



# MONTHLY REPORT

Analysis of Public Debt  
and General  
Government Debt

February 2021

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Belgrade, February 2021  
#107

# 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.

The Republic of Serbia achieves economic growth, with the smallest decline - regionally and globally - of certain macroeconomic variables during the recent recession of the global economy caused by the covid-19 pandemic, and above all, relying on previously achieved fiscal consolidation and reversal of public debt trajectory, with monetary stability, the quality of the banking sector, attracting foreign investment, initiated structural changes, as well as policies to preserve aggregate demand and economic activity.

Although the Republic of Serbia is facing a crisis caused by the pandemic, Serbia's credit rating has remained stable. In order to actively manage the public debt portfolio and protect against various forms of financial risks, swap transactions were successfully implemented, which reduced the share of public debt denominated in dollars, while reducing interest costs (in terms of savings to final maturity).

In February, the Republic of Serbia successfully realized the second swap transaction, in accordance with the international standards ISDA (International Swaps and Derivatives Association), by which it converted liabilities under the Debt Rescheduling Agreement between the Republic of Serbia and the Kuwait Investment Authority from US dollars to euros. lower interest rate; with this hedging transaction, the exposure to currency risk was reduced and the share of dollar debt in the total public debt portfolio was reduced from 13.1 percent to 12.3 percent.

Year-on-year comparisons testify to a respectable result in terms of changing the currency structure in order to reduce public debt risk: the share of public debt originally in US dollars decreased from 26.5 percent at the end of December 2018 and 20.1 percent at the end of December 2019. 13.2 percent at the end of December 2020, with a further decline in 2021.

The percentage of public debt in foreign currency at the end of February 2021 is 68.3 percent, of which in EUR 49.3 percent, in USD 12.4 percent, in SDR 2.2 percent, in CHF 0.3 percent and in other foreign currencies 4.1 percent (GBP, JPY, DKK, SEK, NOK, AED, KWD, CNY), while the percentage of public debt in RSD is 31.7 percent.

Noting that in terms of risk profile, the structure of public debt is more important than its volume, the following represents the data on the volume and dynamics of public debt:

The public debt of the central level of government in February 2021, compared to January of the same year, was reduced by 16.8 billion dinars and amounts to 3,174.8 billion dinars (27.0 billion euros). The share of public debt of the central government in GDP (ESA 2010 methodology) at the end of February 2021 is 53.5 percent, while the share of general government debt in GDP (ESA 2010 methodology) at the end of February 2021 is 54.2 percent.

The instruments that are the most used as a mean of borrowing are securities (on the domestic and international financial market); they are usually issued and realized both to finance the budget deficit and to refinance public debt (while insisting on the effect of restructuring, in order to reduce costs and risks).

At the end of 2018, the currency structure of government securities issued on the domestic market amounted to 66.35% in dinars, 33.05% in euros and 0.61% in dollars; at the end of 2019, the currency structure of government securities was 70.27% in dinars and 29.73% in euros, while in 2020 the structure is further improving, so that at the end of 2020 the share of dinar securities amounted to 75.30%, and securities denominated in euros 24.70%. This shows how much securities on the domestic financial market affect the more favorable currency structure of the total public debt portfolio and how much they contribute to the dinarization of the financial system. This contribution to dinarization is important both for reducing the risk of public debt and the development of the domestic financial market, and for the efficiency of the monetary policy of the central bank.

The average daily turnover on the secondary market, according to the original currency in dinars, amounted to 1.5 billion dinars in 2018, 1.7 billion dinars in 2019, and 1.6 billion dinars in 2020; the average daily turnover on the secondary market, according to the original currency in euros, amounted to 3.2 million euros in 2018, 2.7 million euros in 2019, and 2.6 million euros in 2020.

Thus, secondary trade in government securities, both denominated in euros and denominated in dinars, remains high even in times of crisis.

The total turnover of government securities on the secondary market in the first two months of 2021 amounted to 94.4 billion dinars, of which 88.1 percent is the turnover of dinar securities. In February 2021, the total turnover on the secondary market of dinar securities amounted to 41.8 billion dinars, while the turnover of securities denominated in euros had the equivalent of 8.5 billion dinars. Compared to the previous month, in February 2021, there was an increase in the total turnover of dinar securities in the amount of 550 million dinars.

The turnover of the seven-year benchmark bond maturing in July 2023 and the twelve-year benchmark bond maturing in August 2032 accounted for 48.2 percent of the total turnover in February 2021.

The Republic of Serbia has made significant progress in strengthening the liquidity of the secondary government securities market, which has contributed to the inclusion of Serbian bonds in the renowned J. P. Morgan Index of Government Bonds of Developing Countries. Namely, the investment bank JP Morgan made a decision in February to include three dinar benchmark bonds of the Republic of Serbia (which are regularly traded on the secondary market) in JP Morgan GBI-EM index from June 30, 2021: RSMFRSD89592, which matures on January 11, 2026, RSMFRSD55940, due on February 6, 2028, and RSMFRSD86176, due on August 20, 2032;

This decision was also contributed to by the change of the existing regulations, which enabled the increase and reopening of government bond issues that were previously successfully realized on the primary market. Thus, in February 2021, an auction of government securities in dinars was held (based on the issue of ten-year bonds with consolidation), at which the percentage of realization was 100 percent, and at which most of the demand and purchase came from foreign funds.

