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Western Balkans & Türkiye

2<sup>nd</sup> Quarter 2024

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European Commission  
Directorate-General for Economic and Financial Affairs

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

2<sup>nd</sup> Quarter 2024

Western Balkans and Türkiye

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

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

## OVERVIEW – FLASH NOTES

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**The Western Balkans' economic output expanded faster in the first quarter of 2024 than in the previous three months.** The region's real GDP growth accelerated to 3.9% year-on-year in Q1-2024 from 3.2% in the preceding quarter as all economies except Albania recorded a pick-up in the rate of output growth. GDP growth accelerated the most in Kosovo, Bosnia and Herzegovina and Serbia.

**Economic growth was generally driven by domestic demand.** Consumer spending remained a key contributor to output growth in the first quarter of 2024, with its year-on-year growth accelerating in most economies of the region. Household consumption was supported by continued high nominal wage growth across the region, which translated into sizeable real wage increases amid lower inflation. Investment rose markedly in almost all economies, notably in North Macedonia where it surged after four successive quarters of year-on-year decline. Trade dynamics were generally dragged down by contracting exports while imports held up better, leading to negative contributions from international trade to GDP growth.

**The unemployment rate fell in most economies in the first quarter of 2024, compared to the same period a year before.** In line with the acceleration in economic activity, average annual employment growth picked-up notably to 2.5%<sup>1</sup> in the Western Balkans, while labour force participation increased in some countries. Overall, unemployment rates in the region were at historically low levels but remained high compared with the EU, ranging from 9.4% in Serbia to 13.5% in Bosnia and Herzegovina.

**The region's four-quarter moving total current account deficit increased to 3.6% of GDP in March from 2.8% in 2023, still a low level by historical standards.** This put an end to the trend of improving external balances that had started in the third quarter of 2022. The deterioration was broad-based across countries and was due to increasing merchandise trade deficits, lower secondary income (mainly remittances) surpluses and in some cases also decreasing services trade surpluses as a percent of GDP. Foreign direct investment inflows as a share of GDP were stable or increased in most countries in the four quarters to March, while they continued to cover most or all of the current account deficit. Foreign exchange reserves remained broadly stable or, as in Serbia, increased.

**Average annual inflation slowed further to 4.1% in the first quarter of 2024.** Annual consumer price inflation remained unchanged or slightly accelerated in most economies in April and May, ranging from an average of 2% in Bosnia and Herzegovina to 5.4% in Montenegro, whereas it further decelerated in Albania and Serbia. Inflation rates falling to within the target range enabled central banks in the latter two countries to embark on gradual monetary policy easing. In June, the National Bank of Serbia cut the key policy rate by 25 bps. to 6.25%, while in July the Bank of Albania reduced it to 3% from 3.25%. The central bank of North Macedonia has kept the key policy rate at 6.3% since September 2023.

**Continued economic expansion supported the growth of budget revenues and fiscal balances improved in almost all Western Balkan economies in the first five months of 2024, except for North Macedonia.** In some countries (Albania, North Macedonia) budget balances also benefitted from lower capital spending compared to a year before. The public debt-to-GDP ratio decreased in most economies of the region in the first quarter of 2024 compared to end-2023, partly due to the robust rise in nominal GDP. The fall in the debt burden was most pronounced in Serbia (in May) and Albania. The public

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

debt ratio remained the highest in Montenegro at 66.4% of GDP, followed by Albania and North Macedonia at 55.8% and 50.4% of GDP, respectively.

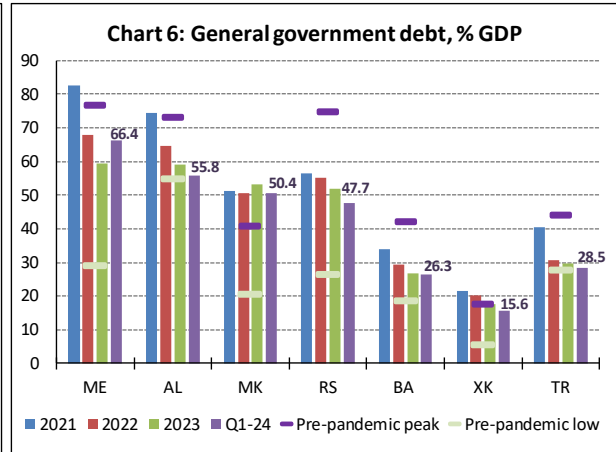
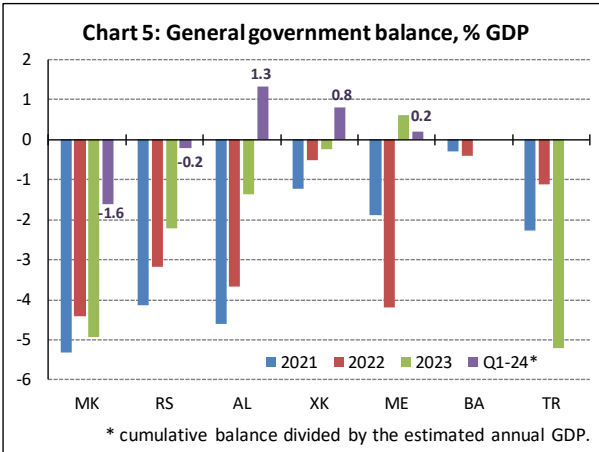
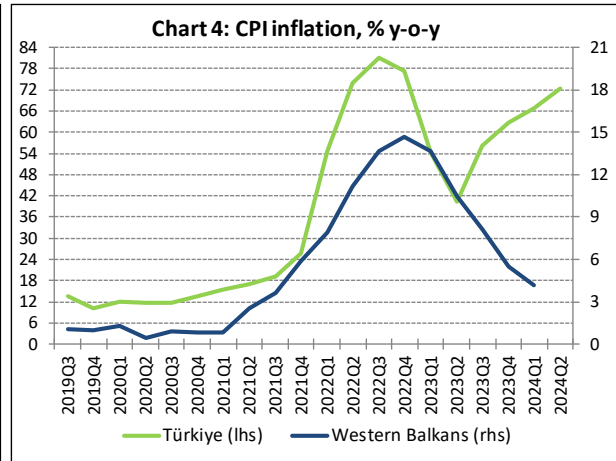
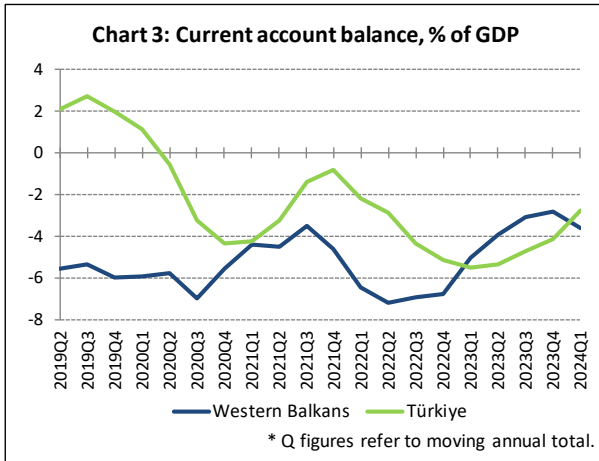
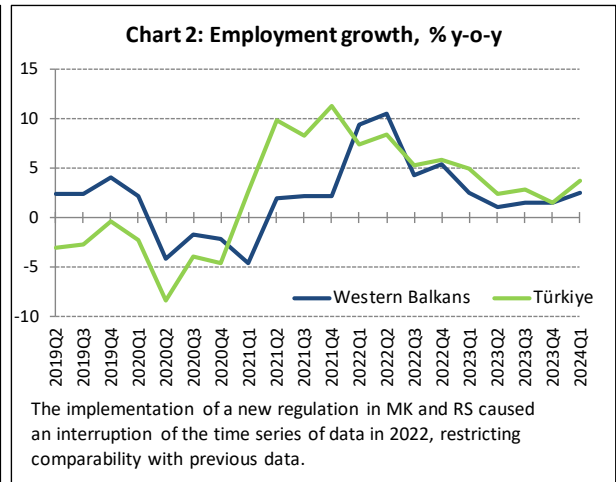
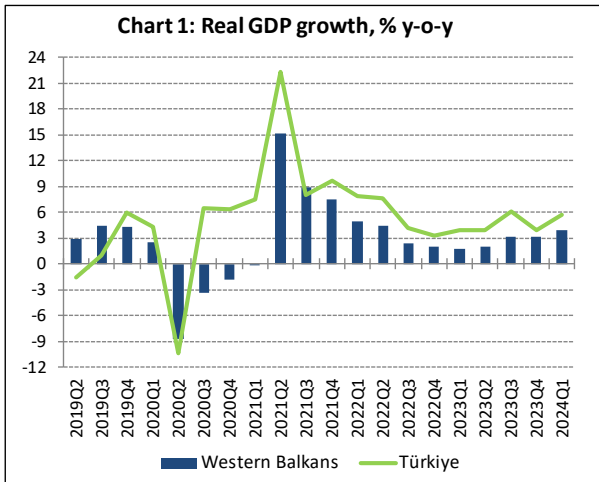
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**In Türkiye, economic growth accelerated notably in the first quarter of 2024, with real GDP expanding by 5.7% on a year-on-year basis.** Growth was driven by still strong, albeit moderating domestic demand, in particular robust household consumption and a marked increase in investment as well as a positive contribution of net exports. The current account deficit narrowed to 2.8% of GDP in the 12 months to April, down from 4.1% in 2023. Over the same period, the merchandise trade deficit shrank significantly compared to a year before, mainly due the strong contraction of non-monetary gold imports since the beginning of 2024. The central bank's foreign exchange reserves have recovered the losses incurred in January-April, reaching EUR 148 billion on 21 June.

**On the back of the lowest monthly inflation rate in a year, annual inflation decreased to 71.6% in June, from a peak of 75.4% in May.** The central bank has kept its key policy rate unchanged at 50% since March and signalled its readiness to further tighten the monetary policy stance in case of a significant deterioration in the inflation outlook. The lira's value against the US dollar remained broadly stable in the second quarter of 2024.

**Boosted by the surge in indirect tax income, total budget revenue grew by more than 100% year-on-year in the first five months of 2024, while total expenditure also doubled in nominal terms.** The sizeable budget surplus registered in May brought the cumulative central government budget deficit to TRY 472 billion (1.1% of projected GDP) in January-May, slightly higher than the shortfall recorded in the same period a year before. The general government debt decreased to 28.5% of GDP at end-March, compared to 29.6% at end-2023.

Candidate and potential candidate countries: Overview graphs



## Candidate and potential candidate countries: Summary table

	2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
						2024	2025						
<b>Gross domestic product</b> (in real terms, annual % change)													
Albania	2.1	-3.3	8.9	4.8	3.4	3.3	3.5	3.8	3.6	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.3	-2.9	7.3	3.8	1.6	2.3	2.8	1.7	2.7	:	N.A.	N.A.	N.A.
Montenegro	4.1	-15.3	13.0	6.4	6.0	3.4	3.0	4.3	4.4	:	N.A.	N.A.	N.A.
North Macedonia	3.9	-4.7	4.5	2.2	1.0	2.9	3.0	0.9	1.2	:	N.A.	N.A.	N.A.
Serbia	4.3	-0.9	7.7	2.5	2.5	3.5	4.3	3.8	4.7	:	N.A.	N.A.	N.A.
Türkiye	0.8	1.9	11.4	5.5	4.5	3.5	3.8	4.0	5.7	:	N.A.	N.A.	N.A.
Kosovo	4.8	-5.3	10.7	4.3	3.3	:	:	4.0	5.6	:	N.A.	N.A.	N.A.
<b>Unemployment</b>													
Albania	12.0	12.2	12.1	11.3	11.2	10.9	10.4	11.2	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	15.7	15.9	17.4	15.4	13.2	:	:	12.7	13.5	:	N.A.	N.A.	N.A.
Montenegro	15.4	18.4	16.9	15.1	13.4	11.8	11.7	12.4	12.0	:	N.A.	N.A.	N.A.
North Macedonia	17.5	16.6	15.6	14.5	13.2	12.9	12.8	13.2	12.9	:	N.A.	N.A.	N.A.
Serbia	11.2	9.7	11.0	9.5	9.4	9.3	9.1	9.1	9.4	:	N.A.	N.A.	N.A.
Türkiye	13.7	13.1	12.0	10.5	9.4	10.2	10.2	8.6	9.3	:	8.5	:	:
Kosovo	25.7	25.9	20.7	12.6	:	:	:	:	:	:	N.A.	N.A.	N.A.
<b>Current account balance*</b> (% of GDP)													
Albania	-7.9	-8.7	-7.7	-5.9	-0.9	-1.1	-1.2	-1.0	-1.9	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.6	-2.8	-1.8	-4.3	-2.7	-2.8	-2.5	-2.7	-3.7	:	N.A.	N.A.	N.A.
Montenegro	-14.3	-26.1	-9.2	-12.9	-11.6	-10.3	-9.7	-11.6	-13.8	:	N.A.	N.A.	N.A.
North Macedonia	-3.0	-2.9	-2.8	-6.1	0.7	-1.0	-1.1	0.7	-1.3	:	N.A.	N.A.	N.A.
Serbia	-6.9	-4.1	-4.2	-6.9	-2.6	-3.6	-3.6	-2.6	-2.9	:	N.A.	N.A.	N.A.
Türkiye	2.0	-4.3	-0.8	-5.1	-4.1	-2.7	-2.1	-4.1	-2.8	:	N.A.	N.A.	N.A.
Kosovo	-5.7	-7.0	-8.7	-10.3	-7.6	:	:	-7.6	-8.5	:	N.A.	N.A.	N.A.
<b>Inflation</b> (Consumer price index, annual % change)													
Albania	1.4	1.6	2.0	6.7	4.8	3.0	3.0	3.9	2.7	2.1	2.1	2.2	2.1
Bosnia and Herzegovina	0.6	-1.1	2.0	14.0	6.1	2.2	2.0	2.0	2.0	:	2.0	2.0	:
Montenegro (HICP)	0.5	-0.8	2.5	11.9	8.9	4.8	4.3	5.7	5.3	:	5.8	5.1	:
North Macedonia	0.8	1.2	3.2	14.1	9.6	3.0	1.9	3.4	3.4	:	4.0	4.5	:
Serbia	1.8	1.6	4.1	12.0	12.4	4.7	3.2	8.0	5.7	:	5.0	4.5	:
Türkiye	15.2	12.3	19.6	72.3	53.9	57.4	31.5	62.7	66.8	72.3	69.8	75.4	71.6
Kosovo	2.7	0.2	3.3	11.6	4.9	:	:	2.8	2.1	:	2.4	2.4	:
<b>General government balance**</b> (% of GDP)													
Albania	-1.9	-6.7	-4.6	-3.7	-1.4	-2.4	-2.0	-1.4	1.3	:	1.8	2.0	:
Bosnia and Herzegovina	1.9	-5.2	-0.3	-0.4	:	-1.5	-1.0	:	:	:	N.A.	N.A.	N.A.
Montenegro	-2.0	-11.1	-1.9	-4.2	0.6	-3.7	-3.2	0.6	0.2	:	N.A.	N.A.	N.A.
North Macedonia	-2.0	-8.0	-5.3	-4.4	-4.9	-3.7	-3.0	-4.9	-1.6	:	-1.6	-2.2	:
Serbia	-0.2	-8.0	-4.1	-3.2	-2.2	-2.2	-1.5	-2.2	-0.2	:	-0.3	N.A.	N.A.
Türkiye	-3.2	-2.9	-2.3	-1.1	-5.2	-4.3	-3.6	-5.2	:	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-7.6	-1.2	-0.5	-0.2	:	:	-0.2	0.8	:	1.4	1.7	:
<b>General government debt***</b> (% of GDP)													
Albania	65.8	74.3	74.5	64.5	58.9	58.2	57.2	58.9	55.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	32.3	36.1	33.9	29.3	26.9	29.3	29.0	26.9	26.3	:	N.A.	N.A.	N.A.
Montenegro	76.5	105.3	82.5	68.0	59.3	61.7	62.9	59.3	66.4	:	N.A.	N.A.	N.A.
North Macedonia	40.5	50.8	51.4	50.5	53.1	54.6	54.2	53.1	50.4	:	N.A.	N.A.	N.A.
Serbia	52.0	57.0	56.5	55.2	52.0	51.4	49.9	52.0	47.7	:	N.A.	N.A.	N.A.
Türkiye	32.4	39.4	40.4	30.8	29.6	31.1	31.3	29.6	28.5	:	N.A.	N.A.	N.A.
Kosovo	17.6	22.4	21.5	20.0	17.5	:	:	17.5	15.6	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Spring 2024 published May 2024.

\* Q figures refer to moving annual total.

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

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



# ALBANIA



## Key developments

On 14 May, the annual Economic and Financial Dialogue between the EU and the Western Balkan Partners, Türkiye, Georgia, Republic of Moldova and Ukraine took place. The jointly adopted policy guidance invites Albania to continue its fiscal consolidation path, reduce arrears, and increase tax revenue as a share of GDP. In addition, Albania agreed to improve fiscal risk monitoring, increase the transparency and accountability of state-owned enterprises and ensure a sufficiently tight monetary policy stance to preserve price stability.

