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

1st Quarter 2022

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European Commission
Directorate-General for Economic and Financial Affairs

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

1st Quarter 2022

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

*After the pandemic-induced recession in 2020, the disruptive effects of the COVID-19 crisis have started to subside and economic activity rebounded strongly in the **Western Balkans** in 2021, with the region's GDP expanding by 7.6%, compared to a contraction of 3.3% a year earlier. The recovery benefited from base effects and was supported by the gradual lifting of COVID-19-related containment measures, which led to stronger domestic and external demand. In line with the rebound of economic activity, employment growth returned to positive territory and unemployment rates declined or remained broadly unchanged, while labour force participation increased. The region's current account deficit stood at 4.8% of GDP in 2021, the lowest level in the last ten years, as the strong rebound of services exports and higher remittances inflows generally outweighed the increase in merchandise trade deficits. The economic recovery supported the growth of budget revenues and fiscal deficits narrowed across the Western Balkans in 2021, while the public debt-to-GDP ratio stabilised or decreased in most countries compared to end-2020. Russia's invasion of Ukraine in February is expected to have a negative impact on Western Balkan economies through various transmission channels. In particular, sustained increases in energy, food and transport prices are fuelling a further acceleration in inflation, which prompted the region's central banks with monetary autonomy to start raising the policy rate following an extended period of accommodative monetary policy stance.*

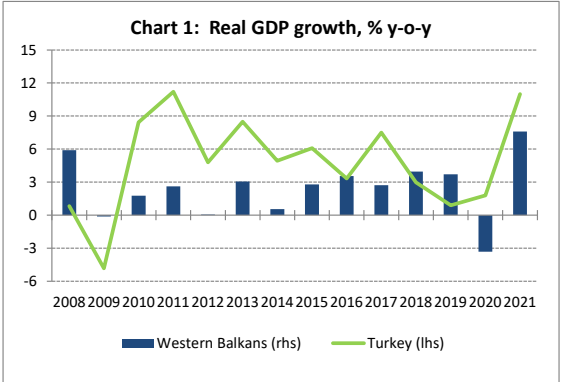
*In **Turkey**, real GDP expanded by 11% in 2021, propped up by base effects and strong stimulus measures, and supported by robust external demand. The 4-quarter rolling average current account deficit increased to 2.7% of GDP in February compared to 1.7% in 2021 as a whole. Despite very high inflation exceeding 60% and increasing inflation expectations, the central bank has kept its policy rate unchanged at 14% since December. As a result of Russia's invasion of Ukraine, the lira had lost around 8% of its value against the US dollar in the first three weeks of the war, before stabilising in mid-March*

The gradual lifting of COVID-19-related containment measures, stronger domestic and external demand as well as base effects supported a vigorous economic rebound of the **Western Balkan** economies in 2021. Despite decelerating somewhat in the fourth quarter (7.0% y-o-y), the *Serbian* economy expanded at a robust pace of 7.4% in 2021. The rebound was driven by sustained increases in household and public consumption and investment as well as higher inventories that were only partially offset by the substantial negative contribution of net exports to growth. In *Albania*, the rebound of economic activity also moderated in the fourth quarter of 2021 with real GDP expanding by 5.5% y-o-y after a growth rate of 6.8% in the preceding quarter, bringing annual output growth in 2021 to 8.3%. The expansion was mainly on the back of external demand, a surge in investment and solid increases in public and private

consumption. In *North Macedonia*, year-on-year growth slowed to 2.3% in the fourth quarter, while pent-up domestic demand led annual economic output to increase by an estimated 4% in 2021, compared to a contraction of 6.1% in 2020. In *Bosnia and Herzegovina*, economic growth accelerated to 7.6% y-o-y in the fourth quarter, resulting in real GDP growth of 7.1% in 2021 after a drop of 3.2% in 2020. Output growth was largely driven by household consumption and exports. In *Montenegro*, although the economic expansion lost some steam in the last quarter of the year, real GDP soared by 12.4% in 2021, driven by base effects following the large contraction in 2020, and supported by a positive contribution to growth from net exports, in particular rebounding tourism, and household consumption. *Kosovo's* economy rebounded strongly with real GDP growing by an estimated 10.5%, mainly driven by an extraordinary expansion of exports as diaspora travel resumed, a

solid increase in investment and public consumption as well as a strong rise in household consumption, the latter supported by large inflows of remittances and high social transfers. Overall, the **Western Balkan** region's GDP expanded by 7.6% in 2021, more than offsetting the 3.3% output drop registered in 2020 (Chart 1).

In **Turkey**, although the growth momentum slowed down on a quarter-on-quarter basis in the fourth quarter of the year, GDP growth surged by 11% in 2021, benefitting from base effects and strong stimulus measures while solid external demand also supported economic growth. However, following Russia's invasion of Ukraine in February, consumer confidence fell to 95.7 in March while manufacturing PMI fell below the neutral threshold of 50.0 points to 49.4 for the first time in about a year, and industrial production dropped by 2.4% on a month-on-month basis in January.

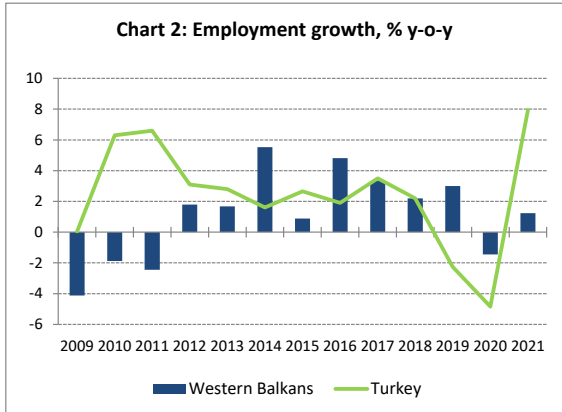


Source: IHS DataInsight, Commission calculations

In line with the recovery of economic activity, job growth turned positive in the **Western Balkans** in 2021. The average rate of employment growth stood at 1.2%¹, compared to a decline of 1.5% in 2020 (Chart 2). This led unemployment rates to fall or remain broadly the same while labour force participation increased. Still, jobless rates remained high,

ranging from 11.0% in **Serbia** to 25.8% in **Kosovo** (the latter reflects the latest available data from the first quarter of 2021).

Also in **Turkey**, the economic rebound continued to support the recovery of the labour market in 2021. Employment jumped by 7.9% compared to a drop of 4.8% in 2020, while the unemployment rate declined to 12.0% from 13.1% a year earlier. However, the labour market recovery lost pace in early 2022. Notwithstanding the slight decrease of the seasonally adjusted unemployment rate to 10.7% in February, the labour force participation and employment rates fell somewhat since the end of last year.



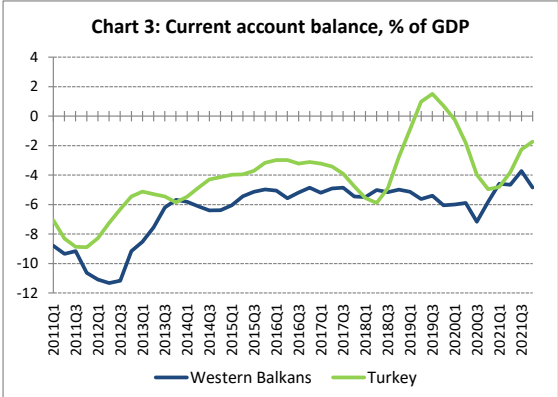
Source: IHS DataInsight, Commission calculations

External developments in the **Western Balkans** during 2021 were driven by the strong rebound of services exports (namely tourism), the robust growth of remittances as well as the continued growth of exports of goods in most countries. At the same time, imports of goods also increased at a fast pace which led to higher merchandise trade deficits as a percentage of GDP in most countries of the region. Compared to the year before, the current account deficit narrowed or remained broadly unchanged as a per cent of GDP in **Albania, Montenegro, Bosnia and Herzegovina** and **North Macedonia** whereas it widened in **Serbia** and **Kosovo**. Overall, the current account deficit in the **Western Balkans** stood at 4.8% of

¹ This figure does not include **Kosovo** for which yearly data were not available by the cut-off date for this report.

GDP in 2021, compared to 5.8% the year before, the lowest level in the last ten years (Chart 3). The deficits continued to be financed mostly by net FDI inflows, which increased as a percentage of GDP in *North Macedonia, Bosnia and Herzegovina* and *Serbia* while they remained broadly unchanged in *Albania* and *Montenegro*.

In *Turkey*, the 12-month cumulative current account deficit widened to 2.7% of GDP in February compared to 1.7% in 2021 as the strong growth of imports, mainly due to rising energy and other commodity prices, more than offset the solid increase in exports of goods and the continued recovery of the balance in trade in services, the latter on the back of strong base effects and the gradual removal of travel restrictions. Official reserves decreased to USD 66.9 billion in the beginning of April from USD 72.6 billion at end-2021.



Source: IHS DataInsight, Commission calculations

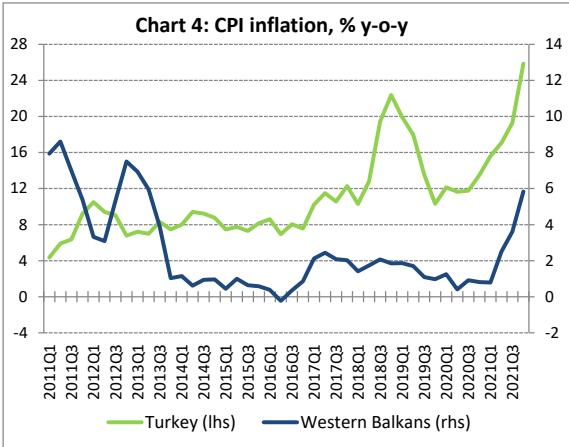
The recovery in aggregate demand as well as sustained increases in energy, food and transport prices fuelled an acceleration in inflation across the *Western Balkan* region in 2021 and early 2022. Strengthening inflation dynamics triggered monetary tightening in countries with an independent monetary policy. In *Serbia*, average annual consumer price inflation accelerated to 4.1% in 2021 (up from 1.6% in 2020) and reached 9.1% y-o-y in March 2022, thus significantly exceeding the upper bound of the central bank’s target

tolerance band of 3%±1.5 pps. for the seventh month in a row. The central bank of *Serbia* decided on 7 April to raise its key policy rate by 50 bps. to 1.5% after keeping it at the record-low level of 1.0% for 16 months. It also remained an active participant on the foreign exchange market, with total net sales of EUR 2.1 billion in the first quarter of 2022. In *Albania*, consumer price inflation averaged 2.0% in 2021, slightly up from 1.6% in 2020, and it accelerated to 4.4% y-o-y in the first quarter of 2022, thus well above the 3% inflation target for the first time in years. In March, the *Bank of Albania* raised its key policy rate by 50 bps. to 1.0% after keeping it at the record low of 0.5% for two years. It also continued to intervene on the money market with liquidity injections in the last two quarters of 2021. In *North Macedonia*, annual CPI inflation averaged 3.2% in 2021, up from 1.2% a year earlier, and it rose to 7.7% y-o-y in the first quarter of 2022. On 13 April, the central bank raised the key policy rate by 25 bps. to 1.5% after having it kept unchanged since March 2021.

After registering deflation in 2020, in *Montenegro* and *Bosnia and Herzegovina*, annual consumer price inflation averaged 2.5% and 2.0%, respectively in 2021 while it rose further to 6.4% and 8.1% respectively, in February. In both countries, upward price pressures came from food and transport prices combined with hotels and restaurant services in the case of *Montenegro* and non-alcoholic beverages in the case of *Bosnia and Herzegovina*. In *Kosovo*, average consumer price inflation picked up to 3.3% in 2021, also due to a one-off rise in communication costs, while it continued its upward trajectory in the first two months of 2022, reaching 7.5% y-o-y in February. Overall, annual CPI inflation in the *Western Balkan* region averaged 5.8% in the fourth quarter of 2021 up from 0.8% a year earlier (Chart 4).

In *Turkey*, inflation surged to 61.1% y-o-y in March, the highest level in decades as food and energy inflation reached new highs, driven by increasing global commodity prices and the weak lira. Despite rising inflation and inflation

expectations, the central bank has kept its policy rate unchanged at 14% since it had reduced it by a cumulative 500 bps. between September and December 2021. As a result of Russia’s invasion of Ukraine, the lira had lost around 8% of its value against the US dollar in the first three weeks of the war, before stabilising in mid-March. The 5-year CDS spread reached a multi-year peak of 692 bps. in early March before receding somewhat in the second half of the month.



Source: IHS DataInsight, Commission calculations

In 2021, annual credit growth decelerated in *Serbia* and *North Macedonia* whereas it picked up in other **Western Balkan** countries. The upturn in economic activity and the continuation of some regulatory measures to support the flow of credit helped annual loan growth to accelerate further in most countries of the region in January and February 2022. For the same period, in most countries credit to households grew faster than corporate lending. The share of non-performing loans (NPLs) in total loans fell further or remained broadly stable in most **Western Balkan** countries. The NPL ratio in *Montenegro* stood at 6.7% in February 2022. In *Bosnia and Herzegovina*, it declined to 5.8% at the end of 2021 followed by *Albania* (at 5.7%, 2.7 pps. lower than its pre-pandemic level) and *Serbia* (3.5%). Nevertheless, since most central banks have allowed some regulatory relaxation in order to

bolster bank lending, the NPL figures might not yet reflect the full impact of the pandemic-induced crisis on the financial sector.

In **Turkey**, at end-2021 credit growth was close to zero in real terms due to inflation, the high base effect and the expiration of the credit support schemes offered by the government in 2020 to soften the COVID-19 impact. As their capital adequacy remained lower, in March the Turkey Wealth Fund injected TRY 51.5 billion additional capital in several state-owned banks. The NPL ratio decreased to 3.0% in February from 4.0% a year earlier.

In 2021, the rebound in tax revenues due to stronger economic activity, combined with underperforming capital expenditure, supported the narrowing of fiscal deficits and over-performance against budget plans across the **Western Balkan** region. In *Serbia*, the budget shortfall decreased to 4.1% of GDP, 0.8 pps. lower than the revised target due to lower current and capital expenditure, partially offset by higher net budget loans. In *Albania*, a substantially higher than projected nominal GDP combined with the under-execution in capital spending and strong revenue performance, resulted in a budget deficit of 4.5% of GDP, 2.3 pps. lower than planned. In *Montenegro*, the budget shortfall narrowed very substantially to 1.9% of GDP, supported by the strong recovery of economic activity and significant underspending on investment. In *North Macedonia*, the budget deficit amounted to 5.4% of GDP in 2021, 1.1 pps. lower than the revised target, mainly due to increased tax revenue, in particular VAT receipts, as well as capital expenditure under-execution. In *Kosovo*, despite the fact that the level of current spending remained broadly the same as in 2020, preliminary data show that the budget shortfall decreased to 0.8% of GDP according to the fiscal rule’s definition (1.4% of GDP for the headline deficit), mainly driven by large increases in direct and indirect tax proceeds as well as the underperformance of public investment. In *Bosnia and Herzegovina* the

budget shortfall is estimated at 0.9% of GDP mainly as a result of higher VAT income. The general government debt ratio stabilised or decreased in most countries in the region in 2021, partly reflecting recovering nominal GDP. At end-2021, the debt ratio was the highest in *Montenegro* (83.3% of GDP), albeit significantly lower compared to end-2020, followed by *Albania* (73.2%) and *Serbia* (51.6% at end-February).

In *Turkey*, the central government budget deficit stood at TRY 192.2 billion (2.7% of

GDP) in 2021, more than 20% below the plan. In the first two months of 2022, the substantial increase in tax income and the advance transfer of the central bank's annual profit, as well as below-inflation increases in treasury aid and compensation of employees, resulted in a cumulative budget surplus of around 0.8% of projected GDP. Government debt rose to 42.0% of GDP in 2021, compared to 39.7% at end-2020, mainly driven by the large lira depreciation.