Also, one auction was held in euros (based on the issue of twenty-year bonds), which was realized in the amount of 30,367,000 euros.

The share of non-residents in the purchase of dinar government securities at the end of February 2021 is 26.16 percent, or 260.3 billion dinars.

In February, a twelve-year Eurobond was issued and sold on the international financial market (with a settlement date of March 3), in amount of 1 billion euros, with a coupon rate of 1.65 percent, an executive rate of 1.92 percent, a trading price of 97,131 and a listing on London Stock Exchange. For the first time, the Republic of Serbia issued a Eurobond with a maturity of 12 years, which further extended the yield curve of Serbian bonds issued on the international market.

Yields on Eurobonds of the Republic of Serbia recorded a decline compared to March 2020, when a global pandemic was declared. Prices and yields of bonds of the Republic of Serbia issued on the international financial market on February 28, 2021 are:

EUROBOND 2021: 103,924 / 0,378;

EUROBOND 2027: 110,885 / 1,287;

EUROBOND 2029: 100,538 / 1,431;

EUROBOND 2030: 94,350 / 2,791;

EUROBOND 2033: 97,131 / 1.920;

All three February issues and realizations of bonds further contribute to the strategy of extending the maturity of the public debt of the Republic of Serbia.

*\*Including custody and omnibus accounts*

## I. GENERAL GOVERNMENT DEBT AND PUBLIC DEBT STOCK AND STRUCTURE AS OF FEBRUARY 28, 2021

	EUR	USD	RSD	% GDP
<b>Direct Liabilities (A)</b>				
Internal Debt	11.442.144.127	13.907.929.510	1.345.311.239.891	22,7%
External Debt	14.151.209.434	17.200.799.178	1.663.829.864.331	28,0%
<i>Direct Liabilities in Total</i>	25.593.353.561	31.108.728.688	3.009.141.104.222	50,7%
<b>Contingent Liabilities (B)</b>				
Internal Debt	214.872.100	261.177.100	25.263.608.689	0,4%
External Debt	1.193.767.222	1.451.024.405	140.357.300.474	2,4%
<i>Contingent Liabilities in Total</i>	1.408.639.322	1.712.201.505	165.620.909.163	2,8%
<b>Non-Guaranteed Local Government Debt (C)</b>				
Internal Debt	211.555.536	257.145.815	24.873.663.277	0,4%
External Debt	88.999.338	108.178.721	10.464.106.017	0,2%
<i>Non-Guaranteed Local Government Debt in Total</i>	300.554.873	365.324.536	35.337.769.294	0,6%
<b>Non-Guaranteed Debt of Public Enterprise Putevi Srbije and Koridori (D)</b>				
	82.715.228	100.540.384	9.725.251.244	0,16%
<b>Central Government Public Debt (A+B)</b>	<b>27.001.992.883</b>	<b>32.820.930.193</b>	<b>3.174.762.013.385</b>	<b>53,5%</b>
<b>General Government Public Debt (A+B+C+D)</b>	<b>27.385.262.984</b>	<b>33.286.795.113</b>	<b>3.219.825.033.923</b>	<b>54,2%</b>