On 28 June, the Institute of Statistics, published the preliminary results of the Population and Housing Census 2023. Data shows that Albania's population fell from 2.8 million in 2011 to 2.4 million in 2023 (a 14% decline). Furthermore, results show that the working age population is down to about 1.55 million people from 1.9 million in 2011, marking a decrease of 18.3%. The largest decline in the working-age population was seen in the 15 to 19-year-old age group, which shrank by 46.8%.

## Real sector

Real GDP increased by 3.6% y-o-y in Q1-2024, slowing slightly from 3.8% in the previous three months.

Private consumption growth accelerated in Q1 to 3.7% y-o-y (from 1.7% in Q4-2023 and 2.4% in Q3-2023). In contrast, government consumption decelerated to 3.5% y-o-y, following high growth rates in the previous two quarters (16.1% in Q4-2023 and 9.9% in Q3-2023). Investment expanded as well, registering a higher growth rate of 7.7% y-o-y compared to 5% y-o-y in Q4-2023. After surging by almost 18% y-o-y in Q3-2023 and 15.1% y-o-y in Q4-2023, total exports declined by 9.9% y-o-y in Q1-2024, due to a drop in exports of goods (-30.8% y-o-y) and a much smaller decline in exports of services (-1.4% y-o-y) which followed four consecutive quarters of very high growth. Total imports increased by 7.6% y-o-y in Q1-2024, supported by increases in both goods and services imports.

On the production side, construction was the main contributor to GDP growth in Q1-2024 (by 1.19 pps.), followed by public administration, education and health (0.92 pps.); and trade,

transport, accommodation and food services (0.76 pps.). As in the previous quarter, agriculture and industry recorded negative contributions to growth in Q1-2024 (-0.31 pps. and -0.15 pps. respectively).

The economic sentiment indicator (ESI) improved over March and April but declined slightly in May (by 1.1 points) due to the lower confidence of consumers and across the sectors of industry and construction. Nevertheless, the May level stands close to the historical maximum and around 13 points above the long-term average. Confidence in services and trade rose for the third consecutive month.

## Labour market

Labour market data for Q1-2024 has not been published yet. The latest available Labour Force Survey shows that the employment rate for the population aged 15 to 64 stood at 66.7% in Q4-2023, down by 1 pp. compared to the previous quarter. The unemployment rate (15-64 years) edged up by 0.2 pps. q-o-q and also y-o-y to 11.2% in Q4-2023. The youth unemployment rate stood at 22%, the same level as in Q3-2023.

The labour force participation rate (15-64 years) decreased 1 pp. q-o-q to 75.1% in Q4-2023. Female participation rate fell by 0.5 pps. y-o-y to 68.6% which expanded the gender gap to 13.2 pps. in Q4-2023.

The average monthly nominal wage increased by 13.8% y-o-y in Q1-2024, driven by a 16% y-o-y increase in public sector wages; while the average private sector wage rose by 12.7% y-o-y. Agriculture remains the sector with the lowest wages while financial and insurance activities sector has the highest average wage.

## External sector

The current account deficit increased to 1.9% of GDP in the four quarters to Q1-2024, from a historical low of 0.9% in full-year 2023. Nevertheless, the deficit was smaller than the 5.1% recorded in the same period one year earlier. The services trade surplus increased by 1.9 pps. y-o-y to 15.7% of GDP in the year to Q1-2024, while the goods trade deficit narrowed by 1.4 pps. y-o-y to 21.9% of GDP.

The surplus of the secondary income balance fell by 0.7 pps. y-o-y to 5.5% of GDP, mainly because

remittances continued to fall, from 4.6% of GDP in Q1-2023 to 4.3% in Q1-2024. The primary income deficit decreased by 0.4 pps. y-o-y to 1.2% of GDP in Q1-2024. The share of total exports in GDP was 38.5% in Q1-2024 while the total imports-to-GDP ratio stood at 44.7%.

In the four quarters to Q1-2024, net FDI inflows increased by 9.7% y-o-y, but their share in GDP slightly decreased to 5.8% from 6.3% one year earlier.

Foreign reserves decreased from EUR 5.8 billion in December 2023 to EUR 5.6 billion in March 2024; their coverage of imports decreased as well (from 7.3 to 6.8 months).

### Monetary developments

The inflation rate fell to 2.3% in March, further to 2.1% in April and then registered a small uptick to 2.2% in May 2023. The key contributors to inflation in May were 'Food and non-alcoholic beverage' prices (with 0.69 pps. contribution to the inflation rate), 'Housing, water, electricity, gas and other fuels' prices (0.42 pps.), followed by 'Furniture household goods and maintenance' prices (0.28 pps.).

In May, food prices continued to increase in annual terms (by 1.9%) but fell (by 0.7%) compared to April 2024. 'Furniture households goods and maintenance' prices together with 'recreation and culture' prices saw the largest annual increase (by 3.7%) and they were also slightly up compared to April 2024. Nevertheless, food prices remain the key contributor to the inflation rate due to their high weight in the consumer price index.

In July 2024, the Bank of Albania decreased the policy rate to 3% from 3.25%. At the same time, the interest rate for the overnight deposit was reduced to 2% (from 2.25%), while the interest rate for the overnight lending declined to 4% (from 4.25%).

The growth of monetary aggregate M3 averaged 2.3% in 2023, followed by an increase to 3.3% y-o-y in May 2024.

The lek continued to appreciate against the euro in Q1 and Q2 of 2024, supported by foreign currency inflows from tourism. The exchange rate was at ALL/EUR 100.4 in June, down from 103.9 in January 2024.

### Financial sector

Credit growth to the private sector accelerated to 11.6% y-o-y in Q1-2024, up from 8.5% y-o-y in Q1-2023 (and higher by 3 pps. compared to the

previous quarter). The expansion of the loan portfolio was mainly in lek; with the annual growth of the lek portfolio reaching 19.2%. Credit in foreign currency continued to slow down, with an average annual growth of 3.1% (0.6 pps. lower than in Q4-2023). Overall, the share of loans in the national currency increased by 7.7 pps. y-o-y, reaching 57.2% of total loans.

The average interest rate on new loans in lek to enterprises was 6.6% in Q1-2024, recording a marginal increase from the previous quarter. The average interest rate on mortgage loans in lek to households was 4.3% in Q1-2024, up from 4.0% in Q4-2023, while the interest rate on consumer loans stood almost flat at 9.7%. The interest rates on loans in euro continued to increase.

Deposits recoded an annual growth of 11.4% in Q1-2024, slightly higher than 10.7% in Q4-2023.

The banking sector's capital adequacy ratio was 17.5% in Q1-2024, standing at the same level as in Q1-2023, but lower by 0.2 pps. compared to the previous quarter. The broad liquidity ratio decreased by 0.1 pps. y-o-y (and 0.9 pps. q-o-q) to 29.9% in March 2024. The return on assets rose from 2% in December 2023 to 2.2% in March 2024, while the return on equity increased from 17.3% to 19.2% over the same period. The ratio of non-performing loans to total loans was 4.6% in March 2024, down from 5.2% a year earlier, and 4.7% in December 2023.

### Fiscal developments

Public revenue increased strongly (+11.2%) in January-May 2024 compared to the same period of 2023, driven by higher income from taxes (11.8% y-o-y). Revenues surpassed the budgeted figures over this period by 3.4% and amounted to almost 42% of the full-year target.

Total expenditure rose by less than revenues over the first five months of the year (+6.5% y-o-y), with current expenditure higher by 9.1% y-o-y, while capital expenditures were lower by 4.3% y-o-y. Overall, spending was lower than expected (with execution at about 94% of the plan), driven by low capital expenditure execution (at 73.7% of the plan).

The January-May fiscal surplus increased by 40.5% y-o-y and amounted to 2.1% of GDP. Public debt stood at 55.8% of GDP in March 2024, down from 58.9% at end-2023.

# TABLE



European Commission, ECFIN-D-1

## ALBANIA

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	6.1	-0.8	6.4	7.2	8.4	:	:	9.3	5.5	5.2	5.1	6.0	4.5
Industrial production <sup>1.2</sup>	Ann. % ch	5.5	-10.1	23.6	7.9	-11.4	:	:	-5.9	-3.5	:	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.1	-3.3	8.9	4.8	3.4	3.3	3.5	3.8	3.6	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.3	-3.3	4.7	7.4	3.0	2.7	3.2	1.7	3.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-3.6	-1.4	19.2	6.5	6.4	3.0	2.8	5.0	7.7	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-2.5	9.5	18.0	12.5	:	:	:	:	:	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	4.2	1.0	5.3	5.1	:	:	:	:	:	:	:	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	12.0	12.2	12.1	11.3	11.2	10.9	10.4	11.2	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.4	-1.9	-0.4	4.8	1.6	1.0	1.2	-1.5	:	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	3.8	2.7	6.3	8.2	14.0	:	:	13.7	13.8	:	N.A.	N.A.	N.A.
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-3.8	-9.0	35.6	32.0	-9.5	:	:	-11.2	-22.3	:	1.8	-12.4	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.2	-6.8	32.3	18.7	-8.2	:	:	-12.8	0.4	:	0.6	-1.6	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-22.9	-22.4	-25.3	-23.8	-21.4	-20.8	-20.6	-21.3	-22.0	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	31.3	22.7	31.3	37.5	39.9	:	:	39.7	38.5	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	45.0	37.2	44.8	47.9	45.1	:	:	44.9	44.7	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-7.9	-8.7	-7.7	-5.9	-0.9	-1.1	-1.2	-1.0	-1.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	7.5	6.7	6.5	6.6	5.9	:	:	5.8	5.8	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	3,360	3,942	4,972	4,952	5,847	:	:	5,847	5,617	:	5,444	5,490	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	6.5	9.6	8.8	6.9	7.3	:	:	7.3	6.8	:	N.A.	N.A.	N.A.
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	1.4	1.6	2.0	6.7	4.8	3.0	3.0	3.9	2.7	2.1	2.1	2.2	2.1
Producer prices <sup>4.2</sup>	Ann. % ch	-0.8	-3.4	2.7	19.9	6.8	:	:	5.9	2.8	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	2.9	3.6	3.9	11.8	9.4	:	:	7.1	3.3	1.8	1.5	1.9	2.0
M3 <sup>4.4</sup>	Ann. % ch	4.3	10.5	8.6	4.9	2.3	:	:	2.3	2.4	:	2.3	3.3	:
Exchange rate ALL/EUR <sup>4.5</sup>	Value	123.00	123.74	122.45	118.98	108.77	:	:	104.13	103.79	100.82	101.57	100.53	100.35
Real effective exchange rate <sup>4.6</sup>	Index	108.3	110.3	112.1	112.3	124.3	:	:	130.6	129.5	:	132.3	134.0	:
<b>5 Financial indicators</b>														
Interest rate (3 months-TRIBOR) <sup>5.1</sup>	% p.a.	1.45	1.46	1.39	2.21	3.68	:	:	3.72	3.80	3.75	3.90	3.68	3.68
Bond yield <sup>5.2</sup>	% p.a.	1.76	1.63	1.63	1.93	:	:	:	:	:	:	:	:	:
Stock markets <sup>5.3</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth <sup>5.4</sup>	Ann. % ch	3.0	6.1	6.9	11.2	2.6	:	:	1.9	5.7	:	8.5	9.9	:
Deposit growth <sup>5.5</sup>	Ann. % ch	2.5	5.8	8.5	8.0	1.9	:	:	1.0	2.4	:	2.8	3.8	:
Non performing loans <sup>5.6</sup>	% total	8.4	8.1	5.7	5.0	4.7	:	:	4.7	4.6	:	4.8	:	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	27.2	25.9	27.5	26.8	27.8	:	:	27.8	6.7	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	29.1	32.6	32.1	30.4	29.2	:	:	29.2	5.4	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-1.9	-6.7	-4.6	-3.7	-1.4	-2.4	-2.0	-1.4	1.3	:	1.8	2.0	:
General government debt*** <sup>6.2</sup>	% of GDP	65.8	74.3	74.5	64.5	58.9	58.2	57.2	58.9	55.8	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

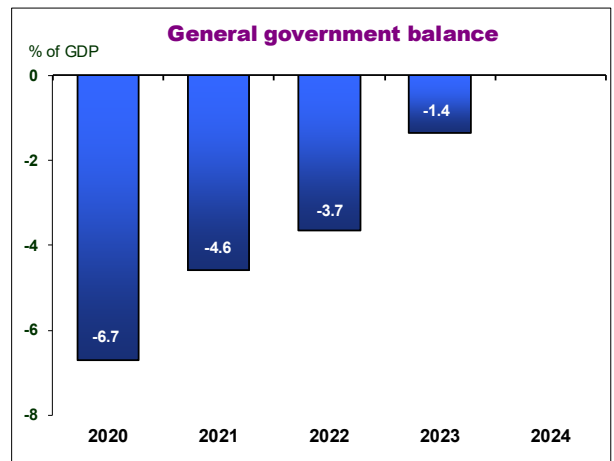
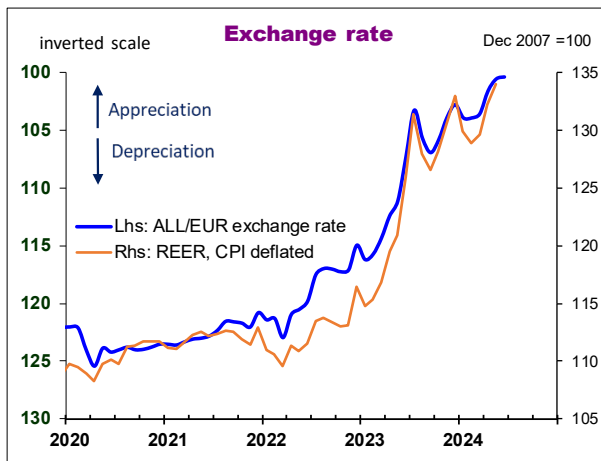
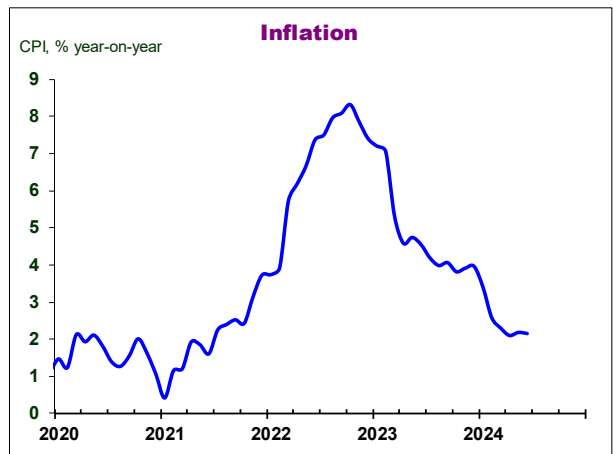
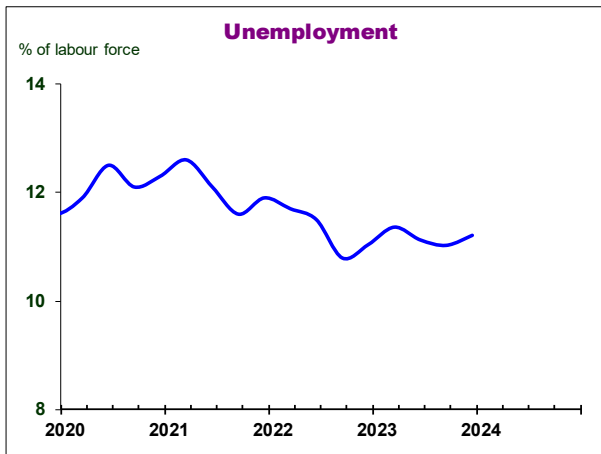
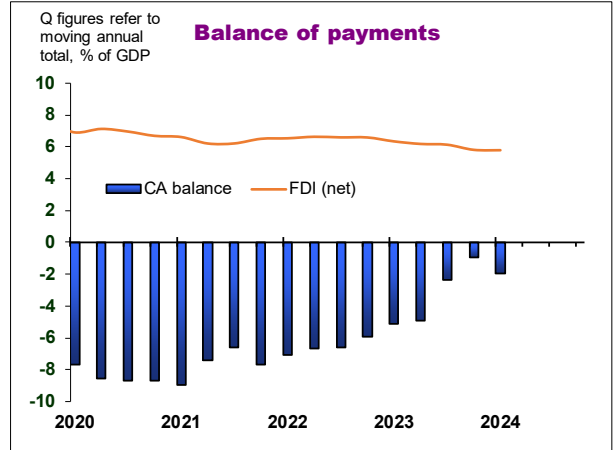
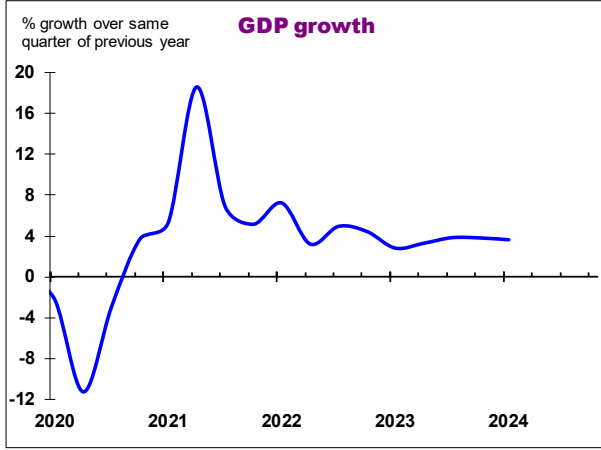
\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

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

# CHARTS



## ALBANIA



# BOSNIA AND HERZEGOVINA



## Key developments

On 14 May, the Economic and Financial Dialogue between the EU and the Western Balkans Partners, Türkiye, Georgia, Republic of Moldova and Ukraine discussed Bosnia and Herzegovina's 2024-2026 Economic Reform Programme. The participants adopted a set of policy recommendations, stressing among others the importance of a timely adoption of the country's budgets, of increasing public investment and of improving the efficiency of tax collection. The dialogue also called for better monitoring fiscal risks, strengthening the analytical capacities of institutions responsible for fiscal policies as well as providing better quality and more timely data in the areas of macroeconomy, regional accounts, labour force survey and government finance.

