Y Government Bond with fixed coupon rate	321.882.000,00	3,50%	3,60%
20Y Government Bond with fixed coupon rate	150.000.000,00	3,50%	3,00%
Total in EUR	2.818.719.000 EUR		

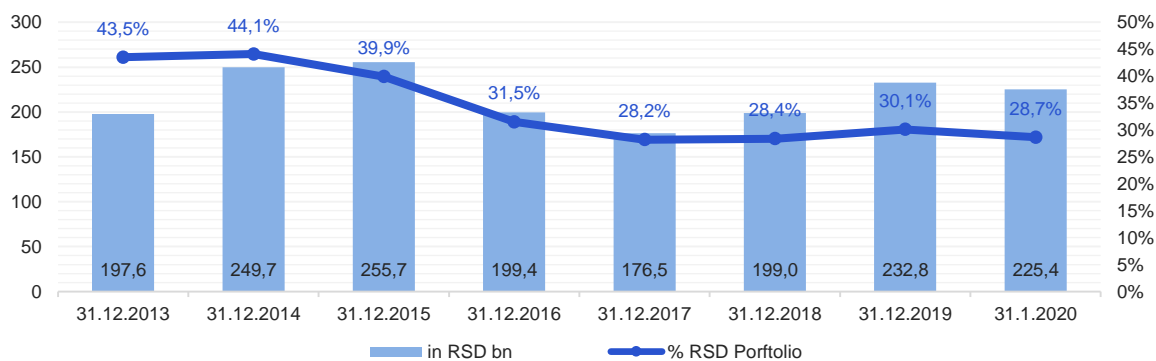
ACCEPTED RATES ON GOVERNMENT SECURITIES ISSUED IN RSD AS OF JANUARY 31, 2020



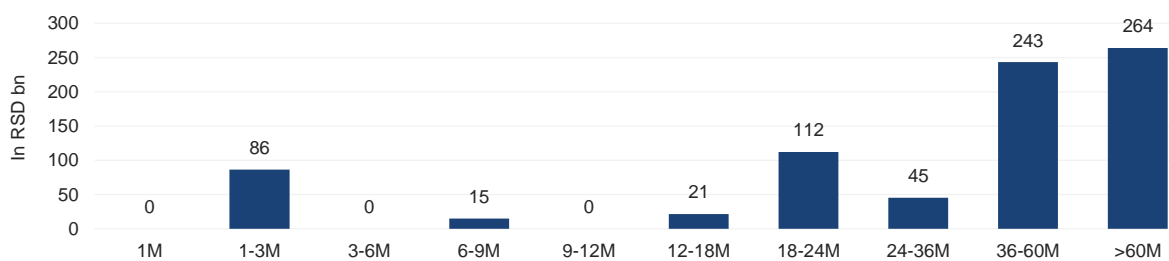
ACCEPTED RATES ON GOVERNMENT SECURITIES ISSUED IN EUR AS OF JANUARY 31, 2020



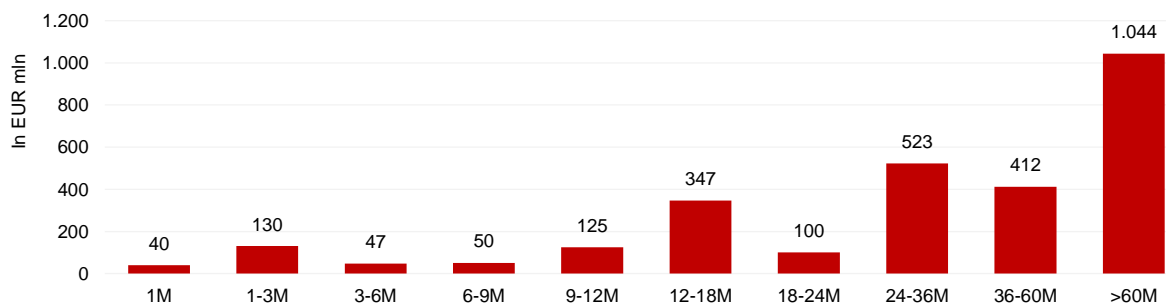
THE SHARE OF FOREIGN LEGAL ENTITIES IN RSD GOVERNMENT SECURITIES PORTFOLIO AS OF JANUARY 31, 2020