## II. OVERVIEW OF CENTRAL GOVERNMENT DEBT OF THE REPUBLIC OF SERBIA AS OF FEBRUARY 28, 2021.

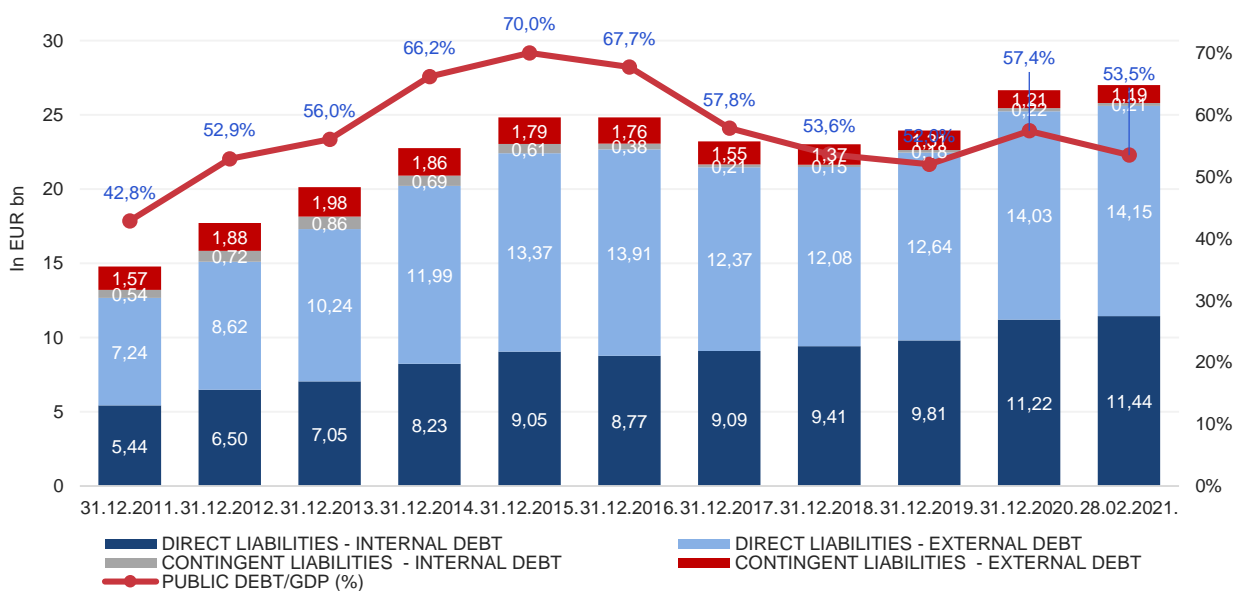
### 1. DIRECT LIABILITIES

1.1. INTERNAL DEBT			
Debt Description	Debt stock as of February 28, 2021 in EUR (in 000)	Debt stock as of February 28, 2021 in USD (in 000)	Debt stock as of February 28, 2021 in RSD (in 000)
GOVERNMENT SECURITIES ISSUED IN THE DOMESTIC MARKET	10.927.038	13.281.818	1.284.747.642
RETAIL BONDS	15.220	18.500	1.789.469
OTHER LIABILITIES	499.886	607.611	58.774.129
COMMERCIAL BANK LOANS	00	00	00
<b>INTERNAL DEBT (direct liabilities 1.1.)</b>	<b>11.442.144</b>	<b>13.907.930</b>	<b>1.345.311.240</b>
1.2. EXTERNAL DEBT			
Debt Description	Debt stock as of February 28, 2021 in EUR (in 000)	Debt stock as of February 28, 2021 in USD (in 000)	Debt stock as of February 28, 2021 in RSD (in 000)
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	2.203.117	2.677.889	259.031.646
INTERNATIONAL DEVELOPMENT ASSOCIATION	134.747	163.785	15.842.886
EUROPEAN INVESTMENT BANK	1.212.887	1.474.265	142.605.318
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	91.386	111.079	10.744.664
COUNCIL OF EUROPE DEVELOPMENT BANK	257.843	313.409	30.315.944
EXPORT - IMPORT BANK OF CHINA	1.090.355	1.325.326	128.198.552
EUROBONDS	5.142.327	6.250.500	604.609.597
KfW DEVELOPMENT BANK	64.005	77.797	7.525.336
PARIS CLUB CREDITORS	857.492	1.042.282	100.819.755
FOREIGN GOVERNMENT LOANS	2.585.826	3.143.073	304.028.807
INTERNATIONAL MONETARY FUND	462.227	561.837	54.346.378
OTHER LIABILITIES	48.998	59.557	5.760.982
<b>EXTERNAL DEBT (direct liabilities 1.2.)</b>	<b>14.151.209</b>	<b>17.200.799</b>	<b>1.663.829.864</b>
<b>TOTAL DIRECT LIABILITIES (1.1. + 1.2.)</b>	<b>25.593.354</b>	<b>31.108.729</b>	<b>3.009.141.104</b>

