

POTENTIAL IMPACT OF SERBIA'S NEW ECONOMIC MEASURES ON POVERTY AND CHILDREN

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INTRODUCTION AND CONTEXT

The Republic of Serbia has recently unveiled a package of economic measures aimed at easing the cost-of-living crisis for its citizens, following months of public discontent over rising prices. They include price caps on essential goods, financial relief on household credit, and legal changes to strengthen consumer protections. The impetus is clear: the Republic of Serbia's inflation in mid-2025 (4.9% in July¹) remained above target due to surging food costs, and food prices were among the highest in Europe relative to incomes, as Serbian households spend a very large proportion of their income on food – 36.6%² compared to 17% of EU households. This is likely to have put acute pressure on households with children, who tend to spend a larger share on food, diapers, and other basics.

This paper assesses the potential impacts of these new measures on poverty in the Republic of Serbia, especially child and family poverty, in the short term (6–12 months), medium term (1–3 years), and long term (>3 years). It draws on previous global assessments on price control measures, regional comparisons, and commentary from international institutions to evaluate how effective such policies might be in reducing poverty and under what conditions they can maximally benefit children. The key question is: Will capping prices on basic goods measurably relieve household budgets?

OVERVIEW OF THE ANNOUNCED MEASURES

The Serbian government's anti-crisis package consists of two main pillars targeting prices, household budgets, and market regulation:

1. Price Caps on Essential Goods

Profit margins for large retail chains (24 major supermarkets and hypermarkets) will be capped at 20% for a broad basket of products. This applies to around 3,000 items across 23 basic product groups, including staple foods, beverages, household cleaning supplies, diapers and baby products, personal hygiene items, and other everyday consumer goods. Previously, retail margins on food and consumer goods averaged ~40%, with some chains' margins even reaching 45%. By halving allowed markups (from ~40% down to 20%), the government expects retail prices to drop by 15–20% for the majority of products in these categories. The Government has stated this cap has been coordinated with the largest retailers, and they risk hefty fines for non-compliance. Notably, this is not a fixed price freeze at a specific dinar amount, but a limit on profit margin, meaning retailers can still adjust prices with wholesale cost changes, but their markup is restricted to protect consumers from excessive price gouging.

¹ <https://publikacije.stat.gov.rs/G2025/HtmlE/G20251217.html>

² Source: SORS, Household budget survey for 2024.

2. Household Budget Support Measures

A set of interventions will support family incomes and reduce monthly expenses, especially for low-income and vulnerable households. These include: Caps on interest rates for personal loans, with commercial banks required to limit rates on cash and consumer loans to ~7.5% (about 3 percentage points lower than the national average rates). Additionally, the government indicated measures to achieve lower housing credit costs, suggesting efforts to make mortgage or housing loan payments more affordable, though specific details are pending.

Further targeted energy subsidies will be introduced: eligible low-income families will receive discounts on electricity bills and support for affordable firewood for heating. This means a certain reduction on monthly power bills and a below-market fixed price for firewood for those considered vulnerable.

Moreover, the Government has announced amendments to legislation aimed at providing a “long-term framework for fair market practice, price stability and consumer safety”. One key anticipated change is greater price transparency rules: for instance, retailers will be legally required to display the pre-discount price history (the lowest price in the past 30 days alongside any advertised sale price). In parallel, the government plans to bolster market oversight capacities: enabling authorities to more closely monitor prices and profit margins and crack down on unjustified price hikes or cartel-like behavior.

The following sections analyze how effective this approach might be in reducing poverty, particularly child poverty, over the short, medium, and long term.

SHORT-TERM EFFECTS (6–12 MONTHS): IMMEDIATE RELIEF FOR FAMILIES WITH CHILDREN

In the immediate 6–12 month horizon, Serbia’s measures are expected to provide tangible, short-term relief to household budgets. For families with children, who are often the first to suffer from spikes in food and utility prices, the short-run impacts are likely positive. Several mechanisms will improve their purchasing power and could prevent further increases in poverty:

Drop in Essential Prices

The retail margin cap should translate quickly into lower shelf prices for thousands of basic items. This is especially critical for poor households, who spend a large portion of income on food. Empirical research shows that when food prices spike, poverty rises sharply, as seen in the 2008 global food crisis that pushed over 100 million people into poverty. In Serbia’s case, many staples have seen cumulative inflation of roughly 55-60% since 2021³, contributing to more families struggling to afford a basic diet. We can expect a modest drop in measured inflation once the decree is enforced. Hungary’s experience is illustrative: a similar cap on food retail margins in 2022–23 yielded an estimated 1–2 percentage point reduction in food inflation (provided supply chain costs didn’t rise further).