Candidate and potential candidate countries: Summary table

	2017	2018	2019	2020	2021	ECFIN 2021 Autumn forecast		Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
						2022	2023						
Gross domestic product (in real terms, annual % change)													
Albania	3.8	4.0	2.1	-3.5	8.3	3.7	3.6	6.8	5.5	:	N.A.	N.A.	N.A.
North Macedonia	1.2	2.8	3.9	-6.1	4.2	3.9	3.7	3.0	2.3	:	N.A.	N.A.	N.A.
Montenegro	4.7	5.1	4.1	-15.3	12.4	6.4	3.2	25.8	8.2	:	N.A.	N.A.	N.A.
Serbia	2.1	4.5	4.3	-0.9	7.4	4.3	4.3	7.6	7.0	:	N.A.	N.A.	N.A.
Turkey	7.5	3.0	0.9	1.8	11.0	4.0	4.0	7.5	9.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	3.0	3.3	2.8	-3.2	7.1	:	:	6.9	7.6	:	N.A.	N.A.	N.A.
Kosovo	4.8	3.4	4.8	-5.3	10.5	:	:	14.5	6.4	:	N.A.	N.A.	N.A.
Unemployment													
Albania	14.1	12.8	12.0	12.2	12.1	11.0	10.3	11.6	11.9	:	N.A.	N.A.	N.A.
North Macedonia	22.6	21.0	17.5	16.6	15.8	15.1	14.6	15.9	15.3	:	N.A.	N.A.	N.A.
Montenegro	16.4	15.5	15.4	18.4	16.9	18.5	17.2	15.0	15.7	:	N.A.	N.A.	N.A.
Serbia	14.5	13.7	11.2	9.7	11.0	10.0	9.2	10.5	9.8	:	N.A.	N.A.	N.A.
Turkey	10.9	10.9	13.7	13.1	12.0	12.6	12.2	11.7	11.0	:	12.1	11.4	:
Bosnia and Herzegovina	20.5	18.4	15.7	15.9	17.4	:	:	16.4	16.1	N.A.	N.A.	N.A.	N.A.
Kosovo	30.5	29.6	25.7	25.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* (% of GDP)													
Albania	-7.5	-6.8	-7.9	-8.7	-7.9	-7.3	-7.1	-6.6	-7.7	:	N.A.	N.A.	N.A.
North Macedonia	-1.0	-0.1	-3.3	-3.4	-3.5	-2.6	-2.2	-1.2	-3.5	:	N.A.	N.A.	N.A.
Montenegro	-16.1	-17.0	-14.3	-26.1	-9.2	-15.8	-16.8	-10.1	-9.2	:	N.A.	N.A.	N.A.
Serbia	-5.2	-4.8	-6.9	-4.1	-4.4	-4.3	-4.1	-3.0	-4.4	:	N.A.	N.A.	N.A.
Turkey	-4.8	-2.8	0.7	-5.0	-1.7	-2.2	-1.6	-2.3	-1.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-4.8	-3.3	-2.8	-3.8	-2.1	-12.9	-5.9	-2.3	-2.1	:	N.A.	N.A.	N.A.
Kosovo	-5.5	-7.6	-5.7	-7.0	-9.2	:	:	-6.0	-8.6	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	2.0	2.0	1.4	1.6	2.0	2.8	2.7	2.4	3.1	4.4	3.7	3.9	5.7
North Macedonia	1.4	1.5	0.8	1.2	3.2	2.1	1.8	3.6	4.6	:	6.7	7.6	8.8
Montenegro (HICP)	2.8	2.9	0.5	-0.8	2.5	2.5	1.5	3.7	4.3	:	5.4	6.4	:
Serbia	3.1	2.0	1.8	1.6	4.1	3.6	2.6	4.4	7.3	:	8.3	8.8	:
Turkey	11.1	16.3	15.2	12.3	19.6	17.7	15.4	19.3	25.8	54.8	48.7	54.4	61.1
Bosnia and Herzegovina	1.3	1.4	0.6	-1.1	2.0	:	:	2.4	5.3	:	7.0	8.1	:
Kosovo	1.5	1.1	2.7	0.2	3.3	:	:	4.3	6.4	:	7.1	7.5	:
General government balance** (% of GDP)													
Albania	-2.0	-1.6	-1.9	-6.7	-4.5	-4.0	-3.5	-0.4	-2.7	:	N.A.	N.A.	N.A.
North Macedonia	-2.7	-1.8	-2.0	-8.2	-5.4	-4.9	-4.3	-1.2	-2.0	:	N.A.	N.A.	N.A.
Montenegro	-5.3	-3.9	-2.0	-11.1	-1.9	-0.5	0.2	2.3	-0.7	:	N.A.	N.A.	N.A.
Serbia	1.1	0.6	-0.2	-8.0	-4.1	-2.7	-1.6	-0.5	-3.1	:	N.A.	N.A.	N.A.
Turkey	-2.0	-2.8	-3.2	-2.9	:	-3.5	-3.1	-0.6	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.6	2.2	1.9	-5.3	:	:	:	1.2	:	:	N.A.	N.A.	N.A.
Kosovo	-1.3	-2.9	-2.9	-7.6	-1.4	:	:	2.0	-2.7	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Autumn 2021 published November 2021.

* Q figures refer to a 4 quarters moving average.

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

ALBANIA



Key developments

On 31 January, the government submitted to the European Commission its Economic Reform Programme for 2022-2024. It foresees economic growth to average around 4% in 2022-24. The macroeconomic scenario could not yet take into account the impact of Russia's invasion of Ukraine, in particular on export dynamics and inflation. The programme targets fiscal consolidation of moderate pace, largely based on a strong reduction of capital expenditure in 2023, and a positive primary balance from 2024.

Albania's government established a "Transparency Board", which sets retail commodity prices based on fixed profit margins as an effort to curb speculation with international commodity prices.

The first budgetary amendment in 2022 included a provision of around EUR 230 million (called "Social Resistance Package" of ALL 26 billion, 1.8% of GDP) to keep administered electricity prices stable for households and SMEs, as prices for imported electricity are rising, and to provide additional support to vulnerable households and farmers for facing the increasing fuel and food prices.

Real sector

The rebound of the Albanian economy continued in Q4-2021 with 5.5% y-o-y real GDP growth, after 6.8% y-o-y in Q3. The deceleration partly reflects base effects from the positive growth rate in Q4-2020. Private and public consumption rose broadly at the same pace as in Q3, by 5.5% and 6.8%, respectively. Investment surged by 15.6%, contributing to the strong growth in goods imports (+32.9% y-o-y). Exports (+24.4% y-o-y) remained a key driver of growth.

On the production side, construction (1.8 pps.) and trade and real estate activities (1 and 0.8 pps.) provided the largest contributions to GDP growth.

After a period of recovery during most of 2021 to above its historical average, the economic sentiment indicator declined in January and February 2022, dragged down by a cross-sectoral loss of confidence. In particular, consumer and construction confidence

weakened, while all sectors expect price increases.

Labour market

The recovery of the labour market came to a halt with the unemployment rate (age group 15-64) rising slightly from 11.6% in Q3 to 11.9% Q4, and the youth unemployment rate (age group 15-29) edging up from 19.9% to 20.1% in the same period. However, both rates remained below their level in Q4-2020. The average annual rate in 2021 was 12.1%, just about the same as in 2019. Total employment increased by 2.1% y-o-y in Q4 (age group 15-64) after growing by 0.2% in Q3. In contrast to Q2 and Q3, employment in services picked up in Q4 with its growth rate of 7.2% almost equalling that of industrial employment (7.5%), while employment in agriculture continued to decrease, by 5.5%.

The number of inactive persons strongly decreased (-6.21% y-o-y), and the participation rate continued to slightly increase to 70.4 % in Q4 (from 70.1% in Q3), exceeding the corresponding 2019 level.

Total nominal annual wage growth continued to accelerate from 6.9% in Q3 to 8.4% in Q4, driven by wages in the private sector, which were up by 10.2% y-o-y. Services and trade recorded the highest increases; however, average gross wages in these sectors remained below the national average.

External sector

In 2021, the current account deficit narrowed by 1 pp. from 2020, to 7.7% of GDP, as the widening of the merchandise trade deficit by 2.3 pps. was outweighed by the surplus in services increasing by 3.6 pps. to 11.5% of GDP. Both the primary balance deficit and the secondary balance surplus decreased slightly. Remittances grew by 11.7% y-o-y but their share in GDP decreased slightly to from 5% to 4.9%. Driven by the strong recovery of tourism (exports of travel services were up by 91.5% y-o-y) and by the continuing rebound of merchandise exports (57.5% y-o-y), total exports grew by 55% y-o-y, exceeding their pre-crisis level. Services imports surged by 42.4% y-o-y while goods imports grew by 33.3% y-o-y,

which resulted in an overall import growth of 35.5% y-o-y in 2021. The shares of total exports and imports in GDP increased to 30.6% and 43.9% of GDP respectively.

Net FDI inflows recorded y-o-y growth of 9.5% in 2021, but their nominal value remained slightly below pre-crisis levels. Net FDI accounted for 6.4% of GDP, down from 6.7% one year earlier. Net FDI coverage of the current account deficit increased to 83.5%, exceeding 2020 levels but still below the 95.2% in 2019. Foreign reserves increased to EUR 4.9 billion in Q4-2021 from EUR 4.2 billion in Q3, while their coverage of average imports increased from 8.2 to 8.8 months.

Monetary developments

Inflation continued to increase, from average 3.1% in Q4-2021 to 4.4% in Q1-2022, 5.7% driven by strong demand and surging food prices, aggravated by the impact of the invasion of Ukraine on cereals, edible oils and fuel costs in March, when the inflation rate rose to 5.7%. The Bank of Albania (BoA) expects these inflationary pressures to continue and began to normalise gradually its extraordinary accommodative policy stance, which had remained unchanged since March 2020. On 23 March 2022, it increased the policy rate by 0.5 pps. to 1.0% and the overnight lending rate by 1 pp. to 1.9%, while it kept the overnight deposit rate unchanged at the current level of 0.1%.

Growth of monetary aggregate M3 decelerated from 9.6% y-o-y in January to 8.9% in February. The lek's exchange rate slightly appreciated in Q4 to 121.5 lek/euro. The BoA continued to provide liquidity to the market in similar amounts as in Q3.

The ECB has decided to extend its temporary bilateral repo line to the Bank of Albania until 15 January 2023, which is one of several such arrangements for countries in the region due to expire at the end of March 2022. These bilateral lines were established in 2020 to provide euro liquidity in the presence of market dysfunctions due to the COVID-19 pandemic.

Financial sector

Lending to the private sector increased by 11.8% y-o-y in February, supported by low risk premia, which facilitated easing of lending standards. The growth of credit to enterprises accelerated to 9.1% y-o-y in Q4, but in contrast to previous quarters, it was more strongly driven by liquidity

needs than by investment purposes. Credit to households also continued to grow, by 11.6% (0.7 pps. higher than in Q3), mainly driven by mortgage loans, for which conditions eased. The rising trend in credit growth was mainly supported by lending in lek, although its annual growth slightly decelerated compared with the first half of 2021, to 9.7% in Q4. Rising foreign currency deposits, driven by higher remittances and the recovery of tourism, have stimulated foreign currency loans, whose growth picked up to 10.2% y-o-y in Q4. Growth of deposits accelerated overall from 9.8% in Q3 to 10.3% in Q4, mainly driven by household savings.

Average interest rates remained broadly stable in Q4 with slight increases for new loans in lek for enterprises, to 5.7% and for household mortgages to 3.6%, while for consumer credit loan rates decreased to 7.9% in Q4, from their long-term average of 8.3%. Interest rates for loans in euro also increased slightly from 4.4% to 4.6% for enterprises and remained close to their annual average for households. Deposit rates fluctuated marginally and averaged 0.7% (-0.05 pps. q-o-q) for lek and 0.2% (+0.05 pps. q-o-q) for new time deposits in euro.

The banking sector's capital adequacy ratio decreased in Q4 by 0.3 pps. q-o-q to 18% whereas the liquidity ratio increased to 13.3% in December. The ratio of non-performing loans to total loans fell to 5.7% in Q4, 2.7 pps. below the corresponding 2019 value. Bank profitability indicators improved strongly in 2021 and remained stable in Q4 compared with Q3 (RoA: 1.4%, RoE: 12.9%) but are not yet back to 2019 levels.

Fiscal developments

The fiscal deficit in 2021 turned out 2.3 pps. lower than planned, at 4.5% of GDP, because of strong revenue growth, underspending of the very ambitious capital budget and a substantially higher nominal GDP than projected. Notwithstanding a Eurobond issuance to pre-finance the 2022 balance, and additional public guarantees for the state-owned electricity distributor to keep the administered electricity prices stable, this led to a decrease in the debt-to-GDP ratio to 73.2%, much below the earlier estimate of 80.1%.

TABLE



European Commission, ECFIN-D-1

ALBANIA

							ECFIN 2021 Autumn forecast							
		2017	2018	2019	2020	2021	2022	2023	Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
1 Real sector														
Industrial confidence ^{1.1}	Balance	1.5	-0.6	-0.6	-16.2	:	:	:	:	:	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	8.4	9.7	5.6	-10.1	24.2	:	:	12.2	17.7	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.8	4.0	2.1	-3.5	8.3	3.7	3.6	6.8	5.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	2.6	3.1	3.3	-3.5	4.4	3.5	3.3	5.3	5.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	6.0	2.3	-3.6	-1.1	19.9	3.0	2.1	4.8	16.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	19.6	5.6	-2.5	9.5	18.0	:	:	1.0	22.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	2.4	1.8	4.2	1.0	5.3	:	:	4.3	3.6	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	14.1	12.8	12.0	12.2	12.1	11.0	10.3	11.6	11.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.7	2.1	2.4	-1.9	-0.4	1.7	1.6	0.2	2.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	3.0	3.1	3.8	2.7	6.3	:	:	6.9	8.4	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	12.1	13.7	-3.8	-9.0	35.6	:	:	28.5	33.4	:	47.5	50.5	:
Imports of goods ^{3.2}	Ann. % ch	8.1	2.4	1.2	-6.8	32.3	:	:	28.0	38.8	:	21.1	31.5	:
Trade in goods balance* ^{3.3}	% of GDP	-24.4	-22.4	-22.9	-22.8	-25.4	-22.6	-22.6	-24.0	-25.4	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	31.6	31.6	31.3	23.1	31.4	:	:	30.1	31.4	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	46.7	45.4	45.0	37.9	45.0	:	:	42.7	45.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.5	-6.8	-7.9	-8.7	-7.9	-7.3	-7.1	-6.6	-7.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.6	8.0	7.5	6.7	6.6	:	:	6.2	6.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	2,996	3,399	3,360	3,942	4,972	:	:	4,205	4,972	:	4,981	5,015	:
Int. reserves / months Imp ^{3.9}	Ratio	6.7	7.0	6.5	9.6	8.8	:	:	8.2	8.8	:	N.A.	N.A.	N.A.
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.0	2.0	1.4	1.6	2.0	2.8	2.7	2.4	3.1	4.4	3.7	3.9	5.7
Producer prices ^{4.2}	Ann. % ch	2.8	1.6	-0.8	-3.4	2.7	:	:	4.3	5.6	:	:	:	:
Food prices ^{4.3}	Ann. % ch	3.9	2.7	2.9	3.6	3.9	:	:	4.4	5.1	7.6	6.7	6.9	9.3
M3 ^{4.4}	Ann. % ch	0.3	-0.2	4.3	10.5	8.6	:	:	9.7	8.6	:	9.6	8.9	:
Exchange rate ALL/EUR ^{4.5}	Value	134.14	127.58	123.00	123.74	122.45	:	:	121.83	121.52	121.90	121.42	121.32	122.96
Real effective exchange rate ^{4.6}	Index	97.8	104.9	108.6	110.6	112.4	:	:	113.0	112.6	:	111.0	110.6	:
5 Financial indicators														
Interest rate (3 months-TRIBOR) ^{5.1}	% p.a.	2.15	1.83	1.45	1.46	1.39	:	:	1.29	1.36	1.35	1.33	1.33	1.39
Bond yield ^{5.2}	% p.a.	2.07	2.20	1.76	1.63	1.63	:	:	1.58	1.73	:	1.60	1.82	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	-0.1	-1.7	3.0	6.1	6.9	:	:	6.7	9.9	:	9.6	10.9	:
Deposit growth ^{5.5}	Ann. % ch	1.0	-1.2	2.5	5.8	8.5	:	:	9.6	9.6	:	10.8	10.1	:
Non performing loans ^{5.6}	% total	13.2	11.1	8.4	8.1	5.7	:	:	6.5	5.7	:	5.5	:	:
6 Fiscal developments														
General government balance** ^{6.1}	% of GDP	-2.0	-1.6	-1.9	-6.7	-4.5	-4.0	-3.5	-0.4	-2.7	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	70.2	67.7	65.8	74.5	73.2	74.9	73.9	69.4	74.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2021 published November 2021

* Q figures refer to a 4 quarters moving average.

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

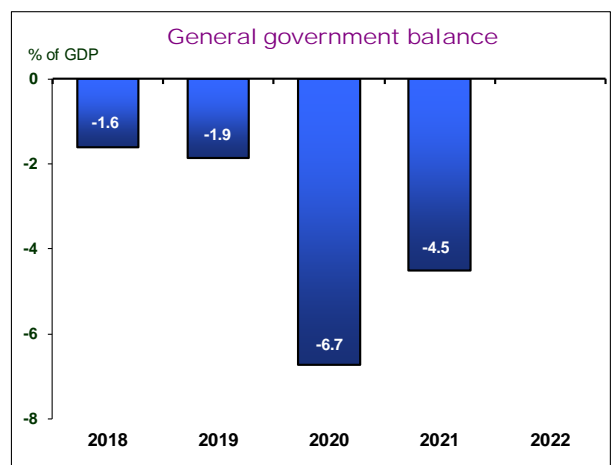
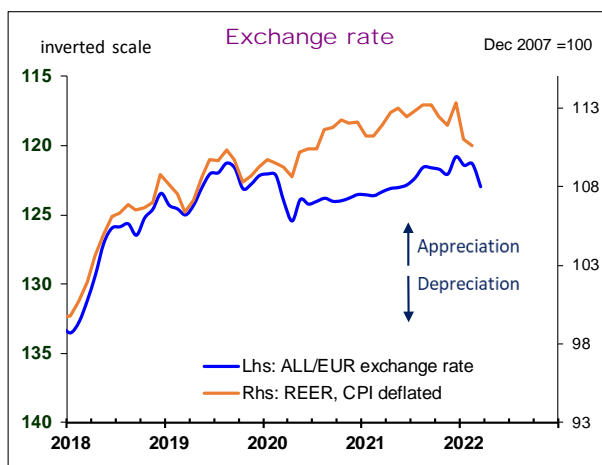
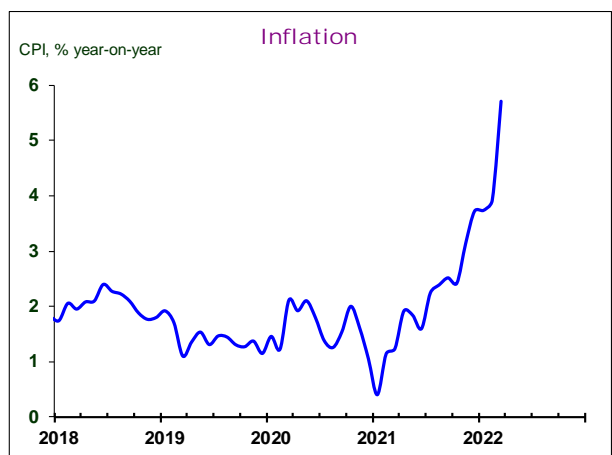
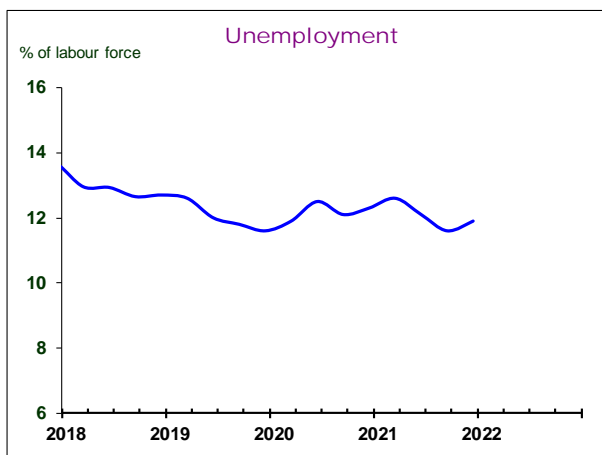
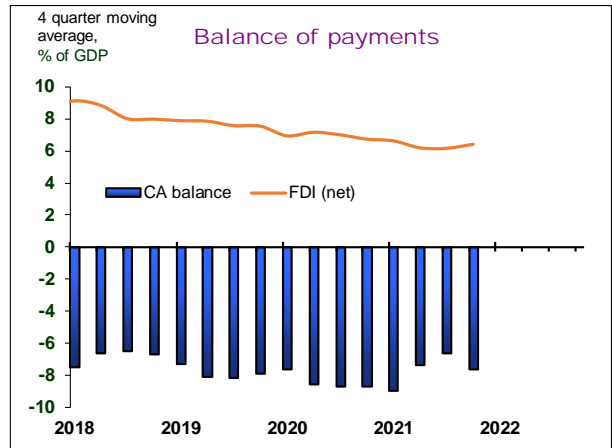
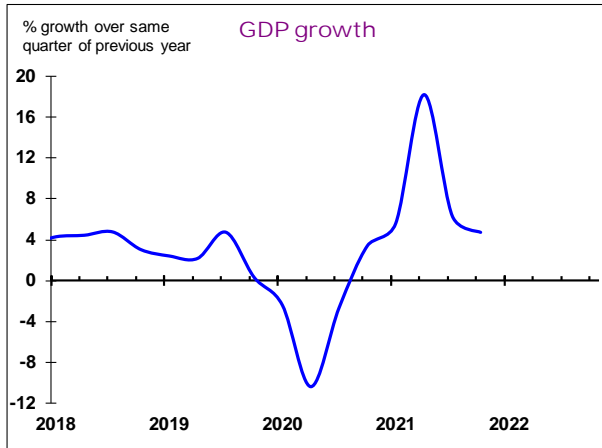
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



ALBANIA





Key developments

On 31 January 2021, the government submitted to the European Commission its Economic Reform Programme (ERP) 2022-2024. The programme, prepared before Russia's invasion of Ukraine, foresees real GDP to recover to its pre-COVID-19 crisis level in 2022, and to maintain robust growth afterwards. The economy is set to benefit from a strong fiscal stimulus in 2022, which would increase the deficit to 5% of GDP in 2022, followed by a gradual fiscal consolidation in the next two years based on expenditure retrenchment.

