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# EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ)

Western Balkans & Türkiye

4<sup>th</sup> Quarter 2023

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European Commission  
Directorate-General for Economic and Financial Affairs

## **EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ)**

4<sup>th</sup> Quarter 2023

Western Balkans and Türkiye

This document is written by the staff of the Directorate-General for Economic and Financial Affairs, Directorate D for International Economic and Financial Relations and Global Governance, Unit D1 – Candidate and Pre-Candidate Countries.

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## OVERVIEW – FLASH NOTES

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**The growth performance of the Western Balkan region improved in the third quarter of 2023.** On average, the region's real GDP growth accelerated to 3.1% y-o-y from 2% in the second quarter as all economies except Montenegro recorded a higher pace of expansion than in the previous three months. GDP growth accelerated the most in Serbia, the largest economy of the region, where it rose to 3.6% y-o-y from 1.6% in the second quarter.

**Economic growth was generally driven by domestic demand.** Consumer spending remained a key contributor to output growth: its year-on-year growth turned positive in Serbia and accelerated in Bosnia and Herzegovina and Kosovo, while it maintained its relatively high pace in North Macedonia and practically stagnated in Montenegro. Trade dynamics were generally dragged down by weak and in most cases contracting goods exports, which were however offset by a continued robust increase in services exports, especially in tourism-dependent countries. Imports also shrank in most of the region's economies.

**The unemployment rate fell in most economies in both a quarterly and annual comparison.** Average employment growth accelerated to 1.4%<sup>1</sup> y-o-y in the Western Balkans in the third quarter of 2023, while labour force participation increased in some countries, most notably in Albania where it climbed to a record-high 76.1%. Overall, unemployment rates in the region were at historically low levels but remained high compared with the EU, ranging from 9% in Serbia to 13.6% in Bosnia and Herzegovina.

**The region's four-quarter moving average current account deficit continued its recovery and fell to 3.1% of GDP in September, less than half its size one year earlier and the lowest level since the third quarter of 2021.** This improvement, which was broad-based across countries, was mainly due to the continued growth in services exports (especially tourism), higher remittances inflows, and declining merchandise trade deficits helped by moderating import prices compared to the very high levels seen in 2022. Although foreign direct investment inflows as a share of GDP fell somewhat in most countries in the four quarters to September, they continued to cover most or all of the current account deficit in the same period. Foreign exchange reserves increased, most notably in Serbia where they soared by almost 40% y-o-y in November.

**Driven by decelerating energy and food prices, average annual consumer price inflation in the Western Balkans slowed further to 8.1% in the third quarter of 2023.** The rate of inflation continued to fall beyond the third quarter in most economies, to levels ranging from 2.3% in Kosovo (in December) to 8% in Serbia (in November). In countries with monetary autonomy the pace of tightening slowed: in North Macedonia the key policy rate has remained unchanged since September and in Serbia since July. In Albania, the central bank raised its key policy rate by 25 bps. in November while it kept it unchanged in December. The key policy rate stood at 3.25% in Albania, 6.3% in North Macedonia, and 6.5% in Serbia in December 2023. Reflecting tighter financing conditions, loan growth slowed down further in most countries while it turned negative in Serbia.

**Continued economic expansion supported the growth of budget revenues and fiscal balances in the first eleven months of 2023 improved or remained at the same level as one year earlier in most economies of the region.** The January–November budget balance even registered a surplus in Albania, Montenegro and Kosovo, which was however often partly due to capital expenditure lagging behind

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<sup>1</sup> This figure does not include Kosovo for which third-quarter data were not available by the cut-off date for this report.

plans, sometimes by a substantial margin. As spending traditionally picks up at the end of the year, the general government balance for the year as a whole might still turn negative in some of these countries. The public debt-to-GDP ratio decreased in all economies of the region in the third quarter of 2023 compared to end-2022, partly due to the robust rise in nominal GDP. The public debt ratio remained the highest in Montenegro at 60.2% of GDP, followed by Albania and North Macedonia at 59.4% and 59.3% (at end-2023) of GDP, respectively.

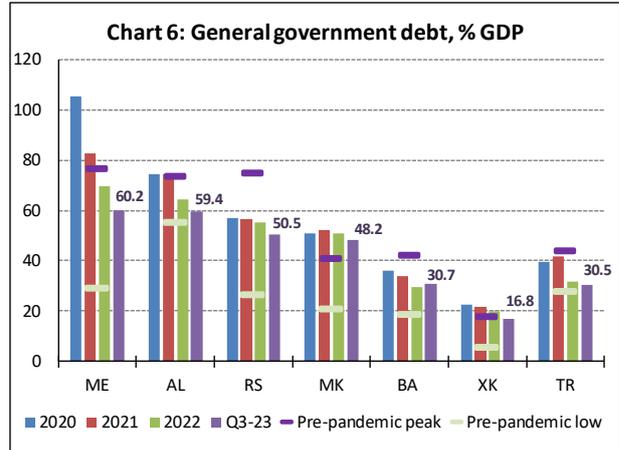
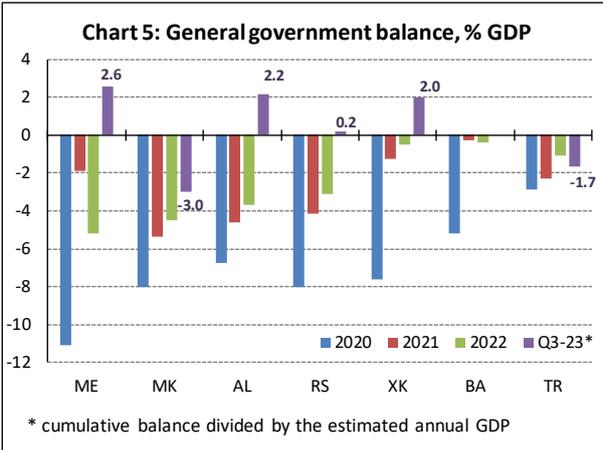
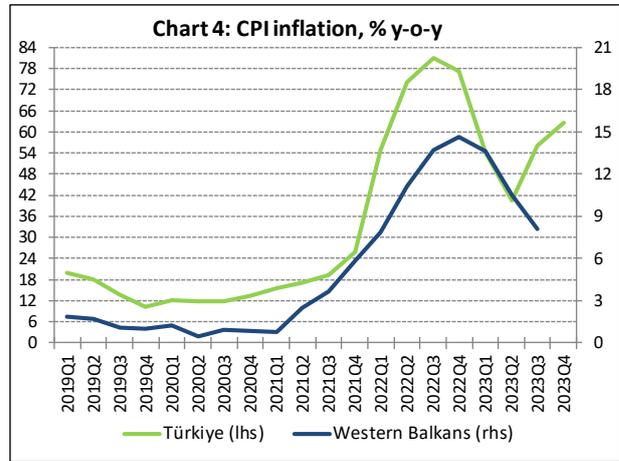
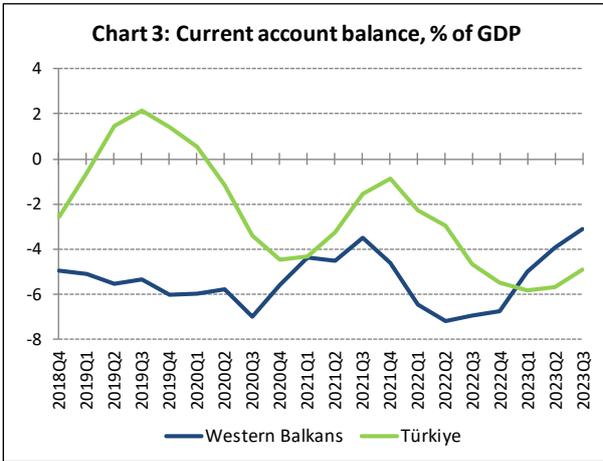
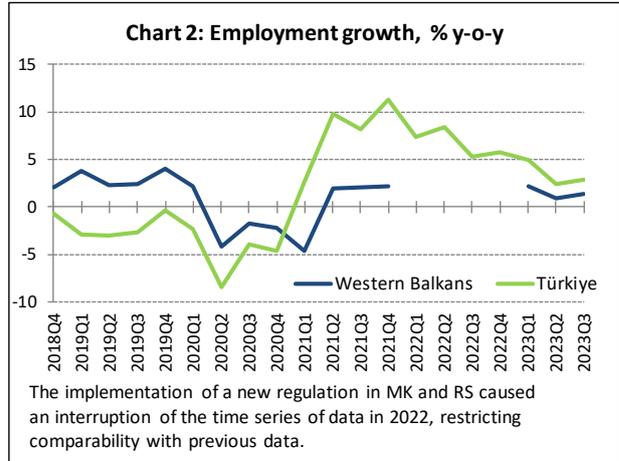
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**In Türkiye, economic growth went up to 5.9% y-o-y in the third quarter of 2023, compared to 3.9% in the previous three months.** Growth was driven by still strong, albeit moderating domestic demand, in particular robust household consumption and a notable increase of investment. The 4-quarter rolling average current account deficit narrowed to 4.7% of GDP in November from 5.5% at end-2022. The trade balance has been improving since July due to the marked decline in imports and increase of exports in October and November. Sizeable investment inflows contributed to an increase in official reserves, which reached USD 141 billion by end-2023.

**Monthly inflation decelerated since the summer, but driven by base effects, annual consumer price inflation increased to 62.7% in the fourth quarter of the year, bringing average inflation to 53.9% in 2023.** To counteract high inflationary pressures and anchor inflation expectations, the central bank further tightened its monetary policy stance by increasing its key policy rate from 30% in September to 42.5% in December. In the fourth quarter of 2023, the lira lost 7.4% of its value against the US dollar, bringing the total depreciation to 57.2% for the year as a whole.

**Partly driven by post-earthquake reconstruction, total budget expenditure more than doubled in the first eleven months of 2023 and outpaced the surge in revenue, which was boosted by tax hikes in the summer.** This resulted in a central government budget deficit of TRY 532.4 billion (2.1% of forecast annual GDP) in January-November, significantly higher than the shortfall recorded over the same period one year before. The general government debt stood at 30.5% of GDP in the third quarter of 2023, broadly unchanged from end-2022.

Candidate and potential candidate countries: Overview graphs



## Candidate and potential candidate countries: Summary table

	2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
						2024	2025						
<b>Gross domestic product</b> (in real terms, annual % change)													
Albania	2.1	-3.3	8.9	4.8	:	3.1	3.7	3.4	3.5	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.3	-2.9	7.3	3.8	:	2.0	2.3	1.2	1.9	:	N.A.	N.A.	N.A.
Montenegro	4.1	-15.3	13.0	6.4	:	2.7	2.3	6.9	6.6	:	N.A.	N.A.	N.A.
North Macedonia	3.9	-4.7	4.5	2.2	:	2.7	2.8	1.1	1.2	:	N.A.	N.A.	N.A.
Serbia	4.3	-0.9	7.7	2.5	:	3.1	3.7	1.6	3.6	:	N.A.	N.A.	N.A.
Türkiye	0.8	1.9	11.4	5.5	:	3.5	4.0	3.9	5.9	:	N.A.	N.A.	N.A.
Kosovo	4.8	-5.3	10.7	5.2	:	:	:	2.4	3.0	:	N.A.	N.A.	N.A.
<b>Unemployment</b>													
Albania	12.0	12.2	12.1	11.3	:	10.2	9.9	11.1	11.0	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	15.7	15.9	17.4	15.4	:	:	:	13.1	13.6	:	N.A.	N.A.	N.A.
Montenegro	15.4	18.4	16.9	15.1	:	13.2	13.0	13.5	12.0	:	N.A.	N.A.	N.A.
North Macedonia	17.5	16.6	15.6	14.5	:	13.7	13.5	13.2	12.9	:	N.A.	N.A.	N.A.
Serbia	11.2	9.7	11.0	9.4	:	9.0	8.6	9.6	9.0	:	N.A.	N.A.	N.A.
Türkiye	13.7	13.1	12.0	10.5	:	10.2	9.8	9.3	9.3	:	8.2	8.8	:
Kosovo	25.7	25.9	20.7	12.6	:	:	:	:	:	:	N.A.	N.A.	N.A.
<b>Current account balance*</b> (% of GDP)													
Albania	-7.9	-8.7	-7.7	-5.9	:	-5.1	-4.9	-4.9	-2.4	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.6	-2.8	-1.8	-4.3	:	-4.0	-3.8	-3.9	-3.8	:	N.A.	N.A.	N.A.
Montenegro	-14.3	-26.1	-9.2	-13.2	:	-12.3	-12.1	-11.8	-9.4	:	N.A.	N.A.	N.A.
North Macedonia	-3.0	-2.9	-2.8	-6.1	:	-3.6	-2.4	-1.4	-0.2	:	N.A.	N.A.	N.A.
Serbia	-6.9	-4.1	-4.2	-6.8	:	-3.5	-3.3	-2.8	-2.4	:	N.A.	N.A.	N.A.
Türkiye	1.4	-4.5	-0.9	-5.5	:	-2.9	-2.7	-5.7	-4.9	:	N.A.	N.A.	N.A.
Kosovo	-5.7	-7.0	-8.7	-10.3	:	:	:	-9.0	-7.7	:	N.A.	N.A.	N.A.
<b>Inflation</b> (Consumer price index, annual % change)													
Albania	1.4	1.6	2.0	6.7	:	3.5	2.9	4.6	4.1	:	3.8	3.9	:
Bosnia and Herzegovina	0.6	-1.1	2.0	14.0	:	3.5	3.0	6.4	4.3	:	2.1	1.7	:
Montenegro (HICP)	0.5	-0.8	2.5	11.9	:	5.7	3.8	8.4	8.4	:	6.6	5.5	:
North Macedonia	0.8	1.2	3.2	14.1	:	4.1	2.1	11.2	7.7	:	3.5	3.1	:
Serbia	1.8	1.6	4.1	12.0	:	5.5	3.6	14.5	11.4	:	8.5	8.0	:
Türkiye	15.2	12.3	19.6	72.3	53.9	53.6	22.9	40.4	56.2	62.7	61.4	62.0	64.8
Kosovo	2.7	0.2	3.3	11.6	4.9	:	:	4.9	3.3	2.8	3.3	2.9	2.3
<b>General government balance**</b> (% of GDP)													
Albania	-1.9	-6.7	-4.6	-3.7	:	-2.2	-2.3	2.0	2.2	:	2.0	1.6	N.A.
Bosnia and Herzegovina	1.9	-5.2	-0.3	-0.4	:	-1.5	-0.5	:	:	:	N.A.	N.A.	N.A.
Montenegro	-2.0	-11.1	-1.9	-5.2	:	-3.4	-3.5	2.4	2.6	:	2.7	2.3	:
North Macedonia	-2.0	-8.0	-5.3	-4.4	:	-3.8	-3.5	-2.5	-3.0	:	-2.7	-3.1	:
Serbia	-0.2	-8.0	-4.1	-3.1	:	-2.2	-1.5	0.5	0.2	:	0.1	:	:
Türkiye	-3.2	-2.9	-2.3	-1.1	:	-6.0	-3.5	-2.0	-1.7	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-7.6	-1.2	-0.5	:	:	:	1.8	2.0	:	2.3	2.6	:
<b>General government debt***</b> (% of GDP)													
Albania	65.8	74.3	74.5	64.5	:	61.2	60.9	60.1	59.4	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	32.3	36.1	33.9	35.4	:	27.0	26.5	32.5	30.7	:	N.A.	N.A.	N.A.
Montenegro	76.5	105.3	82.5	69.5	:	63.5	61.2	60.8	60.2	:	N.A.	N.A.	N.A.
North Macedonia	40.5	50.8	52.0	51.0	:	51.7	51.1	50.4	48.2	:	N.A.	N.A.	N.A.
Serbia	52.0	57.0	56.5	55.2	:	51.2	50.1	51.7	50.5	:	51.6	:	:
Türkiye	32.4	39.4	40.4	30.8	:	33.0	32.8	33.0	30.5	:	N.A.	N.A.	N.A.
Kosovo	17.6	22.4	21.5	20.0	:	:	:	17.3	16.8	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Autumn 2023 published November 2023.

\* Q figures refer to a 4 quarters moving average.

\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

\*\*\* Q figures in percent of estimated annual GDP.



## Key developments

On 8 November, the European Commission presented its annual enlargement package. It stated that as regards the two economic criteria for EU membership, Albania is between a moderate and a good level of preparation in developing a functioning market economy and has achieved some level of preparation to cope with competitive pressures and market forces within the Union.

Albania's sovereign debt credit rating was reaffirmed in October 2023 at B1 with stable outlook by Moody's. Concurrently, S&P has also reaffirmed the country credit rating at B+, and additionally it has upgraded its outlook from "stable" to "positive".

In December, Albania's parliament endorsed the 2024 budget bill, projecting the fiscal deficit at 2.5% of GDP and economic growth of 3.8%. Public debt is planned to decrease slightly below 60% of GDP.

## Real sector

Albania's economic growth was robust in Q3-2023, with real GDP expanding by 3.5% y-o-y, after increasing by 3.2% y-o-y in the second quarter. Consumption, investments and net exports had all positive contributions to growth. Public consumption registered a strong rise of 12.3% y-o-y, up from 9.3% in Q2. Private consumption as well as investments grew each by 2.1%. Total exports surged by almost 18% y-o-y, driven by exports of services whose growth accelerated to 29.8% in Q3 (from 9% in Q2), offsetting the decline in goods exports. Goods imports fell by about 14% y-o-y in Q3, while service imports grew significantly by 25.3%. Overall imports contracted by 2% y-o-y.

On the production side, the 'public administration, education and health' category was the largest contributor to GDP growth, by 1.2 pps, followed by real estate activities (0.68 pps) and construction (0.45 pps). Public administration, education and health together with real estate activities increased significantly, by 11.2% y-o-y and 12.2% y-o-y, respectively. Construction also grew, but at a lower pace of 4.7% y-o-y. Manufacturing contracted by 8.2% y-o-y, driving the 0.34 pps negative contribution of industry to GDP growth. Agriculture, forestry and fishing also contributed negatively to GDP growth (-0.17 pps).

In November 2022, the economic sentiment indicator dropped by 1.6 points to 109.3, remaining nevertheless above the historical average (of 100). The decline was mainly due to lower confidence in the services and trade sectors, coupled with decreased confidence in industry and consumer sectors, which also provided negative contributions. While the industry confidence indicator fell, the construction confidence indicator increased in November.

## Labour market

The labour market registered positive developments with increases in employment and wages. The employment rate for the population aged 15 to 64 stood at 67.7% in Q3-2023, reflecting an increase in the total number of employees by 1.6% compared to Q3-2022, and a rise by 0.5% compared to Q2-2023. The youth employment rate (for the age group 15-29) also increased (by 1.1 pps compared to Q3-2023 and by 0.7 pps compared to Q2-2023).

The unemployment rate (15-64 years) slightly fell by 0.1 pp q-o-q to 11% in Q3-2023. The youth unemployment rate decreased as well compared to Q2, standing at 22% in Q3-2023, but remained above the level of Q3-2022 (of 20.5%).

The labour force participation rate continued to increase, peaking at 76.1% in Q3-2023, which was 0.3 pps above the previous quarter and 2.7 pps higher than Q2-2022. The male participation rate (at 82.2%) remained higher than the female participation rate (70.2%). Nevertheless, in Q3-2023 the gender gap narrowed somewhat compared to a year before as the increase in the labour force participation rate for women (2.9 pps y-o-y) was higher than the increase in the male participation rate (2.5 pps y-o-y).