Boost to Household Consumption and Nutrition

With essential goods more affordable, families with children are likely to increase their consumption of those items in the short run. Parents who had been cutting back portion sizes or reducing food variety may now be able to buy more milk, fruits, or meats, improving children’s nutrition. This immediate alleviation of material deprivation could reflect in indicators like fewer families reporting inability to afford a proper meal⁴.

³ Author’s calculations based on official annual inflation rates.

⁴ According to latest official data from FAO, in 2022, 13% of adults in Serbia reported moderate or serious food insecurity, compared to 11.4% in 2015.

Lower Debt Servicing Burdens

The cap on interest rates (around 7.5% for dinar cash loans) will immediately benefit households carrying personal loan debt or needing new credit to cope with expenses. For example, a family repaying a 200,000 RSD consumer loan at 10.5% interest (roughly the previous average) would have paid about 5,000 RSD in monthly interest; at 7.5%, the interest portion drops significantly. That savings (perhaps 1,000–1,500 RSD) can be redirected to children’s needs (school supplies, clothing, food). This is particularly helpful for smoothing consumption: for instance, families might take a small loan for back-to-school expenses or winter heating fuel; with the cap, they can repay with less interest, making such necessary expenditures more feasible.

Energy Cost Relief and Winter Protection

The promised electricity bill discounts and cheaper firewood for vulnerable households will kick in likely in the upcoming heating season. It is not yet clear how this targeted energy assistance will interact with already existing assistance (e.g. energy protected households) but will most probably have a direct poverty-alleviation effect in the short run. Electricity and heating fuel are significant expenses, and inability to pay utilities is a common dimension of material poverty. In the short term, this could prevent a spike in energy poverty and reduce the incidence of families resorting to dangerous coping strategies (like burning trash for heat or having to choose between heating and food). It also has immediate health and safety benefits.

Psychological and Social Impact

Though harder to quantify, the short-term psychological relief for families should not be underestimated. The sense that the government is taking action to curb “unbearable” living costs can improve consumer confidence. Parents who were anxious about affording enough food or worried about defaulting on loans may feel a reprieve. This could translate into a more positive outlook and willingness to spend on children’s needs (rather than hoarding every dinar for emergency), thereby stimulating the local economy.

In summary, during the first 6–12 months, these measures are poised to directly ease poverty pressures. Child-focused outcomes in this period are likely to include: improved dietary intake for children, less school absenteeism due to unaffordable transport or supplies (since household money is freed up), and fewer children living in homes cut off from electricity or heat. However, while the short-term benefits are clear, they are also fragile. The positive impact assumes effective implementation: authorities must enforce the margin caps (preventing retailers from covertly raising prices of non-capped goods or levying new fees) and ensure eligible families actually receive the energy discounts.

MEDIUM-TERM EFFECTS (1–3 YEARS): SUSTAINABILITY, ADJUSTMENTS, AND POTENTIAL RISKS

Looking 1–3 years ahead, the question becomes how these measures will evolve and interact with the economy once the initial shock is past. The medium term is critical: it will reveal whether the policies are sustainable and truly poverty-reducing, or merely a short-lived palliative followed by unintended consequences. In this period, market actors will adjust to the new rules, and the government will face decisions on whether to continue, refine, or phase out the controls. The impact on child and family poverty in the medium term will depend on those adjustments and on complementary policy moves. Here’s what we can anticipate:

Diminishing Returns

Initially, the margin cap and loan rate cap will continue to restrain prices and costs into the medium term. This could help maintain the poverty rate at a lower trajectory than it otherwise would be. However, as time goes on, retailers and suppliers might find ways to adapt or recoup profits, potentially diluting the benefits. For example, evidence from Hungary’s similar experience showed that companies offset losses from price-capped goods by raising prices on other products. Serbian retail chains could do the

same: if 3,000 products have capped margins, stores might increase the prices of goods outside those categories to compensate. This cross-subsidization would mean that while basic staples remain cheap, other items (perhaps those consumed by slightly better-off families) become more expensive, somewhat blunting the net benefit for consumers. Poor families focusing on basics would still gain, but if they ever need items outside the basket, they might face higher inflation there. Additionally, there is a risk that product quality or variety diminishes over time: to preserve profit under a tight margin, retailers might stock cheaper-quality variants or fewer brands of controlled items. Consumers could see less choice or slightly lower quality in basics after a year or two, which impacts welfare in non-monetary ways.