On June 13, the Executive Board of the IMF concluded the Article IV consultation, highlighting the need for containing current public spending while preserving growth-enhancing investment. The IMF also stressed that high public financing needs require careful fiscal planning.

On 4 July, with about a half-year delay, the Council of Ministers adopted the 2024 state level budget, envisaging spending for the state-level institutions of about 2½% of GDP, increasing nominal spending by some 3%, i.e. slightly above expected inflation.

## Real sector

Real GDP growth picked up to 2.7% y-o-y in Q1-2024, according to preliminary estimates, from 1.7% in the previous three months. In terms of expenditure, the main growth driver was a strong increase of gross capital formation by 49.8%, contributing 7.5 pps. to growth. However, there is no information to which extent this increase was driven by fixed investment, inventories or statistical discrepancies. At the same time, the fall in exports, which had started in Q2-2023, deepened to 14.9% y-o-y, subtracting 7 pps. from overall growth. Private consumption, usually the main source of growth, rose by 2.7% y-o-y, contributing 2.2 pps. to overall output growth. Import growth turned positive (1.3% y-o-y) after three consecutive quarters of decrease. On the production side, growth was mainly driven by trade, transport and tourism, contributing 1.7 pps. to growth. Output in industry, accounting for about 20% of total gross value added, declined for the seventh consecutive quarter. For 2023,

provisional data suggest output growth of about 1.6% in 2023, compared to 3.9% a year before.

High-frequency indicators paint a diverse picture. Industrial production registered further declines by 2.4% and 10.4% y-o-y in April and May, respectively, following a drop of 5% in Q1-2024 and 6% in Q4-2023. A key driver was lower output in energy production and mining. On the other hand, retail sales turnover remained strong, increasing by 13.2% y-o-y in April after 12.7% y-o-y in Q1-2024 and 14.9% y-o-y in Q4-2023.

In tourism, the post-pandemic rebound moderated. In Q1-2024, the number of arrivals was 2.5% higher than a year before, while the number of overnight stays increased by only 0.8%. During the whole year of 2023, arrivals and overnight stays were still 18.4% and 13.9% higher than in 2022. However, in April, tourism arrivals and overnight stays were some 10% higher than a year before. The largest group of foreign tourists continued to come from Croatia, followed by Serbia, Slovenia and Turkey.

## Labour market

Growth of registered employment came to a standstill in Q1 (+0.1% y-o-y), following a 1.9% growth in Q4-2023. In April, employment remained largely unchanged, too. Available data point to significant employment losses in manufacturing and mining (-3% y-o-y), which however were largely compensated by employment growth in construction (+6% y-o-y) and in education and health (+1.5% y-o-y, each). During 2023, average employment growth was 1.4%, mainly because of job growth in the accommodation and food sector, as well as in information and communication and education.

The number of registered unemployed was 4.7% lower y-o-y in Q1-2024, compared to a drop by 3% in Q4-2023. In April, the y-o-y decrease was 5.7%. This brought the administrative unemployment rate down to 27.8% in April, from 29% a year before. However, the Labour Force Survey (LFS) registered a rather stable unemployment rate, at 13.5% in Q1-2024, compared to 13.3% a year before. The LFS youth unemployment rate (age group 15-24) fell to 27.4% in Q1 from 30.1% a year before.

Annual growth in average nominal gross wages remained high, at 9.6% in Q1-2024, compared to 10.7% in Q4-2023. During the Q1-2024 real wages were some 8% higher than a year before



when using headline inflation as deflator, after growing by 7% in 2023. Official wage statistics do not include micro enterprises, which represent a large share of employment.

### External sector

The current account deficit increased to 3.7% of GDP in the four quarters to Q1-2024, compared to 2.7% in 2023. This deterioration is mainly the result of a higher merchandise trade deficit, which rose by 1.5 pps. q-o-q to 22.3% of GDP. The services trade surplus increased by 0.2 pps. to 8.2% of GDP. The primary and secondary income balances remained at a similar level q-o-q.

The weakness in exports continued in Q1: nominal exports fell by 12.7% y-o-y, while the value of imports increased by 4.9%. Recent monthly data for April and May show a high volatility on the export side, with export earnings increasing by 5% y-o-y in April before dropping by 9.2% y-o-y in May, while import values rose by 10.1% and 0.9%, respectively. The main factors behind these dynamics were lower exports of base metals and mineral products amid lower foreign demand from Germany, Italy and Croatia, which together account for about 40% of the country's total exports.

Net FDI inflows stood at 3.1% of GDP in the four quarters to Q1-2024, largely unchanged compared to 3.3% of GDP in 2023 as a whole. About 40% of those inflows were reinvested earnings. The main inflows were in the electricity, the financial and the petroleum and coal sector (about 10% of total inflows each). Official foreign exchange reserves remained largely stable in Q1-2024, at slightly below 7 months of imports of goods and services.

### Monetary developments

Annual headline inflation remained at 2.0% in the first five months of 2024, like in Q4-2023. The main inflation drivers were still relatively high price rises for food and non-alcoholic beverages, increasing by 2.5% on average during Q1-2024. The weight of this category in the consumption basket is nearly one third. In April and May, the main factor pushing up headline inflation were prices for transport, increasing by 3.0% and 4.5%, respectively. On the other hand, prices for clothing and footwear continued to decline, by 6.4% on average in Q1 and by 7.3% and 7.5% in April and May.

Growth of the monetary aggregate M2 slightly accelerated in Q1-2024, reaching 9.3%, compared to 7.7% in Q4-2023. In April and May,

the increase in M2 remained high, at 9.1% and 8.4%, respectively. The main driving factors were deposits in domestic currency.

### Financial sector

Annual credit growth continued to accelerate, from 6.1% y-o-y in Q4-2023 to 7.7% in Q1-2024. In April and May lending growth accelerated further, with the stock of loans being 8.4% and 9.4% higher than a year before. The main factors were solid growth (8% in Q1 and 8.4% and 9.1% in April and May) in bank loans to households, which account for about 50% of total loans. Lending to private companies, which account for about 42% of total loans, rose by 8.2% in Q1-2024 and by 9.3% and 10.2% in April and May respectively.

Bank deposit growth accelerated to 7.9% y-o-y in Q1-2024 and stood at 8.5% and 7.2% in April and May. It continued to be mainly driven by household deposits, which during the first five months of 2024 were some 10% higher than a year before. Corporate deposits were higher by 14% y-o-y, while deposits of the entity governments were some 20% lower than a year before. The loan-to-deposit ratio remained largely unchanged at 75.7% at the end of Q1-2024 before increasing slightly to 77% by end-May.

The share of non-performing loans in total loans continued to decline, to 3.6% at the end of Q1-2024, compared to 3.8% at the end of Q4-2023, and 4.2% one year earlier. Banking sector profitability improved. The return-on-equity (ROE) ratio rose from 15.0% in Q4-2023 to 18.5% in Q1-2024. The return on assets (ROA) improved from 2.0% in Q4-2023 to 2.5% in Q1-2024. The banking system's overall capital-adequacy ratio remained stable, at 19.5% in Q1-2024, compared to 19.7% in Q4 and 19.4% a year before. This continues to be well above the regulatory minimum of 12%.

### Fiscal developments

According to IMF estimates, the country's fiscal position deteriorated in 2023, from a surplus of 0.9% of GDP in 2022 to a deficit of 1.7%, resulting from permanent increases in public wages and social spending. During the first 6 months of 2024, revenue from centrally collected indirect taxes registered nominal growth of 12.5%, or some 10% in real terms. This revenue category accounts for nearly half of total revenues.

Driven by nominal GDP growth, the general government debt ratio declined slightly from 26.9% in Q4-2023 to 26.3% in Q1-2024. There was an increase in the nominal debt level, mainly due higher domestic-currency debt.

# TABLE



European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA

							ECFIN 2024 Spring forecast							
		2019	2020	2021	2022	2023	2024	2025	Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	-5.3	-6.3	9.7	1.0	-3.9	:	:	-6.0	-5.0	:	-2.4	-10.4	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.3	-2.9	7.3	3.8	1.6	2.3	2.8	1.7	2.7	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.8	-3.5	4.0	4.9	1.6	2.2	3.0	2.0	2.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	5.8	-4.1	5.1	0.3	:	3.0	4.0	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	15.4	-18.6	12.0	8.1	1.3	:	:	1.3	3.3	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.2	-6.8	18.5	13.9	14.0	:	:	14.9	12.7	:	13.2	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	15.7	15.9	17.4	15.4	13.2	:	:	12.7	13.5	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.5	-1.2	0.9	2.3	1.4	1.5	1.6	1.9	0.1	:	0.2	:	:
Wages <sup>2.3</sup>	Ann. % ch	4.3	4.0	4.4	11.7	13.0	:	:	10.7	9.6	:	11.2	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-2.3	-7.4	34.9	28.8	-4.3	:	:	-7.0	-12.7	:	5.0	-9.2	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.1	-13.5	26.7	33.6	-2.6	:	:	-6.2	4.9	:	10.1	0.9	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-22.3	-18.0	-18.3	-22.3	-20.8	:	:	-19.7	-20.8	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	40.0	34.6	42.6	48.1	44.1	:	:	41.7	40.1	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	54.5	47.9	53.9	61.9	56.9	:	:	53.8	53.3	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-2.6	-2.8	-1.8	-4.3	-2.7	-2.8	-2.5	-2.7	-3.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	2.1	2.0	2.7	3.0	3.3	:	:	3.1	3.1	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	6,441	7,091	8,359	8,214	8,329	:	:	8,329	8,196	:	8,115	8,062	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	7.8	10.0	9.3	6.8	7.0	:	:	7.0	6.8	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	0.6	-1.1	2.0	14.0	6.1	2.2	2.0	2.0	2.0	:	2.0	2.0	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.4	-0.4	4.5	18.4	5.8	:	:	1.8	0.3	:	0.9	2.1	:
Food prices <sup>4.3</sup>	Ann. % ch	1.1	1.0	3.5	21.5	10.5	:	:	4.1	2.0	:	1.3	0.9	:
M2 <sup>4.4</sup>	Ann. % ch	8.9	7.3	11.6	5.5	7.7	:	:	7.7	9.3	:	9.1	8.4	:
Exchange rate BAM/EUR <sup>4.5</sup>	Value	1.96	1.96	1.96	1.96	1.96	:	:	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate <sup>4.6</sup>	Index	95.9	95.2	94.9	98.6	98.5	:	:	98.4	98.4	:	97.7	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield <sup>5.2</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets <sup>5.3</sup>	Index	772	769	870	1009	1032	:	:	1,034	988	994	957	984	1,042
Credit growth <sup>5.4</sup>	Ann. % ch	5.7	1.1	1.7	4.2	5.0	:	:	6.1	7.7	:	8.4	9.4	:
Deposit growth <sup>5.5</sup>	Ann. % ch	9.3	5.6	10.1	5.9	7.2	:	:	7.0	7.9	:	8.5	7.2	:
Non performing loans <sup>5.6</sup>	% total	7.4	6.1	5.8	4.5	3.8	:	:	3.8	3.6	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	42.0	41.6	41.0	39.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.2</sup>	% of GDP	40.1	46.8	41.3	40.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	1.9	-5.2	-0.3	-0.4	:	-1.5	-1.0	:	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	32.3	36.1	33.9	29.3	26.9	29.3	29.0	26.9	26.3	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\*Q figures refer to moving annual total.

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

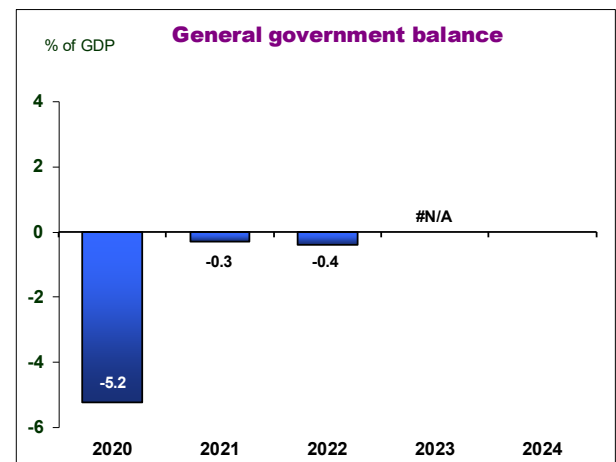
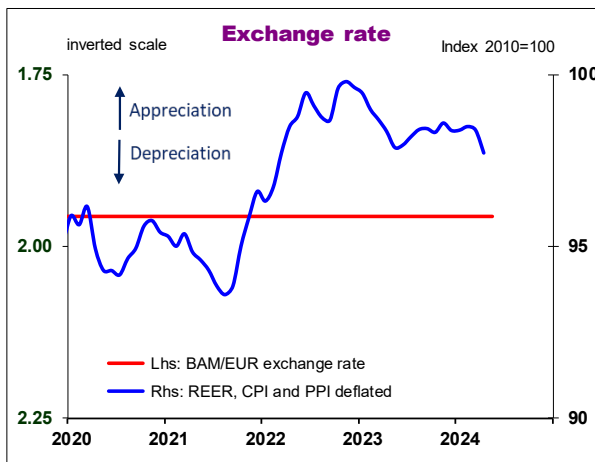
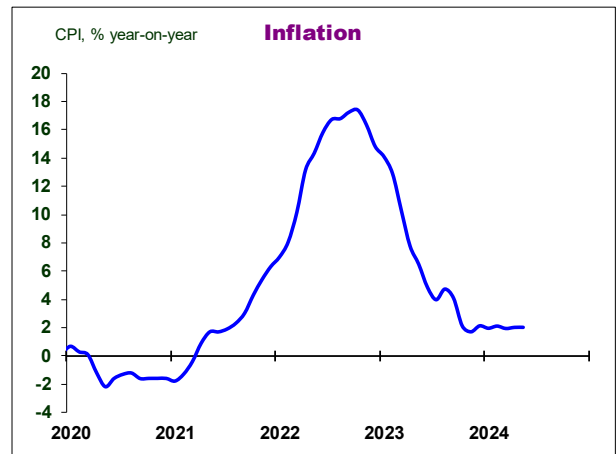
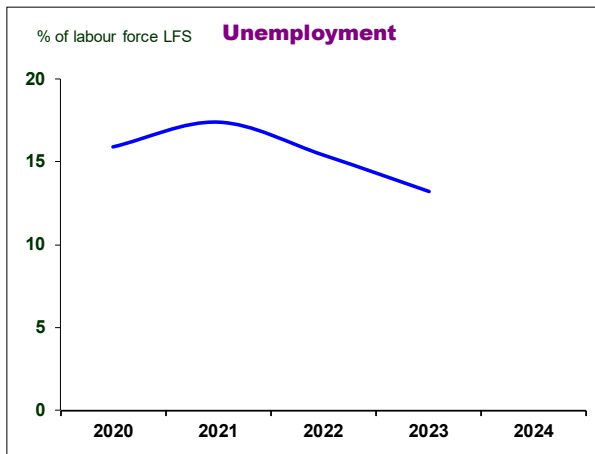
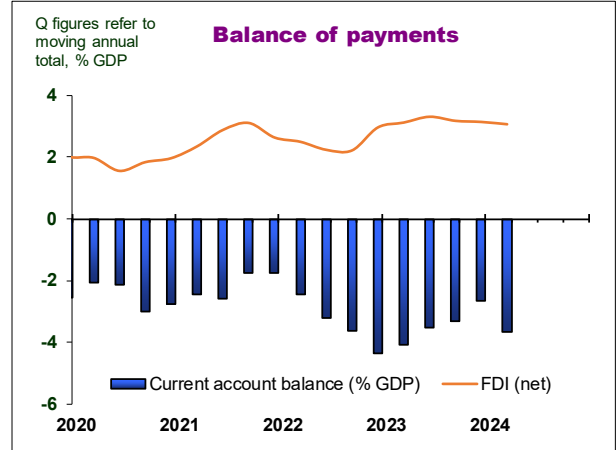
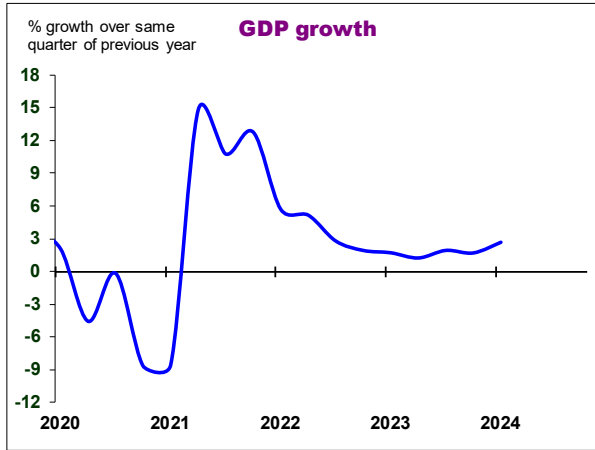
\*\*\* Q figures in percent of estimated annual GDP.