Employment in services grew by 6.1% compared to Q3-2022 and decreased by 1.3% q-o-q. Employment in agriculture decreased by 3% y-o-y, but increased 7.3% q-o-q. Industrial employment decreased by 2% y-o-y and by 2.5% q-o-q.

The average monthly nominal wage increased by 16% y-o-y in Q3 to ALL 71,486, reflecting the public sector wage reform and the increase in the minimum wage. The minimum wage reached 55.9% of the average gross monthly wage.

## External sector

The four-quarter moving current account deficit decreased to 2.4% of GDP in Q3, from 4.9% in the four quarters to June and from 6.6% in the same period one year earlier. The improvement came on the back of an increasing services trade surplus and a narrower deficit in goods trade. The goods deficit stood at 22.4% of GDP in Q3-2023, coming down from 23.5% of GDP in the previous quarter. The share of total exports in GDP increased from 37.5% in the year to Q2 to 39.2% in Q3-2023, driven by the increase in the exports of services (supported by tourism). The total imports-to-GDP ratio decreased in Q3 by 1 pp q-o-q to 45.8%.

In the year to Q3, the primary income deficit inched down by 0.1 pp q-o-q to 1.5% of GDP. Meanwhile, the secondary income surplus slightly decreased to 5.9% of GDP (-0.2 pps q-o-q; -0.5 pps y-o-y), on account of remittances falling to 4.5% of GDP (-0.1 pp q-o-q; -0.2 pps y-o-y).

In the four quarters to Q3-2023, net FDI inflows grew by 1.7% y-o-y and amounted to 6.1% of GDP (down from 6.6% of GDP one year earlier). Following an increase of 10.5% q-o-q in Q2, foreign reserves continued to increase over the third quarter, reaching EUR 5.7 billion. The reserves' coverage of imports increased slightly from 7.3 months in Q2 to 7.4 months in Q3.

## Monetary developments

Overall, inflation came down in 2023, with the average annual inflation rate reaching 4.8% (down from 6.7% in 2022).

The inflation rate in December stood at 4% - close to the 4.1% level registered in September. The inflation in December was driven by "Food and non-alcoholic beverage" prices (with 2.38 pps contribution to inflation rate), followed by energy prices (0.51 pps contribution).

In November 2023, the Bank of Albania increased the policy rate to 3.25% from 3%. At the same time, the interest rate for the overnight deposit was increased to 2.25% (from 2%), while the interest rate for the overnight lending rose to 4.25% (from 4%).

The lek appreciated against the euro throughout Q3 and Q4, supported by external inflows from tourism, FDI, and the increase in the key reference interest rate. At the end of December, the exchange rate was 102.76 ALL per 1 EUR.

The monetary aggregate M3 grew at a decelerated pace of 1.2% in November, down from 2.2% in Q3-2023.

## Financial sector

The banking sector's capital adequacy ratio increased further in Q3 to 18.2%, from 17.7% in Q2, while the broad liquidity ratio increased slightly by 0.4 pps to 29.8%.

Bank profitability continued to improve over Q3, with the return on assets (RoA) inching up from 1.8% in June to 1.9% in September, while the return to equity (RoE) increased from 15.9% to 16.2%. The ratio of non-performing loans to total loans was stable, standing at 5.2% at the end of Q3 (with virtually no change compared to end of Q2).

Credit growth to the private sector slowed down by 1.3 pps q-o-q to 6.8%. This performance has reflected the slowdown of lending in foreign currency, particularly to enterprises, due to the strengthening of the exchange rate, the narrowing of the spread between lek and foreign currency interest rates, and the improvement in the liquidity situation of businesses.

Average interest rates on loans in euro increased in Q3, for both households and enterprises. For non-financial corporations rates increased to 6.4% from 6.1% in Q2; while for households the interest rates on mortgage loans in euro increased more significantly reaching 5.3% in Q3, compared to 4.3% in the first half of the year. The average interest rate on new loans in lek to enterprises was 6.4% in Q3, close to the value recorded in Q2 at 6.5%. The interest rate on mortgage loans to households decreased to 4% in Q3, compared to 4.3% in the previous quarter.

During Q3, deposits in the banking sector grew by 9.3% y-o-y, continuing the positive trend of the previous periods. This robust increase was mainly due to the increase of deposits in foreign currency, which recorded a 15.5% annual growth reflecting the high foreign currency inflows during the period. Meanwhile, deposits in lek grew at a slower pace of 2.5%.

## Fiscal developments

The government budget balance remained in surplus over January–November 2023 at 1.6% of GDP, reflecting better-than-expected tax revenues growth together with underspending (with the government cumulating a stock of arrears). Nevertheless, spending traditionally picks up at the end of the year and the deficit target is at 2.4% of GDP for the whole year.

Budgetary revenues increased by 12.1% y-o-y in January–November driven by tax revenue growth (10.2% y-o-y). Total expenditures increased by less in the same period (6.8%). The execution rate of total spending stood at 78% of the annual plan, reflecting under execution in current as well as capital expenditures. Public debt slightly decreased to 59.4% of GDP in Q3-2023.

# TABLE



European Commission, ECFIN-D-1

## ALBANIA

							ECFIN 2023 Autumn forecast							
		2019	2020	2021	2022	2023	2024	2025	Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	6.1	-0.8	6.4	7.2	:	:	:	10.3	6.3	8.7	7.7	8.3	10.0
Industrial production <sup>1.2</sup>	Ann. % ch	5.6	-10.1	23.6	8.0	:	:	:	-13.5	-14.4	:	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.1	-3.3	8.9	4.8	:	3.1	3.7	3.4	3.5	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.3	-3.3	4.7	7.4	:	2.9	3.3	4.2	2.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-3.6	-1.4	19.2	6.5	:	3.3	4.4	11.2	2.1	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-2.5	9.5	18.0	12.5	:	:	:	-12.7	2.6	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	4.2	1.0	5.3	5.1	:	:	:	5.7	4.5	:	:	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	12.0	12.2	12.1	11.3	:	10.2	9.9	11.1	11.0	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.4	-1.9	-0.4	4.8	:	1.8	2.0	2.7	1.6	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	3.8	2.7	6.3	8.2	:	:	:	16.9	16.0	:	N.A.	N.A.	N.A.
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-3.8	-9.0	35.6	32.0	:	:	:	-16.0	-12.6	:	-4.3	-21.8	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.2	-6.8	32.3	18.7	:	:	:	-3.4	-15.1	:	-6.3	-7.4	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-22.9	-22.4	-25.3	-23.8	:	-22.2	-22.2	-23.5	-22.4	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	31.3	22.7	31.3	37.5	:	:	:	37.5	39.2	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	45.0	37.2	44.8	47.9	:	:	:	46.8	45.8	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-7.9	-8.7	-7.7	-5.9	:	-5.1	-4.9	-4.9	-2.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	7.5	6.7	6.5	6.6	:	:	:	6.2	6.1	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	3,360	3,942	4,972	4,952	:	:	:	5,548	5,731	:	5,658	5,539	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	6.5	9.6	8.8	6.9	:	:	:	7.3	7.4	:	N.A.	N.A.	N.A.
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	1.4	1.6	2.0	6.7	:	3.5	2.9	4.6	4.1	:	3.8	3.9	:
Producer prices <sup>4.2</sup>	Ann. % ch	-0.8	-3.4	2.7	19.9	:	:	:	6.9	5.2	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	2.9	3.6	3.9	11.8	:	:	:	10.0	8.2	:	7.4	7.0	:
M3 <sup>4.4</sup>	Ann. % ch	4.3	10.5	8.6	4.9	:	:	:	1.4	2.2	:	1.0	1.2	:
Exchange rate ALL/EUR <sup>4.5</sup>	Value	123.00	123.74	122.45	118.98	108.77	:	:	110.25	105.27	104.13	105.77	103.86	102.76
Real effective exchange rate <sup>4.6</sup>	Index	107.9	109.9	111.9	112.4	:	:	:	121.9	128.3	:	127.7	129.9	:
<b>5 Financial indicators</b>														
Interest rate (3 months-TRIBOR) <sup>5.1</sup>	% p.a.	1.45	1.46	1.39	2.21	3.68	:	:	3.68	3.62	3.72	3.64	3.73	3.80
Bond yield <sup>5.2</sup>	% p.a.	1.76	1.63	1.63	1.93	:	:	:	:	:	:	:	:	:
Stock markets <sup>5.3</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth <sup>5.4</sup>	Ann. % ch	3.0	6.1	6.9	11.2	:	:	:	2.3	1.0	:	1.1	0.3	:
Deposit growth <sup>5.5</sup>	Ann. % ch	2.5	5.8	8.5	8.0	:	:	:	1.5	0.8	:	0.1	0.4	:
Non performing loans <sup>5.6</sup>	% total	8.4	8.1	5.7	5.0	:	:	:	5.2	5.2	:	5.1	:	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	27.2	25.9	27.5	26.8	:	:	:	13.6	20.4	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	29.1	32.6	32.1	30.4	:	:	:	11.7	18.2	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-1.9	-6.7	-4.6	-3.7	:	-2.2	-2.3	2.0	2.2	:	2.0	1.6	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	65.8	74.3	74.5	64.5	:	61.2	60.9	60.1	59.4	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2023 published November 2023

\* Q figures refer to a 4 quarters moving average.

\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

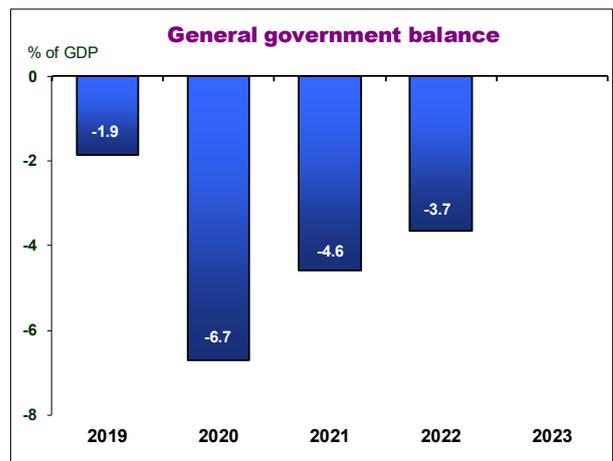
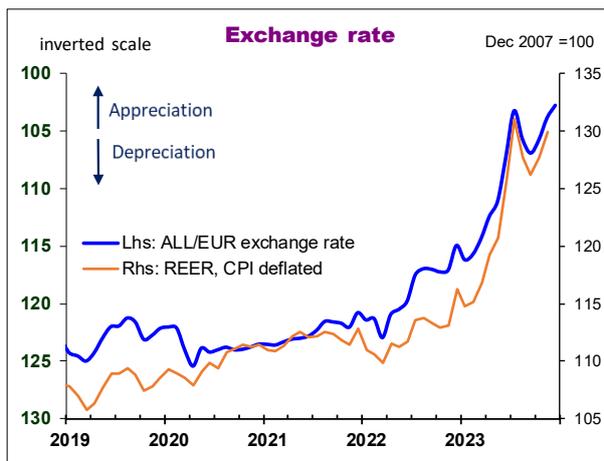
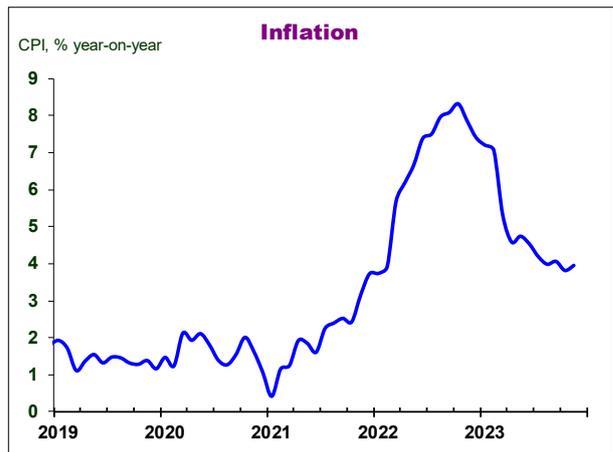
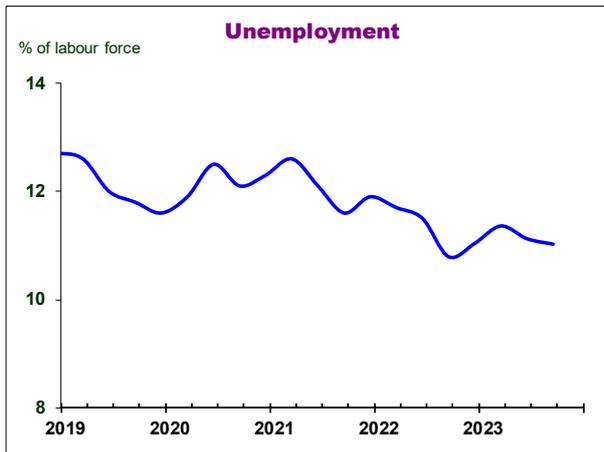
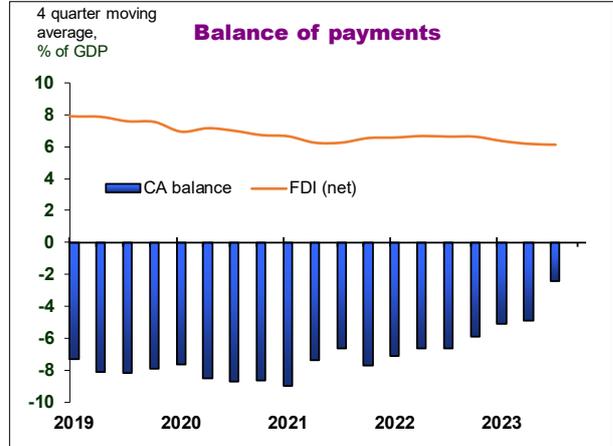
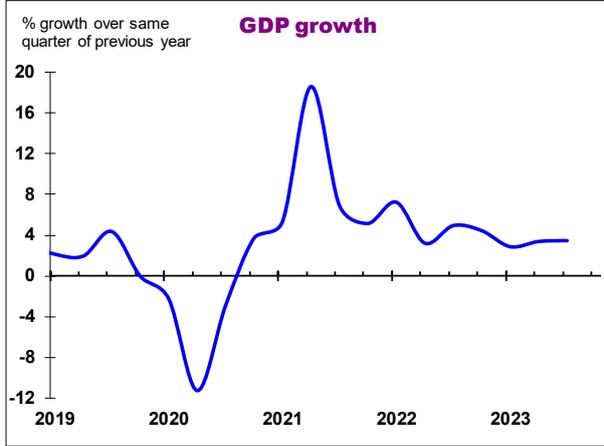
\*\*\* Q figures in percent of estimated annual GDP.

# CHARTS

European Commission, ECFIN-D-1



## ALBANIA



# BOSNIA AND HERZEGOVINA



## Key developments

On 8 November, the European Commission presented its annual enlargement package. It stated that as regards the economic criteria for EU membership, Bosnia and Herzegovina is at an early stage of establishing a functioning market economy and there was no progress in this area. Concerning its capacity to cope with competitive pressure and market forces in the EU, Bosnia and Herzegovina has made limited progress, and is between an early stage and some level of preparation.

On 15 December, the European Council decided to open accession negotiations with Bosnia and Herzegovina, once the necessary degree of compliance with the membership criteria is achieved.

On 3 January, the newly appointed Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) elected Jasmina Selimović as the Governor of the CBBH for a six-year term. This ends a period of more than 2 years during which due to political disputes the previous governor had to operate on a technical mandate only. Mrs. Selimović has a doctorate in economics. Before her appointment as the Central Bank governor, she worked as dean of the Faculty of Economics of the University of Sarajevo.

## Real sector

Economic growth accelerated marginally on a seasonally-adjusted q-o-q basis, to 0.8% in Q3-2023, compared to 0.6% in Q2. Compared to a year before, real GDP growth in Q3-2023 accelerated to 1.9% from 1.2% in Q2-2023. The main driver of growth was private consumption, increasing by 2.7% y-o-y (1.8% in Q2) and contributing 1.7 pps. to overall output growth. Government consumption increased by 1.9% y-o-y, compared to 1.3% in Q2. Gross capital formation rose by only 1.0% y-o-y, compared to 1.6% in Q2. Real exports of goods and services were 13.3% lower than a year before, which deepened the 6.1% contraction recorded in Q2. Also imports were 9.5% lower y-o-y, partly reflecting the high import content of certain exports. On the production side, growth continued to be mainly driven by trade, transport, accommodation and food services, increasing by 7.8% y-o-y, while the value-added in manufacturing declined by 4% y-o-y. During the

first 3 quarters of 2023, average GDP growth was 1.6%, compared to 4.4% a year before.

High-frequency indicators point to somewhat weaker economic output growth in recent months. In October and November, industrial production was 1.8% and 7.3% lower than a year before, after a drop by 0.4% in Q3. However, in line with strengthening private consumption, retail sales turnover increased by 14.2% and 16.4% in October and November respectively, after an acceleration to 16.5% in Q3.

Tourism continued to perform strongly. In the first 11 months of 2023, the number of arrivals and overnight stays increased by 19.1% and 14.7% y-o-y, respectively. Compared to 2019, the last pre-COVID year, arrivals in the first 11 months of 2023 were some 5% higher, while the number of overnight stays increased by some 8%. After a sharp drop in the number of foreign tourists during the pandemic, their share in total arrivals and overnight stays is now largely back to pre-COVID levels. In the first 11 months of 2023, the largest group of foreign tourists was from Croatia, followed by Serbia and Turkey.

## Labour market

Annual growth of registered employment continued to decelerate slightly, from 1.1% in Q2-2023, to 1.0% in Q3, and 0.8% in October. . During the first 10 months of 2023, average employment growth was 1.1%, mainly as a result of job growth in the accommodation and food sector, as well as in information and communication and education. During the same period, employment in the mining sector fell by 1.2% compared to the previous year.

In October, the number of registered unemployed was 3.2% lower than a year before. This brought the administrative unemployment rate slightly down to 28.9%, compared to 29.7% a year before. The Labour Force Survey (LFS) also registered a decrease in the unemployment rate, to 13.6% in Q3 compared to 14.9% a year before. The LFS youth unemployment rate (age group 15-24) stood at 32% in Q3, compared to 36.2% a year before. The current level is comparable to youth-unemployment rates before the pandemic.

The annual growth in average nominal gross wages continued to decelerate, to 11.4% in Q3-2023 from 14.8% in Q2-2023. During the first 10

months of 2023, real wages were 6.7% higher than a year before when using headline inflation as deflator. Official wage statistics do not include micro enterprises, which represent a large share of employment.

### External sector

In the four quarters to Q3-2023, the current account deficit remained largely unchanged at 3.8% of GDP, compared to 3.9% in Q2 and 3.6% in the same period one year earlier. Data covering the first 3 quarters of 2023 point to slight reduction in the current account deficit compared to the same period in 2022, as lower export revenues were more than compensated by higher income from service exports (tourism) as well as higher remittances, while the level of import values remained largely unchanged.