Supply Chain Effects

In the medium term, pressures in the supply chain may grow. Retailers squeezed by capped margins are likely to push upstream, demanding lower wholesale prices from producers and farmers. Large chains already have significant bargaining power, and with legal caps they may exert even more pressure to cut costs. This could undermine the viability of small producers who are forced to sell at unsustainably slim margins. Serbia's dairy farmers or local food processors, for instance, may struggle if retailers refuse to pay beyond a certain threshold. At the same time, the opposite dynamic is also possible: producers may seek to raise wholesale prices so that both they and retailers gain under the cap (a 20% margin on a higher base price can still yield better earnings than a lower margin on a reduced base). If such increases are tolerated by retailers, consumer prices could creep upward despite the cap. Which side prevails will depend on bargaining power and political pressure: in the short term, scrutiny will likely keep retailers pressing prices down, but over time, stronger producers may succeed in nudging wholesale upward. In both scenarios, the medium-term investment climate in the food sector could chill: companies may postpone expanding capacity if they perceive regulation will keep margins low.

Adjustment in Financial Sector

With interest rates on dinar loans capped by decree, banks will adjust credit practices over the medium term. They may become more selective in lending,

preferring customers with lower default risk (since they cannot charge high rates to offset high risk). This could lead to reduced credit access for some low-income borrowers, an observed consequence in countries with strict interest caps. The paradoxical outcome could be that some poorer families can no longer get formal loans at all, which might push them towards informal moneylenders or simply leave them unable to smooth consumption during hardships. In Serbia, where financial inclusion is moderate, this effect bears watching. If a family with children cannot access a small loan for, say, medical bills or a work-related expense because of tighter lending criteria, they could fall into poverty despite low prices on goods. Additionally, banks might introduce or increase various fees and commissions to compensate for the interest cap (as has happened elsewhere under rate caps). That said, positive effects remain: households who do qualify for loans enjoy stable, low interest costs, which is especially helpful for those with housing loans (if mortgage rates are also influenced downward).

Fiscal and Budgetary Implications

Over 1–3 years, the fiscal cost of the measures will become apparent. The price margin cap itself does not directly use state funds (the cost is borne by retailers via lower profits). However, the energy discounts and any housing credit support likely require budgetary allocation. If the government covers part of vulnerable households' electricity bills or provides firewood at below-market prices, it must either compensate the utility companies or absorb the cost through state-owned enterprises. Similarly, interest subsidies or guarantees for housing loans would entail fiscal commitments. These costs are justified as social protection, but their sustainability depends on Serbia's budget health. In the medium term, if economic growth is slower or fiscal revenues fall, the government might face pressure to scale back these subsidies. The IMF often warns that broad subsidy measures can strain public finances and should be temporary. Encouragingly, the trade-off in the package is that by forcing the private sector to shoulder some burden (retailers/banks take profit hits), the government's direct fiscal cost is reduced compared to, say, cutting VAT or subsidizing all consumers. (For context, Croatia tried reducing VAT on some foods and freezing certain prices, which

helped somewhat but had limited effectiveness and fiscal costs.) Serbia avoids a blanket VAT cut and chose a regulatory route instead, which might be more fiscally sustainable in the medium term.

Inflation Dynamics

In the medium run, Serbia's overall inflation is forecasted to fall back into the target range (around 4% or below) by end of 2025. If that holds, it means that after the one-time price level adjustment from these measures, prices might stabilize. In such a scenario, the relative importance of the price caps could diminish: if salaries outpace inflation, even uncontrolled prices become more affordable. However, there's also a risk of latent inflation: should the government lift the controls after a year or two, prices might jump to "catch up" with where they would have been. Hungary's experience is instructive: when it ended its strict food price freezes in 2023, some product prices surged overnight, contributing to the EU's highest inflation at the time.