RESIDUAL MATURITY OF GOVERNMENT SECURITIES DENOMINATED IN RSD AS OF JANUARY 31, 2020



RESIDUAL MATURITY OF GOVERNMENT SECURITIES DENOMINATED IN EUR AS OF JANUARY 31, 2020



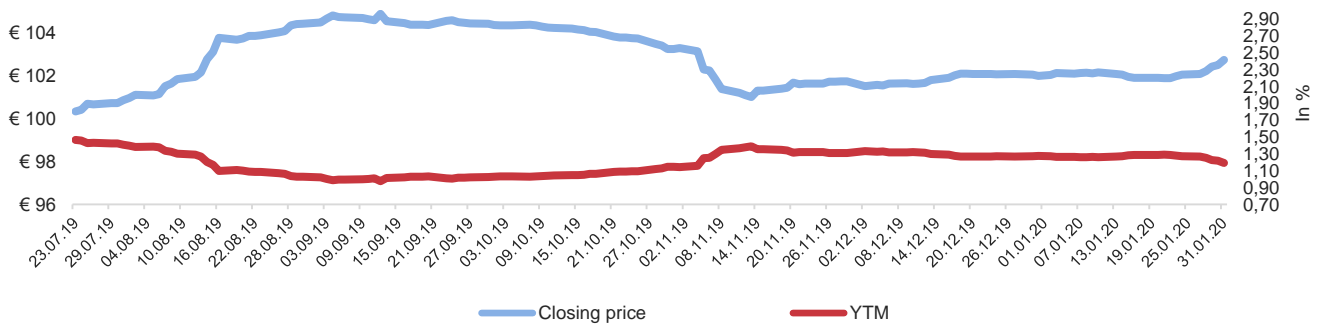
OVERVIEW OF THE ISSUED EUROBONDS OF THE REPUBLIC OF SERBIA

Security name	Year	Currency	Issued Amount	Amount Outstanding	Issue Date	Maturity Date	Coupon (%)	Re-Offer Yield (%)	Issuance Price
SERBIA 7 1/4 09/28/21*	2011	USD	2.000.000.000	1.600.000.000 **	28.09.2011	28.09.2021	7,250	7,500/6,625	98,263/104,179
SERBIA 4 7/8 02/25/20	2013	USD	1.500.000.000	210.337.000 **	25.02.2013	25.02.2020	4,875	5,150	98,401
SERBIA 1 1/2 06/26/29*	2019	EUR	1.550.000.000	1.550.000.000	26.06.2019	26.06.2029	1,500	1,619/1,250	98,909/102,251

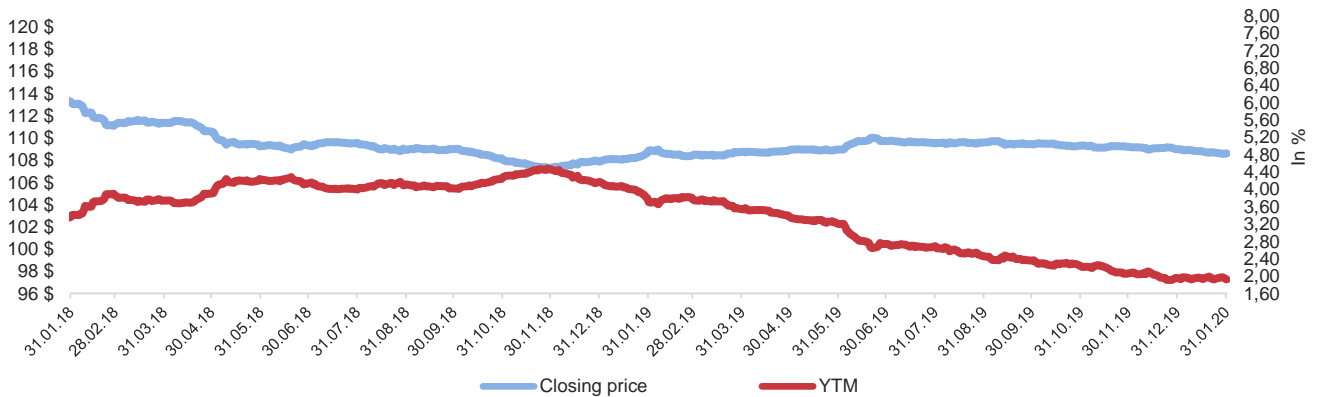
*Table includes date for the Tap issuance of the Serbia 2021, from September 27, 2012 and the Serbia 2029, from 12 November 2019.

**The reduced amount outstanding is a result of buyback of USD Notes according to Tender Offer, executed on 27th of June 2019 and 28th of October.