On 4 February 2022, Prime Minister Zdravko Krivokapić's coalition government fell following a vote of no confidence in Parliament 14 months after the government was formed. On April 20, PM-designate Abazovic called the parliament to hold a session to vote on the new government, relying on the support of 46 out of 81 MPs.

On 4 March, Standard&Poor's affirmed Montenegro's 'B/B' long- and short-term foreign and local currency sovereign credit ratings. The stable outlook reflects the agency's view that economic growth will remain solid and support a gradual consolidation of public finances. However, the recent collapse of the coalition government raises uncertainty about economic and budgetary reforms.

On 7 March, Montenegro's digital transition picked up with the first commercial deployment of 5G telecom services. The rollout of the 5G network started in the capital, Podgorica, and it is planned to be extended to the coastal areas in summer.

Real sector

The seasonal decline of tourism activity accompanied a deceleration of GDP growth in the last quarter of the year. Thus, in Q4-2021, the pace of economic expansion moderated to 8.2% y-o-y, compared to 25.8% y-o-y in Q3, bringing full-year GDP growth to 12.4%. The expansion of the economy was driven by net exports and private consumption. Thus, in Q4, growth in exports of goods and services eased to a still-strong 50.3% y-o-y, after surging by

186.2% y-o-y in Q3 thanks to the recovery of tourism. Imports growth eased to 18.0% y-o-y in Q4, down from 35.2% y-o-y in the previous quarter. Robust employment and improving economic activity supported private consumption growth, which accelerated to 5.6% y-o-y in Q4 from 4.8% y-o-y in Q3. In contrast, the phasing out of COVID-19 public support measures was reflected in the slowdown in government consumption, which grew by 1.2% y-o-y in Q4, compared to 2.3% y-o-y in the previous quarter. Investment activity remained weak, declining by 15.6% y-o-y in Q4 after contracting 9.5% y-o-y in Q3.

Industrial production stagnated in the last quarter of 2021 (-0.2% y-o-y) and entered into negative territory in January and February 2022, contracting by 10.0% and 15.3% y-o-y, respectively. The reduction was driven by the manufacturing sector, and in particular aluminium, following the halt of production in the local smelter in December 2021. The strong rebound of the economy in 2021 was reflected in a robust increase in retail trade (up by 16.6% y-o-y). Fiscal stimulus further supported retail sales in January and February 2022, growing by 12.2% and 18.1% y-o-y, respectively.

Labour market

The unemployment rate started to increase again at the end of 2021, as the favourable effects from seasonal employment associated with tourism activity started receding after September. Thus, in Q4-2021, the unemployment rate (15-64) rose to 15.7%, up from 15.0% in the previous quarter, albeit significantly lower than a year before, when the unemployment rate was 21.5%. Benefiting from base effects stemming from a 15.9% y-o-y contraction in Q4-2020, job creation recorded robust growth of 15.2% in the last quarter of 2021 after expanding by 9.5% y-o-y in Q3. Youth unemployment remains a major issue, with 37.4% of the population aged 15-24 jobless.

After recording modest growth in the period 2011-2021, the 60.7% increase in the minimum wage to EUR 532 (or EUR 450 in net terms) resulted in large increases in monthly gross nominal and real wages (+11.6% and +5.2%

respectively in the first two months of 2022 on average).

External sector

The stronger than expected recovery of the tourism sector resulted in a significant reduction of external imbalances. As a result, the current account gap narrowed by 58.4% y-o-y to 9.2% of GDP in 2021, compared to 26.1% of GDP a year before. The improvement was mainly driven by a higher surplus in the services account, which reached 19.5% of GDP in 2021, compared to only 4.2% of GDP in 2020, and almost equalled the 20.6% of GDP surplus achieved in 2019 thanks to a record-breaking tourism season. Moreover, surpluses in the primary and secondary accounts also expanded in 2021, by 2.1% and 8.2% y-o-y, respectively; the latter on the back of improving expatriate remittances. The merchandise trade deficit expanded by 16.6% y-o-y in nominal terms, totalling 39.0% of GDP in 2021. The expansion came on the back of fast growth in imports (19.0% y-o-y), driven by improving domestic demand and higher global commodity prices. The rapid increase in exports (28.7% y-o-y) did not suffice to compensate the impact of strong import growth.

The reopening of the economy in 2021 resulted in a fast recovery in FDI inflows, surging 35.5% y-o-y. In particular, investment in real estate was almost 2.4 times higher than a year earlier. On the other hand, investment into intercompany debt dropped by 24.6% y-o-y, as local firms required less support from their foreign parent companies. Overall, net FDI rose 18.1% y-o-y in 2021 to 11.2% of GDP, surpassing the external deficit.

Monetary developments

After falling by 0.8% in 2020, consumer prices have accelerated since April 2021, to reach an average of 2.5% in 2021. Inflationary pressures also continued in 2022. Consumer prices went up by 6.4% y-o-y in February, after rising 5.4% y-o-y in January. Food and transport (the latter including also fuels) remained the main inflationary factors, growing by 13.1% y-o-y and 12.7% y-o-y, respectively in February. In addition, hotels and restaurants recorded higher prices too, by 4.5% y-o-y in February.

Financial sector

Montenegro's banking sector continued to expand in early 2022. Bank loans increased 6.9% y-o-y in February 2022 after growing by 5.8% y-o-y in January. The increase was driven by loans to the private sector, which expanded by 8.8% y-o-y, while loans to the general government contracted 12.5% y-o-y in February. Lending to privately owned companies eased somewhat to a growth rate of 5.3% y-o-y in February, after accelerating for five months in a row to 5.5% y-o-y in January. Lending to households accelerated to 3.7% y-o-y in February, up from 2.8% y-o-y in the previous month. After 12 months of continuous contraction, interbank lending also grew, by 7.9% y-o-y in February. In February 2022, NPLs rose to 6.7% of total loans, compared to 5.9% a year before.

Bank deposits increased by 25.6% y-o-y in February after rising 25.3% y-o-y in January. By sectors, private corporate deposits surged by 20.5% y-o-y in February, after rising 26.0% y-o-y in January. Household deposits growth accelerated to 16.6% y-o-y in February from 14.6% y-o-y a month earlier.

Fiscal developments

The rebound in economic activity combined with a significant underspending of the capital budget resulted in a sharp (76.2% y-o-y) reduction of the budget deficit in 2021. The general government budget deficit amounted to 1.9% of GDP in 2021, compared to 11.1% of GDP a year earlier. The deficit kept narrowing in early 2022 too, in spite of new social spending measures and the abolition of health contributions. Thus, in the first two months of 2022, the budget gap contracted by 41.5% y-o-y to around 1% of the estimated annual GDP, or 55% lower than planned. In the two-month period, budget revenue surged by 19.4% y-o-y while expenditure contracted marginally (by 0.3% y-o-y).

At end-2021, the public debt ratio decreased to 83.3% of GDP, down from 105.3% of GDP a year earlier. Government deposits accounted for 9.4% of GDP at the end of 2021.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2017	2018	2019	2020	2021	ECFIN 2021 Autumn forecast		Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
							2022	2023						
1 Real sector														
Industrial confidence ^{1.1}	Balance	4.5	5.5	3.5	-18.4	-4.0	:	:	4.4	-2.4	10.4	14.9	10.1	6.1
Industrial production ^{1.2}	Ann. % ch	-4.3	23.6	-6.1	-0.9	5.8	:	:	0.5	-0.2	:	-10.0	-15.3	:
Gross domestic product ^{1.3}	Ann. % ch	4.7	5.1	4.1	-15.3	12.4	6.4	3.2	25.8	8.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.9	4.6	3.1	-4.6	4.3	3.4	2.9	4.8	5.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	18.7	14.7	-1.7	-12.0	-10.3	-1.0	4.9	-9.5	-15.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	51.5	24.9	10.7	-5.6	-4.8	:	:	-7.5	-7.9	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	3.4	3.5	5.2	-12.0	16.6	:	:	40.4	13.5	:	12.2	18.1	:
2 Labour market														
Unemployment ^{2.1}	%	16.4	15.5	15.4	18.4	16.9	18.5	17.2	15.0	15.7	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.1	3.2	2.6	-10.1	-2.4	2.3	2.5	9.5	15.2	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	2.0	0.1	0.8	1.3	1.4	:	:	1.7	1.9	:	12.5	10.8	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	8.3	14.7	6.8	-12.2	28.7	:	:	32.9	20.2	:	154.2	75.5	:
Imports of goods ^{3.2}	Ann. % ch	11.6	10.9	1.8	-19.0	19.0	:	:	40.9	24.5	:	39.6	46.2	:
Trade in goods balance* ^{3.3}	% of GDP	-43.3	-43.9	-41.7	-39.2	-39.0	-36.5	-37.6	-38.2	-39.0	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	41.1	42.9	43.8	26.0	43.2	:	:	40.6	43.2	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	64.5	66.7	65.0	61.0	62.7	:	:	60.9	62.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-16.1	-17.0	-14.3	-26.1	-9.2	-15.8	-16.8	-10.1	-9.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	11.3	6.9	6.2	11.2	11.2	:	:	10.0	11.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	847	1,050	1,367	1,739	1,749	:	:	1,614	1,749	:	1,735	1,731	:
Int. reserves / months Imp ^{3.9}	Ratio	3.7	4.0	5.1	8.2	6.8	:	:	6.7	6.8	:	6.8	6.7	:
4 Monetary developments														
HICP ^{4.1}	Ann. % ch	2.8	2.9	0.5	-0.8	2.5	2.5	1.5	3.7	4.3	:	5.4	6.4	:
Producer prices ^{4.2}	Ann. % ch	0.4	1.7	2.4	0.0	1.3	:	:	0.1	2.5	:	:	:	:
Food prices ^{4.3}	Ann. % ch	1.9	0.6	3.4	1.3	3.4	:	:	3.8	5.8	:	11.1	13.0	:
M2 ^{4.4}	Ann. % ch	13.6	5.0	-3.8	-3.5	16.5	:	:	15.5	16.5	:	19.0	:	:
Exchange rate EUR/EUR ^{4.5}	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 ^{4.6}	Ann. % ch	0.5	2.7	-1.5	-0.6	:	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (6 months) ^{5.1}	% p.a.	1.71	0.47	0.52	0.87	:	:	:	:	:	:	:	:	:
Bond yield (10 yrs) ^{5.2}	% p.a.	N.A.	N.A.	2.61	3.53	3.85	:	:	3.71	4.27	5.05	4.37	4.81	5.96
Stock markets ^{5.3}	Index	10,951	10,374	10,980	10,225	10,910	:	:	11,016	10,783	9,914	9,923	9,978	9,841
Credit growth ^{5.4}	Ann. % ch	7.8	10.6	4.0	5.0	6.6	:	:	8.5	6.9	:	5.8	6.9	:
Deposit growth ^{5.5}	Ann. % ch	10.7	12.0	1.8	-2.6	12.8	:	:	19.1	23.9	:	25.3	25.6	:
Non-performing loans ^{5.6}	% of total	7.3	6.7	4.7	5.5	6.2	:	:	5.6	6.2	:	6.9	6.7	:
6 Fiscal developments														
General government balance** ^{6.1}	% of GDP	-5.3	-3.9	-2.0	-11.1	-1.9	-0.5	0.2	2.3	-0.7	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	63.3	70.1	76.5	105.3	83.3	77.8	71.7	83.0	83.3	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2021 published November 2021

* Q figures refer to a 4 quarters moving average.

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

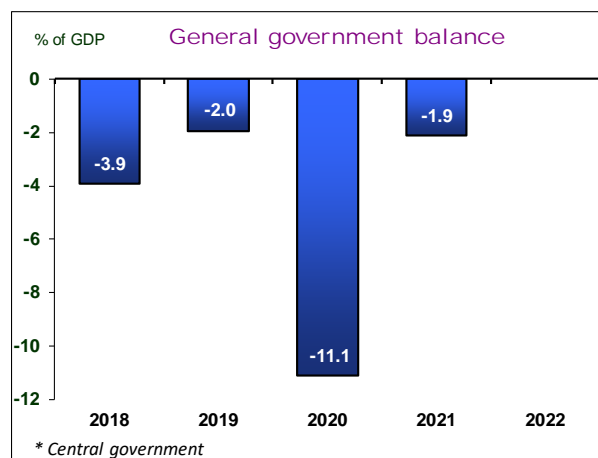
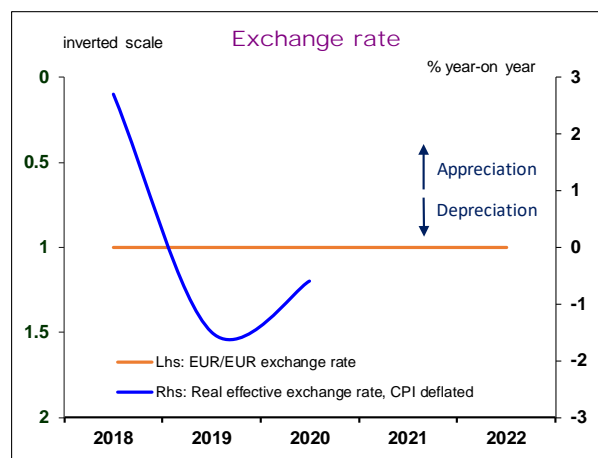
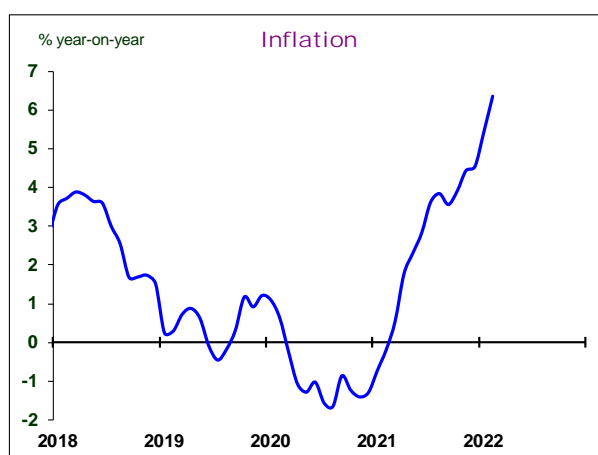
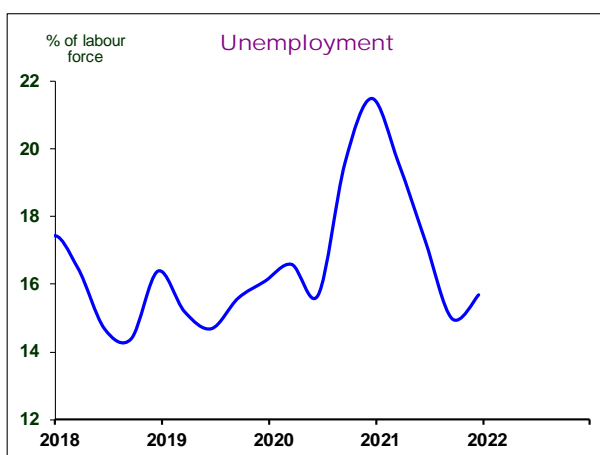
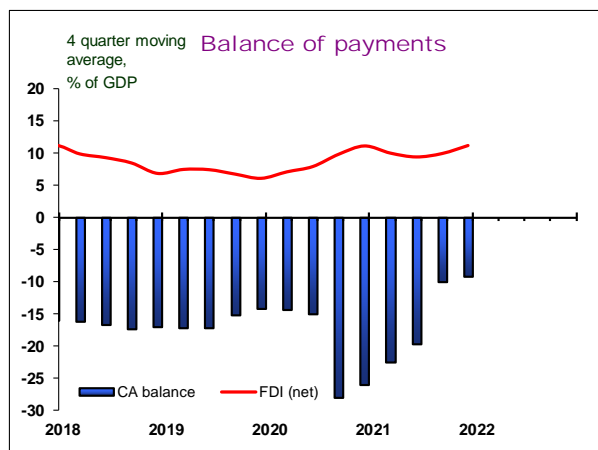
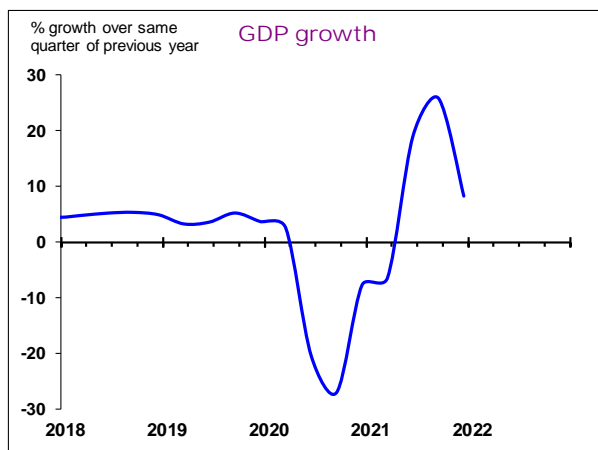
*** Q figures refer to central government debt only, in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



NORTH MACEDONIA



Key developments

On 31 January 2022, the government submitted its 2022-2024 Economic Reform Programme to the European Commission. It projects economic growth to average 5.2% in this period, driven by domestic demand. Inflationary pressures are expected to decline, and employment growth is forecast to accelerate further. The programme envisages the general government fiscal deficit to narrow to 2.9% in 2024, and the public debt level to remain above 60% until then.