Behavioral Changes and Consumption Patterns

There is an open question of whether these measures could induce behavioral or market changes that have medium-term welfare implications. For instance, knowing that basics are cheaper at large chains due to the cap, consumers (including low-income ones) might shift more of their shopping to supermarkets and away from small shops or green markets. Medium term, this could benefit urban consumers (access to cheaper goods in big stores) but might hurt small businesses. It also means rural or small-town residents (with less access to large retail chains) might benefit less: a gap in impact that could emerge by region. Households with children in remote areas could still face high prices if local shops aren't covered by the cap (which targets major chains). Another behavioral aspect: if loans are cheaper, some families might be encouraged to borrow more (the phenomenon of easier credit fueling higher household debt). In moderation this is fine, but if households take on excessive debt thinking the government will keep rates low, they could become vulnerable if policy changes or if their income falters. Financial literacy and caution will be important; regulators might need to watch for any uptick in risky borrowing by consumers enticed by low interest.

From a child poverty perspective, the medium-term outlook is cautiously positive if managed well. The risk is if the measures start failing (due to supply issues or fiscal strain) and poverty creeps back up. To maximize the poverty impact in this period, it's vital that Serbia complements these measures with structural social policies. For example, using the breathing room provided by low inflation, the government could expand the coverage of social assistance programmes such as financial social assistance or child allowance, which currently miss many poor children. If more poor families receive direct income support in addition to enjoying lower prices, the medium-term reduction in child poverty could be more pronounced and resilient.

LONG-TERM EFFECTS (> 3 YEARS)

In the long term, beyond three years, the initial emergency rationale for these measures will fade, and Serbia will face a crossroads: either it integrates these policies into a sustainable framework or it pivots away from them. The long-term impact on poverty and children will depend on whether the measures have paved the way for a stronger social protection system and a lower-cost economy, or whether they leave behind market distortions that hamper growth and ultimately hurt the poor.

Potential End of Price Controls and Market Normalization

Price caps and interest caps are by nature exceptional measures; it is generally expected that they will be phased out once inflation is firmly under control or when underlying conditions improve. In the long run, maintaining strict caps indefinitely can be harmful. Serbia in the long term should aim to remove the margin caps and allow prices to be set by market forces, but only once they have other mechanisms in place to protect vulnerable families from price swings. Ideally, the government would use the next few years to strengthen its social protection programs (for example, raising the value and reach of financial social assistance and child allowance, further strengthening energy benefits for low-income households, etc.) so that by the time

price controls are lifted, poor families have direct support to afford necessities. If such preparation is done, the long-term poverty impact can be positive: families would transition from relying on suppressed prices to relying on cash transfers or income from employment, preserving their purchasing power.

Risk of Structural Distortions

If the controls are maintained rigidly for too long without adjustment, structural distortions may accumulate that ultimately undermine the poor. For instance, prolonged profit margin caps might deter new entrants in the retail sector (why invest in opening new supermarkets if profit margins are legally capped?). Less competition in the long run could mean higher prices or poorer service once caps end. It could also slow innovation: retailers might not invest in improved logistics or new store formats if returns are limited, and producers might not innovate if they can't increase prices for better quality goods. Over years, this can lead to an economy that is less dynamic, with possible consequences like fewer jobs or slower wage growth. Such outcomes hurt poverty reduction, because robust economic growth and job creation are key to lifting incomes. Additionally, price controls can breed informal markets: if some goods remain artificially cheap, a black market could develop where those goods are resold at higher prices (profiting intermediaries, not producers or consumers).

Difficulty Reversing

Politically, once low prices are established by government fiat, it can be politically costly to remove them. The public may come to see cheap basic goods as an entitlement, making it risky for any future administration to remove the cap without a strong replacement. In a pessimistic scenario, the

controls could remain in a semi-permanent way, gradually eroding in effectiveness (due to loopholes and market adaptation) while preventing healthier market development. If that happens, the initial poverty gains could stagnate or reverse. For instance, if controlled goods start vanishing or deteriorating in quality, the poor suffer a loss in welfare even if sticker prices are low. Or if banks severely restrict credit to the lower-income segment to avoid capped loans, those households might be worse off in the long term. Long-term child poverty could thus remain stubbornly high if underlying issues aren't addressed.