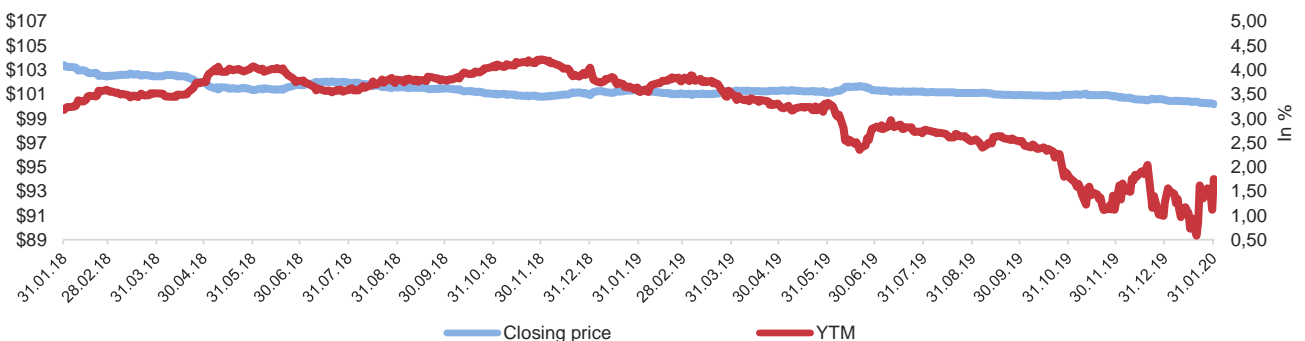
YIELD/PRICE CURVE – EUROBOND 2029



YIELD/PRICE CURVE – EUROBOND 2021

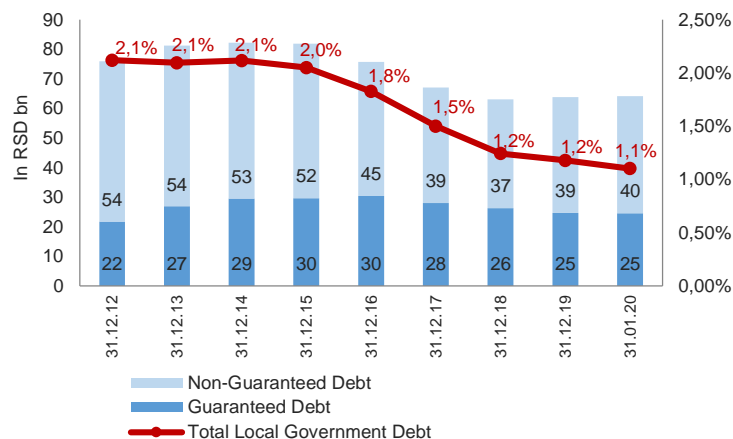


YIELD/PRICE CURVE – EUROBOND 2020

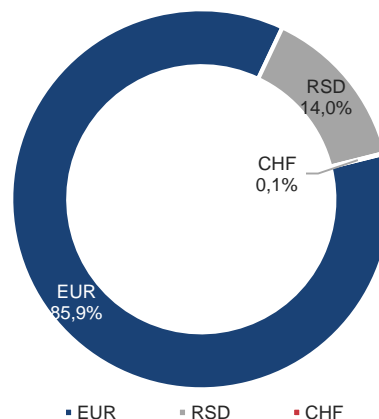


IV. LOCAL GOVERNMENT DEBT ANALYSIS

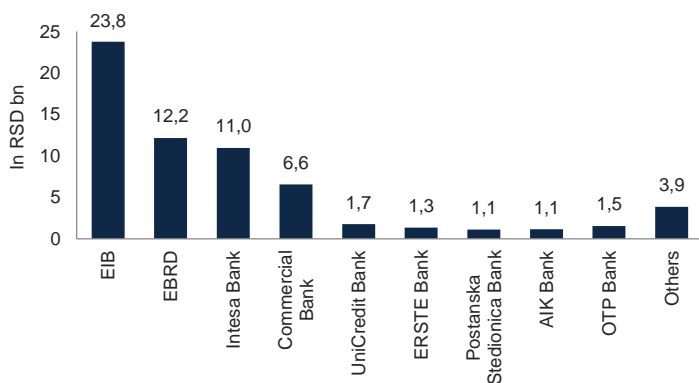
LOCAL GOVERNMENT DEBT DYNAMICS AS OF JANUARY 31, 2020



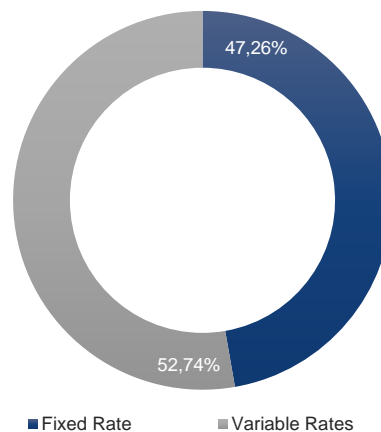
CURRENCY COMPOSITION AS OF JANUARY 31, 2020



CREDITORS OVERVIEW AS OF JANUARY 31, 2020



INTEREST RATE STRUCTURE AS OF JANUARY 31, 2020



Share of the top 5 Local Governments in total debt	78,4%
O/W Belgrade	58,5%
Debt maturing till the end of 2020	7.942.226.783
Debt maturing in 2021	9.217.701.447
Debt maturing in 2022	8.436.571.275
Maximum level of debt based on contracted amount	69.774.822.863
Interest Rate Risk	52,7%
FX Risk	86,0%
Local Government Debt to GDP	1,1%
O/W Non-Guaranteed Debt	0,7%
Maximum Debt Level to GDP	1,2%
Share of the top 10 Creditors in total Local Government Debt	94,0%
Share of Foreign Creditors in Total Local Government Debt	56,0%
Total Available Credit Potential	82.292.135.659
Share of the top 10 Local Governments with the highest available credit potential	40,5%
Share of Investment Project Loans in total Local Government Debt	99,8%

Local Government	Debt Stock as of January 31, 2020
Beograd	37.556.152.561
AP Vojvodina	6.066.773.248
Novi Sad	2.909.980.107
Kragujevac	2.686.121.497
Nis	1.103.235.310
Sabac	1.084.463.316
Subotica	798.121.549
Vranje	644.892.351
Pecinci	563.674.471
Sremska Mitrovica	484.164.419
% of total	84,0%