On 9 March, the government adopted measures worth EUR 400 million (3.2% of projected GDP), to protect households from rising food and energy prices and to help firms maintain liquidity.

On 18 February, rating agency Standard and Poor's confirmed its rating BB-/B with stable outlook for the country, citing strong economic growth prospects supporting fiscal consolidation and debt stabilisation.

Real sector

In the fourth quarter, the annual increase in real GDP further slowed to 2.3%, from 3% in Q3 and 13.4% in Q2. Growth was entirely driven by domestic demand. Investment surged by 21.2% y-o-y (Q3: 0.4%), in part due to base effects. Both household (5.7%) and public consumption (6.5%) posted higher annual increases than in the preceding quarter. Export performance disappointed (+1.8% y-o-y), while imports growth accelerated compared to Q3 (13.5% after 2.7% in Q3). Therefore, net exports made a negative contribution to GDP growth.

For the full year 2021, GDP increased by 4% y-o-y, according to preliminary figures from the statistical office. Growth was based on domestic demand. After a steep fall in 2020 (-10.9%), imports of goods and services rose strongly in 2021 (+13.9% y-o-y), largely reflecting firming domestic demand as well as base effects. Exports, too, recovered, from an annual drop of -10.9% in 2020 to 12.3% y-o-y.

High frequency indicators for the first two months of 2022 send mixed signals about the resilience of the economy in the face of rising

price pressures and protracted ruptures of supply chains. The industrial production index rose by 3.5% y-o-y in this period, after an annual drop of 2.8% on average in the second half of 2021. Manufacturing output remained almost unchanged, however, in annual comparison. Contrary to this, the growth of retail trade turnover slowed to a modest 0.8% in the first two months, after surging by 8.6% y-o-y on average in the second half of 2021.

Labour market

While government support measures propped up employment, the labour force continued to shrink also in the fourth quarter. According to the Labour Force Survey, the labour force (15-64 years) dropped by 0.2% y-o-y in Q4. While there were more men participating in the labour market compared to one year earlier, the female labour force dropped by 0.7%. Annual employment increased by 1% in Q4, bringing the average increase in employment for the full year 2021 to 0.2%. The unemployment rate decreased further in Q4 (-0.9 pps. y-o-y to 15.3%), and amounted on average to 15.8% (-0.7 pps. y-o-y) in 2021. The unemployment rate in the age group 15-24 years declined by 4.3 pps y-o-y in the fourth quarter, in spite of a strong decline in the labour force (-10.5%). But for the year 2021 the youth unemployment rate rose by 0.7 pps y-o-y on average, to 36.4%. Average net nominal wages increased by 5.7% y-o-y in 2021, which is 2.1 pps. less than in 2020. In January, the annual increase accelerated to 6.1%.

External sector

In the last three months of 2021, the current account balance deteriorated (4Q moving average), as the merchandise trade deficit widened markedly, reflecting a surge in imports, in part due to rising energy prices, while exports were weak. Private transfers, as a share of GDP, were below their level of one year earlier in Q4. For the year as a whole, the current account deficit increased marginally, to 3.5% of GDP on average, (2020: 3.4%). The merchandise trade deficit rose by 3.4 pps. y-o-y, to 20.2% of GDP, which was offset by a 3.8 pps. increase in the private transfers surplus, for the full year, to

16.1% of GDP. Net FDI inflows surged to 3.7% of GDP (+2.3pps. y-o-y), fully covering the current account deficit.

Gross external debt was 11.8% higher y-o-y at the end of 2021, amounting to 81.3% of GDP (+1.1 pps. y-o-y). The increase was largely due to cross-border intercompany lending (+16.6% y-o-y), while general government external debt rose more moderately (+5.5%). Foreign reserves were higher by 8.4% y-o-y at end-2021, but dropped in the first three months of 2022. However, at end-March, they still covered about 4 months of prospective imports.

Monetary developments

The consumer price index rose markedly in Q4-2021 (+2.6pps y-o-y to 4.6% y-o-y), bringing the annual average CPI growth to 3.2%. Core inflation also increased, to above 3%. In the first three months of 2022, CPI growth accelerated strongly to +7.7% on average, driven by prices for food and energy, despite the government's price cap on basic food items that was in force until February and the reduction in the VAT rate on electricity. Transport prices rose by 18% on average in the first two months. Annual growth of broad money (M3) slowed down in Q4 (8.8%), compared to the previous quarter (10.1%), and further in the first two months of 2022 (7.6% on average). On 13 April, the central bank raised the key policy rate by 25bps to 1.5%, citing a need for a preventive response to increasing inflation expectations, while pointing out the global, rather than domestic nature of current price pressures. Previously, the bank had indicated a possible need for monetary tightening, after a series of rate decreases through the COVID-19 pandemic.

Financial sector

Credit growth to the non-government sector accelerated in the fourth quarter, compared to the same period one year earlier (+1.9 pps. y-o-y to 7.5%), and further in the first two months of 2022 (8.8% y-o-y). Overall, lending increased by 5.8% in the full year 2021 (-0.6 pps. y-o-y). While household loans continued to account for the largest part of the increase, credit growth to private non-financial companies picked up sharply in the last three months of the year. Interest rates continued to decline. The spread between denar loans (-10 bps. to 4.6%) and deposits (-10 bps. to 1%) remained unchanged

between November and February. Regarding loans and deposits in foreign currency, a drop in the lending rate by 10 bps. led to a slightly smaller spread. The share of foreign-currency denominated loans in total loans was lower in Q4 than one year earlier (-1.1 pps. y-o-y to 41.2%).

The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients in the fourth quarter 2021 at the same level as one year earlier (82%). The banking sector posted a capital adequacy ratio (regulatory capital to risk-weighted assets) of 17.3% (+0.6 pps. y-o-y) in Q4. Even though regulatory mitigation measures ran out at the end of 2021, the ratio of non-performing to total loans (financial and non-financial sector) was below its level of one year earlier (-0.2 pps. to 3.1% in Q4).

On 29 March, the European Central Bank extended its repo line with North Macedonia's central bank, worth EUR 400 million, until mid-January 2023, allowing for additional liquidity in euro for financial institutions.

Fiscal developments

Tax revenue recovered gradually further throughout 2021. In the fourth quarter, it was 12.4% higher than in the same period one year earlier, while current expenditure remained at about the same level. For the full year 2021, revenue increased by 15.3% y-o-y, driven by higher tax income (+17.6% y-o-y). VAT income was some 24% above its pre-year level, largely reflecting the phasing out of pandemic-related restrictions on businesses and also consumers' pent-up demand. The revenue ratio rose by 1.3 pps. y-o-y, to 30.2% of estimated GDP.

Current expenditure increased by 2.9% y-o-y in 2021, down from a pandemic-related increase of 13.9% in the preceding year. Capital expenditure, for which the July budget revision had sharply raised the budget, turned out at 45% above its pre-year level. Yet, the revised budget for capex was implemented at only 79%. The fiscal deficit narrowed to 5.4% of GDP, from 8.2% in 2020. This was below the government's revised target of 6.5%. General government debt at end-2021 remained at about the same level as one year earlier (51.9% of GDP). Still, the public debt ratio rose to 60.8% (+0.6pps y-o-y), which was accounted for by an increase in government-guaranteed debt of public enterprises (+8.4% y-o-y).

TABLE



European Commission, ECFIN-D-1

NORTH MACEDONIA

		2017	2018	2019	2020	2021	ECFIN 2021 Autumn forecast		Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
							2022	2023						
1 Real sector														
Industrial confidence ^{1.1}	Balance	25.6	28.8	32.1	26.4	28.1	:	:	28.5	27.6	:	26.5	26.8	:
Industrial production ^{1.2}	Ann. % ch	0.2	5.4	4.1	-9.5	3.1	:	:	-3.3	-2.2	:	0.7	6.3	:
Gross domestic product ^{1.3}	Ann. % ch	1.2	2.8	3.9	-6.1	4.2	3.9	3.7	3.0	2.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	2.1	3.7	3.7	-4.6	5.0	3.9	3.3	2.4	5.7	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. % ch	-2.2	1.7	9.5	-16.1	9.2	11.2	9.9	-4.0	15.8	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	-2.5	-10.8	9.1	-8.0	0.1	:	:	1.2	-3.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	-4.2	8.1	11.3	-8.5	8.7	:	:	10.9	6.3	:	0.6	1.0	:
2 Labour market														
Unemployment ^{2.1}	%	22.6	21.0	17.5	16.6	15.8	15.1	14.6	15.9	15.3	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.7	2.0	5.4	-0.5	0.2	2.6	2.5	1.6	1.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	2.6	5.8	5.1	8.3	5.7	3.1	2.7	4.8	5.4	:	6.1	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	15.4	19.8	9.5	-9.9	24.5	:	:	12.3	7.1	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	9.7	12.9	10.2	-9.2	26.4	:	:	15.3	20.3	:	:	:	:
Trade in goods balance* ^{3.3}	% of GDP	-17.8	-16.2	-17.3	-17.0	-20.2	-17.0	-16.7	-18.3	-20.2	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	54.9	60.2	61.9	58.9	65.9	:	:	66.5	65.9	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	69.0	72.9	76.2	71.9	81.9	:	:	80.0	81.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-1.0	-0.1	-3.3	-3.4	-3.5	-2.6	-2.2	-1.2	-3.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.8	5.6	3.2	1.5	3.7	:	:	2.5	3.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	2,336	2,867	3,263	3,360	3,643	:	:	3,691	3,643	:	3,465	3,382	3,272
Int. reserves / months Imp ^{3.9}	Ratio	4.1	4.4	4.6	5.3	4.5	:	:	4.9	4.5	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.4	1.5	0.8	1.2	3.2	2.1	1.8	3.6	4.6	:	6.7	7.6	8.8
Producer prices ^{4.2}	Ann. % ch	0.6	-0.4	-0.6	5.9	-2.3	:	:	-2.2	-3.2	:	18.1	18.5	:
Food prices ^{4.3}	Ann. % ch	0.2	0.8	1.6	2.4	3.1	:	:	3.4	5.7	:	9.2	9.6	:
Monetary aggregate M3 ^{4.4}	Ann. % ch	4.6	10.8	8.2	8.0	8.8	:	:	10.1	8.8	:	8.3	6.8	:
Exchange rate MKD/EUR ^{4.5}	Value	61.57	61.51	61.51	61.67	61.63	:	:	61.55	61.69	61.69	61.69	61.70	61.70
Real effective exchange rate ^{4.6}	Index	98.6	99.8	98.3	99.5	100.2	:	:	100.7	99.7	:	98.7	98.5	:
5 Financial indicators														
Interest rate (3 months-SKIBOR) ^{5.1}	% p.a.	1.78	1.54	1.46	1.38	1.33	:	:	1.33	1.32	1.32	1.32	1.32	1.31
Bond yield ^{5.2}	% p.a.	6.61	6.11	5.61	5.19	4.86	:	:	4.81	4.71	:	4.62	:	:
Stock markets ^{5.3}	Index	2,405	3,154	3,939	4,377	5,382	:	:	5,576	5,889	6,126	6,220	6,199	5,960
Credit Growth ^{5.4}	Ann. % ch	2.4	6.6	7.2	6.4	5.8	:	:	5.8	7.5	:	8.4	8.8	:
Deposit growth ^{5.5}	Ann. % ch	5.7	8.6	9.6	7.8	8.3	:	:	9.5	8.9	:	8.2	6.7	:
Non-performing loans ^{5.6}	% total	6.1	5.0	4.6	3.3	3.1	:	:	3.5	3.1	:	N.A.	N.A.	N.A.
6 Fiscal developments														
Central government balance** ^{6.1}	% of GDP	-2.7	-1.8	-2.0	-8.2	-5.4	-4.9	-4.3	-1.2	-2.0	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	39.4	40.4	40.5	51.9	51.9	56.3	58.1	51.1	51.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2021 published November 2021

* Q figures refer to a 4 quarters moving average.

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

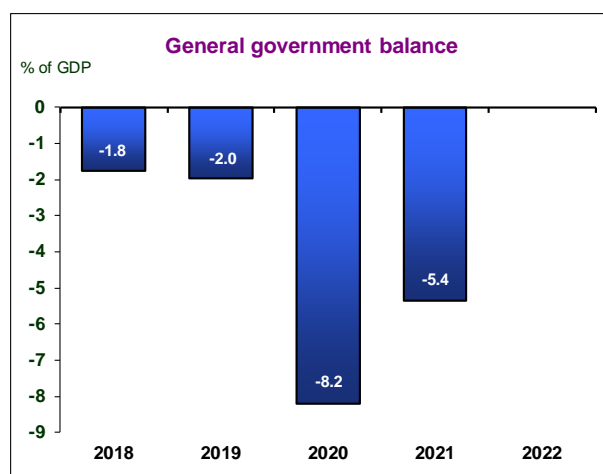
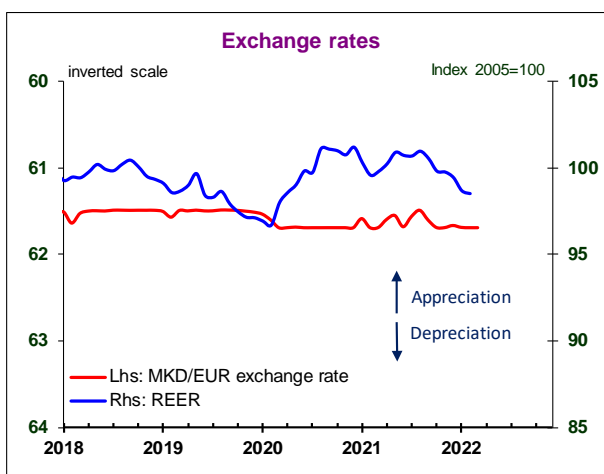
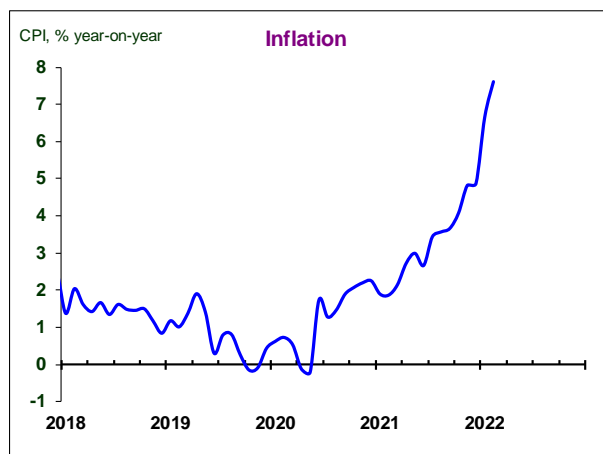
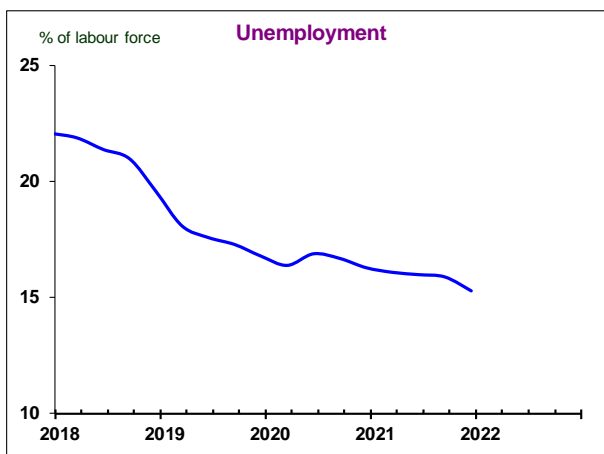
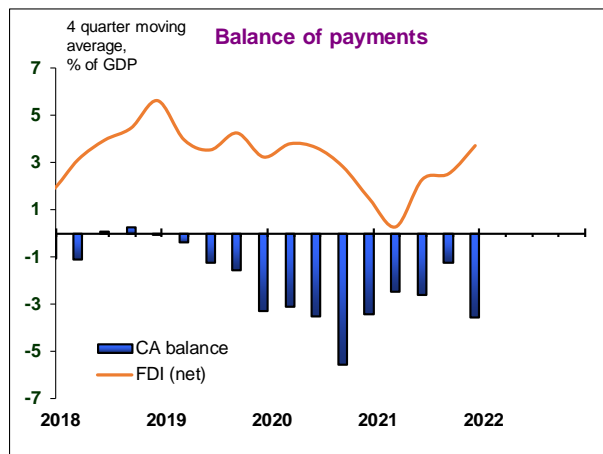
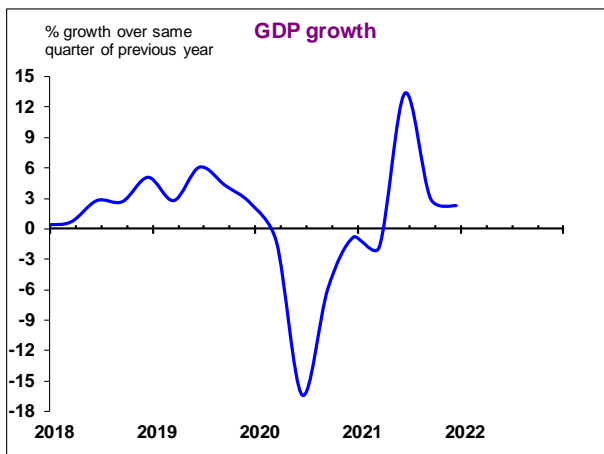
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



North Macedonia





Key developments

On 31 January, Serbia submitted its 2022-2024 economic reform programme (ERP). The ERP, prepared before Russia's invasion of Ukraine, projects GDP growth to reach 4.5% in 2022 and 5% thereafter and the general government deficit to gradually decline from 3% of GDP in 2022 to 1% of GDP in 2024.