The value of external trade continued to decline in Q3: nominal exports declined y-o-y by 8.1% in Q3, while the value of imports was 3.1% lower. Monthly data for October and November indicate a continued decline in trade values, with exports dropping by 7.4% and 6.9% respectively, while imports declined by 5.0% and 6.3%, respectively. The main factors were lower exports of base metals and mineral products amid lower foreign demand from Germany, Italy and Croatia, which together account for about 40% of total exports.

The 4-quarter moving average of net FDI inflows remained largely unchanged at 3.4% of GDP in Q3-2023, compared to 3.2% GDP in Q2. About 40% of those inflows were reinvested earnings. The main inflows were in the electricity, the financial and the petroleum and coal sector (about 10% of total inflows each). The main sources of FDI were the UK (16%), the Netherlands (13%) and Russia (10%). Official foreign exchange reserves recovered slightly to 6.7 months of imports of goods and services.

### Monetary developments

Annual headline inflation continued to decelerate, from 6.4% in Q2-2023 to 4.3% in Q3. In October and November, annual inflation slowed further to 2.1% and 1.7%, respectively. This brought average inflation during the first 11 months of the year to 6.5%, compared to 13.9% in the same period a year earlier. The main drivers were still rising prices for food and non-alcoholic beverages, increasing by 11.2% on average during the first 11 months of 2023. Prices for housing, electricity and household equipment were further important drivers of headline inflation. On the other hand, transport prices, which had been a key inflation

driver during 2022, started to decline in mid-2023.

In line with lower inflation, growth of the monetary aggregate M2 decelerated slightly during recent months, from 8.1% y-o-y in Q2 to 7.4% in Q3 and 7.0% and 7.7% in October and November, respectively.

### Financial sector

The financial sector remained stable. Annual credit growth accelerated slightly from 4.4% in Q2-2023 to 5.0% in Q3. In October and November this acceleration continued, with the loan stock being 5.7% and 6.1% higher than a year before. The main factors were solid growth of bank loans to households, which account for about 50% of total loans and increased by 6% on average during the first 11 months of 2023. Credits to private companies, which account for about 40% of total loans, rose by about 4% in this period.

Bank deposit growth decelerated from 8.4% in Q2-2023 to 7.0% in Q3, but recovered again in November to 7.7%. This recovery is to a large extent due to stronger deposit growth of non-financial private corporations, while the slowdown of deposit growth by entity governments has moderated. The loan-to-deposit ratio dropped slightly in the third quarter, to 75.2% compared to 75.9% in Q2.

### Fiscal developments

The country does not publish high-frequency country-wide fiscal data. During the first 9 months of 2023, revenue from centrally collected indirect taxes registered a nominal growth of 7%, which is slightly below nominal GDP growth of 8.5% during that period. The RS entity adopted its 2024 budget, expecting higher revenue due to strong nominal GDP growth and lower growth of overall expenditure (in particular due to reduced public investment). This is expected to bring down the RS entity deficit from around 1.6% of the entity's GDP in 2023 to about 1.2% in 2024. The general government debt ratio dropped slightly from 32.5% of GDP in Q2-2023 to 30.7% in Q3. However, this decline as a percentage of GDP is primarily due to nominal GDP growth, as the nominal level of general government debt actually increased when compared to Q2, mainly as a result of an increase in domestic debt securities.

# TABLE



European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA

							ECFIN 2023 Autumn forecast							
		2019	2020	2021	2022	2023	2024	2025	Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	-5.3	-6.3	9.7	1.0	:	:	:	-6.5	-0.4	:	-1.8	-7.3	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.3	-2.9	7.3	3.8	:	2.0	2.3	1.2	1.9	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.8	-2.0	4.2	4.3	:	2.0	2.3	1.8	2.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	5.8	-4.1	5.1	0.3	:	4.0	4.3	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	15.4	-18.6	12.0	8.1	:	:	:	-2.8	-10.9	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.2	-6.8	18.5	13.9	:	:	:	13.1	16.5	:	14.2	16.4	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	15.7	15.9	17.4	15.4	:	:	:	13.1	13.6	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.5	-1.2	0.9	2.3	:	1.4	1.0	1.1	1.0	:	0.8	:	:
Wages <sup>2.3</sup>	Ann. % ch	4.3	4.0	4.4	11.7	:	:	:	14.8	11.4	:	11.4	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-2.3	-7.4	34.9	28.8	:	:	:	-9.9	-8.1	:	-7.4	-6.9	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.1	-13.5	26.7	33.6	:	:	:	-3.0	-3.1	:	-5.0	-6.3	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-22.3	-18.0	-18.3	-22.3	:	:	:	-21.7	-21.2	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	40.0	34.6	42.6	48.1	:	:	:	44.9	42.8	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	54.5	47.9	53.9	61.9	:	:	:	58.4	56.2	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-2.6	-2.8	-1.8	-4.3	:	-4.0	-3.8	-3.9	-3.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	2.1	2.0	2.7	3.0	:	:	:	3.4	3.2	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	m n EUR	6,441	7,091	8,359	8,214	:	:	:	7,832	8,138	:	8,062	8,019	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	7.8	10.0	9.3	6.8	:	:	:	6.5	6.7	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	0.6	-1.1	2.0	14.0	:	3.5	3.0	6.4	4.3	:	2.1	1.7	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.4	-0.4	4.5	19.1	:	:	:	2.9	-0.2	:	0.4	0.6	:
Food prices <sup>4.3</sup>	Ann. % ch	1.1	1.0	3.5	21.5	:	:	:	11.3	7.6	:	4.8	4.1	:
M2 <sup>4.4</sup>	Ann. % ch	8.9	7.3	11.6	5.5	:	:	:	8.1	7.4	:	7.2	7.3	:
Exchange rate BAM/EUR <sup>4.5</sup>	Value	1.96	1.96	1.96	1.96	:	:	:	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate <sup>4.6</sup>	Index	95.9	95.2	94.9	98.6	:	:	:	98.1	98.3	:	98.3	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield <sup>5.2</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets <sup>5.3</sup>	Index	772	769	870	1009	1032	:	:	1,042	1,002	1,034	1,026	1,040	1,035
Credit growth <sup>5.4</sup>	Ann. % ch	5.7	1.1	1.7	4.2	:	:	:	4.4	5.0	:	5.7	6.1	:
Deposit growth <sup>5.5</sup>	Ann. % ch	9.3	5.6	10.1	5.9	:	:	:	8.4	7.0	:	7.0	7.7	:
Non performing loans <sup>5.6</sup>	% total	7.4	6.1	5.8	4.5	:	:	:	4.1	:	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	42.0	41.6	41.0	39.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.2</sup>	% of GDP	40.1	46.8	41.3	40.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	1.9	-5.2	-0.3	-0.4	:	-1.5	-0.5	:	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	32.3	36.1	33.9	35.4	:	27.0	26.5	32.5	30.7	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2023 published November 2023

\* Q figures refer to a 4 quarters moving average.

\*\* Q figures refer to the cumulative balance divided by the estimated annual GDP.

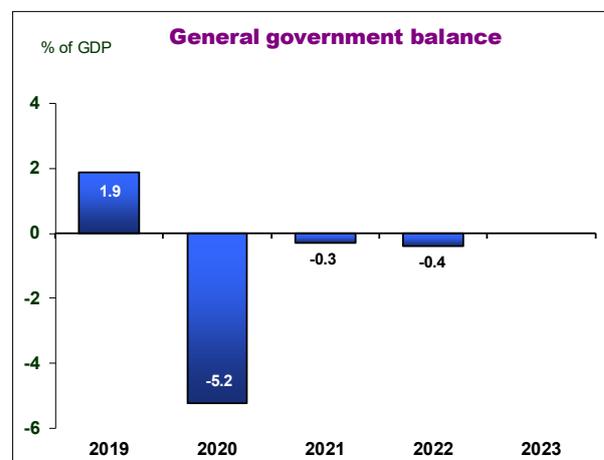
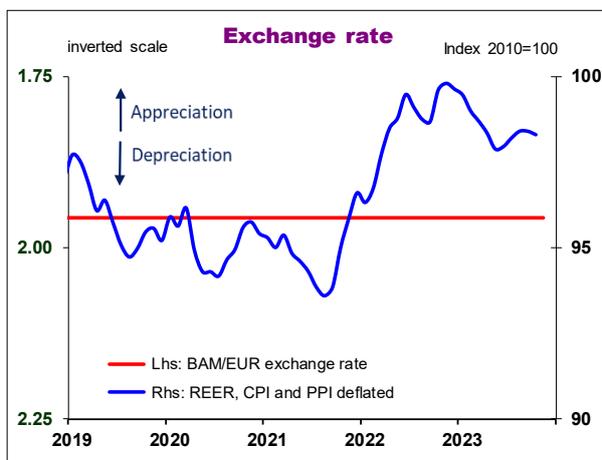
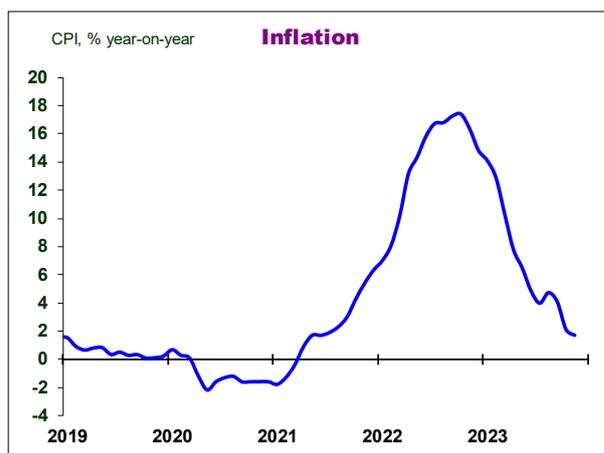
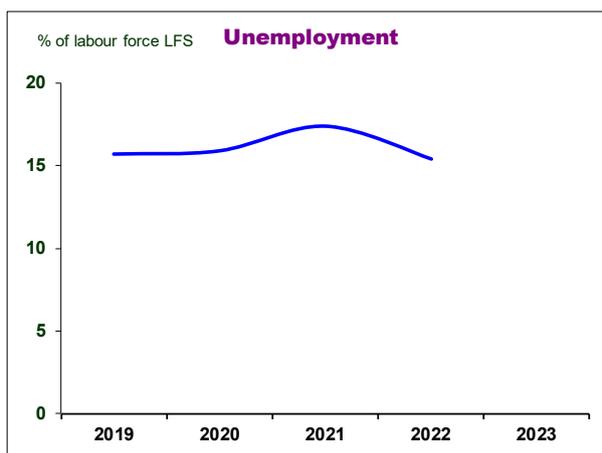
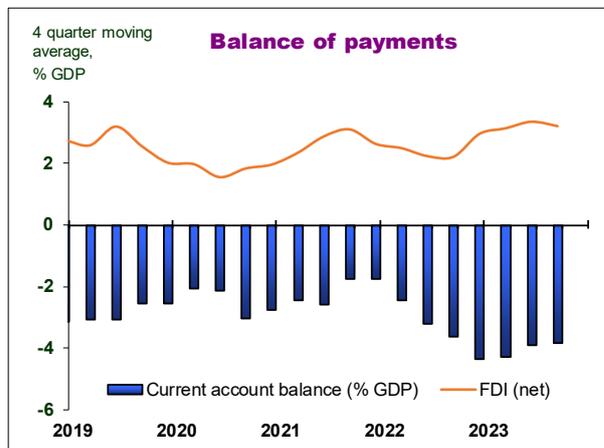
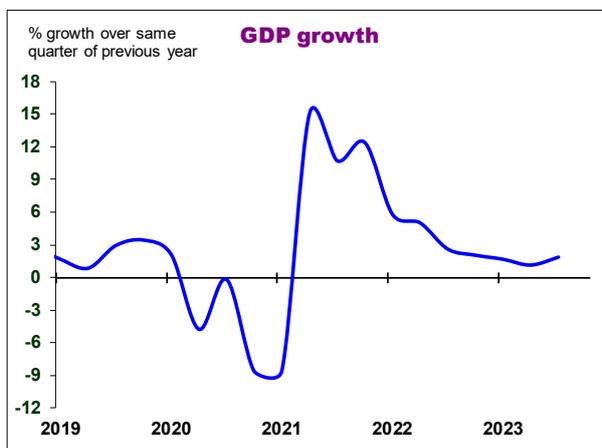
\*\*\* Q figures in percent of estimated annual GDP.

# CHARTS



European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA





## Key developments

In early November, the prime minister and the leader of the pro-European Europe Now Movement, M. Spajic presented the new government of Montenegro which constitutes a broad-based coalition, including pro-Serbian and Albanian minority parties.

On 8 November, the European Commission presented its annual enlargement package. It stated that as regards the economic criteria for EU membership, Montenegro's economy made limited progress over the reporting period and is moderately prepared in developing a functioning market economy and regarding its capacity to cope with competitive pressures and market forces within the EU.

By end-November the Parliament approved technical amendments to the 2023 Budget Law and the decision on a new borrowing ceiling, up to EUR 200 million.

In mid-December, the Parliament appointed a former director of the Investment and Development Fund, Ms Irena Radovic, as the new Central Bank governor.

At end-December, the Parliament of Montenegro adopted the 2024 budget, which foresees a deficit of 3.35% of projected GDP. Public revenue growth is set at 12.2%, supported by economic growth and better tax compliance. Public spending is projected to increase by 11.9% due to higher spending on social welfare and interest costs.

The Parliament also adopted the borrowing ceiling of EUR 1.150 billion for 2024. From this amount, EUR 650 million are set for covering the budget deficit, and EUR 500 million for debt refinancing and creating fiscal reserves for 2025.

In January the Parliament increased the minimum pension by 52% to EUR 450. The government announced that there will be no regular adjustments of the minimum pension for the next two years, while the average pension would follow regular adjustments and increase by 39% to EUR 550 by end-2024.

## Real sector

In Q3-2023, real GDP expanded by 6.6% y-o-y, slightly down from 6.9% y-o-y in Q2. The main driver of growth were exports of goods and

services, which expanded by 10% y-o-y, less strongly compared to Q1 and Q2 (29% and 16.4% y-o-y, respectively). Investment activity recovered, with capital investment increasing by 5.5% y-o-y in Q3, after contracting by 2.7% y-o-y in Q2. Private consumption practically stagnated (+0.2% y-o-y) due to an extended period of high inflation. Imports of goods and services increased by only 2.2% y-o-y, resulting in the contribution of net exports of 4.8pp. Government consumption grew at stable 3.2% y-o-y, following an expansion of 3% y-o-y in Q2 and Q1 each. Stocks increased by 2.8% y-o-y after contracting by 35% in Q2.

In Q3, industrial production increased by 9.1% y-o-y, due to a robust growth in mining (17.5% y-o-y) and energy (21.8% y-o-y). Manufacturing increased only slightly at 0.7% y-o-y. The strong growth of industrial production continued in October-November, expanding by 18.8% and 21% y-o-y, respectively.

In Q3, tourist arrivals increased by 12.6% y-o-y, which is below the record increase of 25% in Q3-2022. The growth in tourist arrivals continued at 32% and 15% y-o-y in October and November, respectively. Retail sales grew by 7.7% y-o-y in Q3 but decelerated to 2.1% y-o-y in October and contracted by 0.6% y-o-y in November.

## Labour market

A strong performance of the tourism sector and a large inflow of foreign nationals continued to support the labour market performance. According to Labour Force Statistics, the labour force (aged 15-64) totalled 327 600 in Q3 (compared to 292 100 in the same quarter of 2022), of which 288 400 were employed. The participation rate improved substantially to 72.5% in Q3, compared to 68.8% a year before. Also, the employment rate increased, to 63.8% in Q3 from 59.6% a year earlier. The unemployment rate declined to 12%, down from 13.5% in the previous quarter and 13.4% a year earlier.

The average net wage increased by 11.9% y-o-y and amounted to EUR 807 in November, while the gross average wage grew by 12.8% y-o-y, to EUR 1 007.

## External sector

Montenegro's current account deficit narrowed to 9.4% of GDP in the four quarters to September 2023, compared to a 12.1% deficit a year before. This was driven by a combination of strong growth of service exports and decelerating growth of imports. At the same time, the share of exports of goods declined from 12.7% to 10.9% of GDP. The surplus of services trade increased to nearly 26% of GDP in the four quarters to September (from 21.5% of GDP in Q3 2022) while the merchandise trade deficit narrowed marginally to 43.5% of GDP. The surpluses of the primary and secondary accounts moderated somewhat, partly due to slower growth in the EU affecting remittances inflows. In the four quarters to September, net FDI inflows declined by 7.3 pps y-o-y to 7.4% of GDP, still covering a large share of the current account deficit.

## Monetary developments

Inflation continued to decline from 8.4% y-o-y in Q3 to 6.6% y-o-y in October and 5.5% in November, marking the lowest monthly reading since January 2022. Softer increases in prices for food and non-alcoholic beverages, housing and utilities, and furniture and household equipment drove the result.

## Financial sector

Credit growth remained strong at 10% in Q3 and accelerated further in October and November to 12% and 10.8% y-o-y, respectively. The increase was mainly driven by very strong growth of lending to financial institutions, which grew at 38% y-o-y in September and accelerated to 75% y-o-y in November. Lending to households recorded a monthly growth of some 8% y-o-y in September to November while lending to corporates accelerated from 1.3% to 4.8% y-o-y over the same period. The increase in credit to central government moderated from 15.6% y-o-y in September to 2.1% in November. Lending to non-residents accelerated from 24.5% y-o-y in September to 34% in November and accounted for 21% of all loans. Due to rapid credit growth, the level of non-performing loans declined to 5% of total loans in Q3 as compared to 5.2% in the previous quarter.

The growth in commercial bank deposits

decelerated to 7.4% y-o-y in November from 13.9% y-o-y in Q3. While corporate deposits contracted by 1.8% y-o-y in November (following a 7.7% growth in September), the deposits of households were recording strong increases of 12.9% and 11.9% y-o-y during the same months. Deposits of financial institutions were on a declining trend since March, with a contraction of 23% y-o-y in November. Non-resident deposits accounted for 23.6% of the total in November.

## Fiscal developments

In January-November the central government budget performed way above the 2023 budget plan and the outcomes of the same period in 2022. Budget revenue surged by 30.1% y-o-y, compared to an 8% budgeted revenue growth. Revenues from VAT and excise duties were up by 17.2% and 31.7% y-o-y respectively. An additional boost (estimated at 2.7% of GDP for the whole year of 2023) came from one-off revenue, including the economic citizenship programme and the EU energy support grant. Improved tax discipline and the implementation of progressive profit taxation boosted corporate income tax revenue, which surged by nearly 72% y-o-y, while income from personal income tax declined by 25.6% y-o-y, due to a higher non-taxable share of wages. There was also an increase in the category of social contributions (25.8% y-o-y), following higher coefficients for public sector wages.

Budget expenditure increased by 14.8% y-o-y in January – November. The main drivers of current expenditure growth were higher spending on wages and interest payments. Social security transfers rose by 25.1% y-o-y, with the largest item being pension and disability transfers. Capital spending declined by 13.9% over the same period, reflecting chronic problems of public investment management. As a result, the budget showed a surplus of 2.6% of estimated GDP in January-November compared to a deficit of 1.7% of GDP in the same period in 2022 and a full-year deficit target of 3.4%.

Supported by strong growth of nominal GDP, the stock of gross general government debt decreased to 60.2% of GDP in Q3 compared to 61.6% in Q1 and 69.5% of GDP at end-2022. Government deposits as a share of GDP declined to 3.6% from 4.2% in Q1.