# CHARTS



European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA







## Key developments

On 14 May, the annual the Economic and Financial Dialogue between the EU and the Western Balkans Partners, Türkiye, Georgia, Republic of Moldova and Ukraine adopted joint conclusions with country-specific policy guidance, which called on Montenegro, inter alia, to strengthen fiscal sustainability by adopting a new medium-term fiscal strategy including consolidation measures to support continued public debt reduction. The policy guidance also invited Montenegro to cost fiscal initiatives prior to adoption, to properly assess the fiscal risks stemming from state owned enterprises and to finalise the setting up of a fiscal council.

In March, the government has reached an agreement with the EBRD for a loan of EUR 200 million for the continuation of the highway construction from Matesevo to Andrijevica.

In May the EU adopted the Reform and Growth Facility for the Western Balkans, through which Montenegro gains access to over EUR 400 million in favourable loans and grants in exchange for implementing reforms.

## Real sector

Real GDP expanded by 4.4% y-o-y in Q1-2024, broadly the same pace as in the previous quarter (4.3%). Private consumption and gross fixed capital formation were the key growth drivers, surging by 5.7% and 8.2% y-o-y respectively in Q1, which means a strong acceleration from the previous quarter for these demand components. The growth of public consumption decelerated to 2.4% y-o-y from 3.1% in Q4-2023. The slump in merchandise exports continued in Q1, leading to a deeper contraction in total exports (21% y-o-y, following a 14.2% drop in Q4-2023). At the same time, the fall in imports of goods and services was smaller (4.2% y-o-y), resulting in a large negative contribution of net exports to GDP growth of 7.6 pps.

In Q1-2024, industrial production growth decelerated to 4.9% y-o-y from 7.4% in the previous quarter. By sectors, manufacturing and mining surged by 23% and nearly 20% y-o-y, respectively, while electricity production fell by 10.5% y-o-y. The value of performed construction works increased by 3.4% y-o-y in Q1, while robust consumption demand supported the growth in retail sales (+7.4% y-o-y).

High-frequency indicators show a mixed picture. Industrial production dropped by 4.5% in April and further by 33% in May. The key driver for this contraction was a large fall in electricity production (69.4%) and manufacturing (14%). On the other hand, retail sales continued to increase, by 14% y-o-y in April, followed by a contraction of 5.7% in May.

## Labour market

In the first quarter, labour market performance was on a positive trend. According to the labour force survey (LFS), employment growth accelerated to 10.1% y-o-y in Q1 compared to 8.8% in the same quarter a year before, even though it slowed somewhat compared to the previous quarter. The participation rate (age group 15-64) increased to 72.3% in Q1 from 70.1% in the same quarter of 2023. Meanwhile, the unemployment rate declined to 12.0% from 12.4% in Q4-2023. It was significantly below the unemployment rate in Q1-2023 (15.8%). There was a pronounced decline in the male unemployment rate, to 10.3% from 15.3% in Q1-2023, while female unemployment fell to 14.2% from 15.7% over the same period.

The average net monthly wage (without taxes and contributions) rose by 4.9% y-o-y in May and amounted to EUR 832. The gross average wage increased to EUR 1042.

## External sector

The current account deficit widened to 13.8% of GDP in the four quarter to Q1-2024 from 11.6% in 2023 but remained unchanged compared to the same period one year earlier. The deterioration compared to the previous quarter was driven by a widening deficit of goods trade, which reached 44.4% of GDP, as compared to 43.6% in Q4-2023, and a lower surplus in services trade (23.9% of GDP versus 24.6% over the same period). While there was a strong contraction in goods exports, the decelerating growth in goods imports led to a marginal deterioration in the merchandise trade deficit. The surpluses of the primary and secondary income balance fell to 0.7% and 5.9% of GDP respectively in the four quarters to Q1-2024, compared to 1% and 6.4% in 2023.

Net FDI inflows were broadly stable in the four quarters to March 2024, amounting to 6.2% of GDP compared to 6.3% in 2023, but nearly halved from 12% of GDP in the same period a year before. Net errors and omissions declined to 8.8% of GDP from 13.4% a year before. The stock of international foreign exchange reserves was stable at the equivalent of 4.7 months of imports of goods and services in Q1-2024, compared to 4.6 months one year earlier.

## Monetary developments

Consumer price inflation declined slightly to 5.1% y-o-y in May from April's 5.8% and 5.3% on average in Q1. The key drivers of price increases in January-May were accommodation and catering (12.8% y-o-y), clothing and footwear (12.3%) and electricity prices (6.9%). Softer increases took place in prices for food (2.5%) as well as transport (3.2%).

## Financial sector

Montenegro's banking sector has remained stable and profitable. Return on assets was stable at 2.6% as compared to Q4-2023, while liquid assets to short-term liabilities declined to 26.6% from 32.2% over the same period. Commercial banks' loan stock kept expanding by 13.4% y-o-y in May, after moving up by 11.8% y-o-y in April and by 10.8% y-o-y in Q1. The increase was mainly driven by very strong growth of lending to financial institutions, which averaged nearly 50% y-o-y in January-May. Lending to households and businesses increased by 10% and 5.5% y-o-y,

respectively over the same period. Lending to non-residents grew by 22.8% y-o-y and accounted to 18.7% of all loans in May. Due to rapid credit growth, the level of non-performing loans declined to 4.6% of total loans in May as compared to 5.5% a year before. The pace of growth of commercial banks' deposits was subdued at 2.8% y-o-y in May, after 2.3% in April and 3.2% in Q1. By sectors, corporate deposits contracted by 12% y-o-y on average in the first five months while deposits of households grew by 11.2% y-o-y. Deposits of financial institutions grew by 4.1% y-o-y. Non-resident deposits accounted for 25.2% of the total in May.

## Fiscal developments

Strong consumption supported higher than planned budget revenue in the first five months of 2024 (+10.7% y-o-y). Revenues from VAT and excise duties were up by 12% and 16% y-o-y respectively. Good economic performance and the implementation of progressive profit taxation led to a strong increase in corporate income tax revenue, which surged by 46.3% y-o-y. While the overall revenue from social contributions increased by 12.4% y-o-y, health insurance contributions fell by 22.7% y-o-y.

Budget expenditure increased by 20.7% y-o-y in January-May. The main drivers for this increase were higher capital spending, which more than doubled as compared to the same period of the previous year, as well as spending on interest (+18.8%) and on social transfers (+23.5%). The latter was driven by the increase in minimum pensions. Overall, the budget surplus stood at 0.5% of estimated GDP in January-May compared to a deficit of 1.7% of GDP in the same period of 2023.

In Q1-2024, the public debt ratio increased to 66.4% of GDP from 59.3% of GDP at end-2023. This increase (EUR 608 million) was driven by new borrowing. In early March Montenegro issued a Eurobond in the amount of USD 750 million, with a maturity of seven years and at an effective interest rate of 7.25%. Following a cross-currency transaction, the issued debt amounts to EUR 687 million, with a more favourable interest rate of 5.88%.

At end-March government deposits, including gold, increased substantially to 11% of GDP from 2.2% at end-2023.

## TABLE



European Commission, ECFIN-D-1

### MONTENEGRO

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	3.6	-18.3	-3.9	6.6	5.4	:	:	4.8	6.9	5.7	8.2	3.7	5.1
Industrial production <sup>1.2</sup>	Ann. % ch	-6.1	-0.9	5.7	-1.7	6.2	:	:	7.4	4.9	:	-4.5	-33.1	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.1	-15.3	13.0	6.4	6.0	3.4	3.0	4.3	4.4	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.1	-4.6	4.0	9.7	5.4	3.2	2.5	2.1	5.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-1.7	-12.0	-12.3	0.1	4.8	4.2	3.7	5.8	8.2	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	10.7	-5.6	-4.8	-4.4	-7.9	:	:	-3.1	3.4	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.2	-12.0	16.6	14.2	8.0	:	:	2.8	7.4	:	12.0	3.2	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	15.4	18.4	16.9	15.1	13.4	11.8	11.7	12.4	12.0	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.6	-10.1	-2.4	17.2	10.5	1.4	1.2	10.7	10.1	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	0.8	1.3	1.4	11.2	11.8	:	:	12.8	7.5	:	5.9	5.5	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	3.8	-11.9	19.4	60.2	-3.7	:	:	-12.5	-28.4	:	-7.4	0.2	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.8	-19.1	19.0	41.1	7.8	:	:	5.0	1.0	:	30.8	-2.2	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-41.7	-39.2	-38.7	-45.1	-43.6	-40.1	-39.6	-43.6	-44.4	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	43.9	26.0	42.8	51.5	50.8	:	:	50.8	47.7	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	65.0	61.0	62.2	74.4	69.8	:	:	69.8	68.2	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-14.3	-26.1	-9.2	-12.9	-11.6	-10.3	-9.7	-11.6	-13.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	6.2	11.2	11.7	13.2	6.3	:	:	6.3	6.2	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	1,367	1,739	1,749	1,915	1,425	:	:	1,425	1,846	:	1,721	1,656	N.A.
Int. reserves / months imp <sup>3.9</sup>	Ratio	5.1	8.2	6.8	5.2	3.6	:	:	3.6	4.7	:	4.4	4.2	:
<b>4 Monetary developments</b>														
HICP <sup>4.1</sup>	Ann. % ch	0.5	-0.8	2.5	11.9	8.9	4.8	4.3	5.7	5.3	:	5.8	5.1	:
Producer prices <sup>4.2</sup>	Ann. % ch	2.4	0.0	1.3	11.2	6.3	:	:	3.7	1.7	:	2.3	3.7	:
Food prices <sup>4.3</sup>	Ann. % ch	3.4	1.3	3.4	22.0	11.5	:	:	3.5	2.8	:	3.7	2.9	:
M2 <sup>4.4</sup>	Ann. % ch	-3.8	-3.5	16.5	30.7	6.9	:	:	6.9	1.7	:	0.8	:	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate <sup>4.6</sup>	Ann. % ch	-1.5	-0.6	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>5 Financial indicators</b>														
Interest rate (6 months) <sup>5.1</sup>	% p.a.	0.52	0.87	:	3.70	3.75	:	:	3.75	:	:	:	:	:
Bond yield (10 yrs) <sup>5.2</sup>	% p.a.	2.61	3.53	3.85	7.25	7.31	:	:	6.76	6.09	:	5.52	5.36	:
Stock markets <sup>5.3</sup>	Index	10,980	10,225	10,910	11,077	14,946	:	:	15,498	15,177	14,939	14,734	14,998	15,085
Credit growth <sup>5.4</sup>	Ann. % ch	4.0	5.0	6.6	6.1	10.8	:	:	11.6	10.8	:	11.8	13.4	:
Deposit growth <sup>5.5</sup>	Ann. % ch	1.8	-2.6	12.8	23.2	15.1	:	:	7.6	3.2	:	2.3	2.8	:
Non-performing loans <sup>5.6</sup>	% of total	4.7	5.5	6.2	5.7	5.0	:	:	5.0	4.9	:	4.8	4.6	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	43.4	44.6	44.3	39.2	43.0	:	:	43.0	9.6	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	45.4	55.7	46.2	43.4	42.4	:	:	42.4	9.4	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-2.0	-11.1	-1.9	-4.2	0.6	-3.7	-3.2	0.6	0.2	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.4</sup>	% of GDP	76.5	105.3	82.5	68.0	59.3	61.7	62.9	59.3	66.4	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

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

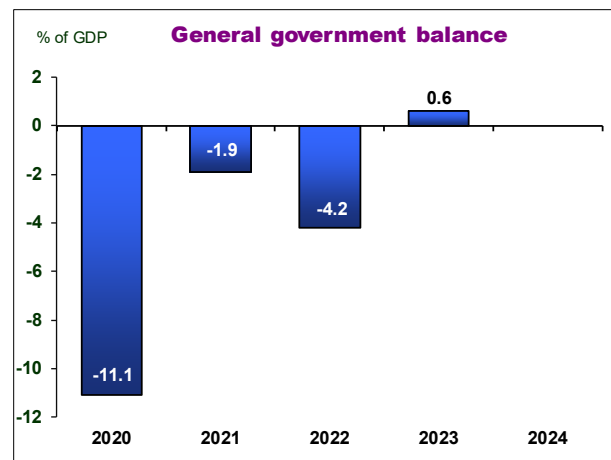
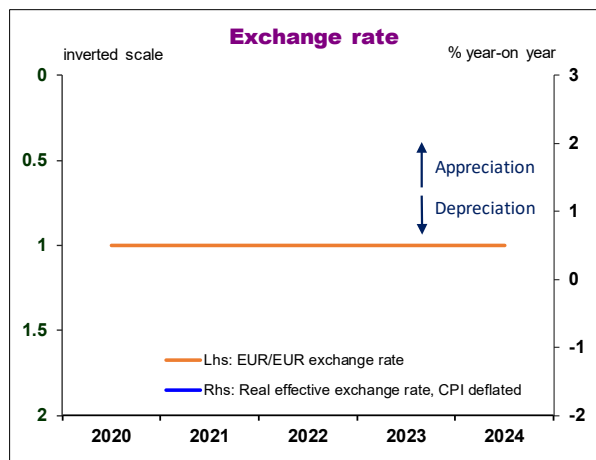
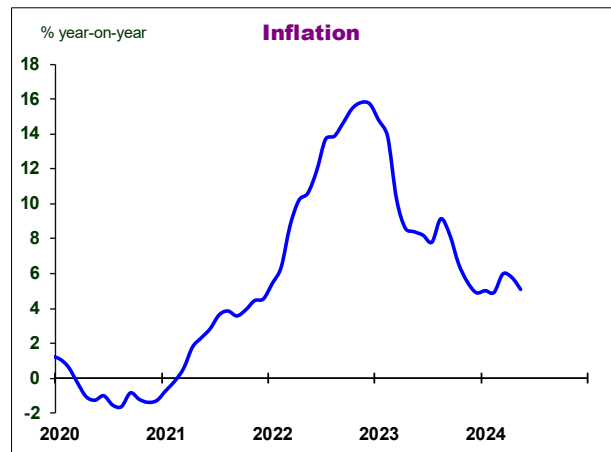
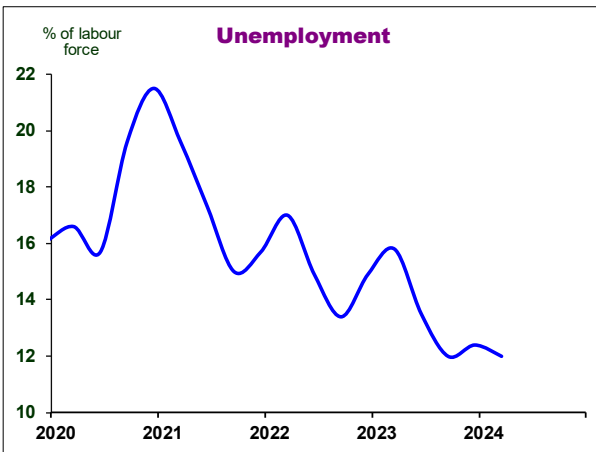
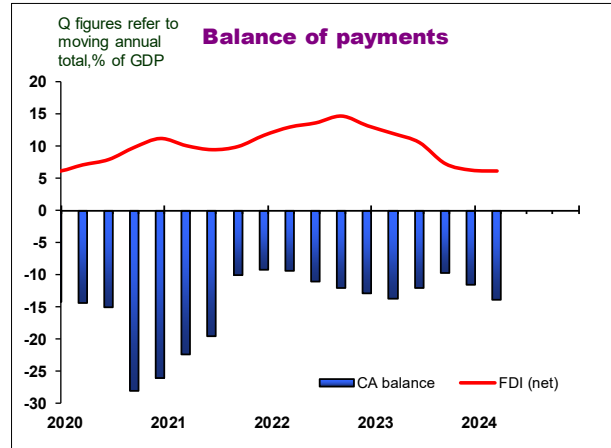
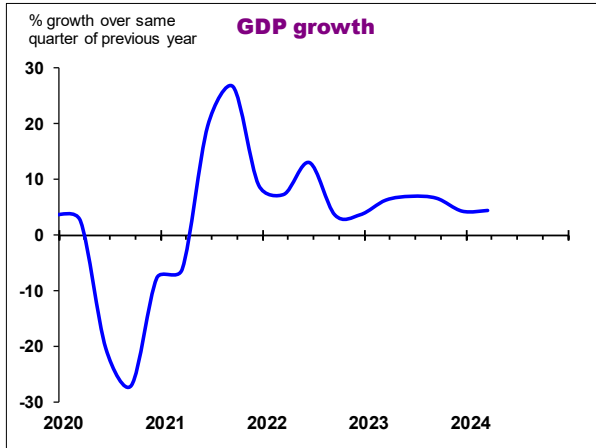
\*\*\* Q figures refer to central government debt only, in percent of estimated annual GDP.