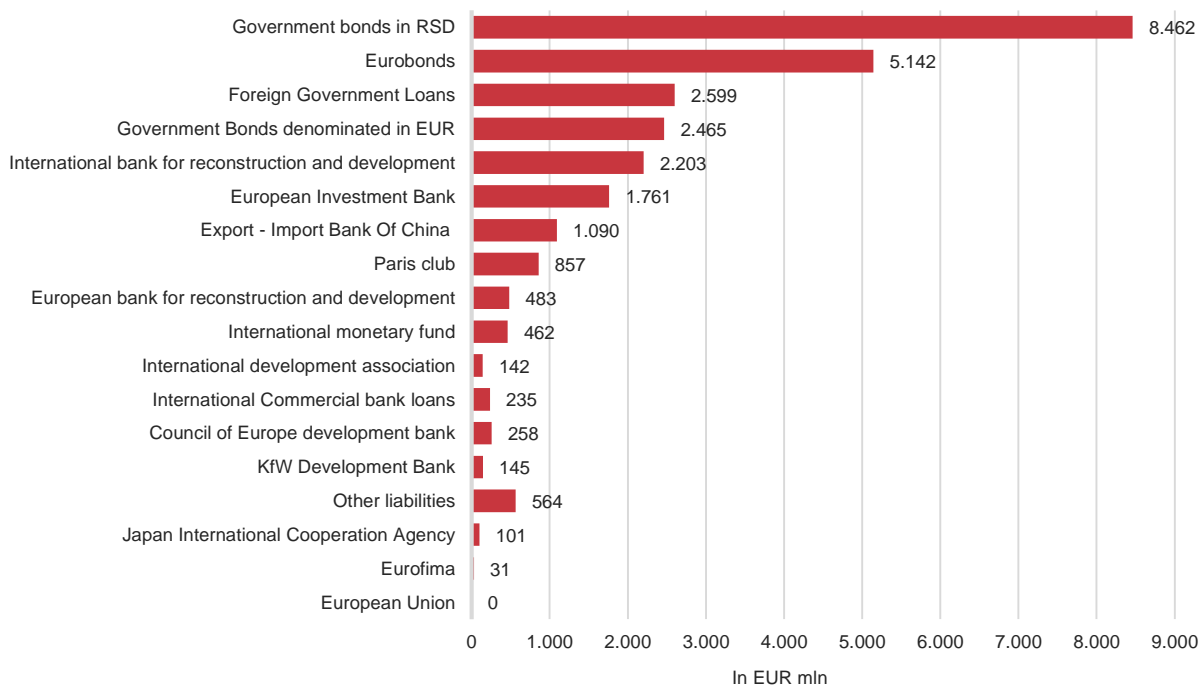
### 2. CONTINGENT LIABILITIES

2.1. INTERNAL DEBT			
Debt Description	Debt stock as of February 28, 2021 in EUR (in 000)	Debt stock as of February 28, 2021 in USD (in 000)	Debt stock as of February 28, 2021 in RSD (in 000)
COMMERCIAL BANK LOANS	214.872	261.177	25.263.609
<b>INTERNAL DEBT (indirect liabilities 2.1.)</b>	<b>214.872</b>	<b>261.177</b>	<b>25.263.609</b>
2.2. EXTERNAL DEBT			
Debt Description	Debt stock as of February 28, 2021 in EUR (in 000)	Debt stock as of February 28, 2021 in USD (in 000)	Debt stock as of February 28, 2021 in RSD (in 000)
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	391.429	475.783	46.022.356
EUROPEAN INVESTMENT BANK	548.524	666.731	64.492.802
KfW DEVELOPMENT BANK	81.126	98.608	9.538.356
TOTAL EUROPEAN COMPANY FOR THE FINANCING OF RAILROAD ROLLING STOCK - EUROFIMA	31.300	38.045	3.680.056
INTERNATIONAL DEVELOPMENT ASSOCIATION	7.110	8.642	835.952
JAPAN INTERNATIONAL COOPERATION AGENCY - JICA	101.256	123.077	11.905.210
FOREIGN GOVERNMENT LOANS	12.864	15.636	1.512.455
INTERNATIONAL COMMERCIAL BANK LOANS	20.158	24.502	2.370.113
<b>EXTERNAL DEBT (indirect liabilities 2.2.)</b>	<b>1.193.767</b>	<b>1.451.024</b>	<b>140.357.300</b>
<b>TOTAL CONTINGENT LIABILITIES (2.1. + 2.2.)</b>	<b>1.408.639</b>	<b>1.712.202</b>	<b>165.620.909</b>
<b>TOTAL INTERNAL DEBT (1.1.+ 2.1.)</b>	<b>11.657.016</b>	<b>14.169.107</b>	<b>1.370.574.849</b>
<b>TOTAL EXTERNAL DEBT (1.2.+ 2.2.)</b>	<b>15.344.977</b>	<b>18.651.824</b>	<b>1.804.187.165</b>
<b>TOTAL CENTRAL GOVERNMENT DEBT (1 + 2)</b>	<b>27.001.993</b>	<b>32.820.930</b>	<b>3.174.762.013</b>

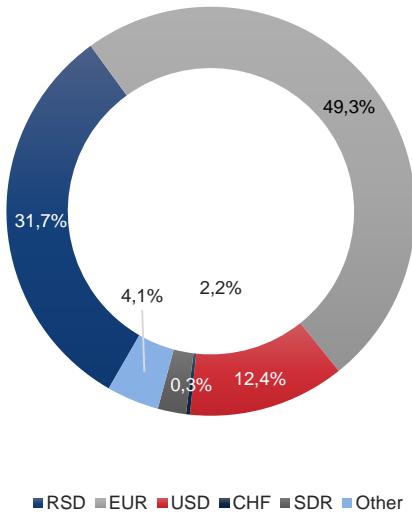
CENTRAL GOVERNMENT PUBLIC DEBT STOCK, STRUCTURE AND PUBLIC DEBT TO GDP RATIO, 31.12. 2011. - 28.02.2021.