## TABLE



European Commission, ECFIN-D-1

### MONTENEGRO

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	3.6	-18.4	-4.0	6.6	:	:	:	5.1	8.3	:	0.8	7.0	:
Industrial production <sup>1.2</sup>	Ann. % ch	-6.1	-0.9	5.7	-1.7	:	:	:	-1.0	9.1	:	18.8	21.0	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.1	-15.3	13.0	6.4	:	2.7	2.3	6.9	6.6	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.1	-4.6	4.0	9.7	:	2.7	2.2	6.4	0.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-1.7	-12.0	-12.3	0.1	:	3.2	3.1	-2.7	5.5	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	10.7	-5.6	-4.8	-4.4	:	:	:	-11.8	-9.7	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.2	-12.0	16.6	14.2	:	:	:	10.1	8.0	:	2.1	-0.6	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	15.4	18.4	16.9	15.1	:	13.2	13.0	13.5	12.0	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.6	-10.1	-2.4	17.2	:	2.2	0.8	8.4	14.0	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	0.8	1.3	1.4	11.2	:	:	:	12.8	12.5	:	12.5	12.9	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	6.8	-12.2	28.6	45.2	:	:	:	-13.4	-12.6	:	-20.2	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.8	-19.0	19.0	40.7	:	:	:	3.0	0.6	:	7.5	:	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-41.7	-39.2	-38.7	-46.1	:	-47.1	-46.9	-45.1	-43.5	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	43.9	26.0	42.8	52.7	:	:	:	52.7	53.4	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	65.0	61.0	62.2	76.0	:	:	:	73.8	71.0	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-14.3	-26.1	-9.2	-13.2	:	-12.3	-12.1	-11.8	-9.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	6.2	11.2	11.7	13.5	:	:	:	10.8	7.4	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	1,367	1,739	1,749	1,915	:	:	:	1,616	1,624	:	1,544	1,461	N.A.
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.1	8.2	6.8	5.2	:	:	:	4.1	4.1	:	3.9	3.7	:
<b>4 Monetary developments</b>														
HICP <sup>4.1</sup>	Ann. % ch	0.5	-0.8	2.5	11.9	:	5.7	3.8	8.4	8.4	:	6.6	5.5	:
Producer prices <sup>4.2</sup>	Ann. % ch	2.4	0.0	1.3	11.2	:	:	:	4.9	4.4	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	3.4	1.3	3.4	22.0	:	:	:	11.6	10.5	:	4.6	3.5	:
M2 <sup>4.4</sup>	Ann. % ch	-3.8	-3.5	16.5	30.7	:	:	:	19.3	14.4	:	13.6	:	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate <sup>4.6</sup>	Ann. % ch	-1.5	-0.6	N.A.	:	:	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>5 Financial indicators</b>														
Interest rate (6 months) <sup>5.1</sup>	% p.a.	0.52	0.87	:	3.70	:	:	:	:	:	:	:	:	:
Bond yield (10 yrs) <sup>5.2</sup>	% p.a.	2.61	3.53	3.85	7.25	7.31	:	:	7.64	6.99	6.76	7.06	6.81	6.40
Stock markets <sup>5.3</sup>	Index	10,980	10,225	10,910	11,077	14,946	:	:	14,790	14,919	15,498	15,394	15,556	15,543
Credit growth <sup>5.4</sup>	Ann. % ch	4.0	5.0	6.6	6.1	:	:	:	10.4	10.0	:	12.0	10.8	:
Deposit growth <sup>5.5</sup>	Ann. % ch	1.8	-2.6	12.8	23.2	:	:	:	18.5	13.9	:	10.7	7.4	:
Non-performing loans <sup>5.6</sup>	% of total	4.7	5.5	6.2	5.7	:	:	:	5.2	5.0	:	4.8	:	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	43.4	44.6	44.3	39.7	:	:	:	18.1	27.8	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	45.4	55.7	46.2	44.8	:	:	:	15.7	25.2	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-2.0	-11.1	-1.9	-5.2	:	-3.4	-3.5	2.4	2.6	:	2.7	2.3	:
General government debt*** <sup>6.4</sup>	% of GDP	76.5	105.3	82.5	69.5	:	63.5	61.2	60.8	60.2	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2023 published November 2023

\* Q figures refer to a 4 quarters moving average.

\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

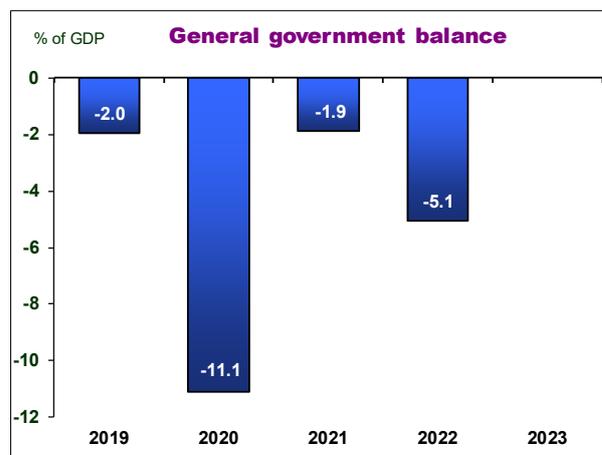
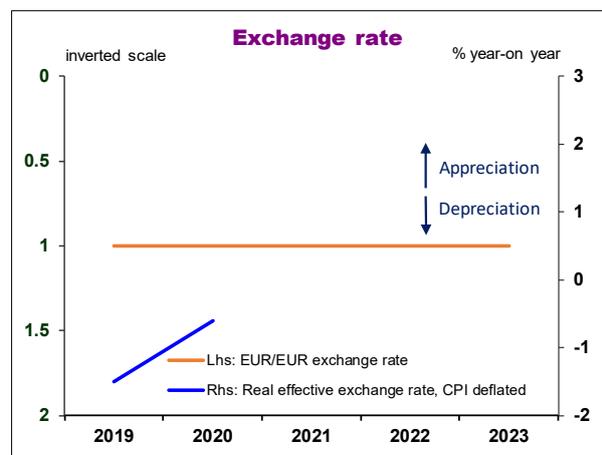
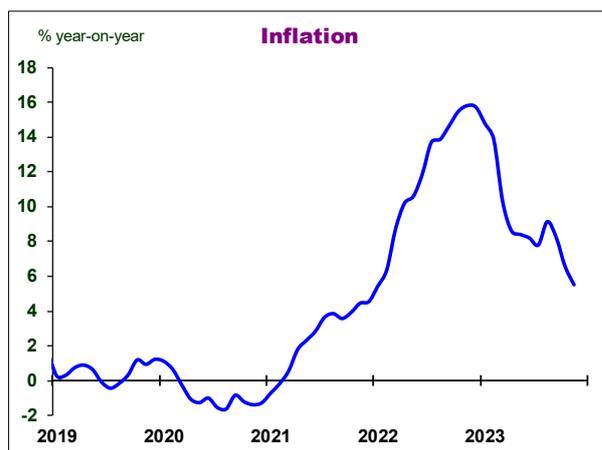
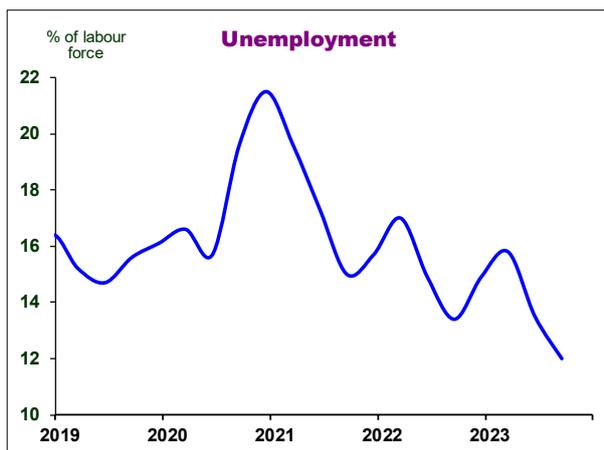
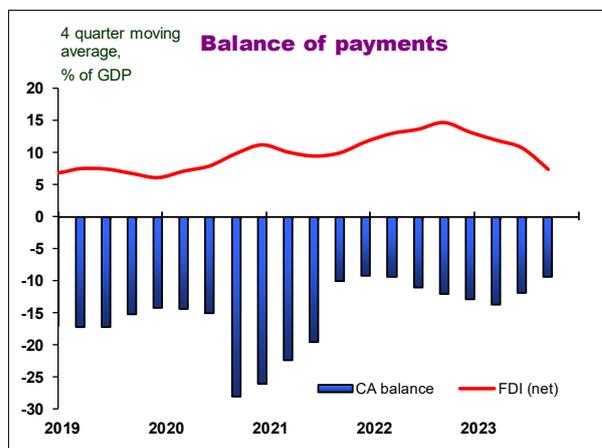
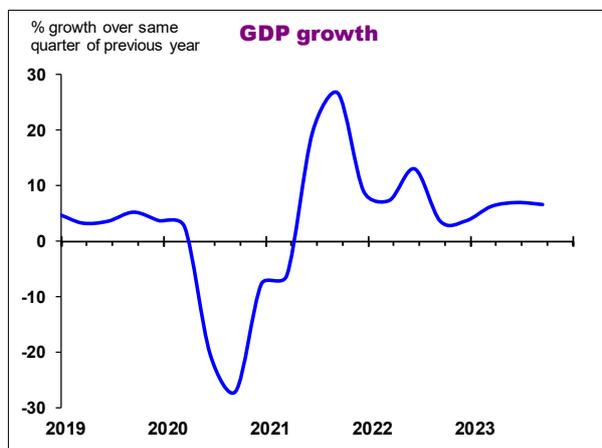
\*\*\* Q figures refer to central government debt only, in percent of estimated annual GDP.

# CHARTS

European Commission, ECFIN-D-1



## MONTENEGRO



## NORTH MACEDONIA



### Key developments

On 15 December, the World Bank approved a EUR 93.8 million loan to North Macedonia, to support the sustainability of public finances, reforms in the financial sector, and the green transition. On 14 December, the government signed a loan agreement with German government-owned KfW Development Bank for EUR 90 million, to contribute to the financing of reforms in green energy generation and energy efficiency.

On 27 December, the parliament adopted the 2024 budget which projects a fiscal deficit of 3.4% of GDP, based on 3.4% annual real GDP growth. Revenue is expected to increase by 10% compared to the 2023 budget, and total expenditure by 5%. Capital expenditure is projected to remain at an elevated level.

On 8 November, the European Commission presented its annual enlargement package. As regards the economic criteria for EU membership, North Macedonia has made some progress and is at a good level of preparation in developing a functioning market economy. It has made some progress and is moderately prepared to cope with competitive pressure and market forces within the EU.

In mid-October, IMF staff and the authorities reached agreement on the First Review under the Fund's Precautionary and Liquidity Line. Upon approval by the IMF Executive Board, scheduled for 19 January, North Macedonia will have access to around EUR 200 million in funds.

### Real sector

The economy expanded at about the same, modest pace in Q3 as in the preceding three months, with real GDP growth of 1.2% y-o-y (Q2: 1.1%). Growth in household consumption remained at the same level as in Q2 (2.8%). Government consumption was lower by 3.1% y-o-y. Gross capital formation continued to decline (-18.2% y-o-y), for the third quarter in a row, partly reflecting base effects resulting from a large built-up of inventories in 2022. The drop in exports deepened (-5% y-o-y, compared to -1.4% in Q2). However, this was more than offset by imports dropping by 9.8% y-o-y. On the production side, the decline in manufacturing output (-1.3% y-o-y) was less pronounced in Q3 than in the first half of the year (-2.5%), while

the performance of the construction sector did not improve by much (-13% y-o-y compared to -14.8% in Q2). In the first three quarters of 2023, output rose by 1.3% y-o-y on average.

High frequency data send mixed signals about economic growth in the last quarter of the year. Industrial production dropped by 2.3% y-o-y in November (manufacturing: -2.7%), partly reversing the 9.9% increase in the previous month. The situation in the retail sector, on the other hand, improved, with retail sales (except automotive fuels) increasing by 3.2% y-o-y in November, following a 0.9% drop in October. In Q3, retail sales declined by 5.3% y-o-y.

### Labour market

According to the Labour Force Survey,<sup>2</sup> the employment rate for the age group 15-64 stood at 57.1% in Q3 (+0.3 pps compared to Q2), with an increase in the rate for women (+2.9 pps to 50.2%) exceeding the decline in the male employment rate (-2.1 pps to 64.1%). In quarterly comparison, the decrease in the male labour force, compared to the preceding three months, was not compensated for by the additional number of female workers, resulting in a 0.5% q-o-q drop in the total labour force. The overall labour market participation rate remained almost unchanged in this age group, at 65.6% (+0.2 pps q-o-q). The unemployment rate declined marginally compared to Q2 (-0.3 pps to 12.9%). For young workers (age 15-29) it stood at 24%, also only slightly below its level in the second quarter (24.5%). Average monthly gross wages were markedly higher in Q3 compared to one year earlier (+15.2% y-o-y), reflecting a number of nominal wage raises in the public and the private sector earlier in the year, and bringing the overall increase in the first ten months of the year to 14.6%. However, the increase in real wages in this period amounted to only 3.6%.

### External sector

The current account continued its recovery, with the deficit (4Q moving average) narrowing further

<sup>2</sup> Statistical changes for 2022 and the first quarter of 2023 affect data comparability. In Q1-2023, the implementation of a new regulation caused changes in the survey affecting the scope and definition of employment and unemployment. This caused an interruption of the time series of data, restricting comparability with previous data.

in Q3, compared to the previous quarter (-1.3 pps to 0.2% of GDP) and also in annual comparison (-6.6pps.). This came on the back of a marked improvement in the merchandise trade balance (by 2.3 pps q-o-q or 7.3 pps y-o-y to 19.7% of GDP), mainly resulting from lower prices for imported energy. The services surplus was lower by 0.7 pps y-o-y, at 4.8% of GDP. The primary income deficit widened by 0.7 pps y-o-y, to 5% of GDP, while the surplus in the secondary income balance increased (+0.9 pps y-o-y to 19.9% of GDP), driven by a strong rise in private transfers. Foreign direct investment dropped by 1.4 pps y-o-y to 3.8% of GDP in the four quarters to Q3, but it comfortably exceeded the current account deficit. Gross external debt, excluding central bank transactions, stood at 78.3% of projected GDP at the end of the third quarter (-2 pps q-o-q). Foreign exchange reserves were higher by 17.4% y-o-y at end-year, covering about 4.1 months of prospective imports of goods and services.

### Monetary developments

Annual consumer price inflation slowed down further in Q4, to an average of 3.4%, taking the average increase for the full year 2023 to 9.4% (2022: 14.1%). After peaking in October 2022 (19.8%), monthly annual increases have been abating gradually, as price rises for electricity, fuels and food decelerated. The annual increase in broad money (M3) slowed down gradually in Q3 (-4.1 pps q-o-q to 5.9%) and beyond (4.6% on average in October and November). The central bank has kept the key policy rate unchanged at 6.3% since its last raise in September 2023, citing moderation in domestic inflation and stable foreign exchange markets.

### Financial sector

Bank lending to the private sector remained strong in Q3 and beyond for both households and companies. Credit increased by 5.9% y-o-y in Q3, which was weaker than one year earlier (Q3 22: 9.8%). It slowed further, to 5.3% on average in October and November. But loan growth decelerated overall, entirely due to less dynamic lending in foreign currency, while denardominated loans marked faster increases, in annual terms. Lending to the corporate sector increased at more moderate rates in Q3 and beyond than in the first half of the year, mainly reflecting lower corporate financial needs due to the drop in energy prices. The ratio of foreign-currency-denominated to total loans declined somewhat y-o-y in Q3, to 48.5%, compared to

50.5% one year earlier. The ratio of non-performing to total loans (financial and non-financial sector) dropped further in Q3. It was lower by 0.5 pps y-o-y, at 2.7% at the end of September.

Annual growth of deposits amounted to 10.5% in Q3 (+8 pps y-o-y), slowing to 8.4% on average in October and November. The increase of deposits in domestic currency was considerably higher in this period than the rise in foreign currency deposits. The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients at 83.7% at end-September, slightly lower by 0.4 pps compared to one year earlier. Banks' capital adequacy ratio, already at comfortable levels, increased further to 18.3% (+0.6 pps y-o-y).

### Fiscal developments

After a muted third quarter, revenue performance picked up towards the end of the year, helping to keep the projected full-year deficit just below target, despite a strong rise in current expenditure in October and November. Total revenue in Q3 increased by 6.6% y-o-y, with tax income rising by only 3.7% in this period. In October and November, tax income recovered (+28% y-o-y), mainly due to a strong annual increase in VAT income (+22% y-o-y). This brings the total revenue increase in the first eleven months of the year to 13.4% y-o-y, amounting to 88% of the full-year plan. Current expenditure was only slightly higher in Q3, compared to the same period one year earlier (+1.1%), but rose markedly in October and November (+14.3% y-o-y), mainly as a result of higher public sector wages and transfer payments. According to preliminary information from the Finance Ministry, the full-year fiscal deficit amounted to 4.7% of projected GDP, slightly below the target. Revenue execution turned out at 98.3% of the full-year target, and total expenditure at 98.1%, with capital expenditure execution at a record 97% of the (reallocated) budget, which had slashed capital expenditure allocations earlier this year, to accommodate higher spending on wages and pensions.

At the end of September, public debt, which includes the guaranteed and non-guaranteed debt of public enterprises, amounted to 55.8% of projected GDP (-0.8 pps y-o-y), rising to 59.3% at end-year, according to preliminary information from the Finance Ministry. General government debt stood at 48.2% at the end of Q3, about the same level as one year earlier..