Integration with Social Protection Systems

For a truly lasting impact on child poverty, Serbia will likely need to integrate some of these measures into its formal social protection system. The government might look to consolidate gains via social assistance benefits or additional measures for energy vulnerable customers. If Serbia takes that path, the long-term legacy of these measures could be that they bought time and public support for broader anti-poverty reforms (such as expanding daycare, improving education quality, raising the minimum wage, etc.). The result could be a lower child poverty rate a decade from now not because bread was cheap, but because social assistance measures were subsequently strengthened.

Will these measures have a measurable long-term impact on child poverty? They certainly can, but primarily as a bridge to more sustainable policies. If left in place as the sole strategy, their effectiveness will likely dwindle over time and could even backfire (through stunted market development and economic inefficiencies that hurt growth and jobs). But if used wisely, by providing immediate relief, then gradually replaced by targeted interventions and supported by broader poverty reduction strategies, they can have a positive impact.

Finally, here are three term-based scenario alternatives on how these measures could play out for Serbia's poverty situation, especially child poverty.

	OPTIMISTIC SCENARIO	MIDDLE GROUND SCENARIO	PESSIMISTIC SCENARIO
Short term (6-12m)	Prices on essentials drop by 15–20%, household energy and loan costs fall. Families with children immediately feel relief, poverty rates stop rising.	Families benefit from cheaper food and utilities; short-term poverty indicators improve slightly.	Price cuts are visible but uneven (rural areas excluded, some retailers resist). Child poverty stabilizes briefly but not significantly reduced.
Medium term (1-3y)	Measures are well enforced, retailers don't significantly compensate on uncapped goods, energy discounts are maintained. Government uses the "breathing space" to expand targeted cash support.	Retailers shift margins to non-capped goods, banks restrict some credit access to poorer borrowers, and quality/availability of some basics declines. Still, targeted energy support cushions poorest households. Child poverty stagnates.	Retailers cut supply/variety, shortages emerge for some basics, quality falls. Producers squeezed, reduce output. Banks restrict credit sharply, pushing poorer households to informal lenders. Fiscal costs of energy discounts grow unsustainable.
Long term (>3y)	As inflation stabilizes, broad price controls are gradually phased out and replaced with targeted benefits (e.g., financial social assistance and child allowance). Child poverty falls steadily while structural reforms keep natural prices low.	Political difficulty in lifting caps leads to semi-permanent controls. Over time, effectiveness erodes. Poverty outcomes depend on economic growth rather than these measures. Children see some benefit in early years, but no lasting change without additional reforms.	Government unable to exit politically; distortions accumulate, black markets rise, inflation surges once controls collapse. Poverty rates rebound, possibly higher than without intervention. Child poverty worsens: more children in HHs unable to afford balanced meals or energy.
Net effect	Measures serve as a successful stop-gap and catalyst for sustainable poverty reduction. Child poverty meaningfully declines.	Poverty temporarily stabilized, but no structural improvement. Child poverty remains high.	Initial relief gives way to higher structural poverty. Children are worse off in the long run.

SUPPLEMENT – CONFIRMED ANTI-CRISIS MEASURES

(Note: The main analysis was completed before official enactment of these measures. This supplement provides an update based on the government's adopted regulations and their expected effects on poverty, especially child poverty.)

Ordinance on Retail and Wholesale Margin Caps (Sept 2025 – Mar 2026)⁵

The Government of Serbia has formally adopted an ordinance capping profit margins in the trade of essential goods, effective 1 September 2025.

Key provisions include

- 23 categories of goods are covered, spanning staple foods and everyday necessities. In total, roughly 3,000 individual products fall under these groups.
- The caps apply only to large retail chains and distributors, i.e. companies that in 2024 had annual turnover above RSD 4.5 billion. By design, this targets major supermarkets while exempting small stores and village shops so as not to undermine their viability. Thus, most urban consumers are covered, whereas those in areas served only by small shops may see less direct benefit.
- Retail and wholesale trade margins are capped at 20% (computed on net-of-VAT selling price, using 1 August 2025 price levels as reference). If a given product's markup was already below 20% as of the decree's start, that lower margin must be retained. This is a limit on relative mark-up, not an absolute price freeze; prices can still fluctuate with input costs, but retailers and wholesalers cannot exceed a 20% profit margin on these goods.
- To prevent circumvention of the cap through hidden charges, the ordinance limits the total fees retailers can charge suppliers to 10% of

the invoice value. Within this ceiling, logistics rebates are capped at 3% and allowances for spoilage/shortfalls at 1%. Any promotional discounts ("action rebates") from suppliers must be fully passed on to consumers via lower retail prices. These provisions aim to close loopholes and ensure the margin cap genuinely lowers consumer prices rather than costs being shifted upstream.