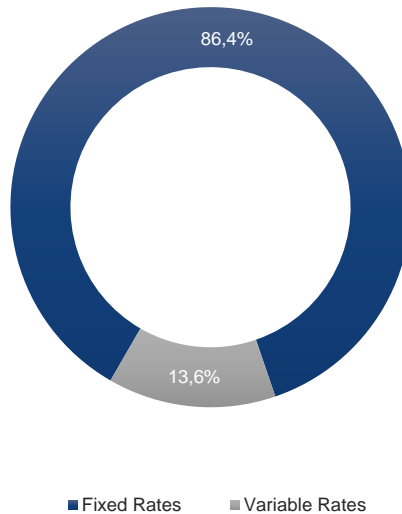
CREDITORS OVERVIEW AS OF FEBRUARY 28, 2021



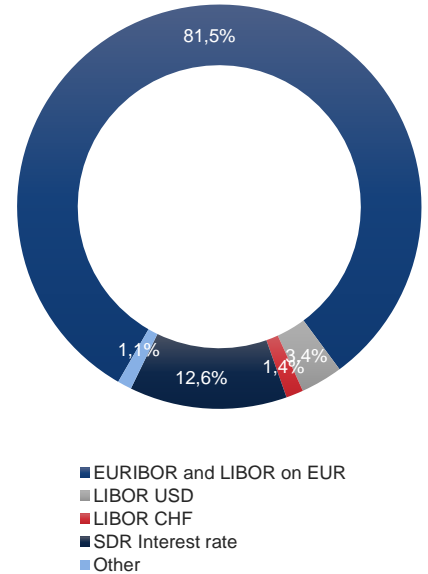
CENTRAL GOVERNMENT  
PUBLIC DEBT CURRENCY  
STRUCTURE AS OF  
FEBRUARY 28, 2021



INTEREST RATE STRUCTURE  
AS OF FEBRUARY 28, 2021



VARIABLE INTEREST RATES  
STRUCTURE  
AS OF FEBRUARY 28, 2021

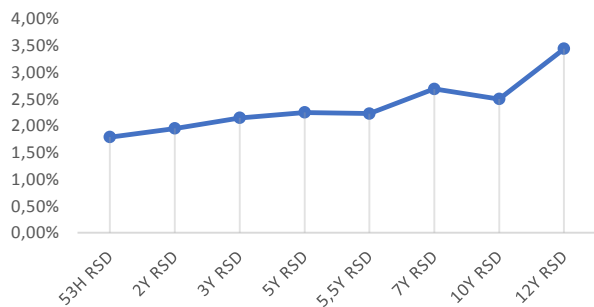


### III. OVERVIEW OF NON-MATURED GOVERNMENT SECURITIES ISSUED ON DOMESTIC MARKET

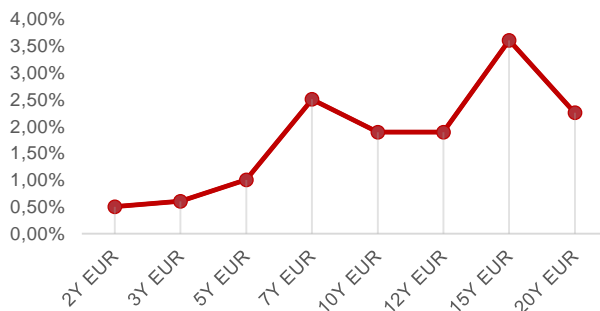
#### GOVERNMENT SECURITIES STOCK AS OF FEBRUARY 28, 2021

Maturity	Nominal value of debt stock	Last coupon rate	Last accepted rate
<b>Government Bonds Denominated in RSD</b>			
53W Government Bills	35.000.000.000,00	-	1,79%
2Y Government Bond with fixed coupon rate	49.233.670.000,00	1,70%	1,95%
3Y Government Bond with fixed coupon rate	145.947.580.000,00	2,00%	2,15%
5Y Government Bond with fixed coupon rate	123.813.688.250,00	4,00%	2,25%
5.5Y Government Bond with fixed coupon rate	72.676.380.000,00	3,00%	2,23%
7Y Government Bond with fixed coupon rate	336.408.840.000,00	4,50%	2,69%
10Y Government Bond with fixed coupon rate	120.882.410.000,00	5,88%	2,50%
12,5Y Government Bond with fixed coupon rate	110.903.900.000,00	4,50%	3,44%
<b>Total in RSD</b>	<b>994.866.468.250 RSD</b>		
<b>Government Bonds Denominated in EUR</b>			
2Y Government Bond with fixed coupon rate	100.000.000,00	0,50%	0,50%
3Y Government Bond with fixed coupon rate	276.616.000,00	1,25%	0,60%
5Y Government Bond with fixed coupon rate	789.766.000,00	1,00%	1,00%
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%
12Y Government Bond with fixed coupon rate	99.367.000,00	2,00%	1,89%
15Y Government Bond with fixed coupon rate	321.882.000,00	3,50%	3,60%
20Y Government Bond with fixed coupon rate	180.367.000,00	3,50%	2,25%
<b>Total in EUR</b>	<b>2.465.498.000 EUR</b>		