# TABLE



European Commission, ECFIN-D-1

## NORTH MACEDONIA

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-0.1	-16.6	-7.1	-3.8	:	:	:	-1.4	-1.5	:	-2.0	-3.6	:
Industrial production <sup>1.2</sup>	Ann. % ch	4.1	-9.5	3.1	-1.0	:	:	:	2.7	-0.8	:	9.9	-2.3	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	3.9	-4.7	4.5	2.2	:	2.7	2.8	1.1	1.2	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.7	-3.6	9.5	3.2	:	3.3	3.4	2.8	2.8	:	N.A.	N.A.	N.A.
Gross capital formation <sup>1.5</sup>	Ann. % ch	9.5	-15.1	0.9	14.0	:	5.4	5.6	-4.4	-18.2	:	N.A.	N.A.	N.A.
Construction <sup>1.6</sup>	Ann. % ch	9.1	-8.9	10.3	17.9	:	:	:	-14.7	-11.7	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	11.3	-8.5	8.7	-3.1	:	:	:	0.6	-5.3	:	-0.9	3.2	:
<b>2 Labour market</b>														
Unemployment**** <sup>2.1</sup>	%	17.5	16.6	15.6	14.5	:	13.7	13.5	13.2	12.9	:	N.A.	N.A.	N.A.
Employment**** <sup>2.2</sup>	Ann. % ch	5.4	-0.5	n.a.	n.a.	:	1.4	1.6	-0.5	0.5	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	5.1	8.3	5.7	11.1	:	6.4	3.3	15.4	15.2	:	17.7	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	9.5	-9.9	25.3	21.2	:	:	:	-1.4	-4.6	:	:	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	10.2	-9.2	26.5	28.9	:	:	:	-11.8	-12.4	:	:	:	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-17.3	-16.6	-19.7	-26.7	:	-23.2	-23.5	-22.2	-19.9	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	61.9	57.7	65.8	74.0	:	:	:	75.7	74.0	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	76.2	70.4	81.3	94.9	:	:	:	92.7	89.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-3.0	-2.9	-2.8	-6.1	:	-3.6	-2.4	-1.4	-0.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	3.2	1.4	3.3	5.0	:	:	:	5.0	3.8	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	3,263	3,360	3,643	3,863	:	:	:	4,190	3,902	:	3,921	3,908	4,538.0
Int. reserves / months Imp <sup>3.9</sup>	Ratio	4.6	5.3	4.5	3.7	:	:	:	4.1	3.9	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	0.8	1.2	3.2	14.1	:	4.1	2.1	11.2	7.7	:	3.5	3.1	:
Producer prices <sup>4.2</sup>	Ann. % ch	-0.6	5.6	-2.0	6.3	:	:	:	5.3	4.2	:	-3.9	-2.4	:
Food prices <sup>4.3</sup>	Ann. % ch	1.6	2.4	3.1	20.7	:	:	:	14.4	10.2	:	1.0	0.3	:
Monetary aggregate M3 <sup>4.4</sup>	Ann. % ch	8.2	8.0	8.8	5.3	:	:	:	10.0	5.9	:	5.2	4.1	:
Exchange rate MKD/EUR <sup>4.5</sup>	Value	61.51	61.67	61.63	61.62	61.56	:	:	61.56	61.51	61.50	61.51	61.50	61.49
Real effective exchange rate <sup>4.6</sup>	Index	98.3	99.6	100.4	104.5	:	:	:	108.8	110.1	:	110.0	110.2	:
<b>5 Financial indicators</b>														
Interest rate (3 months-SKIBOR) <sup>5.1</sup>	% p.a.	1.46	1.38	1.33	1.79	4.02	:	:	3.93	4.25	4.43	4.35	4.43	4.51
Bond yield <sup>5.2</sup>	% p.a.	5.61	5.19	4.86	4.63	:	:	:	5.24	5.67	:	5.75	:	:
Stock markets <sup>5.3</sup>	Index	3,939	4,377	5,382	5,888	5,844	:	:	5,845	5,740	5,986	5,936	5,938	6,083
Credit Growth <sup>5.4</sup>	Ann. % ch	7.2	6.4	5.8	9.6	:	:	:	6.4	5.9	:	5.3	5.2	:
Deposit growth <sup>5.5</sup>	Ann. % ch	9.6	7.8	8.3	4.2	:	:	:	10.9	10.5	:	8.9	7.9	:
Non-performing loans <sup>5.6</sup>	% total	4.6	3.3	3.1	2.8	:	:	:	2.8	2.7	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	29.4	28.4	30.0	30.3	:	:	:	14.2	21.3	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	31.4	36.4	35.3	34.7	:	:	:	16.7	24.3	:	N.A.	N.A.	N.A.
Central government balance** <sup>6.1</sup>	% of GDP	-2.0	-8.0	-5.3	-4.4	:	-3.8	-3.5	-2.5	-3.0	:	-2.7	-3.1	:
General government debt*** <sup>6.2</sup>	% of GDP	40.5	50.8	52.0	51.0	:	51.7	51.1	50.4	48.2	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2023 published November 2023

\* Q figures refer to a 4 quarters moving average.

\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

\*\*\* Q figures in percent of estimated annual GDP.

\*\*\*\* From Q1-2022, the Labour Force Survey is based on the results of the 2021 population census, restricting comparability with pre-year data.

In a first step, the Statistical Office has recently revised 2021 data based on census data.

In 2023, the implementation of a new regulation caused changes in the survey affecting the scope and definition of employment and unemployment.

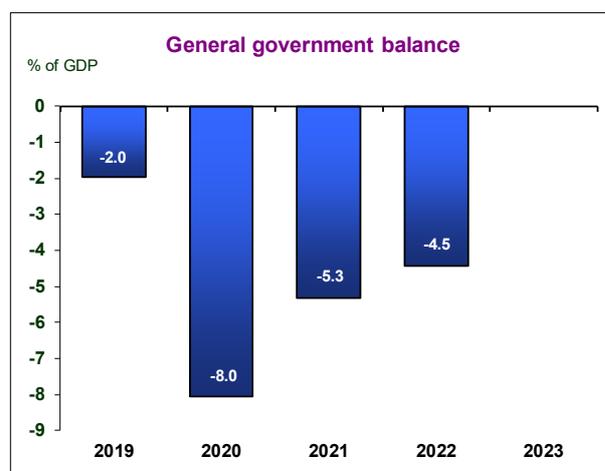
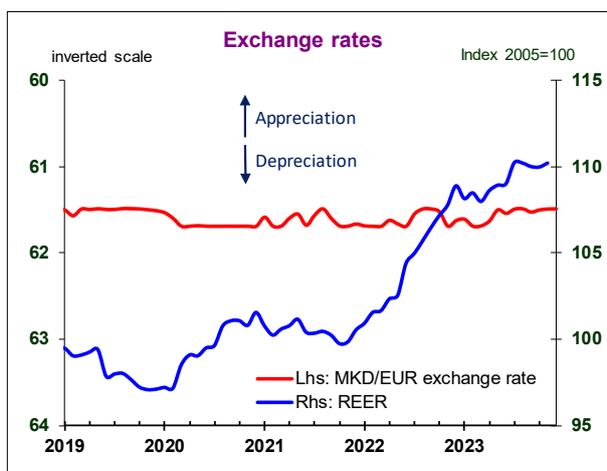
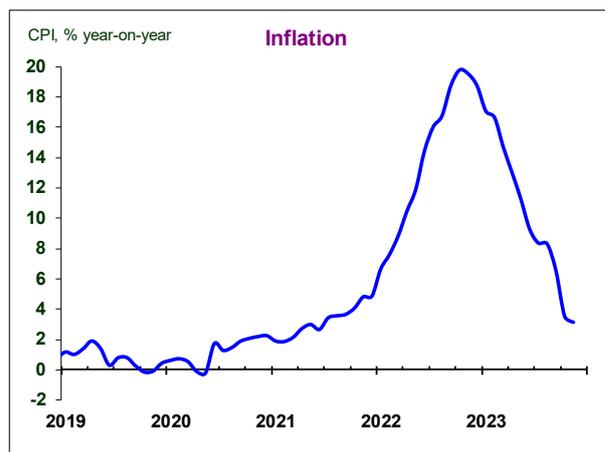
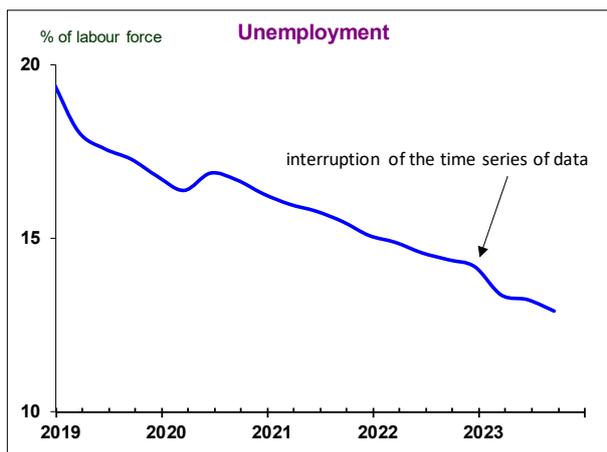
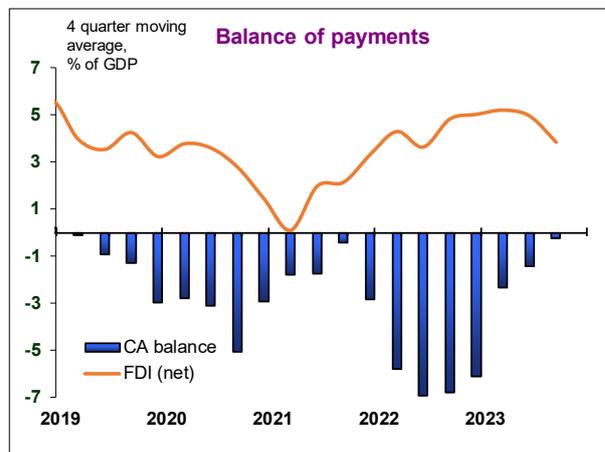
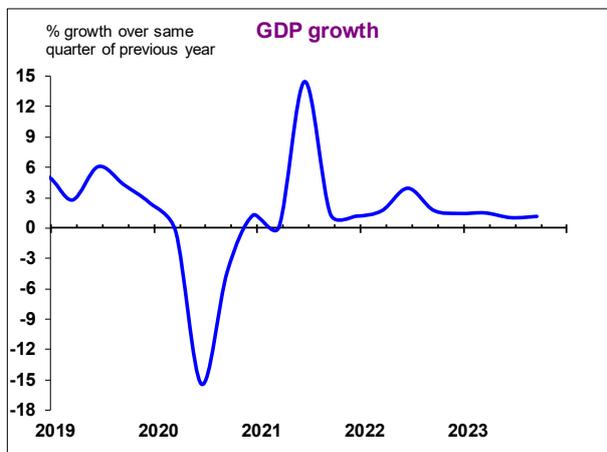
This caused an interruption of the time series of data, restricting comparability with previous data.

# CHARTS

European Commission, ECFIN-D-1



## North Macedonia



# SERBIA



## Key developments

Serbia's Parliament adopted the 2024 Budget on the 26th of October. The budget targets a general government deficit of 2.2% of GDP and debt at 51.7% of GDP, assuming real GDP growth of 3.5% and average inflation at 4.9%. The medium-term fiscal framework foresees a gradual reduction of the deficit to 1.5% of GDP and a decrease in the share of public debt to 50% of GDP in 2026. Notably, pensions are set to increase by 14.8% as of Jan. 1 and public sector wages by 10%.

On 8 November, the European Commission presented its annual enlargement package. It stated that as regards the economic criteria for EU membership, Serbia is at a good level of preparation in developing a functioning market economy and moderately prepared in coping with competitive pressure and market forces within the EU.

The EU-Serbia subcommittee meeting on economic and financial issues and statistics took place on 6 December 2023 in Belgrade. During the discussions both the Commission and the Serbian side noted the currently favourable economic performance. The Commission stressed the importance of adhering to the newly instituted fiscal rules and concerns were expressed about the weak governance of state-owned enterprises.

The IMF Executive Board approved the second review of Serbia's programme under its standby arrangement (SBA) on the 21st of December. The IMF assessed that macro-economic outturns remained strong, with recovering growth, ongoing disinflation, a narrowing current account deficit, and record-high foreign exchange reserves.

On 17 December snap parliamentary elections took place. The incumbent Serbian Progressive Party (SNS) secured an absolute majority in the parliament with 46.7% of the votes. The largest opposition coalition called Serbia Against Violence (SPN) got 23.7% of the votes.

## Real sector

According to the Statistics Office, in Q3-2023, economic growth accelerated to 3.6% y-o-y, up from 1.6% in Q2-2023. On the supply side, the fastest growth was recorded in the construction

sector (+12.8% y-o-y), agriculture (+9.5%), information and communication (+6.3%). Growth in other main economic sectors was also positive, notably even accelerating in industry and mining. On the expenditure side, growth was driven by domestic demand, notably private consumption (+1.3% y-o-y, helped by decelerating inflation) and investments (+4.1% y-o-y, boosted by strong FDI inflows). Net exports had a neutral contribution to GDP growth, as export contracted by 1.5% y-o-y (dampened by low external demand) while imports contracted by 1.2% y-o-y.

The acceleration in manufacturing (3.8% y-o-y) was contradicted by the simultaneous decline in industrial confidence in Q3. However, monthly data indicates an improvement in industrial confidence more recently in November, which bodes well for the outlook for industry. Some other short-term indicators also suggest that overall economic activity picked up over the last months of 2023. Helped by decreasing inflation, real retail sales turned to 3.6% y-o-y real growth in November, ending the contraction seen over previous months.

## Labour market

According to LFS data, in Q3-2023 the unemployment rate decreased to 9%, from 9.6% in the previous quarter. The employment rate of the population aged 15 years and above reached 50.7%, rising by 0.5 pps y-o-y. Employment increased by 1.3% y-o-y in the formal sector but decreased by 3.5% in the informal sector (mostly outside the agricultural sector).

According to administrative data, in Q3-2023 employment increased by 0.1% q-o-q and 2.2% y-o-y. Annual employment growth was positive in most economic sectors and was particularly strong in information and communication (+13%), professional, scientific and technical activities (+13.8%) and accommodation and food services activities (+5.5%). At the same time, agriculture (-2.8%) and public administration recorded some small employment losses. The average nominal net wage continued to grow rapidly, by 13.6% y-o-y in Q3 2023, now well above inflation.

## External sector

The 4-quarter moving average current account deficit narrowed persistently from 4.4% in Q1 to

2.4% by Q3. This was helped by base effects as electricity imports were extraordinarily high in 2022 due to high import prices and unexpected domestic supply disruptions, while both factors abated in 2023. Overall, merchandise trade in the first 11 months of 2023 was marked by a slight growth in the EUR value of exports (+4.5%) while the EUR value of imports decreased (-5.8%), reflecting lower energy imports). A surplus in the services trade balance has improved further over 2023, driven by ICT and business services' exports. The surplus in services now covers about a half of the deficit in goods trade.

The primary income deficit increased substantially by about 50% y-o-y over 2023 and in Q3 (reflecting mainly higher dividend and interest payments). The large increase in secondary income surplus (largely reflecting remittances) over 2022 stabilised at a high level in 2023. Net FDI inflows increased by about 8% y-o-y in January-October, being close to record levels as a share of GDP and covering multiple (3.4) times the current account deficit.

### Monetary developments

Annual consumer price inflation continued to decelerate in the autumn, from 10.2% in September to 8% in November, but still well exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. Annual inflation continued to be particularly driven by food (+9.3% y-o-y in November) and housing, electricity, gas and other fuels prices (+13%). Core inflation (excluding energy, food, alcohol and tobacco) was lower at 7% in November. The National Bank of Serbia (NBS) raised its key policy rate last time in July by 25 bps. to 6.5%, leaving it unchanged thereafter. NBS foreign exchange reserves increased consistently over 2023, reaching EUR 24.2 billion in November, a rise of about 40% y-o-y, covering 6.6 months of imports of goods and services. The dinar's exchange rate against the euro has remained stable, with the NBS countering some appreciation pressures.

### Financial sector

The financial sector has remained stable. The annual growth of credit to households and corporates has continued to edge down, driven by

the higher interest rates of dinar and Euribor-indexed loans. The interest rate on total newly approved dinar loans amounted to 11.7% in September 2023. Annual lending growth to the non-financial sector has slid to -0.4% in November, with loans to households still slightly growing and corporate loans contracting. The ratio of non-performing loans remained constant at 3.2% in Q3-2023, near to its historic low. The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) stayed flat in Q3-2023 at 22.2%. As regards liquidity ratios, both the share of liquid assets to total assets (40%, +0.3 pps q-o-q) and the share of liquid assets to short-term liabilities (51.7%, +0.1 pps q-o-q) increased marginally further in Q3-2023. Bank profitability indicators continued to improve to new record highs, reaching 2.6% (for RoA) and 19.3% (for RoE) in Q3-2023.

### Fiscal developments

In the period January-November 2023, general government revenue increased by 11.8% y-o-y. The growth of revenues was particularly supported by social contributions (+11.5%), corporate income tax (+30.5%), personal income tax (+14.8%), excise duties (+10.5%) and grants (+162.5%, reflecting the inflow of the bulk of the EU budget support to mitigate the energy crisis) while VAT receipts (+7.5%) grew more moderately. Total general government expenditure growth (+11.8%) remained at par with the revenue increase. It was largely driven by social grants and transfers (+19.1%), capital expenditure (+13.7%), purchases of goods and services (+10.3%) and public wages (+10%). Of the smaller expenditure items, subsidies (+41.5%) and interest payments (+31.6%) grew rapidly.

As a result, in January-November 2023, the budget recorded a deficit of 0.6% of expected annual GDP, similar to the outcome for the same period a year ago. However, typically the deficit increases substantially in December - in 2022 the deficit outcome was 3.1% of GDP for the full year. In November 2023, central government debt stood at 51.5% of the projected 2023 full-year GDP, down from 55.1% at end-2022, mainly as a result of high nominal GDP growth in 2023.

# TABLE

European Commission, ECFIN-D-1



## SERBIA

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	5.8	-1.0	2.9	0.5	:	:	:	-0.7	-1.7	:	-1.5	0.7	:
Industrial production <sup>1.2</sup>	Ann. % ch	0.2	0.4	6.1	1.6	:	:	:	0.8	3.8	:	3.0	3.6	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.3	-0.9	7.7	2.5	:	3.1	3.7	1.6	3.6	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.7	-1.9	7.9	3.9	:	2.9	3.4	-0.5	1.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	17.2	-1.9	15.7	1.9	:	4.7	4.9	3.9	4.1	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	32.3	-1.5	25.0	5.4	:	:	:	21.3	16.1	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	8.9	4.2	10.0	5.6	:	:	:	-6.1	-1.8	:	5.0	3.6	:
<b>2 Labour market</b>														
Unemployment**** <sup>2.1</sup>	%	11.2	9.7	11.0	9.4	:	9.0	8.6	9.6	9.0	:	N.A.	N.A.	N.A.
Employment**** <sup>2.2</sup>	Ann. % ch	2.4	-0.2	2.6	2.3	:	0.5	0.6	-0.1	0.2	:	:	:	:
Wages <sup>2.3</sup>	Ann. % ch	10.5	9.4	9.4	13.8	:	:	:	15.4	13.6	:	15.1	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	8.8	-3.7	26.9	26.3	:	:	:	5.0	1.6	:	-1.9	0.4	:
Imports of goods <sup>3.2</sup>	Ann. % ch	9.9	-4.7	25.0	33.0	:	:	:	-7.7	-5.7	:	-6.7	-2.7	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-12.2	-11.1	-11.3	-15.5	:	-11.7	-11.8	-11.2	-9.9	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	50.8	47.6	54.0	62.9	:	:	:	62.4	60.7	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	60.8	56.3	62.7	74.6	:	:	:	69.0	66.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-6.9	-4.1	-4.2	-6.8	:	-3.5	-3.3	-2.8	-2.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) <sup>3.7</sup>	% of GDP	7.7	6.3	6.9	7.1	:	:	:	7.4	6.7	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	13,378	13,492	16,455	19,416	:	:	:	22,585	24,182	:	24,389	24,163	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.7	6.1	5.9	5.2	:	:	:	6.0	6.5	:	6.6	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	1.8	1.6	4.1	12.0	:	5.5	3.6	14.5	11.4	:	8.5	8.0	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.7	-1.8	9.1	16.4	:	:	:	2.7	1.7	:	1.0	0.8	:
Food prices <sup>4.3</sup>	Ann. % ch	2.6	2.6	4.5	18.7	:	:	:	22.8	12.6	:	10.5	9.3	:
M3 <sup>4.4</sup>	Ann. % ch	8.4	18.1	13.3	6.9	:	:	:	12.2	11.8	:	11.1	12.7	:
Exchange rate RSD/EUR <sup>4.5</sup>	Value	117.86	117.58	117.57	117.46	117.25	:	:	117.28	117.21	117.18	117.19	117.19	117.17
Real effective exchange rate <sup>4.6</sup>	Index	123.6	125.7	128.0	129.3	:	:	:	139.1	139.8	:	139.2	:	:
<b>5 Financial indicators</b>														
Interest rate (BELIBOR) <sup>5.1</sup>	% p.a.	2.52	1.19	0.89	2.47	:	:	:	5.60	5.85	:	5.73	5.71	:
Bond yield (10 year) <sup>5.2</sup>	% p.a.	:	:	2.50	6.76	:	:	:	5.60	5.25	:	:	:	:
Stock markets <sup>5.3</sup>	Index	1,584	1,544	1,639	1,720	1,806	:	:	1,793	1,796	1,862	1,829	1,847	1,910
Credit growth <sup>5.4</sup>	Ann. % ch	9.7	12.3	9.1	10.9	:	:	:	1.4	0.3	:	-0.2	-0.4	:
Deposit growth <sup>5.5</sup>	Ann. % ch	12.9	15.0	14.4	8.4	:	:	:	12.6	12.0	:	11.2	12.7	:
Non-performing loans <sup>5.6</sup>	% total	4.1	3.7	3.6	3.0	:	:	:	3.2	3.2	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	42.0	41.0	43.2	43.3	:	:	:	20.4	30.6	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	42.2	49.0	47.4	46.5	:	:	:	19.8	30.4	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-0.2	-8.0	-4.1	-3.1	:	-2.2	-1.5	0.5	0.2	:	0.1	:	:
General government debt*** <sup>6.2</sup>	% of GDP	52.0	57.0	56.5	55.2	:	51.2	50.1	51.7	50.5	:	51.6	:	:

f. ECFIN forecast Autumn 2023 published November 2023

\* Q figures refer to a 4 quarters moving average.