# CHARTS

European Commission, ECFIN-D-1



## MONTENEGRO



## NORTH MACEDONIA



### Key developments

On 8 May, general elections led to a victory for the national-conservative VMRO-DPMNE party. A coalition government led by this party replaced the previous centre-left government, with the new Prime Minister Hristijan Mickoski elected by the parliament on 23 June.

Also on 8 May, the European Commission disbursed EUR 50 million in loans to North Macedonia as a first tranche of a EUR 100 million macro-financial assistance operation for the country. Prior to disbursement, the government had completed a number of policy reforms agreed earlier with the Commission.

On 14 May, the annual Economic and Financial Dialogue between the EU and the Western Balkan Partners, Türkiye, Georgia, Republic of Moldova and Ukraine took place. The jointly adopted policy guidance invites North Macedonia to, among others, control wage spending and reduce energy subsidies to meet the 2024 fiscal target; adopt the by-laws to the Organic Budget Law to ensure it can enter into force in 2025; and pursue a sufficiently tight monetary policy stance to preserve price stability.

### Real sector

The economy did not gain fresh momentum in the first three months of 2024 when real GDP rose by 1.2% y-o-y, up from 0.9% in Q4-2023, and below its performance in the same period one year earlier (1.4%). Household consumption growth decelerated, to 2% y-o-y, despite some base effects given the very low growth rate in Q1-2023 (0.7%). Government consumption increased by 2.4% y-o-y, compared to an annual drop of 4.3% in the same period one year earlier. Investment surged by 23.6% y-o-y, following four successive quarters of annual decrease. Exports of goods and services dropped by 7.8% y-o-y in the first quarter, after virtually stagnating in the preceding quarter. Imports increased slightly (0.2% y-o-y), after falling in each quarter of 2023. On the production side, only the services sector posted annual growth (+4.4%), with construction dropping by 2.5% y-o-y, and manufacturing output declining by 0.3%.

High-frequency indicators for March and April point to a cautious pick-up in the economy. In April, manufacturing output rose by 4.7% y-o-y, and the production of capital goods increased by 17.2%. However, the overall industrial production index declined by 1.2% y-o-y in April, due to a large drop in energy production, and following a decline of 10.4% in March. Retail trade (except automotive fuel) increased by 6.6% y-o-y on average in March and April.

### Labour market

According to the Labour Force Survey the employment rate for the age group 15-64 stood at 57% in Q1-2024 (+0.5 pps. y-o-y). The unemployment rate fell to 12.9%, from 13.4% in the same period one year earlier. The labour force in this cohort decreased by 0.3% y-o-y. The youth unemployment rate (age group 15-24) decreased by 1.8 pps. y-o-y to 27.1% (29% for men and 23.3% for women). Overall labour market participation increased by 0.3 pps. y-o-y to 65.5%. Average gross wages were higher by 16.2% in March, compared to the same month one year earlier, and by 13.9% y-o-y in April, still reflecting the large rise in public sector wages that took effect in September 2023. In real terms, wages rose by 11.7% y-o-y in March and by 9.5% in April. After an extended period of declining real wages due to high inflation, they turned positive again in April 2023.

### External sector

The current account balance moved back into deficit in the four quarters to Q1-2024 (-2 pps. q-o-q to -1.3% of GDP, but +1.1 pps. y-o-y). The widening of the deficit in q-o-q terms came on account of a higher merchandise trade deficit (by 1.4 pps. q-o-q to 20.3% of GDP), reflecting the steep drop in exports in the first quarter. The services trade surplus increased (+0.3 pps. to 5.7% of GDP), while the surplus in private transfers fell by 0.9 pps. to 18.8% of GDP. Foreign direct investment amounted to 4.5% of GDP in the year to Q1-2024 (+0.3 pps. y-o-y), fully covering the current account deficit. Gross external debt, excluding central bank transactions, was lower by 4.5 pps. y-o-y at end-Q1, at 74.9% of projected GDP. In absolute terms, external debt

increased on the back of higher intercompany lending and corporate borrowing. Official foreign reserves were higher by 2.8% y-o-y at end-May 2024, covering 4 months of prospective imports of goods and services.

### Monetary developments

Annual consumer price inflation accelerated in April and May, to 4.3% on average, compared to 3.4% in Q1-2024. Food prices, which account for some 40% of the index structure rose by 4.3% y-o-y on average in these two months. The core inflation rate also accelerated slightly, reflecting lingering impacts from the recent commodity price shocks on other sectors of the economy, such as transport, accounting for some 8% of the index, where prices increased by 6.6%, but also high nominal wage growth. Price rises for electricity and fuels remained contained (+1.1%). Broad money (M3) increased in Q1-2024 at the same pace as one year earlier (6.6% y-o-y), accelerating by 0.7 pps. q-o-q. The central bank has kept the key policy rate at 6.3% since September 2023, assessing the current monetary policy set-up as adequate to further curb inflation and ensure exchange rate stability.

### Financial sector

The rate of annual loan growth to the private sector accelerated in Q1-2024, compared to the previous three months (+0.9 pps. to 6.1%), and further in April and May to 6.8% on average. Credit growth to households remained broadly stable in Q1 and beyond at 7%, with mortgage lending growth still at high levels. Lending growth to private non-financial corporations decelerated in Q1 (-2.8 pps. to 5.2%) but picked up again to 6.5% on average in April and May.

The ratio of non-performing to total loans (financial and non-financial sector) stood almost unchanged from Q1-2023 at 2.9% at end-March. The share of foreign-currency denominated loans in total loans was lower in Q1-2024 compared to Q1-2023 (-1.7 pps. to 41.7%). Annual deposit growth accelerated in Q1 to 9.9% y-o-y, up from 8.8% in Q4-2023 before slowing to 9.3% on

average in April and May. In line with the central bank's targeted reserve requirement differentiation measures, the share of foreign-currency denominated deposits in total deposits decreased somewhat, compared to the same period one year earlier (-1.7 pps. to 45%). The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients at 83.2% at end-March (-2.3 pps. y-o-y). Banks' solvency strengthened further, with the sector-wide capital adequacy ratio standing at 18.9% in Q1 (+0.9 pps y-o-y). The return on assets (ROA) remained broadly unchanged (+0.1 pps. y-o-y to 2.3%). The return-on-equity (ROE) rose to 18.2% (+0.6 pps. y-o-y).

### Fiscal developments

Public revenue increased strongly in the first five months of the year, compared to the same period one year earlier (+11%), driven by higher income from taxes (+15 y-o-y), which partly reflects the entry into force of a number of tax policy measures at the beginning of the year. Revenue amounted to 39% of the full-year target, the same as one year earlier. Net VAT receipts rose by 13.8% y-o-y in this period, and amounted to 38.4% of target, compared to 35% in the same period one year earlier. Total expenditure rose by more than revenue in this period (+14.5% y-o-y), with current expenditure higher by 20.4% y-o-y, accounted for by a significant rise in transfers as well as in wages and allowances in the period leading up to the elections. Capital expenditure was some 60% lower compared with the first five months of the previous year, reaching only 27.2% of the full-year target. As a result, the January-May fiscal deficit increased by 37% y-o-y, to 2.2% of projected GDP, compared to 1.8% in the same period one year earlier. General government debt stood at 50.4% of projected GDP at the end of Q1-2024, which is 2.7 pps. lower than at end-2023. The public debt ratio amounted to 58.6% (-3.5 pps. compared to end-2023), which implies a drop in the debt of public sector enterprises by 0.8 pps. in Q1.



## TABLE



European Commission, ECFIN-D-1

### NORTH MACEDONIA

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-0.1	-16.6	-7.1	-3.8	-2.0	:	:	-4.4	-6.5	-5.3	-6.4	-5.9	-3.6
Industrial production <sup>1.2</sup>	Ann. % ch	4.1	-9.5	3.1	-1.0	0.6	:	:	0.6	-2.4	:	-1.2	-13.2	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	3.9	-4.7	4.5	2.2	1.0	2.9	3.0	0.9	1.2	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.7	-3.6	8.6	3.8	2.4	2.7	2.9	3.3	2.0	:	N.A.	N.A.	N.A.
Gross capital formation <sup>1.5</sup>	Ann. % ch	9.5	-15.1	2.9	9.4	-16.7	8.2	9.6	-20.5	23.6	:	N.A.	N.A.	N.A.
Construction <sup>1.6</sup>	Ann. % ch	9.1	-8.9	10.3	17.9	0.0	:	:	10.7	-2.5	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	11.3	-8.5	8.7	-3.1	-0.6	:	:	-0.7	-2.6	:	4.2	0.3	:
<b>2 Labour market</b>														
Unemployment**** <sup>2.1</sup>	%	17.5	16.6	15.6	14.5	13.2	12.9	12.8	13.2	12.9	:	N.A.	N.A.	N.A.
Employment**** <sup>2.2</sup>	Ann. % ch	5.4	-0.5	n.a.	n.a.	-0.2	0.8	0.8	-0.1	0.3	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	5.1	8.3	5.7	11.1	15.3	6.2	4.1	17.0	16.6	:	13.9	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	9.5	-9.9	25.3	21.2	-0.4	:	:	-4.7	-12.1	:	:	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	10.2	-9.2	26.5	28.9	-8.6	:	:	-6.8	-0.5	:	:	:	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-17.3	-16.6	-19.7	-26.7	-18.9	-19.7	-20.6	-18.9	-20.2	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	61.9	57.7	65.8	74.0	72.8	:	:	72.8	71.1	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	76.2	70.4	81.3	94.9	86.3	:	:	86.3	85.6	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-3.0	-2.9	-2.8	-6.1	0.7	-1.0	-1.1	0.7	-1.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	3.2	1.4	3.3	5.0	3.8	:	:	3.8	4.5	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	m n EUR	3,263	3,360	3,643	3,863	4,538	:	:	4,538	4,287	:	4,329	4,294	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	4.6	5.3	4.5	3.7	4.6	:	:	4.6	4.4	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	0.8	1.2	3.2	14.1	9.6	3.0	1.9	3.4	3.4	:	4.0	4.5	:
Producer prices <sup>4.2</sup>	Ann. % ch	-0.6	5.6	-3.3	9.8	2.5	:	:	3.0	-3.4	:	0.1	1.0	:
Food prices <sup>4.3</sup>	Ann. % ch	1.6	2.4	3.1	20.7	12.4	:	:	1.0	2.3	:	4.7	3.8	:
Monetary aggregate M3 <sup>4.4</sup>	Ann. % ch	8.2	8.0	8.8	5.3	5.9	:	:	5.9	6.6	:	6.7	6.0	:
Exchange rate MKD/EUR <sup>4.5</sup>	Value	61.51	61.67	61.63	61.62	61.56	:	:	61.50	61.62	61.52	61.49	61.50	61.55
Real effective exchange rate <sup>4.6</sup>	Index	100.4	102.4	103.5	105.9	111.1	:	:	111.4	110.7	:	111.6	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months-SKIBOR) <sup>5.1</sup>	% p.a.	1.46	1.38	1.33	1.79	4.02	:	:	4.43	4.54	4.55	4.55	4.56	4.54
Bond yield <sup>5.2</sup>	% p.a.	5.61	5.19	4.86	4.63	5.44	:	:	5.75	5.90	:	5.89	:	:
Stock markets <sup>5.3</sup>	Index	3,939	4,377	5,382	5,888	5,844	:	:	5,986	6,602	7,375	7,136	7,325	7,664
Credit Growth <sup>5.4</sup>	Ann. % ch	7.2	6.4	5.8	9.6	6.2	:	:	5.2	6.1	:	6.8	6.7	:
Deposit growth <sup>5.5</sup>	Ann. % ch	9.6	7.8	8.3	4.2	9.1	:	:	8.8	9.9	:	9.9	8.6	:
Non-performing loans <sup>5.6</sup>	% total	4.8	3.4	3.2	2.9	2.8	:	:	2.8	3.1	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	29.4	28.4	30.0	30.3	33.0	:	:	33.0	7.6	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	31.4	36.4	35.3	34.7	37.9	:	:	37.9	9.2	:	N.A.	N.A.	N.A.
Central government balance** <sup>6.1</sup>	% of GDP	-2.0	-8.0	-5.3	-4.4	-4.9	-3.7	-3.0	-4.9	-1.6	:	-1.6	-2.2	:
General government debt*** <sup>6.2</sup>	% of GDP	40.5	50.8	51.4	50.5	53.1	54.6	54.2	53.1	50.4	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

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

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

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

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

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

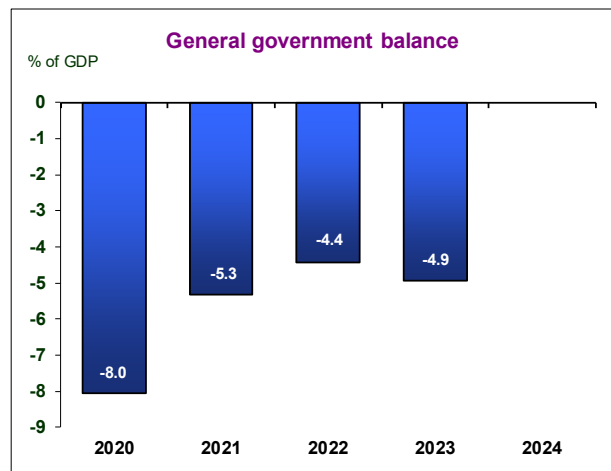
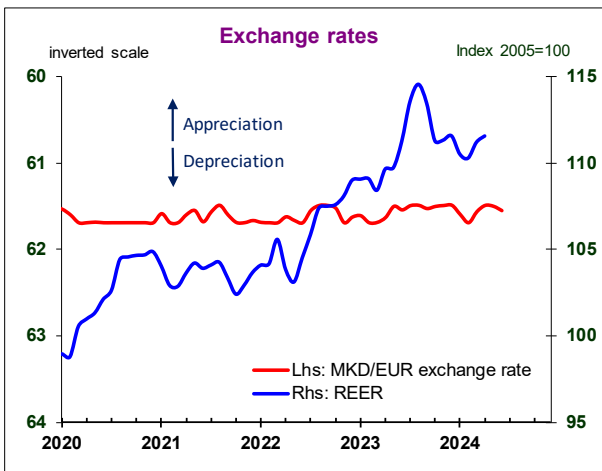
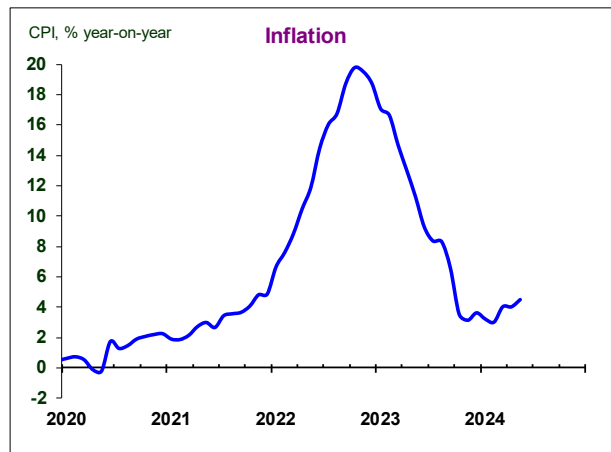
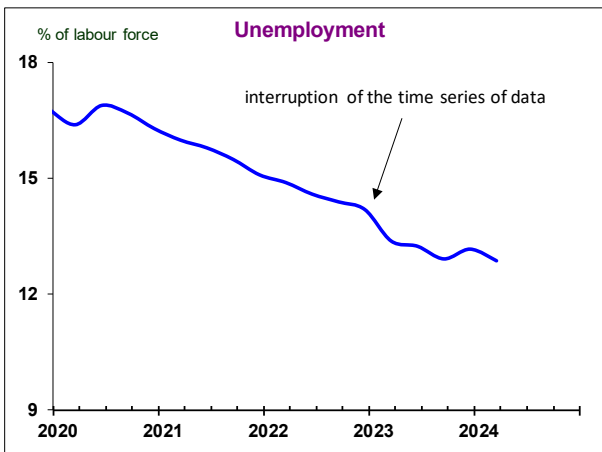
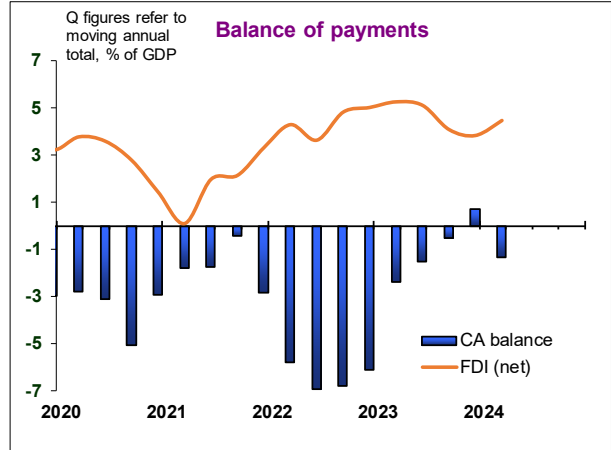
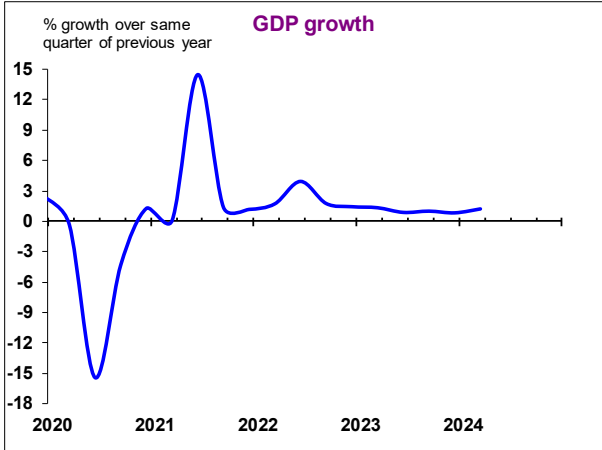
This caused an interruption of the time series of data, restricting comparability with previous data.