According to the provisional results of the Serbian elections of 3 April 2022, the incumbent President and Serbian Progressive Party (SNS) leader Aleksandar Vučić was re-elected in the first round with 58.6% of the votes cast. In the general elections, 7 parties passed the 3% quorum for entering the national assembly: the ruling SNS (43.0%), United Serbia (13.6%), the Socialist Party of Serbia (11.5%), Nada/Hope (5.4%), Moramo/We must (4.6%), Dveri (3.8%) and Zavetnici (3.7%).

On 7 April 2020 the National Bank of Serbia raised its key policy rate by 50 bps to 1.5%, considering that more persistent than anticipated inflationary pressures called for additional monetary tightening to contain second-round effects on inflation expectations. The rate had remained at a record low level of 1.0% for 16 months.

Real sector

Economic activity recorded a further strong quarter-on-quarter expansion (1.7 % in seasonally-adjusted terms) in Q4-2021, bringing total annual GDP growth in 2021 to 7.4%. In y-o-y terms growth reached 7.0% in Q4-2021, slightly decelerating compared to Q3. The expansion in Q4 was driven by private consumption (+7.3%), gross fixed capital formation (+9.8%), government consumption (+5.8%) and higher inventories. These positive contributions were partially offset by a substantial negative contribution of net exports to GDP growth as a result of structurally higher imports and annual growth of imports exceeding the rise in exports in Q4-2021 (+15.5% and +13.9% respectively).

On the supply side, many sectors still recorded double-digit annual increases. Thus, wholesale and retail trade, transportation and storage, accommodation and food service activities

(+14.7%), construction (+10.9%), professional, scientific, technical, administrative and support activities (+10.9%), and arts, recreation and other services (+26.7%) accounted for the bulk of the overall annual increase in output in Q4-2021. Agriculture (-5.5%) was the only activity with a year-on-year decline due to the base effect from the very good agricultural season in 2021 and the impact of the drought in 2022.

Some short-term indicators suggest that the growth of economic activity decelerated somewhat in winter. Industrial production expanded by 0.7% y-o-y in December 2021, before contracting by 2.6% in January and 0.7% in February 2022, mostly due to a sharp decline in energy production. The year-on-year growth of real retail trade slowed down from 11.2% in December 2021 to 4.2% in January before reaccelerating to 7.7% in February.

Labour market

According to LFS data, the unemployment rate of the population aged 15 years and above decreased by 0.7 pps. q-o-q to 9.8% in Q4-2021. This was mainly the result of a substantial decrease in the number of unemployed (-7.3% q-o-q) accompanied by a strong increase of inactive people (+0.8% q-o-q). While overall employment decreased slightly (-0.2% q-o-q), this was the net effect of a strong decrease in employment in the informal sector (-7.7 q-o-q, about half of which in agriculture) that was largely offset by continued growth of formal employment (+1.0% q-o-q, mostly outside agriculture).

According to administrative data, in Q4-2021 employment remained broadly unchanged compared to the previous quarter but increased 1.6% y-o-y. Annual employment growth remained positive in most sectors and was particularly strong in information and communication (+11.4%), administrative and support service activities (+6.8%) and professional, scientific and technical activities (+4.9%). In the manufacturing sector (+1.8%), growth was particularly driven by motor vehicles (+10.2%). The number of registered unemployed decreased by 11.4% y-o-y in March 2022. Nominal net wages rose by 12.4% y-o-y

in January 2022 while real net wages grew by 3.9% y-o-y.

External sector

In 2021, the current account deficit widened by 21.5% y-o-y in euro terms, resulting in an increase as a share of GDP from 4.1% in 2020 to 4.4% in 2021. The higher current account deficit in 2021 was the net result of a higher primary income deficit (+43.1% y-o-y, reflecting mainly a rebound in reinvested earnings and dividend payments) and a higher merchandise trade deficit (+14.0% y-o-y), that were largely offset by a higher secondary income surplus (+16.9% y-o-y, reflecting chiefly a rebound in remittances) and a higher services trade surplus (+29.0% y-o-y). Net FDI inflows increased by 23.4% y-o-y in 2021, covering 1.5 times the current account deficit.

External trade of goods was marked by further strong year-on-year growth in the value of exports (26.5% in December, 31.0% in January and 26.1% in February) and even stronger growth of imports, by 36.1%, 48.8% and 53.0%, respectively, particularly driven by energy. Over the first two months of 2022, exports of goods grew 28.0% y-o-y, while imports increased by 51.7%.

Monetary developments

Annual consumer price inflation continued to accelerate by around 0.4 pps. per month from November 2021 to March 2022, reaching 9.1% in March, thus largely exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. in seven consecutive months. Inflation continued to be driven by food (16.1% in March) and fuel prices (18.3% in). However, core inflation (excluding energy, food, alcohol and tobacco) also accelerated substantially from 3.5% in December to 4.8% in March. The central bank (NBS) remained an active participant on the foreign exchange market by selling a net EUR 340 million in January, a net EUR 605 million in February and a net EUR 1170 million in March, resulting in net sales of EUR 2.1 billion in Q1-2022. NBS foreign exchange reserves were basically unchanged y-o-y at EUR 14.3 billion in March 2022 (covering five months of imports of goods and services) as large FX inflows in Q3-2021, in particular from Eurobond issuances worth EUR 1.8 billion, were broadly offset by the

NBS's FX sales in Q1-2022 to stabilise the dinar exchange rate.

Financial sector

In February, domestic claims of the banking sector increased by 8.5% y-o-y. Following some acceleration from 10.1% in November 2021 to 10.6% in December, the annual growth of credit to households broadly stabilised at 10.5% in January and 10.4% in February. Similarly, after some acceleration from 5.8% in November 2021 to 7.1% in December, the growth of credit to companies decelerated to 6.7% in January before picking up to 7.0% in February. The loan-to-deposit ratio stood at 83.5% at the end of December 2021. The ratio of non-performing loans remained broadly stable at 3.5% in Q4-2021. The capital adequacy ratio in the banking sector (regulatory capital to risk-weighted assets) decreased to 20.8% in Q4 (-0.9 pps. q-o-q). As regards liquidity ratios, both the share of liquid assets to total assets (37.7%, -0.7pps q-o-q) and the share of liquid assets to total short-term liabilities (49.6%, -1.6 pps. q-o-q) decreased in Q4.

Fiscal developments

The general government budget in 2021 recorded a deficit of 4.1% of GDP, 0.8 pps. lower than projected in the amended budget of October, mostly due to lower current and capital expenditure, partially offset by higher net budget loans.

In the period January-February 2022, the fiscal balance deteriorated y-o-y. Total revenue increased by 11.5% y-o-y, particularly supported by surging VAT receipts (+21.7%), while personal income tax (+10.1%), social contributions (+9.6%) and excise duties (-0.6%) performed below average. Total expenditure growth (+29.8%) significantly exceeded the revenue increase, driven by higher social transfers (+31.4%), other current expenditure (+352.3%), purchases of goods and services (+24.9%) and capital expenditure (+25.6%). As a result, in January-February, the budget recorded a deficit of 0.7% of expected annual GDP, as compared to a 0.3% surplus in the same period of 2021. In February, central government debt stood at 51.6% of the projected full-year GDP, down from 56.5% at end-2021 mainly as a result of high expected nominal GDP growth in 2022.

TABLE

European Commission, ECFIN-D-1



SERBIA

							ECFIN 2021 Autumn forecast							
							2022	2023	Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
1 Real sector														
Industrial confidence ^{1.1}	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 ^{1.2}	Ann. % ch	3.4	1.5	0.2	0.4	6.1	:	:	1.1	3.7	:	-2.6	-0.7	:
Gross domestic product ^{1.3}	Ann. % ch	2.1	4.5	4.3	-0.9	7.4	4.3	4.3	7.6	7.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	2.2	3.1	3.7	-1.9	7.7	3.8	3.7	8.1	7.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	6.6	17.5	17.2	-1.9	12.5	7.5	7.3	12.2	9.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	9.3	9.6	32.3	-1.5	25	:	:	28.2	25.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	3.3	4.1	8.9	4.2	10	:	:	7.7	8.4	:	4.3	7.7	:
2 Labour market														
Unemployment ^{2.1}	%	14.5	13.7	11.2	9.7	11.0	10.0	9.2	10.5	9.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.8	1.4	2.4	-0.2	2.6	1.1	1.0	3.8	4.1	:	:	:	:
Wages ^{2.3}	Ann. % ch	4.0	4.3	10.5	9.4	9.4	:	:	9.0	12.1	:	12.4	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	13.8	6.5	8.8	-3.7	26.5	:	:	26.8	23.2	:	31.0	26.1	:
Imports of goods ^{3.2}	Ann. % ch	14.0	11.2	9.9	-4.7	24.1	:	:	25.8	27.4	:	48.8	53.0	:
Trade in goods balance* ^{3.3}	% of GDP	-10.2	-11.9	-12.2	-11.1	-11.1	-11.0	-11.1	-10.6	-11.1	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	49.3	49.3	50.8	47.6	53.6	:	:	52.6	53.6	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.0	58.9	60.8	56.4	62.0	:	:	60.6	62.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.2	-4.8	-6.9	-4.1	-4.4	-4.3	-4.1	-3.0	-4.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.2	7.4	7.7	6.3	6.8	:	:	7.8	6.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	9,962	11,262	13,378	13,492	16,455	:	:	16,803	16,455	:	16,111	15,562	:
Int. reserves / months Imp ^{3.9}	Ratio	5.4	5.4	5.7	6.1	6.0	:	:	6.5	6.0	:	5.7	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.1	2.0	1.8	1.6	4.1	3.6	2.6	4.4	7.3	:	8.3	8.8	:
Producer prices ^{4.2}	Ann. % ch	3.4	2.1	0.7	-1.8	9.1	:	:	11.3	15.5	:	12.5	13.4	:
Food prices ^{4.3}	Ann. % ch	3.3	1.9	2.6	2.6	4.5	:	:	5.1	11.1	:	13.5	15.2	:
M3 ^{4.4}	Ann. % ch	3.6	14.5	8.4	18.1	13.3	:	:	12.7	13.3	:	13.1	13.6	:
Exchange rate RSD/EUR ^{4.5}	Value	121.41	118.27	117.86	117.58	117.57	:	:	117.57	117.58	117.62	117.58	117.59	117.68
Real effective exchange rate ^{4.6}	Index	119.5	123.8	123.6	125.7	128.0	:	:	128.2	128.4	:	128.9	129.1	:
5 Financial indicators														
Interest rate (BELIBOR) ^{5.1}	% p.a.	3.41	2.96	2.52	1.19	0.89	:	:	0.88	0.91	:	0.97	1.03	:
Bond yield (7 year) ^{5.2}	% p.a.	:	:	4.00	:	:	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	1,584	1,562	1,584	1,544	1,639	:	:	1,680	1,685	1,748	1,758	1,770	1,718
Credit growth ^{5.4}	Ann. % ch	2.4	4.3	9.7	12.3	9.1	:	:	7.9	8.7	:	:	:	:
Deposit growth ^{5.5}	Ann. % ch	7.9	7.4	12.9	15.0	14.4	:	:	12.5	13.3	:	13.4	13.7	:
Non-performing loans ^{5.6}	% total	9.8	5.7	4.1	3.7	3.6	:	:	3.6	3.6	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance** ^{6.1}	% of GDP	1.1	0.6	-0.2	-8.0	-4.1	-2.7	-1.6	-0.5	-3.1	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	59.2	53.7	52.0	57.0	56.5	56.3	54.1	56.5	56.5	:	51.8	:	:

f: ECFIN forecast Autumn 2021 published November 2021

* Q figures refer to a 4 quarters moving average.

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

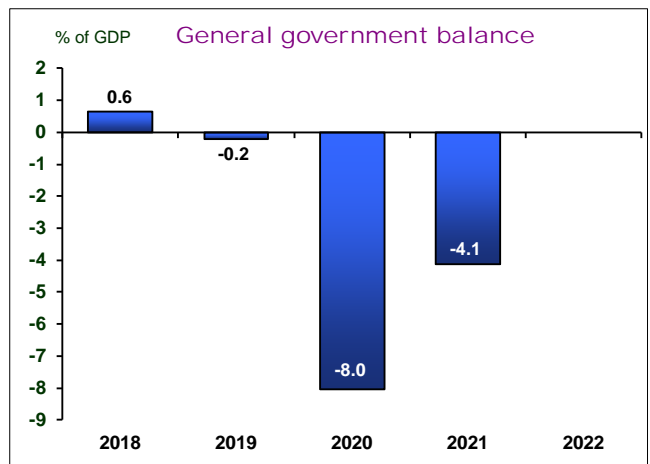
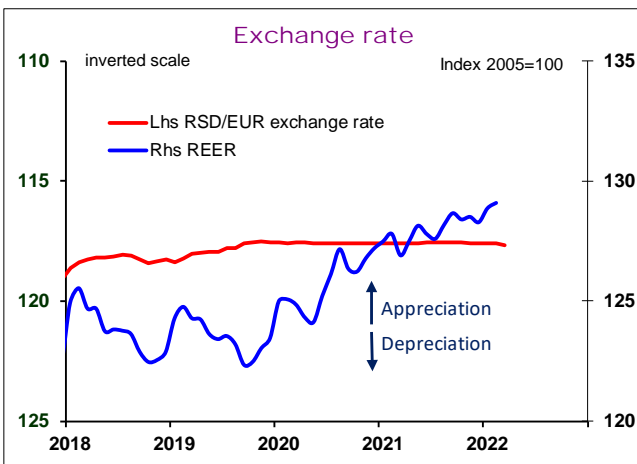
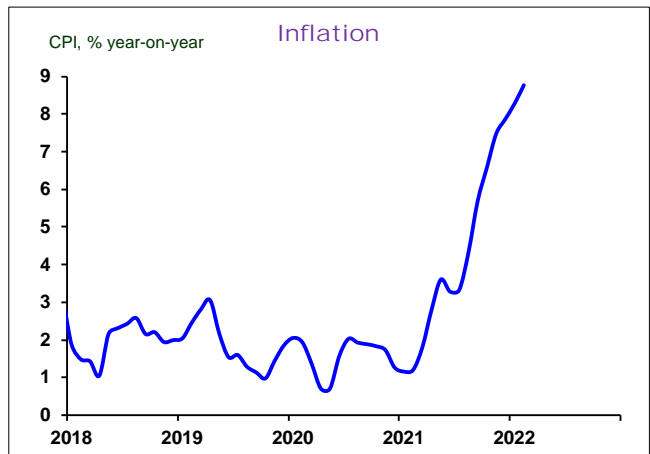
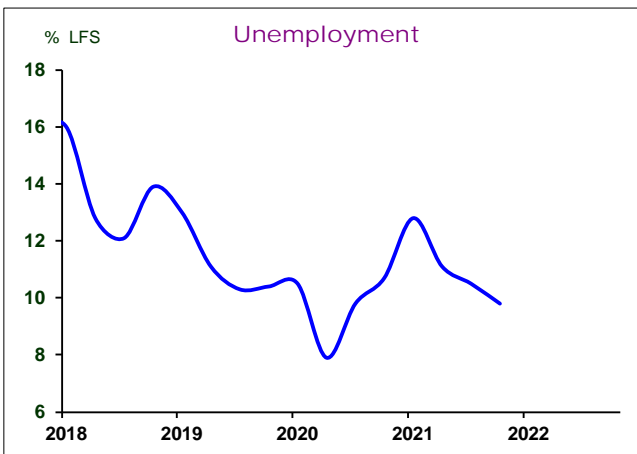
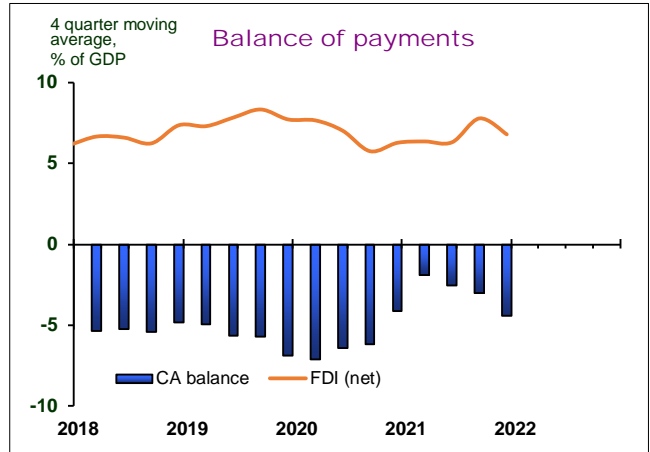
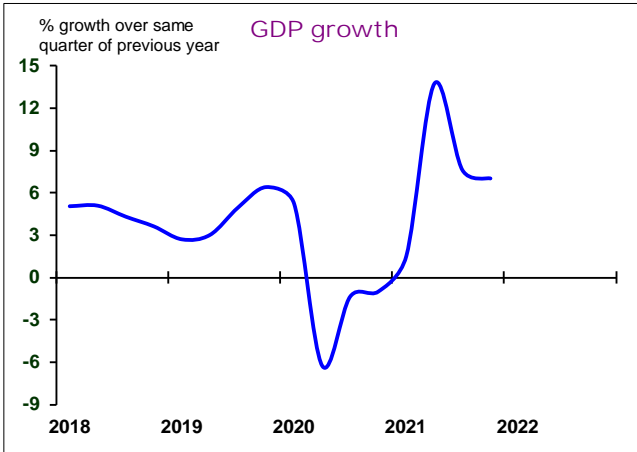
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

On 31 January, the government submitted to the European Commission its Economic Reform Programme 2022-2024. It foresees economic growth to average around 5-5.5% in 2022-24. The macroeconomic scenario, however, does not take into account the effects of recent policy changes on inflation, exchange rate, economic sentiment and risks. The programme targets a continued fiscal consolidation, largely based on a strong reduction of current expenditure and transfers, and projects government debt to remain below 40% of GDP.