\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

\*\*\* Q figures in percent of estimated annual GDP.

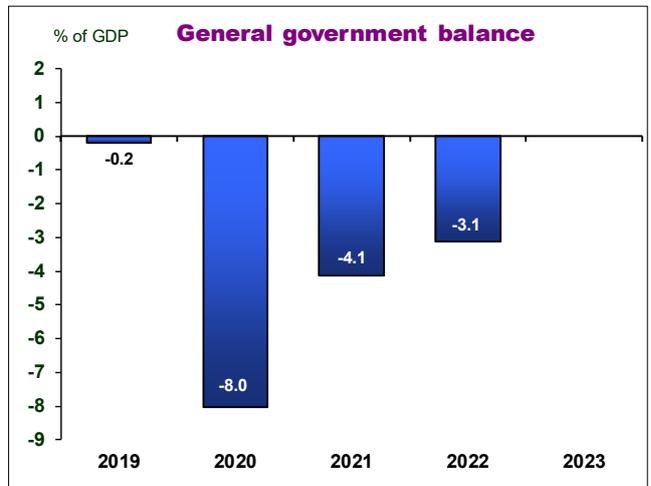
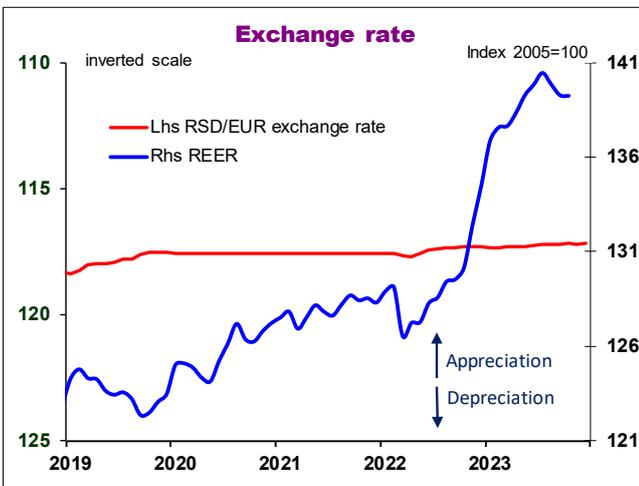
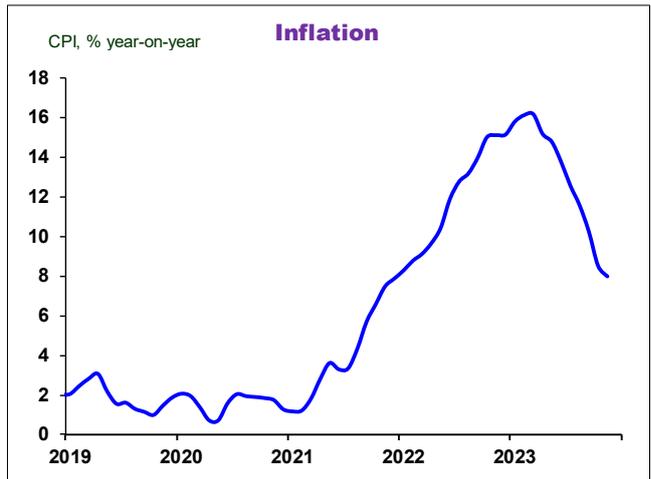
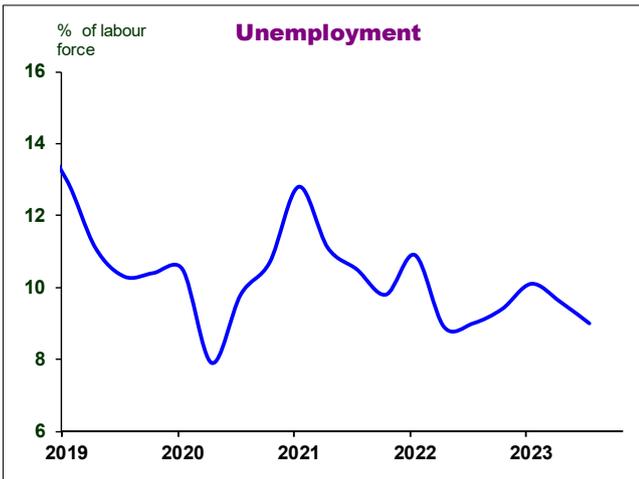
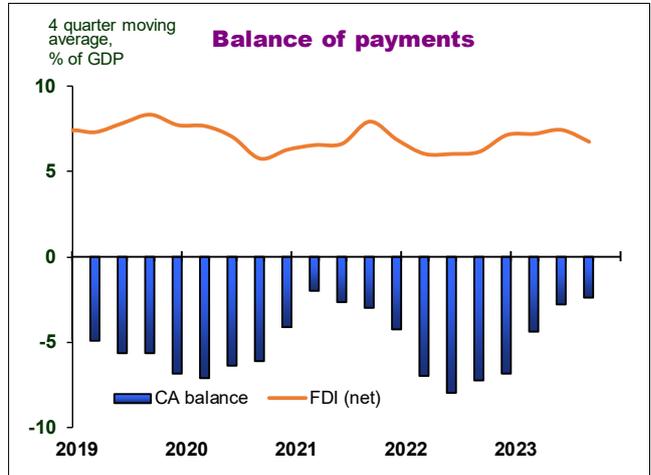
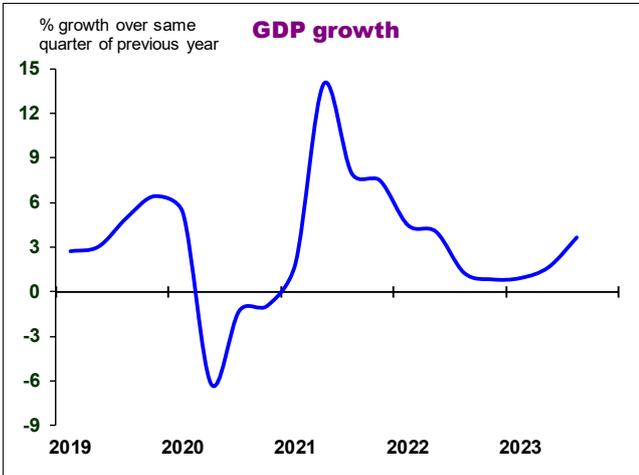
\*\*\*\* From Q1-2022, the Labour Force Survey is based on the results of the 2022 population census, restricting comparability with pre-year data.

# CHARTS

European Commission, ECFIN-D-1



## SERBIA





## Key developments

In November, in its annual enlargement package the European Commission stated that as regards the economic criteria for EU membership, the Turkish economy is well advanced but made no progress over the reporting period and that it has a good level of preparation and made limited progress in achieving the capacity to cope with competitive pressure and market forces within the EU.

The sub-committee meeting on economic and monetary issues, movement of capital and statistics took place on 13 December 2023 in Ankara. Both the European Commission and the Turkish authorities welcomed the recent move towards more orthodox economic policies and flagged the importance of continuing this process to reduce the very high inflation and lower the current account deficit, while rebalancing economic growth towards net exports and preserving financial stability.

The parliament adopted the 2024 central government budget on 25 December. It is based on 4.0% real GDP growth and targets a fiscal deficit of 6.4% of GDP. Around 3% of GDP are allocated for earthquake recovery measures.

In November, two months after its previous upgrade and outside its ratings calendar, S&P changed Türkiye's sovereign credit rating outlook to 'positive' from 'stable'. The rating agency quoted the increase of the central bank policy rate to 40%, the reduction of the twin deficits, and the rebuilding of net foreign currency reserves.

## Real sector

Real GDP increased by 0.3% q-o-q and 5.9% y-o-y in the third quarter. Although moderating, domestic demand was still strong, contributing 11.6 pps to annual GDP growth. Household consumption continued expanding by double-digits (11.2% y-o-y), but it declined in comparison to the previous quarter (-1.7%) for the first time in two and a half years. Government consumption (5.3% y-o-y) also supported growth, while gross fixed capital formation went up markedly (5.4% q-o-q and 14.7% y-o-y), driven by booming investment in machinery and equipment (23.7% y-o-y). After

picking up in the aftermath of the February earthquakes, the change in inventories contributed only marginally to growth in Q3. The year-long weakness of export performance came to a halt, with exports of goods and services increasing 1.1% y-o-y. Nevertheless, their rebound was not sufficient to offset the still large negative contribution to growth coming from imports, which rose 14.5% y-o-y. On the supply side, economic growth was broad-based, although in agriculture it was marginal (0.3% y-o-y) and in services it decelerated to 3.2% y-o-y in the third quarter. A rebound in manufacturing (6.2% y-o-y), following a slump in the previous quarter, propelled industry growth to 5.7% y-o-y (2.0% q-o-q). Construction activity increased 8.1% y-o-y, entirely driven by a large base effect.

High frequency indicators point to a slight weakening of economic dynamics in the fourth quarter. At 96.1, the economic confidence index remained close to its level in the previous quarter. Consumer confidence (75.8) improved a bit but is still sapped by a weak assessment of households' financial situation. The sentiment in services, real sector and retail trade declined marginally, while it slightly improved in construction and there was a better perception of the general business situation. The growth in retail sales decelerated further, from 21.0% y-o-y in Q3 to 12.8% in November. Industrial production (seasonally and calendar adjusted) weakened in September (-0.1% m-o-m), October (-0.3% m-o-m), and November (-1.4% m-o-m), as activity contracted across manufacturing, mining, and electricity and gas supply. The manufacturing PMI declined to 47.4, remaining in contractionary territory in Q4. However, the capacity utilisation rate in manufacturing increased further to 77.2 in Q4.

## Labour market

Although remaining largely positive, the labour market situation showed first signs of cooling towards the end of 2023. The participation rate (seasonally adjusted, 15 years and over) stood at 52.9% in November. The employment rate was 48.2%, broadly unchanged from Q3. The unemployment rate declined to 8.6% in October – its lowest level in a decade – before edging up to 9.0% in November. Employment (seasonally adjusted) increased by 2.4% y-o-y in October, and

0.3% in November, lower than the 3.0% growth rate recorded in Q3. In the third quarter, job gains were recorded in services (5.0%) and construction (9.4%), while employment fell in agriculture (-2.4% y-o-y) and in industry (-0.4% y-o-y). Reflecting the still strong labour demand, labour market under-utilisation (including unemployment, time-related underemployment, and the potential labour force) declined to 21.4% in October, its lowest level in the year, but went up to 22.7% in November. The seasonally and calendar-adjusted hourly labour cost index grew strongly by 105.5% y-o-y (22.9% q-o-q) in Q3. It was affected by the mid-year 34% increase in the gross minimum wage. In the beginning of 2024, the minimum wage was increased again, by 49.1%.

### External sector

The 12-month cumulative current account deficit was 4.7% of GDP (USD 49.6 billion) in November, down from 5.5% at the end of 2022. The trade deficit has declined since July but remained sizable at 90 billion or 8.5% of GDP in the same period. Exports of goods increased in October and November but the main factor behind the improving trade balance was the decline in imports (-8.0% y-o-y in July-November). In comparison to its levels in the previous year, the deficit in energy trade fell further by the end of November. Net imports of non-monetary gold declined as well. Export of travel services reached historic highs in the summer, but its growth decelerated and turned negative in October and November. Sizable investment inflows led to an increase in reserve assets (USD 33.7 billion since May). The central bank's foreign exchange reserves continued growing, reaching USD 141 billion by end-2023.

### Monetary developments

As the effects of the tax hikes and the lira depreciation in the summer petered out, m-o-m inflation decelerated to 2.9% in December. However, driven by base effects, the annual consumer price inflation increased to 64.8%, while average inflation in 2023 stood at 53.9%. Food inflation spiked at the end of 2023 and remained above the headline rate. Energy inflation (at 27.2% y-o-y) was far lower, despite a nearly 10% monthly increase in November. The m-o-m rate of service inflation subsided by the end of the year, mainly due to lower transportation costs, but also in view of a softening of inflationary pressures in other services. Nevertheless, base effects pushed up the annual inflation across most of the services. Both the monthly and the annual rates of

producer price inflation were below consumer inflation for most of the year, and producer price inflation ended 2024 at 44.2% y-o-y.

The central bank increased further its key policy rate from 30% in September to 42.5% in December, moving the real interest rate into ex-ante positive territory, and continued to selectively tighten credit and sterilise excess lira liquidity. The central bank assessed that the monetary stance was close to the level required to establish disinflation and signalled the near completion of its tightening cycle. The lira depreciated nominally by 7.4% against the US dollar in Q4, bringing the total depreciation in 2023 to 57.2%. However, the CPI-based real effective exchange rate remained broadly unchanged last year. Türkiye's 5-year sovereign risk premium has declined steadily since the May 2023 presidential and parliamentary elections, from above 700 bps to under 300 bps at the end of 2023.

### Financial sector

The central bank took further steps to simplify the macroprudential framework and increase the share of lira deposits. The authorities also announced their intention to end the FX-protected deposit scheme in 2024. Deposit money banks' real lending fell further at the end of November, although corporate (lira) lending picked up, and the pace of credit card growth remained very high. The banking sector's capital adequacy ratio has fallen somewhat but remained high at 18.3% in November. The ratio of non-performing loans to total loans continued to decline, reaching 1.5% in November. The share of lira deposits increased markedly since September (34.4%) to 42.2% in December, mainly due to a fall in FX-protected deposits that are counted separately.

### Fiscal developments

In January-November, the central government posted a budget deficit of TRY 532.4 billion – 2.1% of the forecast annual GDP, much higher than the TRY 20.4 billion deficit recorded over the same period last year, but far below the revised annual deficit target of TRY 1,633 billion. Total revenue growth was 83% y-o-y in January-November, boosted by tax hikes in the summer. Total expenditure went up 102% y-o-y in the same period, driven by spending on compensation of employees and on earthquake recovery. The general government debt-to-GDP ratio stood at 30.5% of GDP in Q3, largely unchanged from end-2022. Public sector net debt, however, increased to 22.2% of GDP from 16.8% of GDP in 2022.

## TABLE



## TÜRKİYE

European Commission, ECFIN-D-1

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-3.8	-4.1	5.6	-0.4	-0.7	:	:	0.4	-0.9	-1.1	-0.5	-1.3	-1.6
Industrial production <sup>1.2</sup>	Ann. % ch	-0.6	1.4	19.0	6.0	:	:	:	-0.3	4.9	:	1.3	0.2	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	0.8	1.9	11.4	5.5	:	3.5	4.0	3.9	5.9	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	1.5	3.2	15.4	19.0	:	3.0	3.0	15.4	11.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-12.5	7.3	7.2	1.3	:	2.8	3.6	5.6	14.7	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-7.1	5.6	39.0	104.7	:	:	:	90.7	104.4	:	100.1	98.7	:
Retail sales <sup>1.7</sup>	Ann. % ch	-0.2	3.4	16.2	10.4	:	:	:	29.2	21.0	:	13.4	12.8	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	13.7	13.1	12.0	10.5	:	10.2	9.8	9.3	9.3	:	8.2	8.8	:
Employment <sup>2.2</sup>	Ann. % ch	-2.3	-4.8	7.9	6.7	:	2.4	2.7	2.4	2.8	:	1.2	0.2	:
Wages <sup>2.3</sup>	Ann. % ch	26.2	18.0	19.3	73.2	:	59.6	29.1	114.4	96.2	:	:	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	2.1	-6.2	32.8	12.9	:	:	:	-5.9	2.3	:	7.1	5.2	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-9.0	4.4	23.6	34.0	:	:	:	-2.8	-4.2	:	0.6	-5.7	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-2.2	-5.3	-3.6	-10.0	:	-7.1	-6.0	-9.9	-8.9	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	32.8	28.9	35.1	38.3	:	:	:	34.3	33.1	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	30.0	32.1	34.8	42.8	:	:	:	39.1	37.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	1.4	-4.5	-0.9	-5.5	:	-2.9	-2.7	-5.7	-4.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	0.9	0.6	0.8	1.0	:	:	:	0.6	0.4	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	bn EUR	105.7	93.6	111.2	128.7	:	:	:	108.6	122.2	:	126.2	136.7	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.6	4.9	4.7	4.0	:	:	:	3.3	3.8	:	3.9	4.2	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	15.2	12.3	19.6	72.3	53.9	53.6	22.9	40.4	56.2	62.7	61.4	62.0	64.8
Producer prices <sup>4.2</sup>	Ann. % ch	17.6	12.2	43.9	128.5	49.9	:	:	44.1	47.1	42.0	39.4	42.2	44.2
Food prices <sup>4.3</sup>	Ann. % ch	19.5	13.8	24.3	85.6	65.8	:	:	53.5	69.6	70.4	72.0	67.2	72.0
M3 <sup>4.4</sup>	Ann. % ch	29.5	32.8	51.1	64.1	64.0	:	:	63.6	66.0	65.3	65.4	65.1	65.3
Exchange rate TRY/EUR <sup>4.5</sup>	Value	6.35	8.03	10.45	17.38	25.73	:	:	22.79	29.19	30.69	29.43	30.95	31.70
Real effective exchange rate <sup>4.6</sup>	Index	83.8	75.1	67.4	60.7	62.1	:	:	62.8	58.3	61.9	62.6	61.7	61.6
<b>5 Financial indicators</b>														
Interest rate (TLREF) <sup>5.1</sup>	% p.a.	20.53	10.85	17.88	13.16	18.80	:	:	10.11	20.40	35.68	30.07	36.29	40.67
Interest rate, long term <sup>5.2</sup>	% p.a.	15.76	12.75	17.61	17.61	17.69	:	:	13.21	20.77	32.26	27.48	34.80	34.49
Stock markets <sup>5.3</sup>	Index	993	1,133	1,510	2,979	6,340	:	:	5,010	7,404	7,861	8,025	7,846	7,711
Credit growth <sup>5.4</sup>	Ann. % ch	6.4	28.4	22.7	56.0	55.7	:	:	55.3	57.3	54.9	55.6	55.2	53.9
Deposit growth <sup>5.5</sup>	Ann. % ch	18.3	36.4	28.0	78.3	65.4	:	:	63.4	67.1	64.5	64.2	64.0	65.3
Non-performing loans <sup>5.6</sup>	% total	5.4	4.1	3.1	2.1	:	:	:	1.6	1.5	:	1.5	1.5	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	29.8	29.6	28.0	25.3	:	:	:	10.4	19.0	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.2</sup>	% of GDP	32.9	32.5	30.3	26.4	:	:	:	12.4	20.7	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-3.2	-2.9	-2.3	-1.1	:	-6.0	-3.5	-2.0	-1.7	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	32.4	39.4	40.4	30.8	:	33.0	32.8	33.0	30.5	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2023 published November 2023

\* Q figures refer to a 4 quarters moving average.