# CHARTS

European Commission, ECFIN-D-1



## North Macedonia





# SERBIA



## Key developments

On 14 May, the Economic and Financial Dialogue between the EU and the Western Balkans Partners, Türkiye, Georgia, Republic of Moldova and Ukraine agreed on joint conclusions that invited Serbia, inter alia, to keep an appropriately tight fiscal stance in 2024 to help disinflation, adhere to the new fiscal rules, strengthen medium-term budgeting, implement the new SOE law and strengthen SOE governance, reinforce fiscal risk analysis and management, and advance with reforming the public sector wage system.

The Free Trade Agreement (FTA) between Serbia and China came into effect in July 2024. It encompasses over 20,000 products and is expected to significantly raise exports to China. In 2023 China had an 8% share in Serbia's total exports, with over 90% of that consisting of copper and copper products mined by the Chinese company Zijin. As a potential complication, the FTA requires that over 50% of a product be produced in Serbia to qualify for preferential customs duties. This poses challenges for the export of industrial products with a multinational value chain.

The IMF concluded the third review under the Stand-By Arrangement (SBA) in July 2024, authorising additional access to about EUR 400 million, but the authorities will continue to treat the SBA as precautionary and do not plan to tap it. IMF noted that macroeconomic outturns under the programme remain strong. It considered that further strengthening public investment management and transparency was important given the planned large increase in public investment, while additional energy pricing and governance reforms would bolster SOE finances.

Serbia successfully issued a US dollar-denominated sustainable bond on the international market, raising USD 1.5 billion at an interest rate of 4.7% to finance sustainable development, green projects, and initiatives that encourage social responsibility.

## Real sector

In Q1-2024, economic growth gathered momentum with real GDP increasing by 0.8% q-

o-q and 4.7% y-o-y. On the expenditure side, growth was driven by domestic demand, notably household consumption (+5.5% y-o-y), investments (7.3%) and public consumption (3.6%). Imports increased (3.2%), more than exports (1.1%). On the supply side, the fastest growth was recorded in construction (14.2%), wholesale and retail trade and accommodation and food service activities (7.3%) and information and communication (6.1%). The weakest growth was recorded in agriculture (0.2%).

Short-term indicators from Q2 imply that a similar growth pattern is continuing, with strong domestic demand (underpinned by strong labour market and consumer confidence), while growth in industry and exports is more subdued. Retail trade real growth amounted to 11% y-o-y in April 2024 and 6.6% in May, while industrial production contracted by 2% and rose by 3% respectively. As a one-off factor, the regular maintenance of a large oil refinery suppressed industrial growth temporarily over March-April 2024.

## Labour market

According to the labour force survey, employment increased by 1.3% y-o-y in Q1-2024. The unemployment rate (9.4%) decreased by 0.6 pps. y-o-y but was 0.3 pps. higher q-o-q. Data from Employment Registry indicates that job growth was fastest in professional, scientific and technical activities (+9.7%), healthcare (8.3%), information and communication (+4.7%), and accommodation and food services activities (+3.6%).

In January-April 2024, the average gross monthly wage increased by 15.3% y-o-y in nominal terms (9.8% in real terms). In terms of sectors, the growth was broad-based and relatively even, ranging from about 12% in mining to close to 20% in education. Public and private sector wages grew at similar rates.

## External sector

The current account deficit amounted to 2.9% of GDP in the year to Q1-2024, a slight rise from 2.6% in full-year 2023. Preliminary data from April indicates continued worsening of the current account balance. This trend is notably driven by

higher growth of imports of services relative to exports, a reduced secondary income surplus, and higher primary income deficit. According to balance of payments data, in the period January-April 2024, both exports and imports of goods were up by about 1% y-o-y, with minimal impact on the goods balance. At the same time, the services surplus came down by 13% y-o-y, as imports surged by 26% (especially due to travel and other business services), while exports of services went up less, by 15%. Nevertheless, the surplus in services trade is still at a substantial level, covering about 42% of the deficit in goods trade, notably due to strong ICT and business services' exports. The primary income deficit (composed mainly of dividend and interest payments) grew by about 3% y-o-y in January-April. The secondary income surplus (mainly remittances), decreased by about 12% y-o-y, but from a high level.

FDI net inflows increased by 38% y-o-y to EUR 1 billion (6% of GDP) in the four quarters to Q1, covering multiple times the current account deficit. According to preliminary data, strong growth (20% y-o-y) continued also in April 2024. Observed by activities, the largest share of FDI went into construction, information and communications, and the manufacturing industry.

### Monetary developments

Consumer price inflation has been on a declining trend since April 2023. By May 2024, inflation fell to 4.5% y-o-y, led by moderating food prices, while services prices exerted upward pressure. The easing of inflation to the National Bank of Serbia (NBS) target range of 3% +/-1.5 pps. has enabled the NBS to make in June the first 25 basis points cut to the reference interest rate, to 6.25%. The NBS projects that from the beginning of 2025, inflation will stabilise around the central target value of 3%.

The NBS data shows that gross foreign exchange reserves reached a record high by the end of May 2024, amounting to EUR 25 billion (+11% y-o-y) and covering 6.7 months of imports of goods and services. The NBS has net purchased EUR 635 million since the start of 2024 to counter appreciation pressures and maintain the dinar's stability against the euro.

### Financial sector

The financial sector has remained stable. Total domestic loans increased by 0.8% y-o-y in Q1 and accelerated to 2.2% and 2.6% in April and May, respectively, mainly on the back of household loans, while corporate loans stagnated. In Q1-2024, for the first time after a prolonged tightening, banks loosened their credit standards, primarily for the corporate sector, but also for households. The weighted average interest rate on new corporate dinar loans declined mildly in Q1 to 8.2% (from 8.4% in Q4-2023). At the same time, the average interest rate on euro loans was stable at 7.1%. Total deposits have grown rapidly over past months, up by 11.7% y-o-y in May 2024.

The ratio of non-performing loans to total loans remained at its historic low, at around 3% in March 2024. The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) stayed high in Q1-2024 at 21.2%. Return on assets reached a new record in Q1 at 3.1%, while it averaged 1.4% over the previous decade.

### Fiscal developments

Public finances have had a strong start to the year. According to preliminary data published by the Ministry of Finance, in January-May 2024, general government revenues grew rapidly, by 16.5% y-o-y, driven by tax revenues (personal income tax: +19.4%, VAT: +16.9%, social contributions: +17%), while a sharp drop was recorded in revenue from grants (-70%). Expenditures increased less than revenues, by 14.4% y-o-y. Notably, subsidies increased sharply by 32%, pensions by 20.7%, but investments had a slower start with 10.3% growth. The consolidated deficit in January-May was thus about 0.3 pps. lower than last year, at close to 0% of projected GDP. However, it is too early to draw strong conclusions from this early data, as a large part of the deficit typically accrues at the end of the year. Public debt amounted to 47.6% of GDP in May 2024, down from 52% of GDP at the end of 2023.

## TABLE

European Commission, ECFIN-D-1



## SERBIA

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	5.9	-1.0	3.1	0.3	-0.9	:	:	1.0	2.1	0.0	0.9	-0.6	-0.3
Industrial production <sup>1.2</sup>	Ann. % ch	0.2	0.4	6.1	1.6	2.4	:	:	2.8	3.2	:	2.9	-1.1	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.3	-0.9	7.7	2.5	2.5	3.5	4.3	3.8	4.7	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.7	-1.9	7.9	3.9	0.8	3.6	4.3	2.6	4.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	17.2	-1.9	15.7	1.9	3.9	5.9	7.0	5.2	7.3	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	32.3	-1.5	25.0	5.4	14.9	:	:	12.5	20.2	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	8.9	4.2	10.0	5.6	-1.9	:	:	4.1	6.5	:	11.1	6.6	:
<b>2 Labour market</b>														
Unemployment**** 2.1	%	11.2	9.7	11.0	9.5	9.4	9.3	9.1	9.1	9.4	:	N.A.	N.A.	N.A.
Employment**** 2.2	Ann. % ch	2.4	-0.2	2.6	2.3	0.8	0.5	0.5	1.9	2.2	:	:	:	:
Wages 2.3	Ann. % ch	10.5	9.4	9.4	13.8	14.7	:	:	14.3	15.0	:	15.3	:	:
<b>3 External sector</b>														
Exports of goods 3.1	Ann. % ch	8.8	-3.7	26.9	26.3	5.1	:	:	-2.1	-2.4	:	10.1	-3.3	:
Imports of goods 3.2	Ann. % ch	9.9	-4.7	25.0	33.1	-3.0	:	:	-4.1	-3.8	:	15.8	0.6	:
Trade in goods balance* 3.3	% of GDP	-12.2	-11.1	-11.3	-15.5	-9.5	-8.2	-8.5	-9.5	-9.0	:	N.A.	N.A.	N.A.
Exports goods and services* 3.4	% of GDP	50.8	47.6	54.0	62.9	59.0	:	:	59.0	58.0	:	N.A.	N.A.	N.A.
Imports goods and services* 3.5	% of GDP	60.8	56.3	62.7	74.6	64.2	:	:	64.2	63.0	:	N.A.	N.A.	N.A.
Current account balance* 3.6	% of GDP	-6.9	-4.1	-4.2	-6.9	-2.6	-3.6	-3.6	-2.6	-2.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* 3.7	% of GDP	7.7	6.3	6.9	7.2	6.1	:	:	6.1	6.4	:	N.A.	N.A.	N.A.
International reserves 3.8	mn EUR	13,378	13,492	16,455	19,416	24,909	:	:	24,909	24,942	:	25,129	25,157	:
Int. reserves / months Imp 3.9	Ratio	5.7	6.1	5.9	5.2	6.7	:	:	6.7	6.7	:	6.6	:	:
<b>4 Monetary developments</b>														
CPI 4.1	Ann. % ch	1.8	1.6	4.1	12.0	12.4	4.7	3.2	8.0	5.7	:	5.0	4.5	:
Producer prices 4.2	Ann. % ch	0.7	-1.8	9.1	16.4	3.5	:	:	1.1	0.9	:	2.6	2.2	:
Food prices 4.3	Ann. % ch	2.6	2.6	4.5	18.7	17.3	:	:	9.4	4.9	:	2.9	1.3	:
M3 4.4	Ann. % ch	8.4	18.1	13.3	6.9	12.7	:	:	12.7	11.2	:	12.1	11.2	:
Exchange rate RSD/EUR <sup>1.5</sup>	Value	117.86	117.58	117.57	117.46	117.25	:	:	117.18	117.19	117.11	117.14	117.12	117.07
Real effective exchange rate 4.6	Index	123.6	125.7	128.0	129.3	139.2	:	:	140.7	141.8	:	141.2	141.8	:
<b>5 Financial indicators</b>														
Interest rate (BELIBOR) 5.1	% p.a.	2.52	1.19	0.89	2.47	5.61	:	:	5.72	5.70	5.65	5.69	5.69	5.57
Bond yield (10 year) 5.2	% p.a.	:	:	2.50	6.76	5.43	:	:	:	:	:	:	:	:
Stock markets 5.3	Index	1,584	1,544	1,639	1,720	1,806	:	:	1,862	1,999	2,192	2,169	2,203	2,204
Credit growth 5.4	Ann. % ch	9.7	12.3	9.1	10.9	1.7	:	:	0.1	0.8	:	2.2	2.6	:
Deposit growth 5.5	Ann. % ch	12.9	15.0	14.4	8.4	11.4	:	:	12.2	11.9	:	12.5	11.7	:
Non-performing loans 5.6	% total	4.1	3.7	3.6	3.0	3.2	:	:	3.2	3.2	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** 6.1	% of GDP	42.0	41.0	43.2	43.7	42.6	:	:	42.6	10.0	:	N.A.	N.A.	N.A.
General government expenditure** 6.1	% of GDP	42.2	49.0	47.4	46.9	44.8	:	:	44.8	10.2	:	N.A.	N.A.	N.A.
General government balance** 6.1	% of GDP	-0.2	-8.0	-4.1	-3.2	-2.2	-2.2	-1.5	-2.2	-0.2	:	-0.3	N.A.	N.A.
General government debt*** 6.2	% of GDP	52.0	57.0	56.5	55.2	52.0	51.4	49.9	52.0	47.7	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