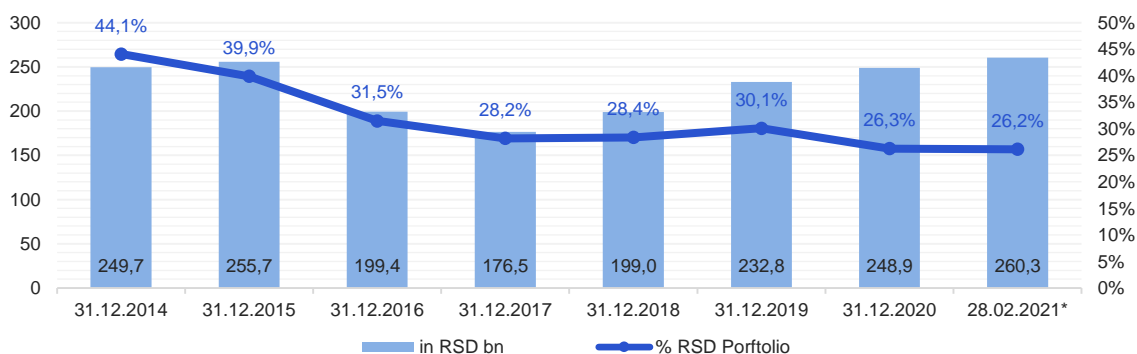
### ACCEPTED RATES ON GOVERNMENT SECURITIES ISSUED IN RSD AS OF FEBRUARY 28, 2021