\*\* Q figures refer to the cumulative balance divided by the estimated annual GDP.

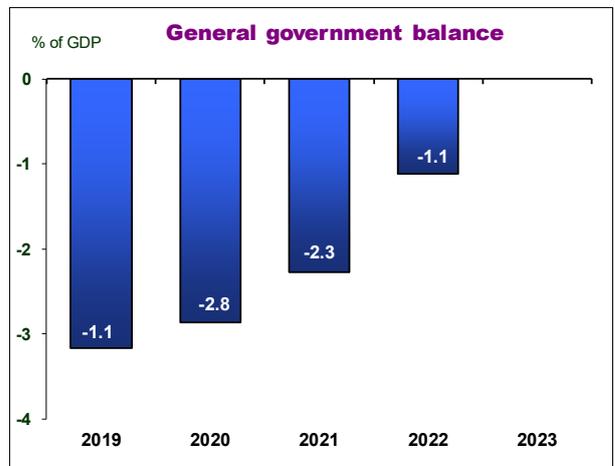
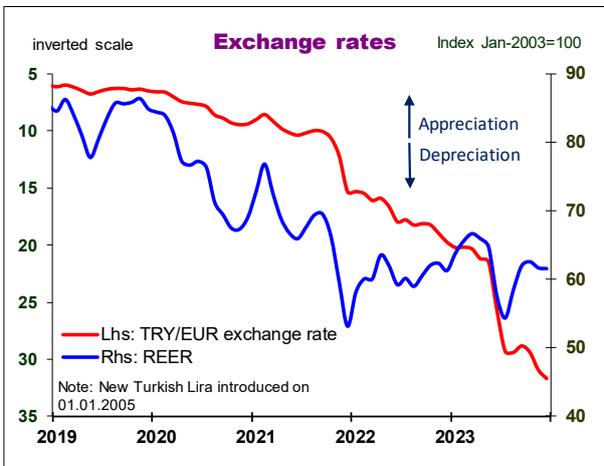
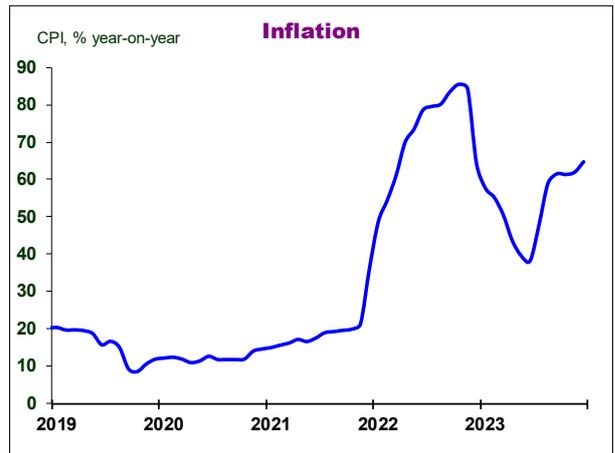
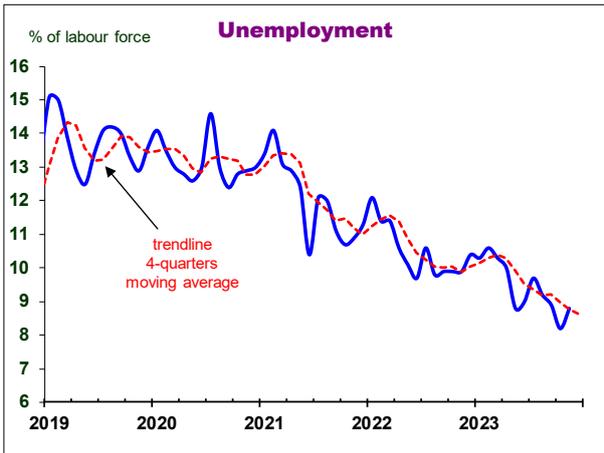
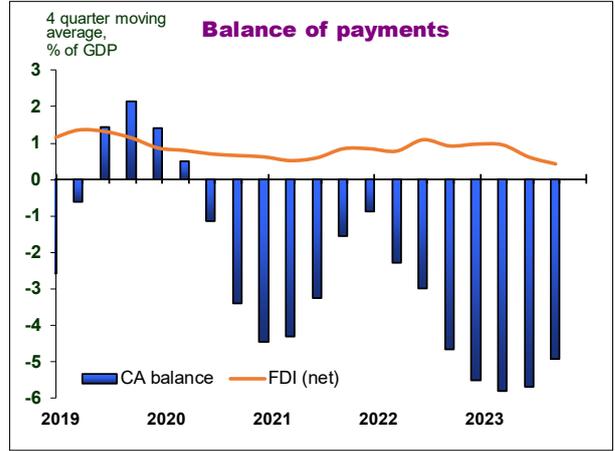
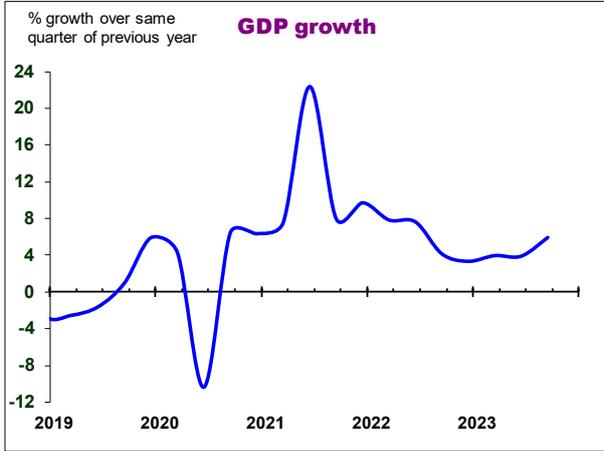
\*\*\* Q figures in percent of GDP on a four quarter moving basis.

# CHARTS

European Commission, ECFIN-D-1



## TÜRKIYE





## Key developments

On 8 November, the European Commission presented its annual enlargement package. It stated that as regards the economic criteria for EU membership, Kosovo is between an early stage and some level of preparation in developing a functioning market economy and at an early stage in coping with competitive pressure and market forces within the EU.

On 14 December, the Assembly of Kosovo approved in the second reading the 2024 budget, which assumes real GDP growing by 4.6%. Expenditure is projected to increase by 2.3% compared to the revised 2023 budget, and revenues by 5%. The headline deficit is planned at 2.7% of GDP for 2024, which would keep the deficit according to the fiscal rule's definition at the prescribed ceiling of 2% of GDP. Public wages and salaries are projected to rise by 8% y-o-y, the strongest increase among all spending categories, partly due to the planned increase of the salary coefficients as foreseen in the "Law on Salaries of Public Officials" adopted in December 2022.

## Real sector

Kosovo's real GDP growth slightly accelerated to 3% y-o-y in Q3-2023 from 2.4% in the previous three months. The key driving factor was private consumption which grew by nearly 4% y-o-y (2.7% in the preceding quarter), supported by slowing inflation as well as higher remittances and bank lending. Public consumption increased significantly by 13.1% y-o-y, while capital investment growth slowed somewhat (2.8% y-o-y). Exports fell marginally (-0.5% y-o-y) in Q3 as the continued decline in goods exports was mitigated by sustained increases in services exports. On the back of soaring imports of services, which more than offset the slight fall in imports of goods, imports rose by 2.5% y-o-y. Overall, net exports posted a negative contribution (-2 pps) to GDP growth.

On the production side, the largest gains in output in Q3 took place in the arts, entertainment and recreation sector (6.7% y-o-y), professional, scientific and technical activities (6.2%), public administration and defence (5.5%) as well as financial and insurance activities (5.1% y-o-y).

Some short-term indicators point to weaker

economic activity in October. Output in the manufacturing, electricity and gas as well as mining sectors fell in y-o-y terms by 1.1%, 10.3% and 8.8%, respectively whereas water supply and sewage production increased by 26.3% y-o-y.

## Labour market

The results of the labour force survey continue to be published with large delays. The latest available data refer to 2022, when in line with the continued rebound of economic activity, the employment rate increased to 33.8% from 31.1% in 2021 while the unemployment rate (15-64) fell to the historic low of 12.6%. Tax administration data suggest that official employment in the private and public sector increased by 3.6% y-o-y in October 2023.

## External sector

The current account deficit narrowed in the four quarters to Q3 to 7.7% of GDP, down from 9% in the year to Q2 and 10.3% in the same period one year earlier. A key factor was the surplus in the trade of services, which rose to 17.2% of GDP from 16.2% in the preceding quarter and 15.1% in Q3-2022. The traditionally high merchandise trade deficit decreased slightly to 47.2% of GDP, compared to 47.5% in the four quarters to June, and was 1.1 pps lower than in the same period a year before. Workers' remittances increased by 11% y-o-y and stood at 14.1% of GDP in the four quarters to September. For the same period, the primary income surplus widened to 1.5% of GDP from 0.8% in Q2 while it was marginally lower (0.1 pps) than in the year to Q3-2022. Net inflows of FDI decreased to 5.7% of GDP in the four quarters to Q3, down from 6.5% in the year to Q2, but they remained broadly unchanged (as a percentage of GDP) on y-o-y terms, still covering almost three quarters of the current account deficit of the same period. Official reserve assets remained stable and covered around 2.5 months of imports of goods and services in Q3.

Developments in merchandise trade were influenced by weaker foreign demand. In the first eleven months of 2023, the value of total goods exports fell by 6% y-o-y, largely due to the decline in exports of base metals, various manufactured items as well as plastic and rubber articles. In the same period, imports of goods grew by almost 5% y-o-y mainly on the back of

higher imports of prepared foodstuffs, beverages and tobacco as well as machinery, appliances and electrical equipment, which were mitigated by the decline in imports of mineral products and base metals. During January-November the overall merchandise trade deficit widened by 7.1% y-o-y.

### Monetary developments

Consumer price inflation decelerated to 2.9% y-o-y in November and further to 2.3% in December, bringing annual average HICP inflation to 4.9% in 2023, significantly below the 11.6% rate recorded in 2022. The key driver of moderating inflation were gradually decelerating global commodity prices.

Import prices rose by 3% y-o-y in Q3, mainly driven by higher prices of paper, leather and articles thereof as well as vegetable products and textile. For the same period, the construction cost index decreased by 1.6% y-o-y, due to falling prices for energy, transport and building materials. The producer price index declined by an average of 12.7% y-o-y in Q3, largely due to the falling prices for the supply of electricity, gas, steam and air conditioning (-45% y-o-y).

### Financial sector

Bank lending growth decelerated to an average of 14.2% in January-November from 17.5% a year earlier. For the same period, the growth of bank deposits accelerated to an average of 14.3% y-o-y compared to 10.5% a year before. The loan-to-deposit ratio increased to 83.1% in November as compared to 77.8% at the beginning of the year.

The interest rate spread stood at 4 pps in November, below its January level of 4.8 pps. The return on average equity in the banking sector was at 20% in November, while for the same month the average return on assets was at 2.5%.

Financial soundness indicators in the banking sector remained satisfactory. For the banking system as a whole, the ratio of liquid assets to short-term liabilities stood at 32.1% in November compared to 34.1% a year before, while the capital adequacy ratio increased to 15.8% from 14.9% over the same period, standing well above the regulatory minimum of 12%. The NPL ratio stood at 2% in November, the same as one year before, partly reflecting the still strong lending growth. In November, existing NPLs were fully covered by loan-loss provisions (144.8%).

### Fiscal developments

On 14 December, the Assembly adopted the 2024 budget, including projections for the

following two years. Annual average growth of budgetary revenue and spending is projected at 6.1% and 5.2% in 2025-2026, respectively. The headline deficit and the deficit as per the fiscal rule definition are set to remain unchanged in 2025, compared to 2024, at 2.7% and 2% of GDP respectively, while they are projected to decline to 1.9% and 1.5% of GDP, respectively in 2026. The budget projects the government's bank balance at 2.8% of GDP in 2024, and slightly lower at 2.6% in 2025, before increasing again to 2.7% of GDP in 2026.

Fiscal developments in the first eleven months were marked by buoyant revenues and under-execution of capital investment. Budgetary revenue increased by 11.8% y-o-y in January-November, partly due to improved tax compliance and some formalisation gains with income from direct and indirect taxes growing by 18.3% and 11% y-o-y, respectively. Among direct taxes, property tax income surged by 38% y-o-y because of the re-evaluation of real estate properties. VAT revenues rose by 12% compared to the same period a year before.

Budget expenditure increased by 6.5% y-o-y in the first eleven months. The largest increase took place in capital spending which rose by nearly 23% y-o-y. However, as the revised 2023 budget assumed an almost doubling of capital spending compared to the outturn of 2022, total public investment by end-November represented only 46% of the annual budget allocation. Current expenditure grew by 5.6% y-o-y on the back of increased spending on goods and services (17%), wages (17%) and utilities (6%), whereas transfers and subsidies fell by 5.1% y-o-y reflecting the gradual withdrawal of support related to the energy crisis. The execution rate of current spending in January-November stood at 80% of the annual plan.

Overall, the eleven-month budget execution resulted in a general government surplus of EUR 251 million (2.6% of projected annual GDP) as compared to a surplus of EUR 120 million in the same period in 2022.

In September, total public debt (including guarantees) decreased to 16.8% of GDP from 20% at the end of 2022. This is well below the projection of the 2023 budget of 23% of GDP. The share of domestic debt held by the Kosovo Pension Saving Trust (KPST) decreased to 47% as compared to 50% in Q3-2022, while the share of commercial bank holdings declined to 23% from 25%. The part held by the Central Bank of Kosovo increased to 22% from 19% a year earlier.

# TABLE

European Commission, ECFIN-D-1



## KOSOVO

		2019	2020	2021	2022	2023	Q2 23	Q3 23	Q4 23	Oct 23	Nov 23	Dec 23
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	2.6	-1.2	19.3	0.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.8	-5.3	10.7	5.2	:	2.4	3.0	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	5.6	2.5	7.3	3.4	:	2.7	3.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	2.9	-7.6	13.0	-3.2	:	5.6	3.6	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	25.6	-0.4	11.0	:	:	11.3	3.0	:	N.A.	N.A.	N.A.
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	25.7	25.9	20.7	12.6	:	:	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	5.2	-4.4	10.4	5.4	:	:	:	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	5.3	-2.3	3.9	7.6	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	4.4	23.8	57.8	22.8	:	-9.1	-10.6	:	-6.9	3.4	:
Imports of goods <sup>3.2</sup>	Ann. % ch	4.5	-5.7	41.1	21.2	:	2.5	3.6	:	7.8	24.9	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-40.3	-38.0	-44.8	-48.0	:	-47.5	-47.2	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	29.3	21.7	33.4	38.5	:	39.2	40.1	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	56.4	53.9	65.2	71.1	:	70.5	70.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-5.7	-7.0	-8.7	-10.3	:	-9.0	-7.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* <sup>3.7</sup>	% of GDP	2.7	4.2	4.0	6.3	:	6.5	5.7	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	937.1	969.1	1,060.9	1,146.8	:	1,359.4	1,385.6	:	1,325.2	1,411.4	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	2.8	3.2	2.5	2.2	:	2.5	2.5	:	2.4	:	:
<b>4 Monetary developments</b>												
HICP <sup>4.1</sup>	Ann. % ch	2.7	0.2	3.3	11.6	4.9	4.9	3.3	2.8	3.3	2.9	2.3
Producer prices <sup>4.2</sup>	Ann. % ch	0.9	-0.6	4.9	9.3	:	-0.9	-12.6	:	N.A.	N.A.	N.A.
Food prices <sup>4.3</sup>	Ann. % ch	8.3	10.1	12.7	31.2	42.3	9.6	5.7	3.4	3.9	3.4	3.0
Broad money liabilities <sup>4.4</sup>	Ann. % ch	12.0	15.3	12.1	11.3	:	15.2	7.7	:	6.0	5.8	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) <sup>4.6</sup>	Index	107.1	107.3	109.8	115.7	:	116.4	117.3	:	118.4	118.3	:
<b>5 Financial indicators</b>												
Short-Term interest rate <sup>5.1</sup>	% p.a.	0.54	N.A.	0.61	N.A.	N.A.	N.A.	N.A.	:	:	:	:
Bond yield <sup>5.2</sup>	% p.a.	3.39	3.59	3.48	3.42	:	N.A.	N.A.	:	:	:	:
Stock markets <sup>5.3</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth <sup>5.4</sup>	Ann. % ch	10.7	7.7	11.2	17.4	:	14.6	13.5	:	13.3	13.4	:
Deposit growth <sup>5.5</sup>	Ann. % ch	12.6	12.2	13.8	10.8	:	16.6	12.3	:	11.1	10.7	:
Non-performing loans <sup>5.6</sup>	% total	2.0	2.7	2.3	2.0	:	2.0	2.0	:	1.9	2.0	:
<b>6 Fiscal developments</b>												
General government revenue** <sup>6.1</sup>	% of GDP	26.8	25.4	27.7	27.9	:	13.5	20.9	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	29.7	33.0	28.9	28.4	:	11.7	18.9	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-2.9	-7.6	-1.2	-0.5	:	1.8	2.0	:	2.3	2.6	:
General government debt*** <sup>6.2</sup>	% of GDP	17.6	22.4	21.5	20.0	:	17.3	16.8	:	N.A.	N.A.	N.A.

\* Q figures refer to a 4 quarters moving average.