Russia's invasion of Ukraine weakened the lira and triggered a deterioration of Turkey's risk premium. However, since mid-March the exchange rate has stabilised and the sovereign CDS spread has declined, although remaining above the pre-war level.

Real sector

Strong stimulus measures and base effects propelled economic growth to double-digits in 2021. Real GDP increased by 11%, supported by robust domestic and external demand. Although the growth momentum decelerated by the end of Q4, the economy continued expanding (1.5% q-o-q and 9.1% y-o-y). Despite growing inflationary pressures and consumer confidence falling steeply to its lowest level on record, household consumption grew 9.4% q-o-q (21.4% y-o-y) in Q4, as the labour market continued recovering. Moreover, deeply negative interest rates brought forward consumption and discouraged saving. Higher inflation sapped government consumption, which declined by 7.3% q-o-q (-1.9 y-o-y). Investment continued to weaken, falling by 1.0% q-o-q (-0.8% y-o-y), while stocks accumulated in the COVID-19 crisis continued to unwind fast, subtracting 7.8 pps. from y-o-y GDP growth in Q4. On the other hand, net exports maintained their sizeable positive contribution to growth (5.7 pps.) as the strong export performance (+20.7% y-o-y) continued unabated. Imports growth picked up to only 2.6% y-o-y, suppressed by the weaker lira.

On the supply side, in Q4 the key trends from the previous quarters remained largely

unchanged with a good performance in manufacturing (11.3% y-o-y) and industry and a further recovery of the service sector (12.4% y-o-y). The weakness of construction extended to Q4 (-3.9% y-o-y), marking four years since the downward adjustment of the sector had started. After three quarters of decline, agricultural activity rebounded in Q4 (3.3% y-o-y).

The strong depreciation of the lira in Q4-2021 triggered increasing inflationary pressures. Heightened volatility and uncertainty took a toll on economic sentiment in the beginning of 2022. Russia's invasion of Ukraine has further weakened economic confidence, which fell to 95.7 in March, mostly driven by deteriorating confidence in service and retail trade. The decline in real sector confidence was less pronounced as the assessment of export orders, fixed investments and employment remained rather upbeat. High input costs due to rising global commodity prices and supply chain disruptions because of Russia's invasion of Ukraine have weakened manufacturing activity. It started to drop at the beginning of the year, but the PMI downturn became more pronounced in March when it fell to 49.4, indicating contraction for the first time in about a year. The January data on industrial production (-2.4% m-o-m) have not yet captured the latest developments but were already showing a loss of momentum with a generalised decline across all sectors, but mining. Retail sales contracted as well (-1.5% m-o-m) in January.

Labour market

The labour market recovery has slowed down in early 2022. Although the seasonally adjusted unemployment rate (15 years and over) fell slightly from 11.1% in Q4 last year to 10.7% in February, the labour force participation rate (52.2%) and the employment rate (46.6%) decreased somewhat since the end of last year. The composite measure of labour underutilisation remained elevated, although it fell to 21.8% in February. The average actual weekly hours of work increased to 45.6, returning to their pre-crisis level. In Q4, the pace of employment creation (11.2% y-o-y) remained the strongest in industry (14.1%), followed by

services (12.0%), construction (7.9%), and agriculture (5.7%). The seasonally and calendar-adjusted hourly labour cost index increased by 31.8% y-o-y in Q4 (7.4% q-o-q), significantly below the rate of inflation (by 22.9 pps.).

External sector

Since the beginning of 2022, the current account deficit has widened significantly, mainly due to rising energy and other commodity prices. As a result, by end-February the cumulative 12-month moving current account deficit increased to USD 21.8 billion (2.7% of GDP), compared to USD 14.0 billion (1.7% of GDP) in 2021. Exports of goods continued their robust performance, growing 24% y-o-y in January-February, while imports were up 51%. The balance in trade in services continued to improve, driven by strong base effects and the gradual removal of travel restrictions. In the first two months of 2022, net FDI remained marginal, while net portfolio (USD 1.5 billion) and net errors and omissions (USD 3.2 billion) outflows continued. Net other investment inflows were significant (USD 12.0 billion) and nearly covered the current account deficit. The central bank gross foreign exchange reserves fell from USD 72.6 billion at the end of 2021 to USD 66.9 billion in the beginning of April.

Monetary developments

Inflation increased further, to the highest level in decades, reaching 61.1% y-o-y in March. –. Core inflation went up as well (48.4% y-o-y), but at a slower pace, and the gap with the headline inflation widened from 4.2 pps. in December to 12.8 pps. in March. Rising global commodity prices have pushed energy inflation up to 102.9% y-o-y (47.1% since the beginning of the year) and food inflation to 70.3% y-o-y, despite government efforts to lower prices via a reduction of VAT rates on a number of goods. Service price inflation stood at 36.7% y-o-y in March, and thus continued to soften the overall very strong inflationary drive. The significant price pressures were also evident in the steady increase in producer price inflation, which reached 115.0% y-o-y in March, or 29.3% since December. Energy price hikes continued in April, with gas prices increasing by 35% to 50% for different consumers. Inflation expectations moved up, although at a far slower pace than actual prices, and the 12-month ahead expectations reached 28.7% (up 7.3 pps. since December). Despite the rising inflation and

inflation expectations, the central bank has kept its policy rate unchanged at 14% since December.

Russia's invasion of Ukraine weakened the lira, which lost around 8% of its value against the US dollar in the first three weeks of the invasion, before stabilising in mid-March. The invasion has also affected Turkey's sovereign risk premium, which went up to a multi-year high of 692 bps. in early March, before subsiding somewhat to the high 500's. In February, Fitch Ratings downgraded Turkey's sovereign rating from BB- to B+ with a negative outlook.

Financial sector

The banking sector's capital adequacy ratio increased to 19% in February, well above the regulatory minimum. Although increasing as well, capital adequacy remained lower for state-owned banks, at 17.3%. In February, Fitch Ratings downgraded the long-term foreign-currency ratings of 20 Turkish banks to 'B' from 'B+', and lowered the long-term local currency ratings of 18 banks. In March, the Turkey Wealth Fund injected TRY 51.5 billion additional capital in several state-owned banks, including the biggest ones – Ziraat, Vakıfbank and Halkbank. The NPL ratio declined further to 3.0% in February (2.1% in state-owned banks). By end-March, the FX-protected deposits increased to TRY 696 billion, representing around 12% of all deposits.

Fiscal developments

The 2021 central government budget deficit (TRY 192.2 billion or 2.7% of GDP) turned out better than the targeted deficit of TRY 245 billion. In the first two months of the year, the good budget performance continued with a cumulative surplus of nearly TRY 100 billion (around 0.8% of the forecast GDP). Total revenue more than doubled as tax revenue (+84.5% y-o-y) was boosted by high inflation while the annual transfer of the central bank's profit (TRY 49.3 billion) was brought forward in comparison to 2021 by a month to February. Total expenditure increased 65% y-o-y, as there was a four-fold increase in lending (mostly to the state-owned oil and gas company), while big-ticket items like compensation of employees (47.9%) and treasury aid (47.9%) grew at a pace below inflation. Government debt increased from 37.6% of GDP in Q3 2021 to 42.0% at the end of 2021, driven mainly by the large lira depreciation.

TABLE



TURKEY

European Commission, ECFIN-D-1

		2017	2018	2019	2020	2021	ECFIN 2021 Autumn forecast		Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
							2022	2023						
1 Real sector														
Industrial confidence ^{1.1}	Index	108.0	101.4	100.4	98.2	110.6	:	:	114.0	108.0	109.3	109.5	109.8	108.5
Industrial production ^{1.2}	Ann. % ch	9.1	1.1	-0.6	2.2	16.5	:	:	9.0	11.5	:	8.2	13.3	:
Gross domestic product ^{1.3}	Ann. % ch	7.5	3.0	0.9	1.8	11.0	4.0	4.0	7.5	9.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	5.9	0.5	1.5	3.2	15.1	3.0	3.5	9.1	21.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	8.3	-0.2	-12.4	7.2	6.4	3.4	2.4	-1.9	-0.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	25.9	22.8	-7.1	5.9	38.8	:	:	35.6	46.3	:	62.3	:	:
Retail sales ^{1.7}	Ann. % ch	5.6	1.9	-0.5	3.1	16.4	:	:	15.2	13.1	:	9.3	7.5	:
2 Labour market														
Unemployment ^{2.1}	%	10.9	10.9	13.7	13.1	12.0	12.6	12.2	11.7	11.0	:	12.1	11.4	:
Employment ^{2.2}	Ann. % ch	3.5	2.2	-2.3	-4.8	7.9	4.6	3.1	8.2	11.2	:	7.6	8.6	:
Wages ^{2.3}	Ann. % ch	9.3	18.3	26.2	18.0	19.3	24.1	23.3	28.4	31.1	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	10.2	7.7	2.1	-6.2	32.8	:	:	29.1	25.7	:	17.1	25.4	:
Imports of goods ^{3.2}	Ann. % ch	18.1	-3.2	-9.0	4.4	23.6	:	:	17.2	23.6	:	54.2	44.5	:
Trade in goods balance* ^{3.3}	% of GDP	-6.8	-5.2	-2.2	-5.3	-3.6	-5.5	-5.5	-3.7	-3.6	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	25.9	30.2	32.2	28.5	34.9	:	:	32.9	34.9	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	29.7	31.6	30.0	32.1	35.3	:	:	33.8	35.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-4.8	-2.8	0.7	-5.0	-1.7	-2.2	-1.6	-2.3	-1.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.0	1.1	0.9	0.6	0.9	:	:	0.9	0.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bn EUR	107.7	93.0	105.7	93.3	111.2	:	:	121.3	111.2	:	:	:	:
Int. reserves / months imp ^{3.9}	Ratio	5.1	4.5	5.6	4.9	4.7	:	:	5.4	4.7	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	11.1	16.3	15.2	12.3	19.6	17.7	15.4	19.3	25.8	54.8	48.7	54.4	61.1
Producer prices ^{4.2}	Ann. % ch	15.8	27.0	17.6	12.2	43.9	:	:	44.8	60.6	104.7	93.5	105.0	115.0
Food prices ^{4.3}	Ann. % ch	12.7	18.0	19.5	13.8	24.3	:	:	27.6	32.9	63.6	55.6	64.5	70.3
M3 ^{4.4}	Ann. % ch	15.5	18.6	29.5	32.8	51.2	:	:	21.4	51.2	64.4	56.3	64.1	64.4
Exchange rate TRY/EUR ^{4.5}	Value	4.12	5.68	6.35	8.03	10.45	:	:	10.07	12.72	15.63	15.31	15.49	16.10
Real effective exchange rate ^{4.6}	Index	103.2	88.0	87.1	78.6	70.6	:	:	72.5	62.4	:	61.7	63.7	:
5 Financial indicators														
Interest rate (3 months-TRLIBOR) ^{5.1}	% p.a.	12.81	19.85	20.66	11.25	18.70	:	:	19.86	16.78	16.01	16.01	16.01	16.01
Interest rate, long term ^{5.2}	% p.a.	11.15	16.39	16.01	12.81	17.69	:	:	17.54	20.83	24.16	23.71	22.67	26.11
Stock markets ^{5.3}	Index	990	1,019	993	1,133	1,510	:	:	1,412	1,696	2,037	2,008	2,000	2,104
Credit growth ^{5.4}	Ann. % ch	21.8	21.8	6.4	28.4	22.7	:	:	14.4	23.8	42.6	38.6	42.9	46.3
Deposit growth ^{5.5}	Ann. % ch	20.4	23.0	18.3	36.4	28.0	:	:	20.5	34.2	63.6	57.5	63.9	69.2
Non-performing loans ^{5.6}	% total	3.0	3.9	5.4	4.1	3.1	:	:	3.5	3.1	:	3.1	3.0	:
6 Fiscal developments														
General government balance** ^{6.1}	% of GDP	-2.0	-2.8	-3.2	-2.9	:	-3.5	-3.1	-0.6	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	27.9	30.1	32.6	39.7	42.0	38.9	38.7	37.6	42.0	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2021 published November 2021

* Q figures refer to a 4 quarters moving average.

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

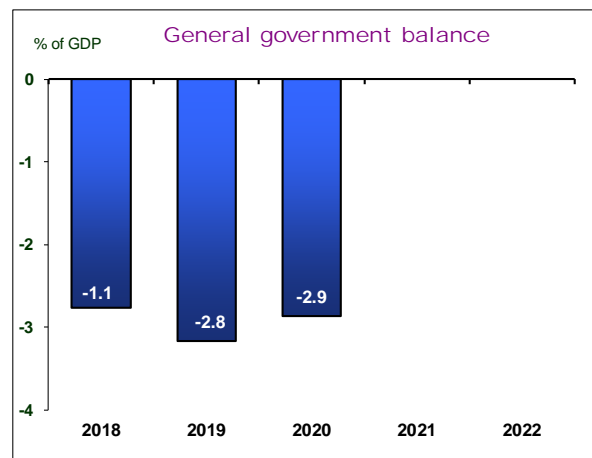
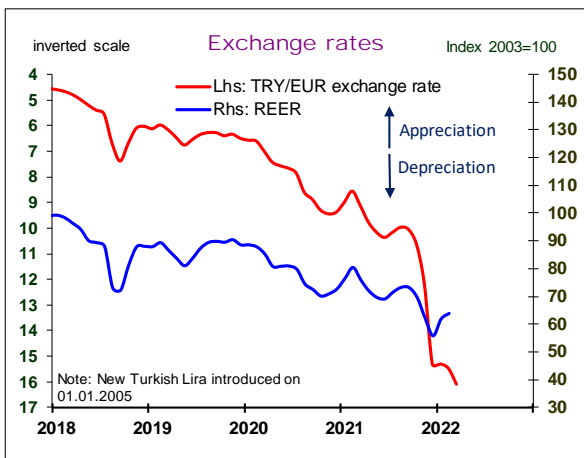
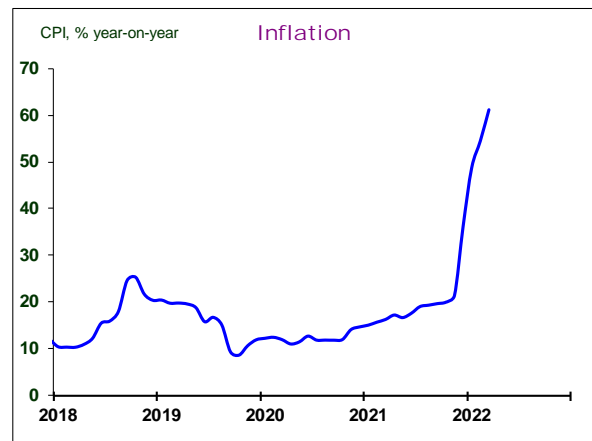
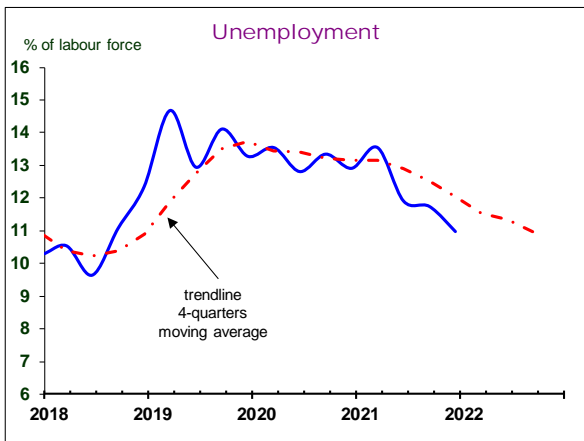
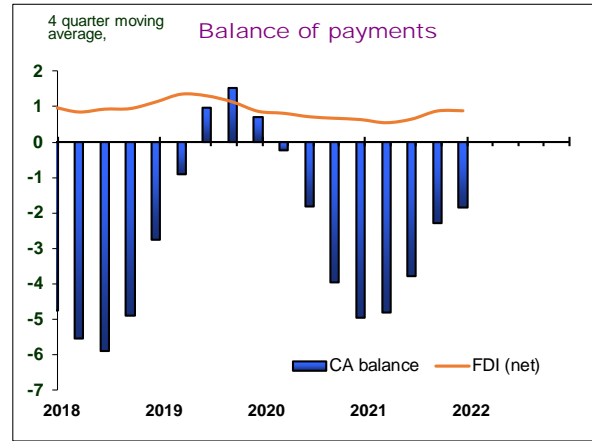
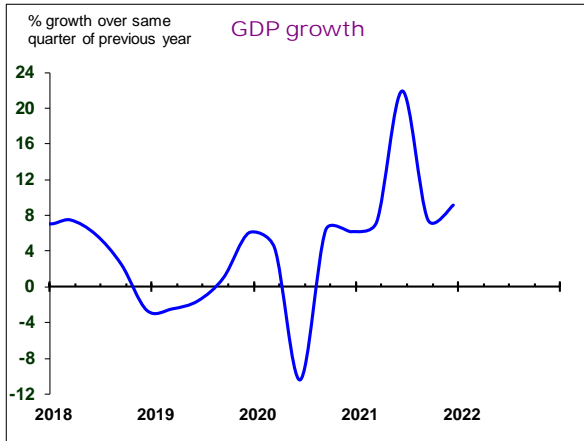
*** Q figures in percent of GDP on a four quarter moving basis.