### ACCEPTED RATES ON GOVERNMENT SECURITIES ISSUED IN EUR AS OF FEBRUARY 28, 2021

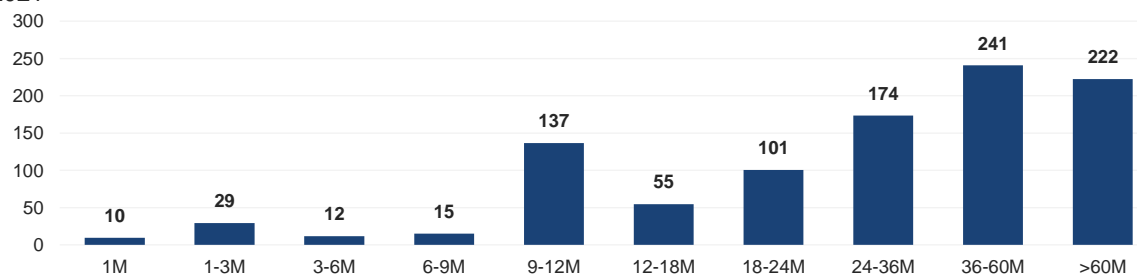


### THE SHARE OF FOREIGN LEGAL ENTITIES IN RSD GOVERNMENT SECURITIES PORTFOLIO AS OF FEBRUARY 28, 2021

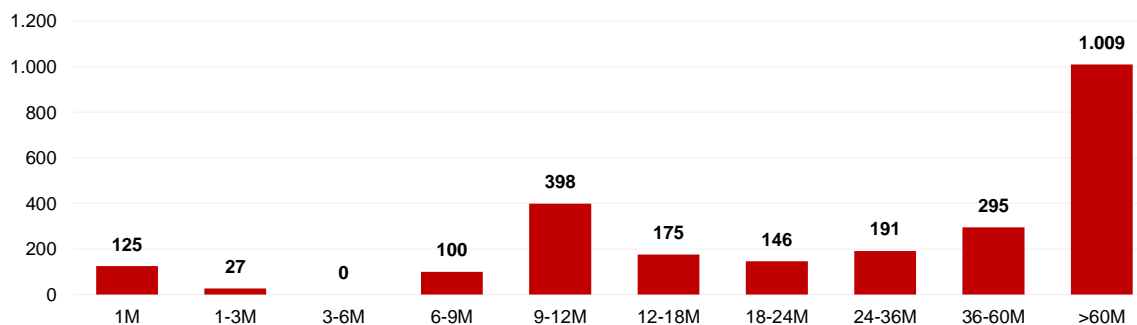


\*Including custody and omnibus accounts

### RESIDUAL MATURITY OF GOVERNMENT SECURITIES DENOMINATED IN RSD AS OF FEBRUARY 28, 2021



### RESIDUAL MATURITY OF GOVERNMENT SECURITIES DENOMINATED IN EUR AS OF FEBRUARY 28, 2021



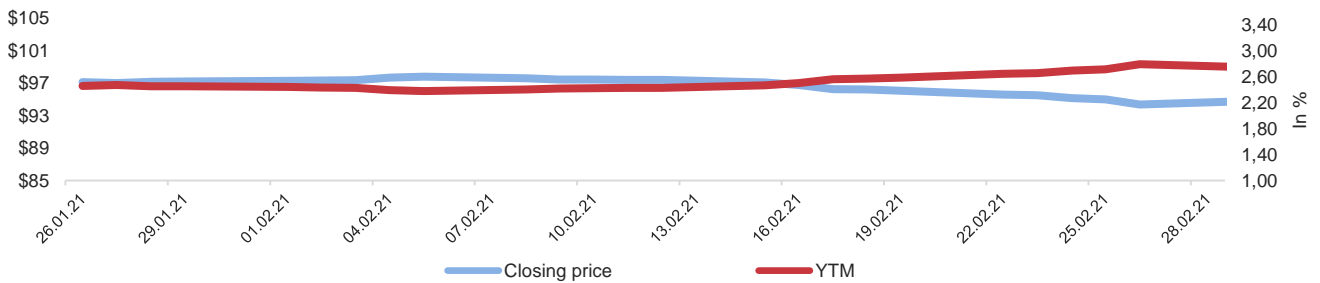
## OVERVIEW OF THE ISSUED EUROBONDS OF THE REPUBLIC OF SERBIA

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	700.000.000	28.09.2011	28.09.2021	7,250	7,500/6,625	98,263/104,179
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
SERBIA 3 1/8 05/15/27	2020	EUR	2.000.000.000	2.000.000.000	15.05.2020	15.05.2027	3,125	3,375	98,464
SERBIA 1 1/8 12/01/30	2020	USD	1.200.000.000	1.200.000.000	01.12.2020	01.12.2030	2,125	2,350	98,005

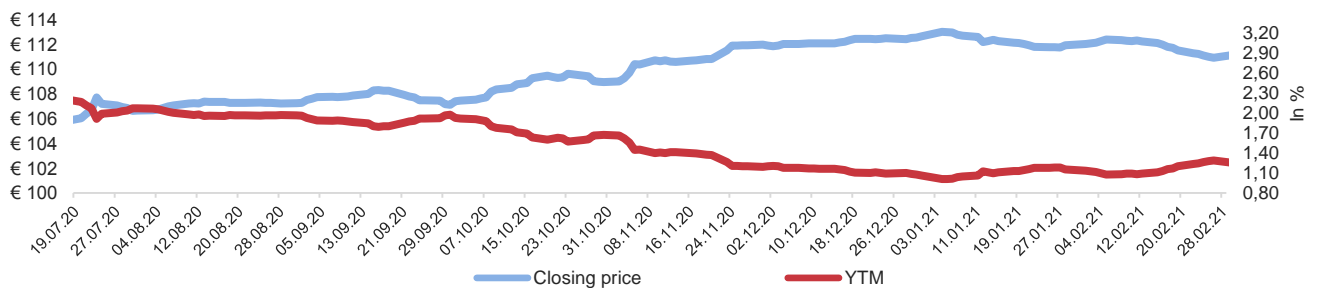
\*The data presented includes primary issue data and data from the reopening for the Eurobond 2021 (reopened on September 27, 2012)

\*\*The data presented includes primary issue data and data from the reopening for the Eurobond 2029 (reopened on November 12, 2019)