- Covered retailers and wholesalers are required to submit detailed price lists to the Trade Ministry; initially reflecting prices on key dates (1 April, 1 August, 31 August, and 1 September 2025) and subsequently updated weekly.
- The margin cap is a temporary anti-inflation measure. The ordinance is in force for 6 months from 1 September 2025 through 1 March 2026 (unless extended by the government).

Notably, the cap extends to wholesale margins as well, meaning that distributors and large-scale suppliers are now also constrained. This vertical extension of the cap could amplify price reductions but may also squeeze profit margins along the entire supply chain. A potential concern is that wholesalers and producers (including farmers and small food processors) might face pressure to reduce their prices to enable retailers to honor the cap. If wholesale prices are effectively frozen at August 2025 levels, producers with already thin margins could struggle, potentially leading to supply adjustments or quality trade-offs over time. In the short run of 6 months, such effects may be limited, but if the cap were extended, it could impact production incentives.

The explicit exemption for small shops (e.g. kiosks, village stores) is now confirmed. This carve-out is intended to protect small businesses from competitive disadvantage, but it also means

⁵ <https://www.cekos.rs/wp-content/uploads/2022/09/Uredba-o-ogranicenju-marzi-2025.pdf>

rural and remote communities (where large supermarkets are absent) might see little benefit. In terms of poverty impact, poor families in villages may not experience as much price reduction as urban poor families do, potentially dampening the nationwide poverty mitigation compared to a blanket price freeze assumption. The benefit will be uneven geographically. Nonetheless, the majority of low-income consumers (who do shop at major chains or can access them) should still gain from lower prices on food and essentials.

Finally, the ordinance's time-bound nature (September–February) reinforces the assumption that any poverty reduction or welfare improvement from price caps is likely temporary. It underscores the need for either an extension or complementary measures to sustain gains. If the cap is not extended beyond March 2026, prices could rebound, potentially eroding the initial poverty alleviation unless other supports are in place.

If some retailers or suppliers respond to the squeezed margins by reducing stock or slowing restocking of capped items (to protect their profits), there could be sporadic shortages. Such shortages disproportionately hurt low-income consumers (who lack bulk-buy savings or mobility to search for alternatives), potentially undermining some benefits. Moreover, any severe strain on small producers or local farmers (due to the wholesale cap) could have indirect longer-run impacts on rural livelihoods – though over just six months this is likely limited.

Firewood Subsidies for Vulnerable Households (Sept 2025 – Mar 2026)⁶

To address winter heating costs the government introduced subsidized firewood provision through the public forestry company Srbijašume. As of 1 September 2025, firewood is being sold at discounted prices (or free) to designated vulnerable groups, under the following terms:

- Socially vulnerable families: a 36.7% price discount on firewood. The price is reduced from RSD 4,581.50 to RSD 2,900 per cubic meter, up to a certain volume per household.
- Pensioners, persons with disabilities, and veterans: a 15% price discount on firewood. The standard price of RSD 5,269 is cut to RSD 4,478.65 per cubic meter for eligible individuals in these groups.
- The most vulnerable 1,000 families: an allocation of free firewood (8 cubic meters per household) to the absolutely most at-risk households. The criteria for determining the most at-risk households are unclear. This is effectively a one-time grant of wood for the entire heating season at no cost.

The discounts (15–37%) and free provision to the very poorest are in line with assumptions that the government would cushion vulnerable groups from rising heating fuel costs. It also confirms the government's focus on the winter timeframe, consistent with our assumption that such support would be seasonal and aimed at preventing a spike in energy poverty during the cold months.

The depth of the discount (~37% off for the poorest) is significant, suggesting a meaningful financial relief per household that could free up income for other needs. On the other hand, the measure's impact will depend on uptake and supply factors. It's clear that only those who register and qualify will benefit, meaning the burden is on vulnerable families to be aware and apply. If information dissemination is poor, some eligible families might miss out. Srbijašume's ability to provide discounted or free wood to all who need it will shape the real outcome, as bottlenecks (stock availability, transport logistics, etc.) could practically constrain it. This nuance slightly tempers the assumption that all vulnerable households will experience relief. Some may still struggle if demand outstrips supply or if the administrative process is cumbersome.