CHARTS

European Commission, ECFIN-D-1



TURKEY



BOSNIA AND HERZEGOVINA



Key developments

On 4 February, Standard&Poor's confirmed the country's B credit rating with a stable outlook, based on the expectation of a political de-escalation and relatively low government debt, providing fiscal policy space.

On 23 March, the Central Bank raised its inflation forecast for the first half of 2022, from 4.5% projected in December 2021 to 9.2%. The main factors are significant price increases for raw materials, energy, food and oil, especially because of Russia's invasion of Ukraine, but also due to the low base from the first half of 2021, when consumer prices stagnated.

On 24 March, Bosnia and Herzegovina adopted with a significant delay of nearly 2 months its Economic Reform Programme 2022-2024. It foresees economic growth to average around 3½% in 2022-24. The macroeconomic scenario, however, assumes an acceleration of structural reforms, which so far have been delayed by political tensions. The programme envisages a largely balanced budget in 2022 and significant fiscal surpluses in 2023 and 2024, which should help to reduce general government debt close to 32% by 2024.

On 30 March, the Federation's parliament adopted the 2022 budget, envisaging an increase in spending by some 2%, while - thanks to a stronger recovery - revenue is projected to increase by some 12%. As a result, the entity's 2022 deficit is expected to decline to some 1% of the entity's GDP, compared to 1.7% the year before.

Real sector

In Q4, the economy continued to recover, registering a seasonally-adjusted, quarter-on-quarter GDP increase of 2.4%. Year-on-year, output growth was 7.6% in Q4, compared to 6.9% in Q3 and a lockdown-driven output drop of 2.5% a year earlier. Like in Q3, a key growth driver was exports, which rose by 48.5% y-o-y, compared to a decline by 2.8% in the same quarter a year before. Investment rose by 8.6% y-o-y, while private consumption increased by 7.6%, contributing some 5.4 pps. to growth. Imports increased by 35.4% y-o-y, which resulted in a slightly negative growth contribution of net exports of 0.4 pps. For the whole year 2021, output was 7.1% higher than a year before, when it registered a decline by

3.2%. The main growth drivers in 2021 were private consumption and exports, while real investment growth remained rather subdued. On the production side, the recovery in 2021 was mainly based on a rebound in wholesale trade, transport and accommodation and food services (+17.0% y-o-y) but also manufacturing (+8.3%).

High-frequency data points to a continued, albeit decelerating recovery. The growth of industrial production decelerated from 8.1% y-o-y in Q3 to 6.9% in Q4, which further slowed down to 2.6% and 1.3% in January and February 2022 respectively. Retail sales turnover also continued to increase at a less dynamic pace, although from a high level, slowing down from 26.3% y-o-y in Q3 to 17.2% y-o-y in Q4. Overall, in 2021, retail sales were 18.5% higher than a year before, compared to decline by 6.8% the year before.

Tourism continued to recover. During the first two months of 2022, the number of overnight stays and of arrivals at the accommodations were some 47% higher than a year before. Domestic tourism accounted for 40% of the total overnight stays and arrivals. Croatia and Serbia accounted for 31.7% and 26.8% of total foreign tourists, respectively.

Labour market

Registered employment was nearly 2.4% y-o-y higher in Q4. Important sectors with an improving employment situation were manufacturing, tourism and trade. In January, the number of employees was even 3.6% higher than a year before, i.e. nearly 27,400 more employees were registered.

The number of the registered unemployed in Q4 was some 32,000 (8.5%) lower than a year before. This brought the administrative unemployment rate down to 31.3%, compared to 33.7% the year before. In January, the number of registered unemployed persons was slightly lower than a month before (-1,300 persons or -0.35% m-o-m, and significantly lower than a year earlier (-38,000 persons, or -9.1%). According to the survey-based Labour Force Statistics (LFS), the unemployment rate was 16.1% in Q4, slightly lower than a year ago, when the rate was 16.6%, and significantly lower than during its peak of 19% in the first quarter of 2021. The LFS youth unemployment rate (age group 15-24) stood at 34.9% in Q4, compared to 37.8% in the previous quarter.

The annual growth of nominal gross wages remained quite robust, at 5.1% y-o-y in Q4, and 6.7% y-o-y in January. However, adjusted for accelerating inflation, the increase in real wages has come to a halt. To some extent, the high nominal wage increases reflect labour market shortages due to a substantial brain drain, but also higher public sector wages, such as in the health and security sectors. However, the official wage statistics do not include micro enterprises, which represent a large share of employment.

External sector

The current account deficit narrowed to 2.1% of GDP in 2021, compared to 3.8% in 2020, largely thanks to an improvement in the trade balance of goods and services, as export revenues rose more substantially than the value of imports.

Trade continued its rebound in Q4, with the value of goods exports being 39.3% higher than a year earlier, while imports had increased by 35.7%, reflecting the recovery of private consumption and exports. The strong trade performance continued in January and February. The value of merchandise exports rose by 49.4% and 33.8% y-o-y, respectively, mainly due to a strong recovery of demand from Serbia, Italy, Germany and Croatia.

Net FDI inflows increased from 1.7% of GDP in 2020 to 2.1% of GDP in 2021, largely consisting of reinvested earnings. Official foreign exchange reserves stayed high in Q4, covering still more than 9 months of imports of goods and services.

Monetary developments

The increase in the overall level of consumer prices continued, with y-o-y inflation rising from 2.4% in Q3 to 5.3% in Q4, and further to 7.0% and 8.1% in January and February, respectively. The main factors for the acceleration were higher costs for transport and to an increasing extent rising prices for food and non-alcoholic beverages. Prices for this latter group account for 32% of the basket and rose on average by 8.6% in Q4 and by 11.9% and 13.3% y-o-y in January and February, respectively. Prices for transport, accounting for nearly 13% of the basket, increased by 14.4% y-o-y in Q4, and by 13.7% and 15.4% in January and February, respectively. At the same time, prices for clothes and footwear continued to decline.

The annual growth of the monetary aggregate M2 remained high, at 11.5% in Q4, compared to 11.9% in Q3. The main driver was the monetary aggregate M1, in particular the increase in transferable deposits in domestic currency. In

January, the strong year-on-year increase in M2 continued, at 11.2%.

Financial sector

Overall, the financial sector has weathered the COVID-19 crisis relatively well so far. Annual credit growth accelerated further in Q4, reaching 3.2% y-o-y, compared to 2.4% in Q3. This trend continued in January, with lending increasing by 3.5% y-o-y. This increase continued to be mainly driven by bank loans to households.

Bank deposit growth also remained high in Q4, (11.2%), as well as in January (11.8%). Households and in particular non-financial private enterprises continued to be the main drivers of deposit growth. As a result, the loan-to-deposit ratio maintained its declining trend, falling to 78% in February from 80.6% a year before. However, compared to January, when the loan-to-deposit ratio had reached its lowest value of 75%, the coverage of loans by deposits has slightly deteriorated.

The share of non-performing loans in total loans declined to 5.8% at the end of Q4, compared to 6.1% one year earlier. The ratio of the provisions for non-performing loans remained high, at 78.4% in Q4, compared to 80.4% in Q3 and unchanged compared to a year before. Banking sector profitability remained largely unchanged in Q4 after a marked improvement in Q1, partly following methodological changes. The return-on-equity (ROE) ratio deteriorated slightly to 9.6% in Q4, compared to 11.2% in Q3-2021. The return on assets (ROA) was at 1.3%, compared to 1.4% in Q3. The banking system's overall capital-adequacy ratio continued to increase to 19.6% in Q4, compared to 19.2% in Q3. This continues to be well above the regulatory minimum of 12%. However, there are sizeable differences among the country's 22 banks, with some pockets of vulnerability remaining.

Fiscal developments

Tax revenues registered a strong recovery. During 2021 the collection of indirect taxes was 21.5% higher than a year before, mainly thanks to strong VAT revenues, in particular during the summer months. Latest estimates expect a 2021 general government deficit of 0.9% of GDP, after 5.3% in 2020. The public debt ratio increased slightly in 2021 from 35.3% in Q3 to 35.5% of GDP in Q4. The rise was largely due to an increase in long-term foreign debt. As a result, the share of domestic currency debt dropped from 14.5% in Q3-2021 to 13% in Q4.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2017	2018	2019	2020	2021	Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
1 Real sector												
Industrial confidence ^{1.1}	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 ^{1.2}	Ann. % ch	3.1	1.6	-5.3	-6.3	9.7	8.1	6.9	:	2.6	1.3	:
Gross domestic product ^{1.3}	Ann. % ch	3.0	3.3	2.8	-3.2	7.1	6.9	7.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	0.8	4.7	4.3	-1.5	6.0	3.4	7.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	7.9	8.1	5.8	-4.1	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-6.9	5.2	15.4	-18.6	12.0	9.0	12.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	5.0	8.2	5.2	-6.8	18.5	26.3	17.2	:	17.8	:	:
2 Labour market												
Unemployment ^{2.1}	%	20.5	18.4	15.7	15.9	17.4	16.4	16.1	N.A.	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	4.0	6.2	2.5	-1.2	0.9	2.2	2.4	:	3.6	:	:
Wages ^{2.3}	Ann. % ch	1.6	3.1	4.3	4.0	4.4	4.5	5.1	:	6.7	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	21.3	11.5	-2.3	-7.4	34.9	38.3	39.3	:	49.4	33.8	:
Imports of goods ^{3.2}	Ann. % ch	13.3	7.1	1.1	-13.4	26.7	31.3	35.7	:	46.7	41.8	:
Trade in goods balance* ^{3.3}	% of GDP	-23.6	-22.5	-22.6	-18.4	-19.3	-18.0	-19.0	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	40.9	42.6	40.6	34.5	44.1	40.1	43.4	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.1	57.3	55.2	48.5	56.4	52.3	55.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-4.8	-3.3	-2.8	-3.8	-2.1	-2.3	-2.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.3	2.9	1.5	1.7	2.1	2.6	2.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	5,398	5,943	6,441	7,091	8,359	7,882	8,359	:	8,407	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.1	7.3	7.8	10.0	9.3	9.5	9.3	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	1.3	1.4	0.6	-1.1	2.0	2.4	5.3	:	7.0	8.1	:
Producer prices ^{4.2}	Ann. % ch	1.8	3.2	0.4	-0.4	4.5	5.4	8.2	:	10.6	:	:
Food prices ^{4.3}	Ann. % ch	1.3	0.6	1.1	1.0	3.5	3.7	8.6	:	11.9	13.3	:
M2 ^{4.4}	Ann. % ch	9.5	9.4	8.9	7.3	11.5	11.9	11.5	:	11.2	:	:
Exchange rate BAM/EUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	:	1.96	:	:
Real effective exchange rate ^{4.6}	Index	96.4	97.0	95.7	95.1	94.8	93.7	95.5	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% 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 ^{5.2}	% 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 ^{5.3}	Index	627	621	772	769	870	910	1,026	952	974	963	918
Credit growth ^{5.4}	Ann. % ch	5.3	6.6	5.7	1.1	1.7	2.4	3.2	:	3.5	:	:
Deposit growth ^{5.5}	Ann. % ch	10.4	11.3	9.3	5.6	10.1	11.7	11.2	:	11.8	:	:
Non performing loans ^{5.6}	% total	10.0	8.8	7.4	6.1	5.7	5.5	5.8	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	2.6	2.2	1.9	-5.3	:	1.2	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	36.1	34.2	32.8	36.6	35.5	35.3	35.5	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

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

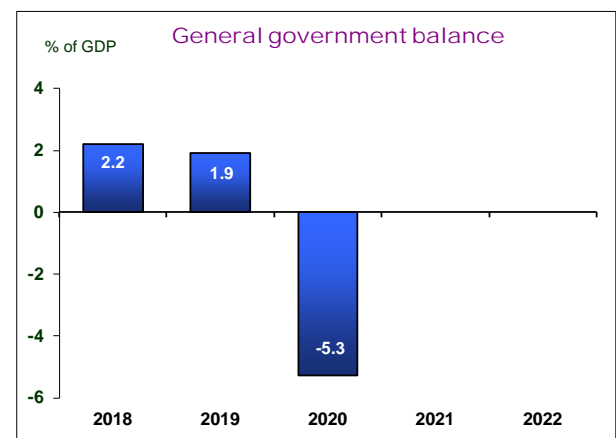
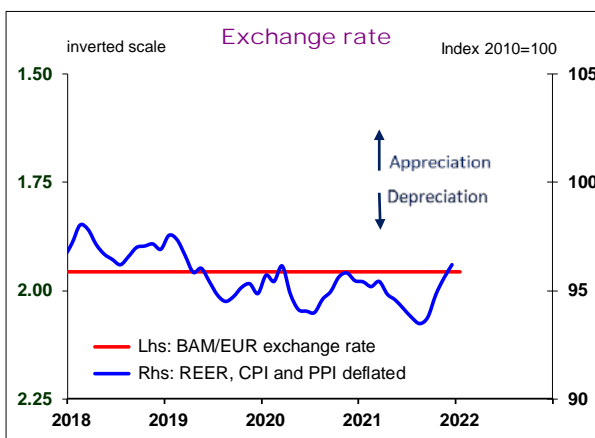
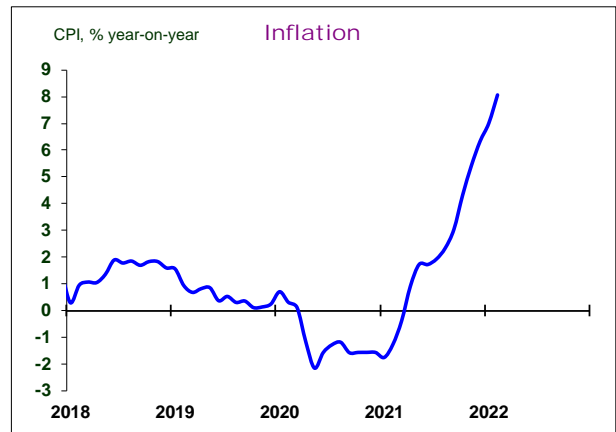
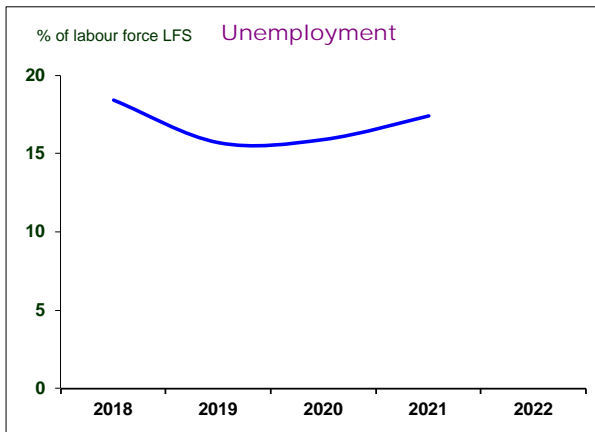
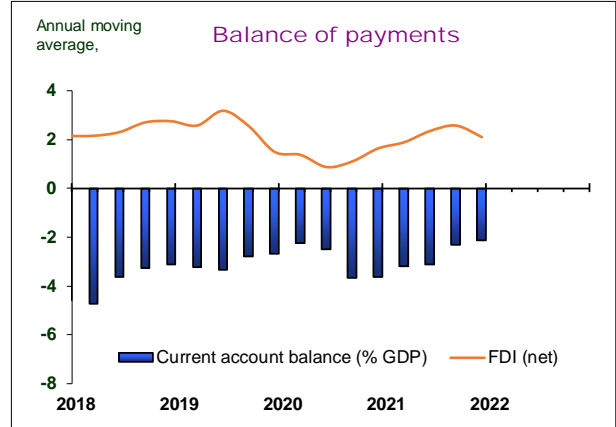
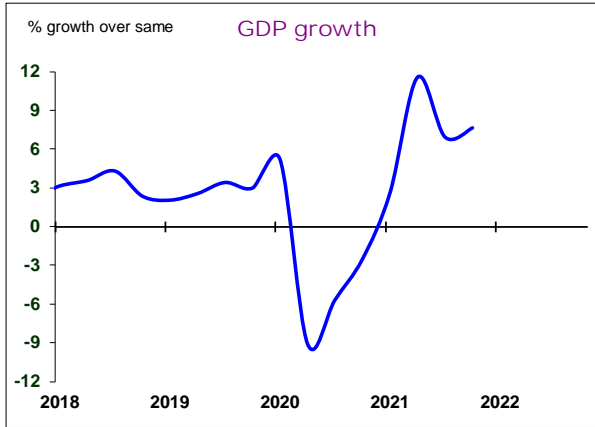
*** Q figures in percent of estimated annual GDP.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA





Key developments

In January, Kosovo submitted its 2022 Economic Reform Programme (ERP) to the Commission, covering 2022-2024. While acknowledging pandemic and energy-related risks, its macroeconomic scenario projects real GDP to expand by 7-8% during the programme period, well above historic trend rates, driven by an ambitious private and public investment programme. The ERP envisages a gradual return to the 2% of GDP fiscal deficit ceiling, as prescribed by Kosovo's fiscal rules framework, by 2023.

In February, Kosovo increased regulated energy prices, by introducing a two-tier tariff structure for household consumers, maintaining the current electricity prices for households consuming less than 800 kWh and doubling the prices for those above it. The tariffs for non-household consumers, including in the industrial sector, small and medium-sized enterprises, businesses and wholesale customers, remain unchanged. The government allocated EUR 120 million for energy subsidies; EUR 30 million is earmarked for securing imports of electricity, while the remainder will be used to stabilise electricity prices for small consumers, i.e. households using up to 800 kW, and partially compensate price increases for larger consumers (more than 800 kW).