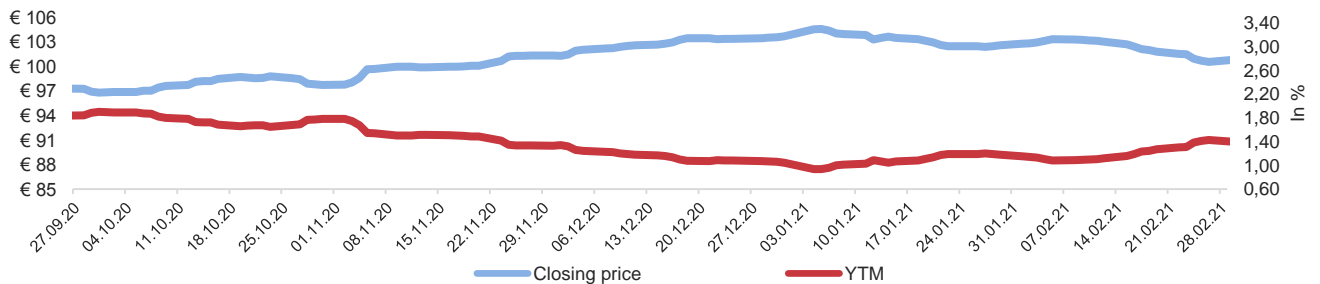
### YIELD/PRICE CURVE – EUROBOND 2030



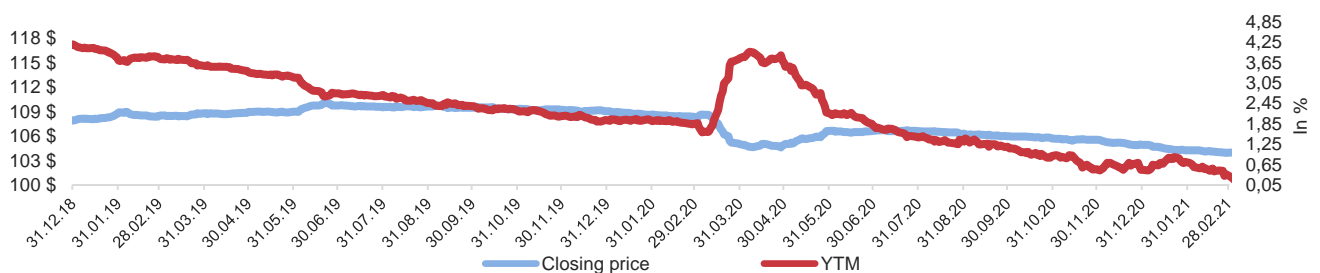
### YIELD/PRICE CURVE – EUROBOND 2027



### YIELD/PRICE CURVE – EUROBOND 2029

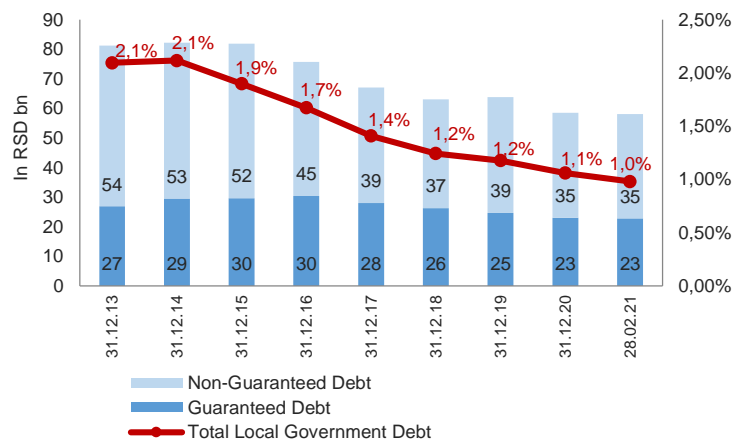


### YIELD/PRICE CURVE – EUROBOND 2021

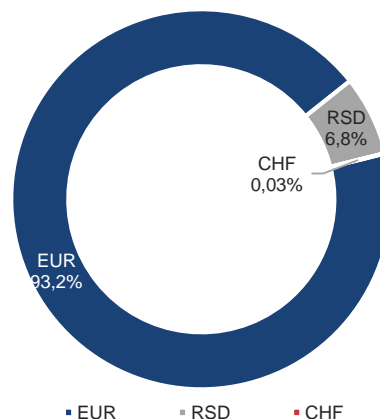


## IV. LOCAL GOVERNMENT DEBT ANALYSIS

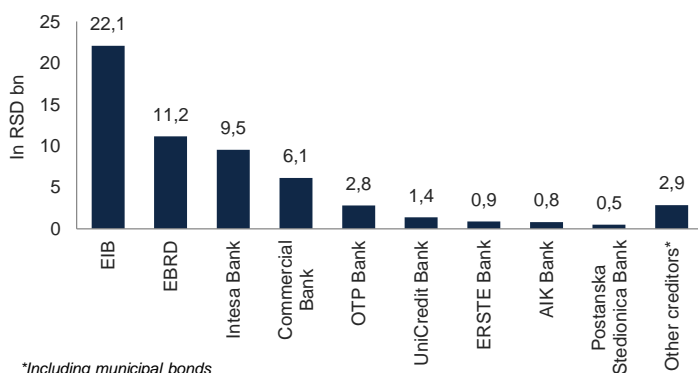
LOCAL GOVERNMENT DEBT DYNAMICS AS OF FEBRUARY 28, 2021



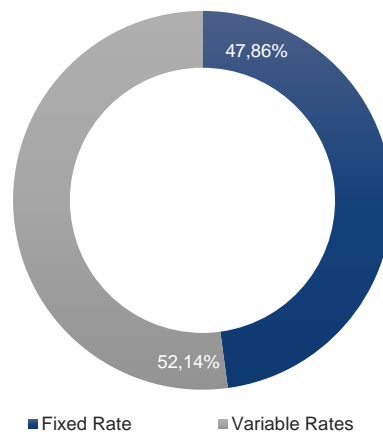
CURRENCY COMPOSITION AS OF FEBRUARY 28, 2021



CREDITORS OVERVIEW AS OF FEBRUARY 28, 2021



INTEREST RATE STRUCTURE AS OF FEBRUARY 28, 2021



Share of the top 5 Local Governments in total debt	79,5%
O/W Belgrade	60,4%
Debt maturing till the end of 2020	9.090.837.214
Debt maturing in 2021	8.979.990.446
Debt maturing in 2022	7.696.497.887
Maximum level of debt based on contracted amount	66.184.261.583
Interest Rate Risk	52,1%
FX Risk	93,3%
Local Government Debt to GDP	1,1%
O/W Non-Guaranteed Debt	0,6%
Maximum Debt Level to GDP	1,2%
Share of the top 10 Creditors in total Local Government Debt	95,1%
Share of Foreign Creditors in Total Local Government Debt	57,2%
<b>Total Available Credit Potential</b>	<b>82.602.544.375</b>
Share of the top 10 Local Governments with the highest available credit potential	44,5%
Share of Investment Project Loans in total Local Government Debt	99,7%

Local Government	Debt Stock as of February 28, 2021
Beograd	35.139.053.102
AP Vojvodina	5.291.708.067
Novi Sad	2.402.341.652
Kragujevac	2.312.847.052
Sabac	975.335.758
Nis	921.799.482
Subotica	693.557.628
Vranje	685.198.752
Indjija	489.480.759
Novi Pazar	480.676.673
<b>% of total</b>	<b>85,0%</b>