\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

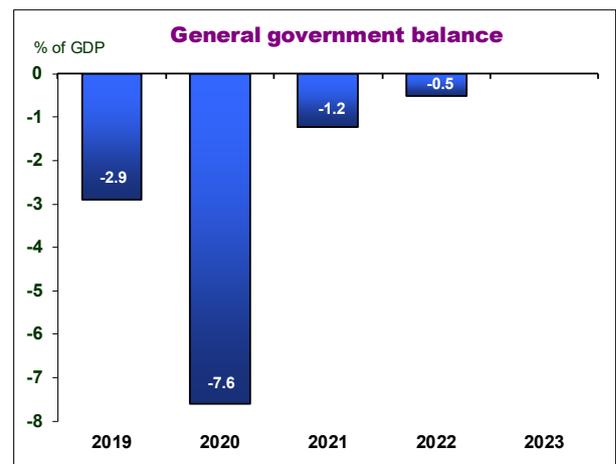
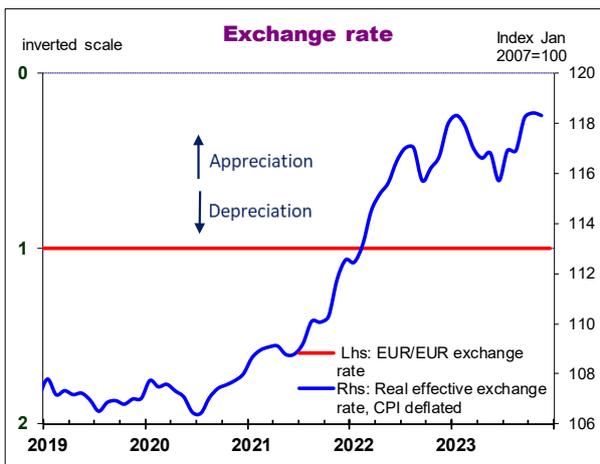
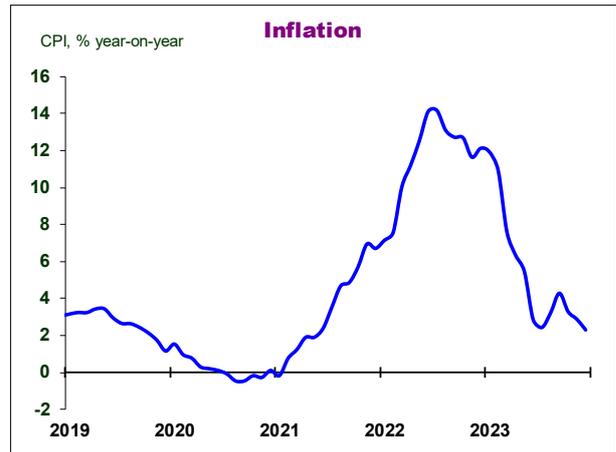
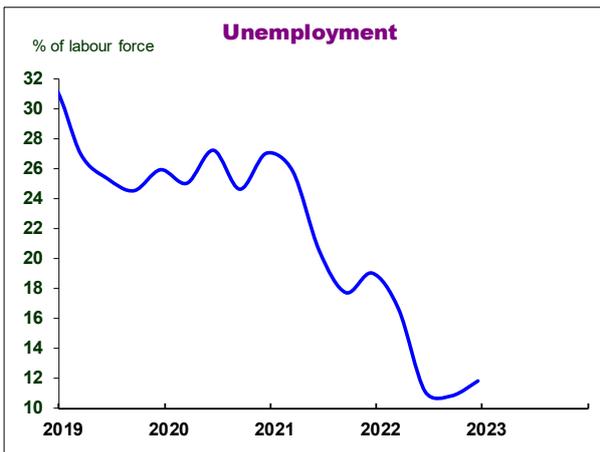
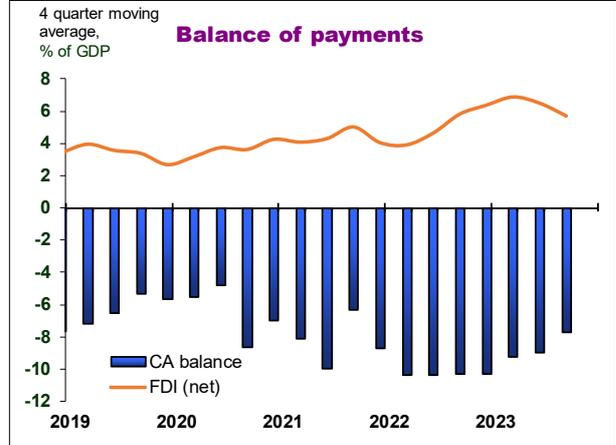
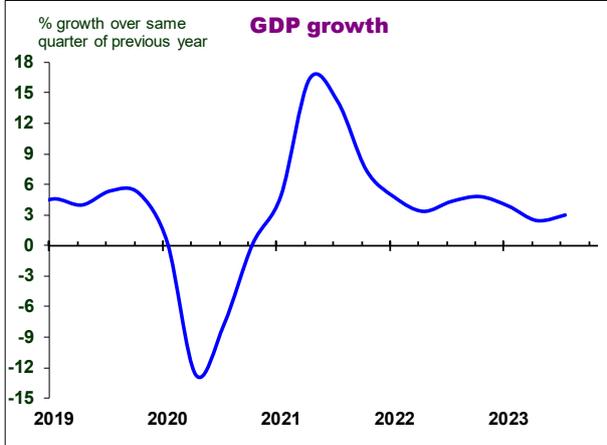
\*\*\* Q figures in percent of estimated annual GDP from the Budget Law.

# CHARTS

European Commission, ECFIN-D-1



## KOSOVO





No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Economic sentiment indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur.Commission
1.2.	Industrial production	Industrial production volume index	INSTAT
1.3.	Gross domestic product	Annual percentage change, volume	INSTAT
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	INSTAT
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	INSTAT
1.6.	Construction index	Annual percentage change, volume index of construction	Eurostat
1.7.	Retail sales	Annual percentage change of index	Eurostat
<b>2. Labour market</b>			
2.1.	Unemployment	Unemployment rate of the age group between 15-64	INSTAT, LFS
2.2.	Employment	Annual percentage change of employed persons age 15-64	INSTAT, LFS
2.3.	Wages	Average monthly wages	INSTAT
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change of global exports, trade in mio. ALL	INSTAT
3.2.	Imports of goods	Annual percentage change of global imports, trade in mio. ALL	INSTAT
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.7.	Direct investment (FDI, net)	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.8.	Reserves, International reserves of the Bank of Albania	Net foreign assets, total, mio EUR	Bank of Albania
3.9.	Reserves / months Imp	Ratio based on annual imports of goods and services	Bank of Albania
<b>4. Monetary developments</b>			
4.1.	CPI	Consumer Prices, all items, year-on year percentage change	INSTAT
4.2.	Producer prices	Year on Year percentage change of index	INSTAT
4.3.	Food prices	Year on Year percentage change of index "Food and Non-alcoholic Beverages"	INSTAT
4.4.	M3	Year on Year percentage change	Bank of Albania
4.5.	Exchange rate ALL/EUR	Period average	Bank of Albania
4.6.	Real effective exchange rate	Index 2007 = 100, CPI deflated, ALL	Bruegel Inst.
<b>5. Financial indicators</b>			
5.1.	Interest rate	Interbank Rates, TRIBOR, 3 Month, fixing	Bank of Albania
5.2.	Bond yield	Interest rate, 36 months deposits in ALL	Bank of Albania
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change of stock, loans, total	Bank of Albania
5.5.	Deposit growth	Annual percentage change of stock, total	Bank of Albania
5.6.	Non-performing loans	Of total loans in %	Bank of Albania
<b>6. Fiscal developments</b>			
6.1.	General gov. rev./exp./balance	Total revenue/expenditure/net lending; cash balance, in percent of GDP	Min. of Finance
6.2.	General government debt	Gross public debt in percent of annual GDP	Min. of Finance

<sup>3</sup> Data extracted via IHS Markit.

# BOSNIA AND HERZEGOVINA Explanatory notes



No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, Index 2010=100, Annual percentage change	Agency for Stat.
1.3.	Gross domestic product	Annual percentage change	Agency for Stat.
1.4.	Private consumption	Annual percentage change, Households, Total, Chain index	Agency for Stat.
1.5.	Gross fixed capital formation	Annual percentage change	Agency for Stat.
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, eop annual percentage change	Agency for Stat.
1.7.	Retail sales	Retail trade, annual percentage change, volume, 2015=100	Agency for Stat.
<b>2. Labour market</b>			
2.1.	Unemployment	Labour Force Survey, in percent of total labour force	Agency for Stat.
2.2.	Employment	Total, annual percentage change	Agency for Stat.
2.3.	Wages	Annual percentage change, average gross wages, BAM	Agency for Stat.
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Agency for Stat.
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Agency for Stat.
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
<b>4. Monetary developments</b>			
4.1.	CPI	All Items, with temporary reductions of prices, index CPPY=100	Agency for Stat.
4.2.	Producer prices	Domestic, total, index CPPY=100	Agency for Stat.
4.3.	Food prices	Annual pc change, food and non-alcoholic beverages, 2005=100	Agency for Stat.
4.4.	M2	Annual percentage change, M2 (broadest money)	Central Bank
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	Central Bank
4.6.	Real effective exchange rate	Index (2010=100); 9 Trade partners selected in order to set up the index (AT, FR, DE, HU, IT, SLO, HR, RS, CH)	Central Bank
<b>5. Financial indicators</b>			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	Sarajevo Stock Exchange
5.4.	Credit growth	Annual percentage change, loans, total, BAM	Central Bank
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM	Central Bank
5.6.	Non-performing loans	NPLs to total loans, BAM, End of period	Central Bank
<b>6. Fiscal developments</b>			
6.1.	General gov. rev./exp./balance	In percent of GDP, consolidated budget	Central Bank
6.2.	General government debt	In percent of GDP, external public debt	Central Bank



No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change	MONSTAT
1.3.	Gross domestic product	Annual percentage change, annual data, chain index. ESA2010 from 2011 onwards, before ESA95.	MONSTAT
1.4.	Private consumption	Annual percentage change, annual data, chain index	MONSTAT
1.5.	Gross fixed capital formation	Annual percentage change, annual data, chain index	MONSTAT
1.6.	Construction index	Annual percentage change, value of performed work, current prices	Central Bank
1.7.	Retail sales	Annual percentage change, turnover, constant prices, total	MONSTAT
<b>2. Labour market</b>			
2.1.	Unemployment	Unemployment rate of the age group between 15-64, e.o.p.	MONSTAT
2.2.	Employment	Annual percentage change of registered employment, avrg.	MONSTAT
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	MONSTAT
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, thou. EUR	MONSTAT
3.2.	Imports of goods	Annual percentage change, thou. EUR	MONSTAT
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	MONSTAT
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
<b>4. Monetary developments</b>			
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	MONSTAT
4.2.	Producer prices	Annual percentage change	MONSTAT
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPY=100	MONSTAT
4.4.	M2	Annual percentage change, M2 (Intermediate money)	WiiW
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Real effective exchange rate	Annual percentage change, CPI deflated	IMF
<b>5. Financial indicators</b>			
5.1.	Interest rate	Treasury Bills, 6 Month, auction, yield, average	Central Bank
5.2.	Bond yield	Long-Term Bond, 10 Year, Yield	Bloomberg
5.3.	Stock markets	MOSTE Index, Close	Mon. Stock Exch.
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	Central Bank
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	Central Bank
5.6.	Non-performing loans	% of total	Central Bank
<b>6. Fiscal developments</b>			
6.1.	General gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance



No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change, volume, excluding construction	State Stat. Office
1.3.	Gross domestic product	Real Gross Domestic Product, Total, Growth Rate (2005), NSA	State Stat. Office
1.4.	Private consumption	Real Final Consumption, Households including NPISH's, Growth Rate (2005), NSA	State Stat. Office
1.5.	Gross fixed capital formation	Real Gross Capital Formation, Growth Rate (2005), NSA	State Stat. Office
1.6.	Construction	Value Added, Economic Activity, Current Prices, MKD	State Stat. Office
1.7.	Retail sales	Annual percentage change, Retail trade, volume, total except fuel	State Stat. Office
<b>2. Labour market</b>			
2.1.	Unemployment	Unemployment rate of the age group between 15-64	State Stat. Office
2.2.	Employment	Annual percentage change of employed persons age 15-64	State Stat. Office
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	State Stat. Office
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, fob	National Bank
3.2.	Imports of goods	Annual percentage change, cif	National Bank
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.8.	Reserves, International reserves of the National Bank	Foreign assets, mio EUR	National Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	National Bank
<b>4. Monetary developments</b>			
4.1.	CPI	Annual average percentage change, HICP not yet available for MK	State Stat. Office
4.2.	Producer prices	Annual percentage change, industrial products	State Stat. Office
4.3.	Food prices	Annual percentage change, food and non alcoholic beverages	State Stat. Office
4.4.	M3	Annual percentage change, M3 (Money supply)	National Bank
4.5.	Exchange rate MKD/EUR	Averages, spot close	National Bank
4.6.	Real effective exchange rate	Index 2005=100, CPI deflated, MKD	IMF
<b>5. Financial indicators</b>			
5.1.	Interest rate	Interbank Rates, SKIBOR, 3 Month, fixing	Macedonian Banking Assoc.
5.2.	Bond yield	Lending rate	IMF
5.3.	Stock markets	MSE Index (MBI-10)	Mac. Stock Exch.
5.4.	Credit growth	Annual percentage change, domestic credit, private, Banks and Saving houses, MKD	National Bank
5.5.	Deposit growth	Annual percentage change, private, Banks and Saving houses, MKD	National Bank
5.6.	Non-performing loans	In percent of total	National Bank
<b>6. Fiscal developments</b>			
6.1.	Central gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	Central government debt	In percent of GDP	Min. of Finance



No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Total, Index, CPPY=100	Statistical Office
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	Statistical Office
1.4.	Private consumption	Annual percent change, Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	Statistical Office
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	Statistical Office
1.6.	Construction index	Annual pc change, Value Index of Performed Works, Total CPPY=100, NSA	Statistical Office
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	Statistical Office
<b>2. Labour market</b>			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition. Data as of 2021 according to new LFS methodology, data prior to 2021 revised according to new methodology	National Bank
2.2.	Employment	Annual percentage change, based on LFS. Data as of 2021 according to new LFS methodology, data prior to 2021 revised according to new methodology	National Bank
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	Statistical Office
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	Statistical Office
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	Statistical Office
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.8.	International reserves NBS	Total, mio EUR	National Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	National Bank
<b>4. Monetary developments</b>			
4.1.	CPI	Consumer Prices, Total, CPPY, average	Statistical Office
4.2.	Producer prices	Annual average percentage change, domestic market	Statistical Office
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	Statistical Office
4.4.	M3	Annual percentage change, M3 (broad money), RSD	National Bank
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	National Bank
4.6.	Real effective exchange rate	Index 2005 = 100, period average, RSD	National Bank
<b>5. Financial indicators</b>			
5.1.	Interest rate	Interbank Rates, BELIBOR, 3 Month, fixing	National Bank
5.2.	Bond yield	Weighted average interest rate on 10Y RSD government bonds	National Bank
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	Belgrade Stock Exchange
5.4.	Credit growth	Annual percentage change, domestic credit, private, RSD	National Bank
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	National Bank
5.6.	Non-performing loans	Gross Non-Performing Loan Ratio	National Bank
<b>6. Fiscal developments</b>			
6.1.	General gov. rev./exp./balance	Consolidated GG, total revenue/expenditure/net lending; overall balance, in percent GDP	Min. of Finance
6.2.	General government debt	Central government debt. In percent of GDP	Min. of Finance



No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change, volume (index 2015)	Turkstat
1.3.	Gross domestic product	Annual percentage change	Turkstat
1.4.	Private consumption	Annual percentage change, index (2009 prices)	Turkstat
1.5.	Gross fixed capital formation	Annual percentage change	Turkstat
1.6.	Construction index	Annual percentage change, construction turnover index, calendar adjusted	Turkstat
1.7.	Retail sales	Retail trade, annual percentage change, volume, calendar adjusted, 2015=100	Turkstat
<b>2. Labour market</b>			
2.1.	Unemployment	In percent of total labour force, total, Labour Force Survey data	Turkstat
2.2.	Employment	Annual percentage change, total, Labour Force Survey data	Turkstat
2.3.	Wages	Annual percentage change, total hourly earnings, Index 2015 = 100	Turkstat
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. USD, fob	Turkstat
3.2.	Imports of goods	Annual percentage change, mio. USD, cif	Turkstat
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to a 4 quarters moving average, direct investment in reporting economy minus direct investment abroad	Central Bank
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR, eop	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
<b>4. Monetary developments</b>			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	Turkstat
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	Turkstat
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	Turkstat
4.4.	M3	Money supply M3, total, TRY	Central Bank
4.5.	Exchange rate YTL/EUR	Period averages	ECB, IMF
4.6.	Real effective exchange rate	Index Jan-2003 = 100, period averages	Central Bank
<b>5. Financial indicators</b>			
5.1.	Interest rate	TLREF: Turkish Lira Overnight Reference Rate. Before 2019: Interbank Rates, TRLIBOR, 3 Month, fixing	Borsa Istanbul
5.2.	Bond yield	Government Benchmarks, 10 Year Bond, Yield	Eurostat, iBoxx
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	Ist. Stock Exch.
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	Central Bank
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	Central Bank
5.6.	Non-performing loans	In percent of total loans	BDDK
<b>6. Fiscal developments</b>			
6.1.	General gov. rev./exp./balance	General government, in percent of GDP	Min. of Treasury and Finance
6.2.	General government debt	In percent of GDP (EU standards; defined by the Ministry of Treasury and Finance)	Min. of Treasury and Finance



No.	Indicator	Note	Source <sup>3</sup>
<b>1.</b>	<b>Real sector</b>		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change	Central Bank
1.3.	Gross domestic product	Annual percentage change	Statistical Office of Kosovo (SOK)
1.4.	Private consumption	Annual percentage change	SOK
1.5.	Gross fixed capital formation	Annual percentage change	SOK, Eurostat
1.6.	Construction index	Not available	
1.7.	Retail sales	Wholesale Trade and Retail Sales, Retail Trade Turnover Value Index, Retail Sale in Non-Specialised Stores, 2013=100, NSA	SOK
<b>2</b>	<b>Labour market</b>		
2.1.	Unemployment	Unemployment rate of the age group between 15-64	SOK
2.2.	Employment	Annual pc change of number of employees, LFS 2012 onwards	SOK
2.3.	Wages	Annual pc change, average monthly wages (Tax Register)	SOK
<b>3.</b>	<b>External sector</b>		
3.1.	Exports of goods	Annual percentage change, thou. EUR	SOK
3.2.	Imports of goods	Annual percentage change, thou. EUR	SOK
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.8.	Reserves, International reserves of the National Bank	CBAK Survey, claims on non-residents, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
<b>4.</b>	<b>Monetary developments</b>		
4.1.	CPI	Annual average percentage change, index (May 2002 = 100)	Central Bank
4.2.	Producer prices	Annual percentage change, total, 2007=100	SOK
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	Central Bank
4.4.	M2	Annual percentage change, M2 (deposits included in broad money)	SOK
4.5.	Exchange rate EUR/EUR	Not applicable	
4.6.	Real effective exchange rate	Index 2007=100, CPI deflated	Central Bank
<b>5.</b>	<b>Financial indicators</b>		
5.1.	Interest rate	Short-Term Treasury Bills yield	Central Bank
5.2.	Bond yield	Long-Term Bonds, over 5 Years up to 10 Years, Yield	Central Bank
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, ODC balance sheet, assets, gross loss and lease financing	Central Bank
5.5.	Deposit growth	Annual percentage change, ODC deposits	Central Bank
5.6.	Non-performing loans	In percent of total	Central Bank
<b>6.</b>	<b>Fiscal developments</b>		
6.1.	General gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance



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(EU Candidate & Potential Candidate Countries' Economic Quarterly)
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