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

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

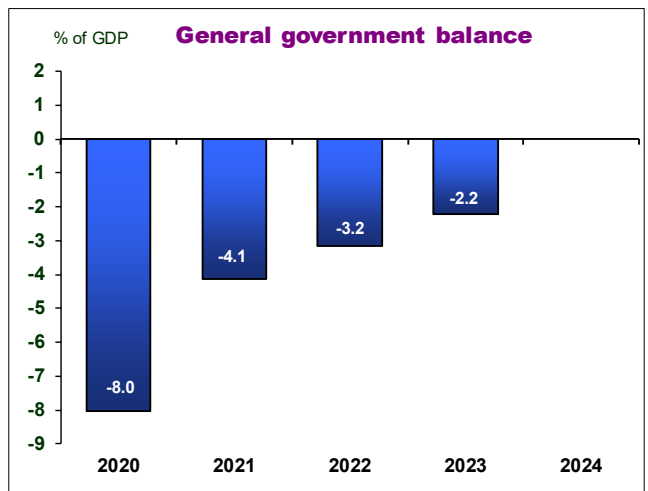
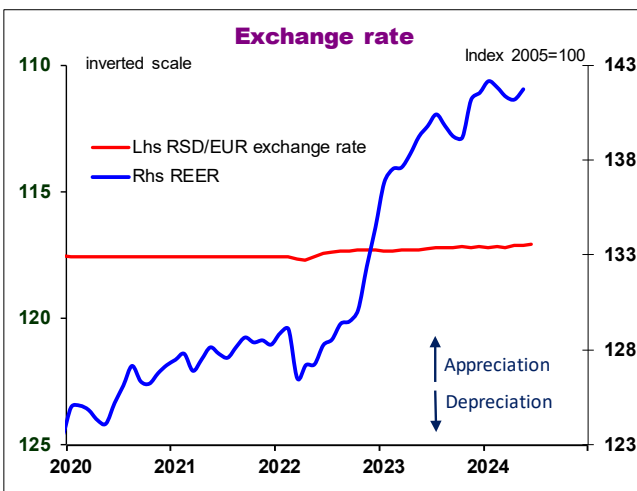
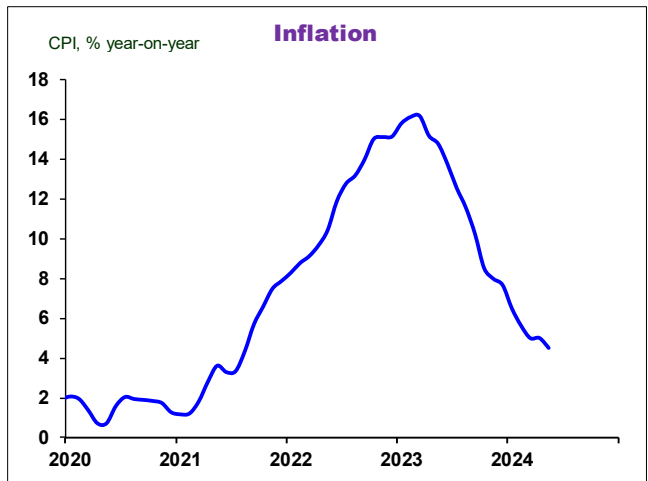
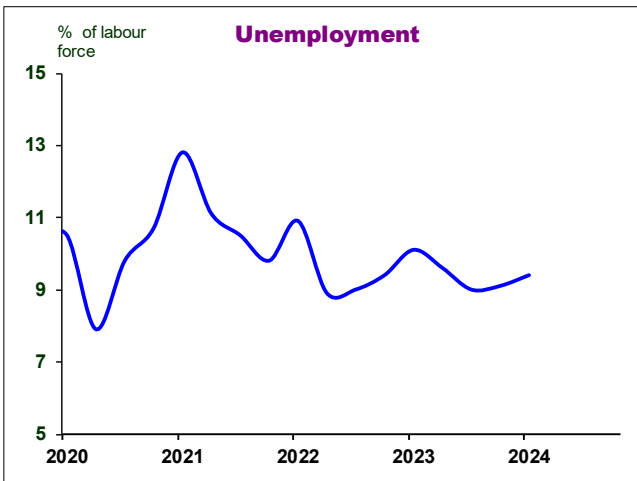
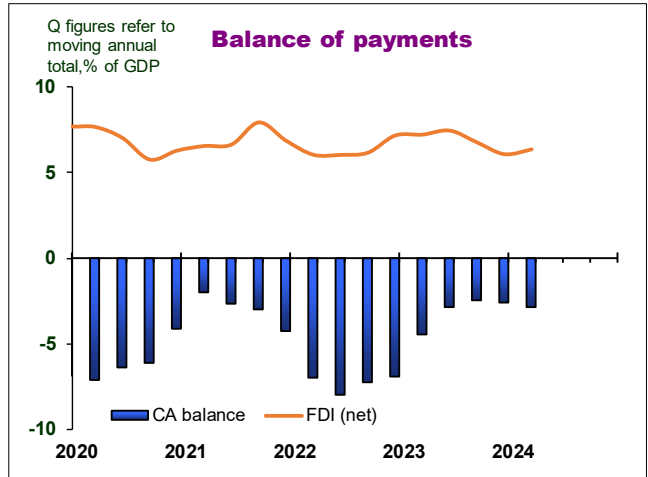
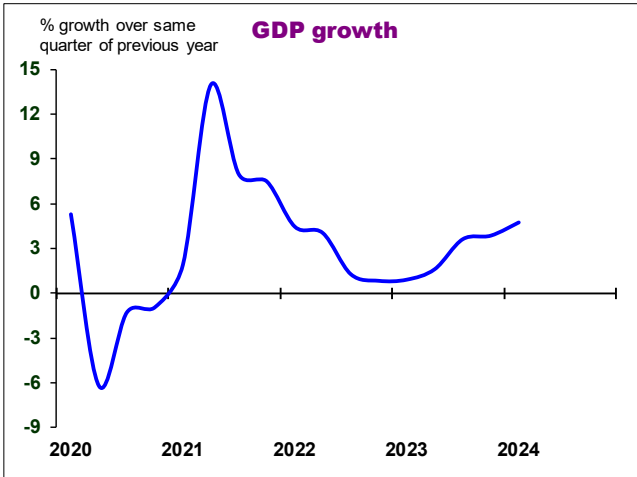
\*\*\*\* From Q1-2022, the Labour Force Survey is based on the results of the 2022 population census, restricting comparability with pre-year data.

# CHARTS

European Commission, ECFIN-D-1



## SERBIA





## Key developments

The Economic and Financial Dialogue between the EU and the Western Balkans Partners and Türkiye, Georgia, Republic of Moldova and Ukraine, held on 14 May, adopted joint conclusions with targeted policy guidance, which inter alia invited Türkiye to maintain a tight macroeconomic policy mix until the disinflation process is firmly established, and to present a medium-term fiscal strategy that includes specific consolidation measures to support the envisaged gradual return to a primary surplus of at least 1% of GDP. The dialogue also called on Türkiye to expand the tax base by streamlining tax expenditure and reducing informality and to take gradual steps to phase out subsidies on fossil fuels.

In June, the Financial Action Task Force (FATF) welcomed Türkiye's significant progress in improving its AML/CFT regime and removed Türkiye from the list of countries subject to increased monitoring.

In May, S&P Global Ratings improved Türkiye's long-term sovereign rating from B to B+, with a positive outlook, noting that policymakers are set to persevere with efforts to reduce elevated inflation through a combination of monetary and credit tightening, less generous wage settlements, and gradual fiscal consolidation.

## Real sector

Türkiye's economy continued growing strongly in Q1, despite a tighter economic policy stance. Real GDP increased 5.7% y-o-y (2.4% q-o-q) on the back of a moderating but still robust expansion in domestic demand (contributing 3.2 pps.) and a positive contribution from net exports (2.6 pps.). Household consumption growth decelerated further to 7.3% y-o-y (from 9.3% in Q4-2023), with a still very strong demand for durable goods (+11.6% y-o-y). Government consumption grew 3.9% y-o-y (2.2% q-o-q), in the run-up to the local elections at end-March. Gross fixed capital formation also increased (10.3% y-o-y), sustained by continued investment in machinery and equipment (11.9% y-o-y) and construction (9.6% y-o-y). However, the fall in inventories deepened its negative contribution to GDP growth (-5.0 pps.) and played a part in lower imports (-3.1% y-o-y). After more than a year of subdued performance, exports rebounded in Q1 (4.0%

y-o-y). On the supply side, economic activity expanded across all sectors: by 4.6% y-o-y in agriculture, 4.9% in industry, 11.1% in construction, and 3.7% in services.

High-frequency indicators point to a continued rebalancing of the economy and more subdued economic growth in Q2. Economic confidence declined to 95.8 in June (97.7 in Q2), falling across all its major sub-indexes and to its lowest level since the beginning of the year, although export orders for the next 3 months slightly improved. Trade sales declined strongly in April (4.6% m-o-m), although still growing 2.5% y-o-y. Industrial production (seasonally and calendar adjusted) declined in March (-0.1% m-o-m) and April (-4.9% m-o-m), with a particularly strong loss of growth momentum in manufacturing. Confirming that, the manufacturing PMI also declined to 47.9 in June (48.5 in Q2) and the seasonally adjusted capacity utilisation rate in manufacturing fell to 76.2 in June (76.6 in Q2).

## Labour market

The labour market remained strong since the beginning of the year amid some signs of a possible softening ahead. In April, the participation rate (seasonally adjusted, 15 years and over) stood at 54.2% (54.1% in Q1), the employment rate was 49.5% (49.4% in Q1), and the unemployment rate fell to 8.5% (8.7% in Q1). Total employment (seasonally adjusted) increased by 3.3% y-o-y in Q1, with employment gains in construction (10.8% y-o-y), services (4.8% y-o-y), and agriculture (1.5% y-o-y), while industrial employment continued declining (-1.5% y-o-y). However, the composite measure of labour underutilisation increased strongly in April to 27.2% (25.0% in Q1), driven largely by a spike in time-related underemployment. Affected by the 49.1% increase of the minimum wage in the beginning of the year, the seasonally and calendar-adjusted hourly labour cost index grew by 92.9% y-o-y (33.0% q-o-q) in Q1, 26.1 pps. above the rate of inflation. Contrary to the previous year, the authorities have so far abstained from a mid-year increase in the minimum wage.

## External sector

The 12-month cumulative current account deficit further narrowed to 2.8% of GDP (USD 31.5

billion) in April, down from 4.1% in full-year 2023. Over the same period, the merchandise trade deficit was down by 28.1% y-o-y, although in April it widened by 7% y-o-y, as imports of goods turned to growth for the first time in eight months. However, general trade system data show that imports of goods (CIF) declined again in May (-10.4% y-o-y), while exports (FOB) increased 11.3% y-o-y. Imports of non-monetary gold have nearly halved since the beginning of the year, contributing markedly to the reduction of external imbalances. On the other hand, energy imports, that due to lower international prices had also been on a downward trend for more than a year, broadly stabilised in April-May. After a subdued start of the year, services exports have picked up pace since February, driven by strong transport and travel outcomes. However, the growth of services imports continued to outpace exports and the surplus in services trade shrank further.

The financial outflows seen in Q1, mostly via net errors and omissions (EUR 15 billion), stopped in April. However, the inflows on the financial account remained insufficient to cover the current account deficit and official reserves declined further in April (and by more than EUR 25 billion in January-April). Nonetheless, since April the central bank's foreign exchange reserves have recovered these losses and reached EUR 148 billion on 21 June.

### Monetary developments

After peaking in May at 75.4%, annual inflation fell to 71.6% in June as the monthly inflation rate (1.6%) was at its lowest level in a year. Food inflation remained elevated (68.9% y-o-y in Q2), despite the seasonal decline in some prices. The service inflation rate (96.1% y-o-y in Q2) was more pronounced and persistent even though its monthly reading also decelerated. Energy inflation shot up markedly due to base effects (72.4% y-o-y in Q2), although its month-on-month dynamics was on average below the headline inflation rate. In June, there was a notable slowdown in domestic producer price inflation (1.4% m-o-m), which also reversed its trend, falling to 50.1% y-o-y (54.5% y-o-y in Q2). Inflation expectations of market participants declined further, with the 12-month ahead inflation falling to 31.8% in June.

Since March, the central bank has kept its key policy rate unchanged at 50%. It reconfirmed that it would maintain its tight monetary stance until a significant and sustained decline in the underlying trend of monthly inflation is observed, and inflation expectations converge to the projected forecast range. It also signalled its

readiness to further tighten the monetary policy stance in case of a significant and persistent deterioration in the inflation outlook. The central bank took further measures to simplify the macroprudential framework, sterilise excess liquidity, and limit credit growth by repealing the regulation regarding the securities maintenance, increasing the reserve requirement ratios for lira and FX-protected deposits, and introducing a monthly growth limit of 2% for foreign currency loans. The lira remained broadly stable in Q2. Türkiye's 5-year sovereign risk premium fell to around 270 bps in early July.

### Financial sector

The decline of lending in real terms deepened since the beginning of the year to around 17% y-o-y in May. It was more pronounced in state-owned banks and in corporate loans, while the contraction of household lending was relatively more subdued. The weighted average nominal interest rate on consumer loans in lira increased from around 64% in Q1 to 75% in Q2, although rates on housing and vehicle loans remained notably lower. Rates on commercial loans went up by 8.8 pps. q-o-q to around 65% in Q2. The weighted average interest rate on lira deposits also increased by around 10 pps. to around 59% in Q2. As a result of central bank policy measures, the USD equivalent of FX-protected deposits continued to decline, to 68 billion in May. The share of non-protected lira deposits increased from 42% of total deposits in March to more than 50% in June. The banking sector's capital adequacy ratio remained largely unchanged since the beginning of the year at around 17%. The ratio of non-performing loans to total loans was 1.5% in May (1.1% in state banks).

### Fiscal developments

In January-May, the central government total revenue (101% y-o-y) and total expenditure (98% y-o-y) doubled over the same period last year. Indirect tax revenue, in particular, increased strongly (105%), supported by the tax increases introduced in July 2023. After four months in deficit, the budget recorded a strong surplus in May, bringing the January-May cumulative deficit to TRY 472 billion (1.1% of the forecast annual GDP), compared to a deficit of TRY 264 billion (0.9% of GDP) over the same period last year and a 2024 deficit target of TRY 2,652 billion (6.4% of GDP).

The government debt-to-GDP ratio inched down from 29.6% at the end of 2023 to 28.5% in Q1-2024. Net debt also declined, to 20.7% of GDP.



## TABLE



## TÜRKİYE

European Commission, ECFIN-D-1

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-3.9	-4.1	5.6	-0.4	-0.7	:	:	-1.3	-1.5	-2.3	-0.8	-2.2	-3.9
Industrial production <sup>1.2</sup>	Ann. % ch	-0.6	1.4	19.0	4.7	1.6	:	:	2.3	5.7	:	-0.7	:	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	0.8	1.9	11.4	5.5	4.5	3.5	3.8	4.0	5.7	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	1.5	3.2	15.4	19.0	12.8	3.0	3.0	9.3	7.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-12.5	7.3	7.2	1.3	8.9	3.0	3.1	10.7	10.3	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-7.1	5.6	39.0	107.1	98.5	:	:	92.5	115.2	:	78.4	:	:
Retail sales <sup>1.7</sup>	Ann. % ch	-0.2	4.8	15.5	12.8	24.2	:	:	14.8	19.7	:	10.2	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	13.7	13.1	12.0	10.5	9.4	10.2	10.2	8.6	9.3	:	8.5	:	:
Employment <sup>2.2</sup>	Ann. % ch	-2.3	-4.8	7.9	6.7	2.9	1.8	2.0	1.5	3.8	:	4.0	:	:
Wages <sup>2.3</sup>	Ann. % ch	26.2	18.1	19.2	73.1	106.3	64.0	41.3	108.1	112.4	:	:	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	2.1	-6.2	32.8	12.9	0.5	:	:	3.9	3.5	:	-0.1	11.3	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-9.0	4.4	23.6	34.0	-0.5	:	:	-5.5	-12.7	:	4.1	-10.4	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-2.2	-5.3	-3.6	-10.0	-8.0	-7.0	-6.2	-8.0	-6.4	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	33.4	29.0	35.3	38.8	32.3	:	:	32.3	31.5	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	30.0	32.1	34.8	42.9	35.4	:	:	35.4	33.2	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	2.0	-4.3	-0.8	-5.1	-4.1	-2.7	-2.1	-4.1	-2.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	0.9	0.6	0.8	1.0	0.4	:	:	0.4	0.3	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	bn EUR	105.7	93.6	111.2	128.7	140.9	:	:	140.9	123.1	:	124.3	:	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.6	4.9	4.7	4.0	4.4	:	:	4.4	3.9	:	4.0	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	15.2	12.3	19.6	72.3	53.9	57.4	31.5	62.7	66.8	72.3	69.8	75.4	71.6
Producer prices <sup>4.2</sup>	Ann. % ch	17.6	12.2	43.9	128.5	49.9	:	:	42.0	47.7	54.4	55.7	57.7	50.1
Food prices <sup>4.3</sup>	Ann. % ch	19.5	13.8	24.3	85.6	65.8	:	:	70.4	70.4	68.9	68.5	70.1	68.1
M3 <sup>4.4</sup>	Ann. % ch	29.5	32.8	51.1	64.1	65.3	:	:	65.3	60.7	46.1	57.0	63.5	46.1
Exchange rate TRY/EUR <sup>4.5</sup>	Value	6.35	8.03	10.45	17.38	25.73	:	:	30.69	33.60	34.83	34.67	34.83	35.00
Real effective exchange rate <sup>4.6</sup>	Index	83.8	75.1	67.4	60.7	62.2	:	:	62.1	64.8	:	66.8	68.6	:
<b>5 Financial indicators</b>														
Interest rate (TLREF) <sup>5.1</sup>	% p.a.	20.53	10.85	17.88	13.16	18.80	:	:	35.68	45.39	51.33	52.53	50.92	50.54
Interest rate, long term <sup>5.2</sup>	% p.a.	15.76	12.75	17.61	17.61	17.92	:	:	27.03	25.85	:	28.09	29.12	:
Stock markets <sup>5.3</sup>	Index	993	1,133	1,510	2,979	6,340	:	:	7,861	8,674	10,167	9,621	10,431	10,448
Credit growth <sup>5.4</sup>	Ann. % ch	6.4	28.4	22.7	56.0	55.7	:	:	54.9	52.6	:	47.9	46.8	:
Deposit growth <sup>5.5</sup>	Ann. % ch	18.3	36.4	28.0	78.3	65.4	:	:	64.5	60.7	:	52.9	53.5	:
Non-performing loans <sup>5.6</sup>	% total	5.4	4.1	3.1	2.1	1.6	:	:	1.6	1.5	:	1.5	:	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	29.8	29.6	28.0	25.3	28.1	:	:	28.1	:	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.2</sup>	% of GDP	32.9	32.5	30.3	26.4	33.3	:	:	33.3	:	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-3.2	-2.9	-2.3	-1.1	-5.2	-4.3	-3.6	-5.2	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	32.4	39.4	40.4	30.8	29.6	31.1	31.3	29.6	28.5	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