⁶ <https://srbijasume.rs/mere-podrske-gradjanima-ogrevno-drvo/>

Capped-Rate Loans for Low-Income Employees and Pensioners (from Sept 2025)⁷

From mid-September 2025, banks will be offering special credit products at capped interest rates, targeting employed people with modest wages and pensioners. The NBS conducted a supervisory review of lending terms and, following this, set out expectations for banks to adjust their loan offerings for these groups. Key features include:

- Individuals with regular monthly income up to RSD 100,000 (approximately €850) and all pensioners qualify for these favorable loans. This income threshold is high enough to cover a large majority of the population. According to the author's rough calculations about 65% of all employees and over 90% of pensioners in Serbia fall under this income level.
- Banks will offer dinar-denominated cash and consumer loans up to RSD 1,000,000 (roughly 8,500) with interest rates capped roughly at 7.5% annually. Specifically, the interest rate must be at least 3 percentage points lower than the bank's average rate for such loans to date, with a floor (minimum) of 7.5% nominal interest.
- In addition, special refinancing loans will be made available for individuals to replace existing consumer or cash loan debt at a lower rate. There is no explicit limit on the amount for refinancing; the interest rate on the refinance is similarly 3 percentage points below the bank's prior average for cash loans (also floored at ~7.5%).
- For pensioners, who often face stricter lending terms, banks should introduce tailor-made cash loans (and refinancing options) that include life insurance. These will also carry interest rates 3 p.p. below previous averages for pensioner loans, with a minimum rate of 10.5% nominal. The slightly higher floor (10.5%) reflects banks' risk concerns for older borrowers, but

still offers substantial interest savings relative to standard rates for pensioners.

- Banks that provide housing loans are expected to include a special offer for first-time home buyers with incomes under 100,000 RSD. For this category, the mortgage interest rate will be up to 0.5 percentage points lower than the prevailing average housing loan rate in the bank's standard offer.
- Across all these loan types, banks will not charge any loan processing fees, removing an additional cost that borrowers typically pay. The NBS has stipulated that these favorable credit products must remain in banks' portfolios for at least 12 months (through September 2026), ensuring that borrowers have ample time to take advantage of them.

One thing the official information underscores is that this is not "free money" but cheaper credit. The measure encourages additional spending by making borrowing less costly, aligning with the government's goal to stimulate demand, but it could also lead to higher indebtedness for some families. While lower interest reduces the immediate burden (and risk) of debt, it also might prompt households to take on loans they otherwise wouldn't. The confirmed design, which smartly includes life insurance for pensioner loans and no fees, suggests an attempt to mitigate risks and costs, supporting our view that the policy is consumer-friendly and likely to do more good than harm in the short run. Still, the poorest households (with no stable income or already over-indebted) might not benefit, as banks will still apply creditworthiness criteria. Thus, this measure primarily assists the "vulnerable but creditworthy" segment: those with low earnings or small pensions but enough regular income to service a loan. This confirms the earlier assumption that the loan interest cap helps many low-income families, but it is not directly reaching the unemployed or the very poor who lack access to formal credit. For those deepest in poverty (who may rely on social assistance or informal borrowing), the measure's impact is negligible.

⁷ https://www.nbs.rs/sr_RS/scripts/showcontent/index.html?id=20829

Taken together, these confirmed measures (the margin cap on essential goods, the firewood subsidies, and the subsidized loan program) form a comprehensive short-term safety net aimed at protecting Serbian households from the cost-of-living crisis. Each tackles a different facet of hardship (food prices, energy costs, and financial stress), and our analysis indicates that each will bring tangible albeit temporary relief for vulnerable families and children. In the aggregate, we anticipate a modest decline in poverty and child poverty over the coming months relative to a no-action scenario, primarily due to improved affordability of basic needs and reduced economic shocks to households. However, these measures are inherently short-lived. The critical question moving forward is how enduring these benefits will be and whether longer-term strategies will build on this relief to address structural drivers of poverty. The immediate outlook for winter 2025–26 is certainly improved for many families: fewer children going to bed hungry or cold, and fewer parents lying awake worried about mounting bills; which is a noteworthy achievement of this policy package. The challenge will be converting this short-term respite into sustained poverty reduction, a topic that extends beyond the scope of this analysis but remains at the forefront as these measures run their course.

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