Real sector

Kosovo's economy witnessed a robust recovery in 2021, which was driven by the resumption of diaspora travelling and related financial flows. Based on quarterly data, the provisional estimate of annual GDP growth is 10.5%. The key driver was strong export performance (78.2%) with service and goods exports surging by 91% and 51%, respectively. Further support to growth came from a robust increase in investment and public consumption, which expanded by 10.2% and 9.1%, respectively. Large inflows of remittances and high social transfers contributed to a strong annual increase in private consumption (7.6%). GDP growth was dampened by rapidly rising imports of goods and services (32.5%). In Q4-2021, GDP grew by 6.4% y-o-y on the back of private consumption

and exports, which increased by 9.4% and 33.4% y-o-y, respectively. Growth of public consumption decelerated to 4.5% y-o-y while investment nearly stagnated (0.85% y-o-y). Increasing imports (17.1%) contributed negatively to growth.

On the production side, positive growth in 2021 was recorded in all sectors. The largest gains in output took place in wholesale and retail trade, accommodation and catering (around 21%). Manufacturing and construction expanded by some 8% and 7%, respectively.

Labour market

Due to the COVID-19 related disruptions, the publication of the labour force survey (LFS) results has been discontinued. The latest available release refers to Q1 2021 with the unemployment rate at 25.8%.

External sector

The current account deficit is estimated to have widened to 9.2% of GDP in 2021 from 7% in 2020. The main driver was a large surge in goods imports (41%) which offset good export performance and led the merchandise trade deficit to widen to 53% of GDP. The key factor offsetting the merchandise trade deficit is remittances, which increased by 20% in 2021 and amounted to 15.8% of GDP. Further unofficial remittances are reflected in larger errors and omissions (2.5% of GDP) in 2021. On the financing side, net inflows of FDI performed well and amounted to 3.9% of GDP, which was partially supported by the ban on dividend distribution. Official reserves covered 3 months of imports in Q3-2021, compared to 3.1 months a year before.

In January-February 2022, total merchandise exports expanded by 40% y-o-y, due to strong performance of plastic and mineral products, while exports of base metals declined as compared to 2021. In the same period, imports increased by 42% y-o-y on the back of surging imports of mineral products, while the overall merchandise trade deficit widened by 40% y-o-y.

Monetary developments

During 2021, annual inflation was on a rising trend from 0.6% in the first to 6.4% y-o-y in the last quarter. The main drivers were rising food and energy prices as well as a one-off increase in communication tariffs. In January-February 2022, annual inflation accelerated to over 7% y-o-y.

Based on quarterly data, annual indices of construction and import prices increased by 12% and 11% in 2021, respectively, mainly driven by rising transport and energy costs in the second half of the year. Producer costs increased by 5% as compared to 2020.

Financial sector

Supported by the economic recovery, the mostly foreign-owned banking sector remained stable and profitable in 2021. In the second half of 2021, the Central Bank of Kosovo (CBK) gradually lifted the pandemic-related support measures. Timely regulatory forbearance and large inflows from the diaspora supported rapid credit growth, in particular to households. Bank loan growth accelerated to 11.2% in 2021 from 7.1% in the previous year. Deposit growth picked up to 13.8% from 12.2% in 2020. Financial soundness indicators have remained satisfactory. At the end of 2021, the loan-to-deposit ratio and the non-performing loan (NPL) ratio stood at 76.5% and 2.1%, respectively. The NPL ratio remained low at 2.2% in February, and existing NPLs were fully covered by loan loss provisions (150.3%).

Bank profitability has surged with the average return-on-equity ratio rising to 17.6% in 2021 from 14% in 2020.

For the banking system as a whole, the ratio of liquid assets to short-term liabilities stood at 34.1% in February and the capital adequacy ratio was at 14.8%, both standing well above the regulatory minima of 25% and 12%, respectively.

Fiscal developments

In line with economic recovery, tax revenue surged by 29.8% y-o-y in 2021. Direct and indirect tax income expanded by 25% and 31% respectively, and exceeded the revised 2021 budget allocations. Public spending increased by moderate 2.5% as compared to the outcome of 2020. The implementation of the revised 2021 budget was uneven among different categories. Capital spending increased by 11% as compared to 2020, but reached only 76% of the revised 2021 budget allocation. The level of current expenditure was roughly the same as the spending in 2020 due to the implementation of COVID-19 support packages, while its execution rate reached around 95% of the revised 2021 budget.

According to preliminary figures on the budget outcome, as presented in the Economic Reform Programme, the headline fiscal deficit fell to 1.4% of GDP in 2021 from 7.6% in the previous year. According to the definition of the fiscal rule, which excludes investments financed by international financial institutions, the budget deficit declined to 0.8% of GDP in 2021. The government's cash reserve increased to 4% of GDP from 3.5% in 2020.

In January-February 2022, budget revenue and spending rose by 21% and 3% y-o-y, respectively.

In 2021, the debt-to-GDP ratio is estimated to have increased to 23.4% from 22.4% one year earlier. Domestic debt, which is held by a narrow investor base, rose by 15% in 2021 with a substantial share of new issuances absorbed by the Kosovo Pension Saving Trust (KPST). The share of domestic debt held by KPST stands at 44%, while a further 21% and 29% of domestic debt are with the CBK and commercial banks, respectively. Foreign debt increased by nearly 10% in 2021 on the back of financing provided by international donors.

TABLE

European Commission, ECFIN-D-1



KOSOVO

		2017	2018	2019	2020	2021	Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
1 Real sector												
Industrial confidence ^{1.1}	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 ^{1.2}	Ann. % ch	-1.3	-0.7	2.6	-1.2	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.8	3.4	4.8	-5.3	10.5	14.5	6.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	2.5	3.8	5.1	1.9	7.6	1.4	9.4	:	N.A.	N.A.	N.A.
Investment ^{1.5}	Ann. % ch	0.6	7.0	-1.6	-7.1	10.2	0.1	0.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	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 ^{1.7}	Ann. % ch	12.0	17.4	25.6	-0.4	11.0	24.4	8.4	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	30.5	29.6	25.7	25.9	:	:	:	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	7.6	-3.4	5.2	-4.4	:	:	:	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	2.1	5.1	5.3	-2.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	22.1	-2.8	4.4	23.8	57.9	65.7	45.6	:	50.9	34.8	:
Imports of goods ^{3.2}	Ann. % ch	9.2	9.7	4.6	-5.7	41.1	48.0	34.8	:	43.4	37.5	:
Trade in goods balance* ^{3.3}	% of GDP	-42.0	-44.6	-44.1	-41.7	-53.2	-48.1	-49.9	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	27.3	29.1	29.3	21.7	:	33.7	:	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	53.1	57.3	56.4	53.9	:	63.8	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.5	-7.6	-5.7	-7.0	-9.2	-6.0	-8.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* ^{3.7}	% of GDP	3.3	3.4	2.7	4.2	:	5.0	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	939.4	933.9	937.1	969.1	1,060.6	1,192.3	1,060.6	:	1,136.4	1,156.8	:
Int. reserves / months imp ^{3.9}	Ratio	3.3	2.9	2.8	3.2	:	3.0	:	:	N.A.	N.A.	N.A.
4 Monetary developments												
HICP ^{4.1}	Ann. % ch	1.5	1.1	2.7	0.2	3.3	4.3	6.4	:	7.1	7.5	:
Producer prices ^{4.2}	Ann. % ch	0.6	1.4	0.9	-0.6	4.9	6.9	7.2	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	1.2	2.7	8.3	10.1	12.7	3.1	6.3	:	8.8	9.7	:
Broad money liabilities ^{4.4}	Ann. % ch	6.4	7.9	12.0	15.3	12.1	16.9	12.1	:	11.8	11.6	:
Exchange rate EUR/EUR ^{4.5}	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) ^{4.6}	Index	105.0	104.7	107.1	107.3	109.8	109.8	111.5	:	112.4	113.1	:
5 Financial indicators												
Short-Term interest rate ^{5.1}	% 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 ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.84	N.A.
Stock markets ^{5.3}	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 ^{5.4}	Ann. % ch	10.5	11.1	10.7	7.7	11.2	12.1	14.5	:	15.7	16.7	:
Deposit growth ^{5.5}	Ann. % ch	8.6	6.5	12.6	12.2	13.8	15.2	12.9	:	11.1	9.5	:
Non-performing loans ^{5.6}	% total	3.0	2.5	1.9	2.5	2.1	2.2	2.1	:	2.1	:	:
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-1.3	-2.9	-2.9	-7.6	-1.4	2.0	-2.7	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	16.4	17.0	17.6	22.4	23.3	23.0	23.3	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

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

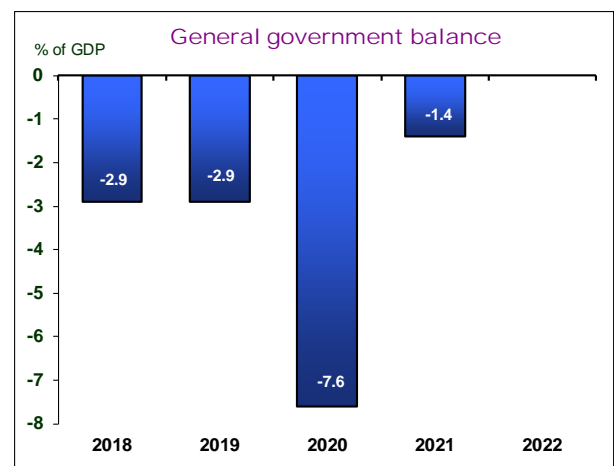
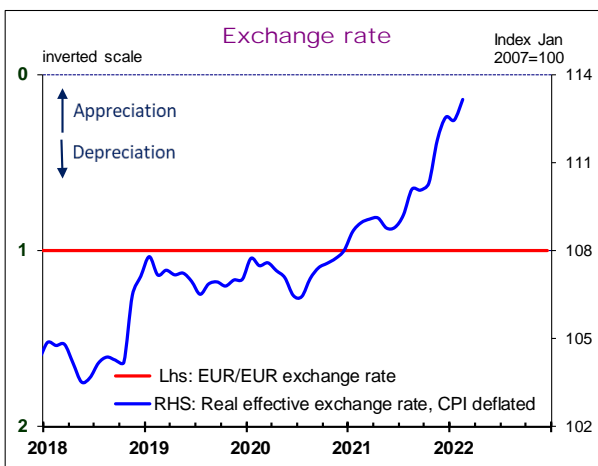
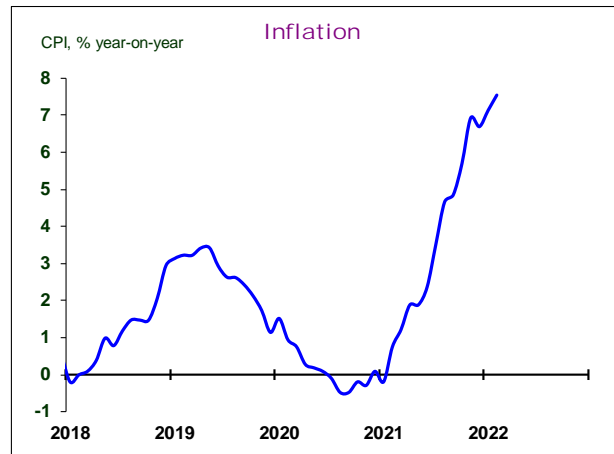
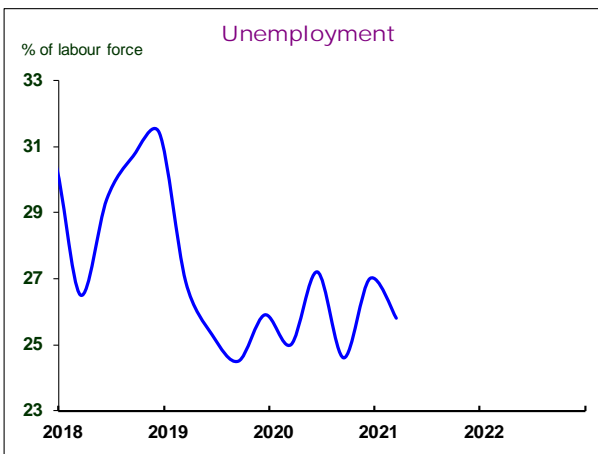
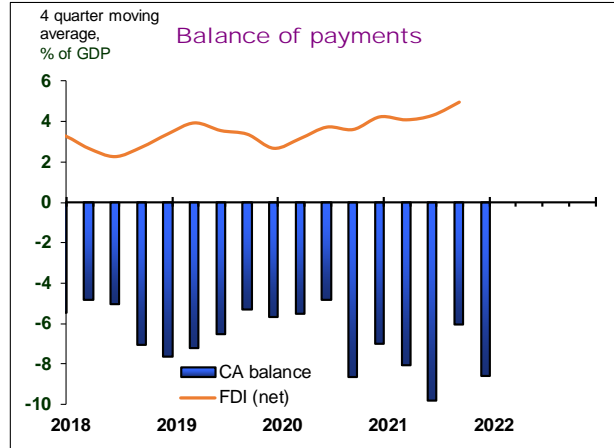
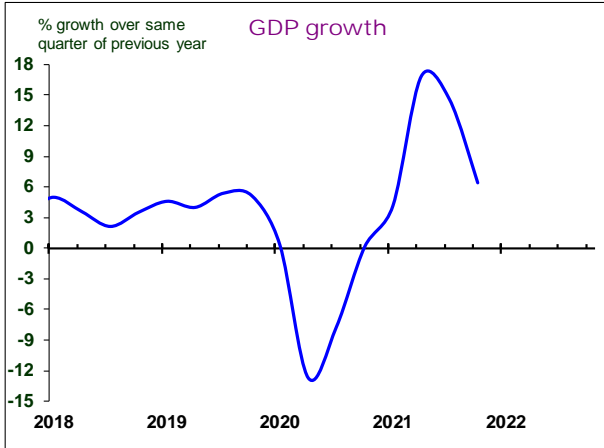
*** Q figures in percent of estimated annual GDP from the Budget Law.

CHARTS

European Commission, ECFIN-D-1



KOSOVO



Source of data: IMF, national sources



No.	Indicator	Note	Source
1. Real sector			
1.1.	Economic sentiment indicator	Economic Survey Index, SA	Bank of Albania
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
2. Labour market			
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
3. External sector			
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
4. Monetary developments			
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.
5. Financial indicators			
5.1.	Interest rate	Interbank Rates, TRIBOR, 3 Month, fixing	IHS DataInsight
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
6. Fiscal developments			
6.1.	General government balance	Net lending annual /cash balance, in percent of GDP	Albanian Min. of Finance
6.2.	General government debt	Gross public debt in percent of annual GDP	Albanian Min. of Finance



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



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



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Total, Index, CPPY=100	IHS DataInsight
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	IHS DataInsight
1.4.	Private consumption	Annual percent change , Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	IHS DataInsight
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	IHS DataInsight
1.6.	Construction index	Annual pc change, Value Index of Performed Works, Total CPPY=100, NSA	IHS DataInsight
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	IHS DataInsight
2. Labour market			
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	IHS DataInsight
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	IHS DataInsight
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	IHS DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS DataInsight
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.8.	International reserves NBS	Total, mio EUR	IHS DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	IHS DataInsight
4. Monetary developments			
4.1.	CPI	Consumer Prices, Total, CPPY, average	IHS DataInsight
4.2.	Producer prices	Annual average percentage change, domestic market	IHS DataInsight
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	IHS DataInsight
4.4.	M3	Annual percentage change, M3 (broad money), RSD	IHS DataInsight
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	IHS DataInsight
4.6.	Real effective exchange rate	Index 2005 = 100, period average, RSD	IHS DataInsight
5. Financial indicators			
5.1.	Interest rate	Interbank Rates, BELIBOR, 3 Month, fixing	IHS DataInsight
5.2.	Bond yield	Weighted average interest rate on 7Y RSD government bonds	NBS
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	IHS DataInsight
5.4.	Credit growth	Annual percentage change, domestic credit, private, RSD	IHS DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	IHS DataInsight
5.6.	Non-performing loans	Gross Non-Performing Loan Ratio	IHS DataInsight
6. Fiscal developments			
6.1.	General government balance	Consolidated GG, 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
1. Real sector			
1.1.	Industrial confidence indicator	Industry survey, confidence index real sector	IHS DataInsight
1.2.	Industrial production	Annual percentage change, volume (index 2015)	IHS DataInsight
1.3.	Gross domestic product	Annual percentage change	IHS DataInsight
1.4.	Private consumption	Annual percentage change, index (2009 prices)	IHS DataInsight
1.5.	Gross fixed capital formation	Annual percentage change	IHS DataInsight
1.6.	Construction index	Annual percentage change, construction turnover index, calendar adjusted	IHS DataInsight
1.7.	Retail sales	Retail trade, annual percentage change, volume, calendar adjusted, 2015=100	IHS DataInsight
2. Labour market			
2.1.	Unemployment	In percent of total labour force, total, Labour Force Survey data	IHS DataInsight
2.2.	Employment	Annual percentage change, total, Labour Force Survey data	IHS DataInsight
2.3.	Wages	Annual percentage change, total hourly earnings, Index 2015 = 100	IHS DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. USD, fob	IHS DataInsight
3.2.	Imports of goods	Annual percentage change, mio. USD, cif	IHS DataInsight
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	IHS DataInsight
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	IHS DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR, eop.	IHS DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	IHS DataInsight
4. Monetary developments			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	IHS DataInsight
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	IHS DataInsight
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	IHS DataInsight
4.4.	M3	Money supply M3, total, TRY	IHS DataInsight
4.5.	Exchange rate YTL/EUR	Period averages	IHS DataInsight
4.6.	Real effective exchange rate	Index 2003 = 100, period averages	IHS DataInsight
5. Financial indicators			
5.1.	Interest rate	Interbank Rates, TRLIBOR, 3 Month, fixing	IHS DataInsight
5.2.	Bond yield	Government Benchmarks, 10 Year Bond, Yield	IHS DataInsight
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	IHS DataInsight
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	IHS DataInsight
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	IHS DataInsight
5.6.	Non-performing loans	In percent of total loans	IHS DataInsight
6. Fiscal developments			
6.1.	General government balance	General government, in percent of GDP	IHS DataInsight
6.2.	General government debt	In percent of GDP (EU standards; defined by the Ministry of Treasury and Finance)	IHS DataInsight



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



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

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