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

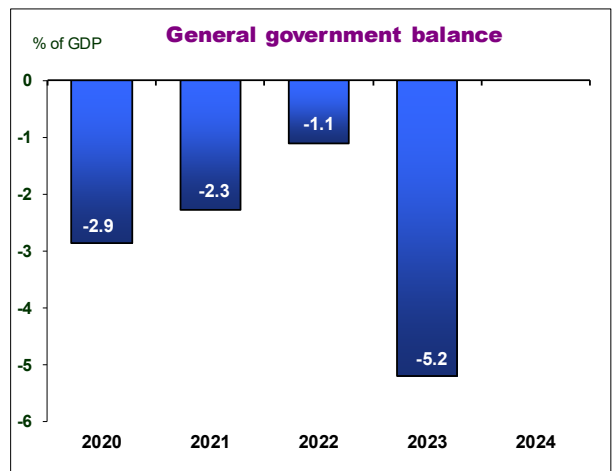
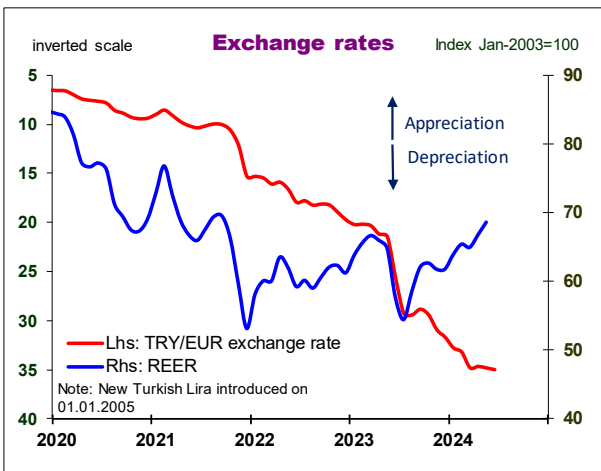
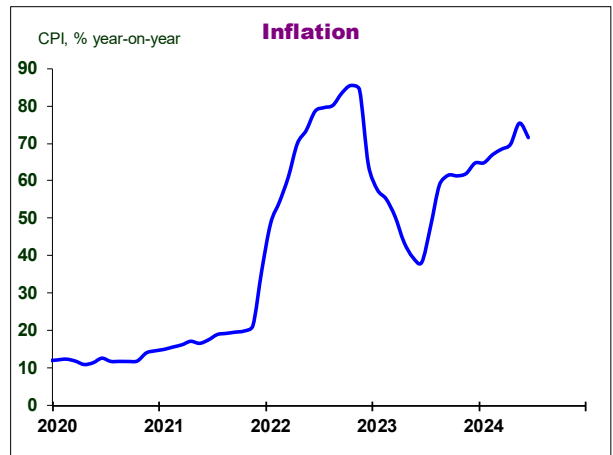
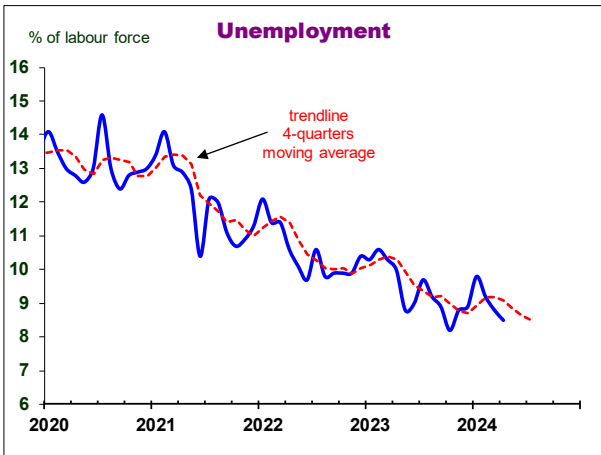
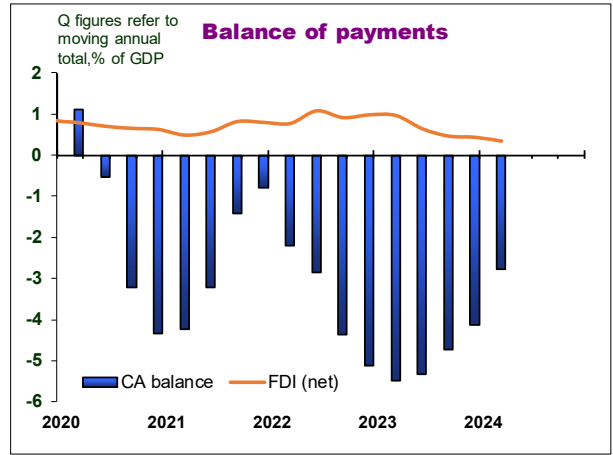
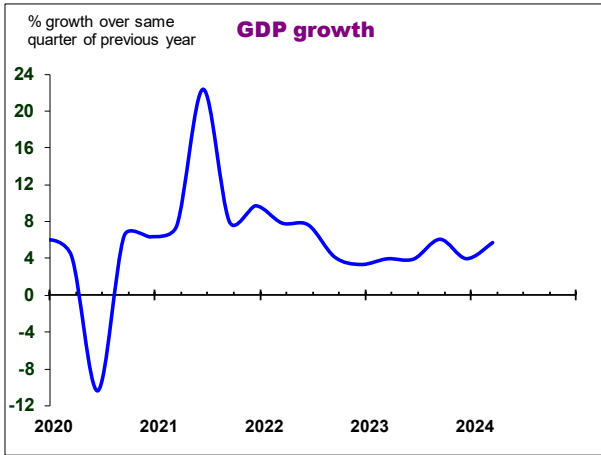
\*\*\* Q figures in percent of GDP on a four quarter moving basis.

# CHARTS

European Commission, ECFIN-D-1



## TÜRKIYE







## Key developments

In April, the government adopted the Medium-Term Expenditure Framework (MTEF) and the State Debt Programme (SDP) for 2025-2027, including a downward revision of the forecast for real GDP growth in 2024 from 5.5% to 4.3%, which is still well above the IMF projection of 3.8%. The MTEF forecasts compliance with the deficit rule in 2025-2027. The SDP projects an increase in public debt to 25% of GDP in 2027, while the share of domestic short-term debt in the total stock is set to fall.

On 7 May, the EU adopted the regulation on establishing a new financing instrument, the Reform and Growth Facility for the Western Balkans, with the aim to boost socio-economic convergence with the EU. Kosovo is expected to gain access to over EUR 800 million in loans and grants in 2024-27, with disbursements conditioned on fulfilling specific structural reforms contained in Kosovo's Reform Agenda.

On 14 May, the Economic and Financial Dialogue between the EU and the Western Balkan Partners Türkiye, Georgia, Republic of Moldova and Ukraine adopted joint conclusions with country-specific policy guidance, which invited Kosovo to implement the foreseen shift in the 2024 budget spending structure from current to capital expenditure while ensuring compliance with the fiscal rules. Kosovo was also invited, *inter alia*, to increase budgetary transparency, raise revenues by reducing loopholes and tax exemptions through amendments to tax legislation, and to improve the financial oversight and accountability of publicly owned enterprises.

## Real sector

Economic activity picked-up notably in Q1-2024, with real GDP growth accelerating to 5.6% year-on-year, from 4% in Q4-2023. The key growth driver was private consumption, which increased by 9.7% y-o-y, the same growth rate as in the previous three months, largely on the back of higher real disposable incomes and bank lending. Further support came from gross fixed capital formation (+2.6%), reflecting a strong increase in public investment as well as from the recovery of stocks (+8.5%) and public consumption (+3.5% y-o-y) after a decrease recorded in Q4-2023. The external sector had a negative contribution to

growth (-4.5 pps.) as real imports increased at a faster pace (10.9% y-o-y) than exports (9.1%), mainly driven by a surge in imports of services (30.8% y-o-y) as well as a continued, albeit slowing decline in goods exports (-1.9% y-o-y).

On the production side, all sectors registered growth in Q1, with the largest gains in output in the arts, entertainment and recreation sector (2.7% y-o-y), financial and insurance activities (2.2%) as well as mining and quarrying, manufacturing, electricity, gas steam and air conditioning supply (1.8% y-o-y).

## Labour market

Labour force survey (LFS) results continue to be published with large delays. In line with buoyant economic activity, the employment rate increased to 36.6% in Q3-2023 from 34.7% one year earlier, while the unemployment rate (15-64 years) declined by 0.2 pps. to 10.6%, despite the increase in the labour force participation rate to 40.9% from 38.9% in the same period. The gap between male and female employment rates (53.9% and 20.2%, respectively in Q3-2023) widened. The share of young people (aged 15-24) not in employment, education or training (NEET) slightly increased to 35%, in Q3-2023 from 34.3% in the same period a year before.

## External sector

The current account deficit deteriorated, with its rolling 4-quarter total widening to 8.5% of GDP in Q1 as compared to 7.6% in full-year 2023. The key drivers were an increase in the traditionally high merchandise trade deficit (to 48% of GDP in the year to Q1-2024 from 47.6% in 2023) as well as decreasing surpluses of the services trade and secondary income balance (by 0.2 pps. and 0.5 pps. to 16.7% and 20.7% of GDP respectively). Workers' remittances, which usually offset a large part of the trade deficit, remained broadly stable at 13.8% of GDP in the four quarters to March. For the same period, the primary income surplus increased marginally to 2% of GDP. On the financing side, net FDI inflows increased to 7.1% of GDP in the year to Q1-2024 compared to 6.8% for 2023 as a whole. Official reserve assets remained stable and covered 2 months of imports of goods and services in Q1.

In the first five months of 2024, the value of

total merchandise exports rose by 3% y-o-y, mainly due to the increase in exports of base metals, prepared foodstuffs, beverages and tobacco as well as plastics, rubber and articles thereof. In the same period, goods imports grew by 7.5% y-o-y driven by higher imports of mineral products, prepared foodstuffs, beverages and tobacco as well as transport means. The overall goods trade deficit increased by 8.3% y-o-y during January-May.

### Monetary developments

Consumer price inflation slowed to 2.1% y-o-y in Q1-2024 while it inched-up to 2.4% in April and May, bringing the annual average HICP inflation to 2.2% in the first five months of the year as compared to 7.9% in the same period a year before. The key disinflationary driver was lower global commodity prices.

Import prices grew by 2.5% y-o-y in Q1, mainly driven by higher prices of leather and articles thereof, edible oil and vegetables products. For the same period, the construction price index rose only by 0.7% y-o-y on average, as increases in wages and transport prices were mitigated by the decline in energy and machinery prices. The producer price index decreased by an average of 0.9% y-o-y in Q1, largely due to the falling prices for mining of metal ore (-23.6% y-o-y) and manufacturing of motor vehicles (transport), trailers and semi-trailers (-9.1%).

### Financial sector

Credit growth continued decelerating slightly during the first five months to 12.5% y-o-y in May, compared to an average of 14.1% in 2023. The growth of bank deposit remained at around 8.2% y-o-y, down from an average of nearly 14% in 2023. The loan-to-deposit ratio increased to 86.1% in May from 81.6% in January.

The banking sector remained stable throughout the first five months of 2024. The interest rate spread increased marginally to 3.7 pps. in May from 3.6 pps. in January. The return on average equity fell slightly to 19.3% in May, from 19.7% in January, while the average return on assets was stable at 2.5% throughout the first five months.

The ratio of liquid assets to short-term liabilities

decreased to 29.3% in May, compared to 32% a year before. In the same period, the banking system's capital adequacy ratio increased to 16.2% from 15.6%, well above the regulatory minimum of 12%. The NPL ratio stood at 2.1% in May, the same as one year before, partly reflecting the still strong credit growth. Existing NPLs are fully covered by loan-loss provisions (133.2%).

### Fiscal developments

Fiscal developments in the first five months of 2024 were marked by buoyant revenues and significantly increased public capital spending. Budget revenues increased by around 7% y-o-y, with income from indirect and direct taxes growing by 13.5% and 4% y-o-y, respectively. Among direct taxes, personal income tax and corporate income tax rose by 14.2% and 4.2% y-o-y, respectively partly due to improved tax compliance, whereas property tax income plummeted by 36.5% y-o-y. VAT revenue rose by 11.6%, compared to the same period a year before.

Budget expenditure increased by 10.1% y-o-y in the first five months. Following a remarkable increase in 2023, total capital spending rose significantly by 42.3% y-o-y on the back of recent government initiatives to improve public investment management. Current expenditure grew by 5.8% y-o-y mainly driven by increased spending on wages (19.7%) and goods and services (18%), whereas transfers and subsidies fell by 9.4% y-o-y, reflecting the gradual withdrawal of energy crisis-related support.

Overall, the five-month budget execution resulted in a general government surplus of around EUR 180 million (1.7% of projected annual GDP), compared to a surplus of EUR 151 million in the same period in 2023.

At the end of Q1, the public debt-to-GDP ratio stood at 15.6%, down from a revised 17.5% at the end of 2023. The largest share of domestic debt is held by the Kosovo Pension Saving Trust (46%), followed by commercial banks (24%) and the Central Bank of Kosovo (22%). Foreign-owned debt stood at 6.6% of GDP in Q1 compared to a revised 7.2% at end-2023.

# TABLE

European Commission, ECFIN-D-1



## KOSOVO

		2019	2020	2021	2022	2023	Q4 23	Q1 24	Q2 24	Apr 24	May 24	Jun 24
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	2.6	-1.2	19.3	0.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.8	-5.3	10.7	4.3	3.3	4.0	5.6	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	5.6	2.5	7.3	3.4	4.3	9.7	9.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	2.9	-7.6	13.0	-3.2	3.0	2.7	2.6	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	25.6	-0.4	11.0	:	10.5	14.5	:	:	N.A.	N.A.	N.A.
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	25.7	25.9	20.7	12.6	:	:	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	5.2	-4.4	10.4	5.4	:	:	:	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	5.3	-2.3	3.9	7.6	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	4.4	23.8	57.8	22.8	-6.2	-4.3	-2.7	:	8.8	14.6	:
Imports of goods <sup>3.2</sup>	Ann. % ch	4.5	-5.7	41.1	21.2	4.8	12.0	9.2	:	11.7	-0.3	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-40.3	-38.0	-44.8	-48.2	-47.6	-47.6	-48.0	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	29.3	21.7	33.4	38.6	39.7	39.7	39.9	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	56.4	53.9	65.2	71.4	70.5	70.5	71.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-5.7	-7.0	-8.7	-10.3	-7.6	-7.6	-8.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* <sup>3.7</sup>	% of GDP	2.7	4.2	4.0	6.3	6.8	6.8	7.1	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	863.7	900.6	1,100.3	1,175.8	1,131.1	1,131.1	1,162.0	:	1,243.7	1,287.5	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	2.6	3.0	2.5	2.2	2.0	2.0	2.0	:	2.1	:	:
<b>4 Monetary developments</b>												
HICP <sup>4.1</sup>	Ann. % ch	2.7	0.2	3.3	11.6	4.9	2.8	2.1	:	2.4	2.4	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.9	-0.6	4.9	9.3	-3.1	2.7	-0.8	:	N.A.	N.A.	N.A.
Food prices <sup>4.3</sup>	Ann. % ch	8.3	10.1	12.7	31.2	42.1	3.4	1.8	:	2.2	1.5	:
Broad money liabilities <sup>4.4</sup>	Ann. % ch	12.0	15.3	12.1	11.3	10.7	10.7	10.6	:	7.5	5.8	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) <sup>4.6</sup>	Index	107.1	107.3	109.8	115.7	117.4	118.0	119.2	:	118.8	118.3	:
<b>5 Financial indicators</b>												
Short-Term interest rate <sup>5.1</sup>	% p.a.	0.54	N.A.	0.61	N.A.	N.A.	N.A.	3.73	:	:	:	:
Bond yield <sup>5.2</sup>	% p.a.	3.39	3.59	3.48	3.42	3.58	N.A.	N.A.	:	:	:	:
Stock markets <sup>5.3</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth <sup>5.4</sup>	Ann. % ch	10.7	7.7	11.2	17.4	14.1	13.2	12.9	:	12.7	12.5	:
Deposit growth <sup>5.5</sup>	Ann. % ch	12.6	12.2	13.8	10.8	13.9	10.7	8.3	:	8.2	8.2	:
Non-performing loans <sup>5.6</sup>	% total	2.0	2.7	2.3	2.0	2.0	2.0	2.0	:	2.1	:	:
<b>6 Fiscal developments</b>												
General government revenue** <sup>6.1</sup>	% of GDP	26.8	25.4	27.7	28.0	29.6	29.6	6.5	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	29.7	33.0	28.9	28.6	29.8	29.8	5.7	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-2.9	-7.6	-1.2	-0.5	-0.2	-0.2	0.8	:	1.4	1.7	:
General government debt*** <sup>6.2</sup>	% of GDP	17.6	22.4	21.5	20.0	17.5	17.5	15.6	:	N.A.	N.A.	N.A.

\* Q figures refer to moving annual total.

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

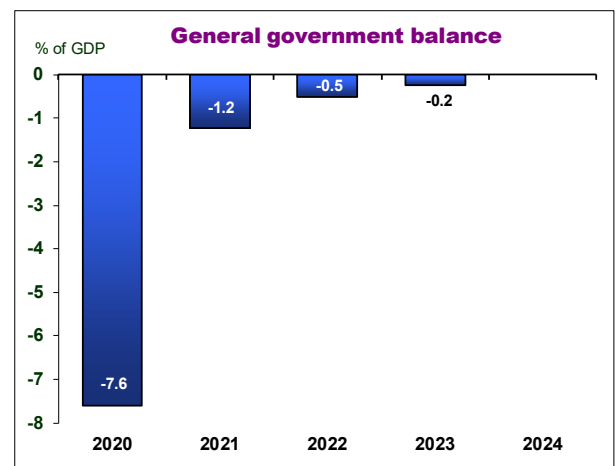
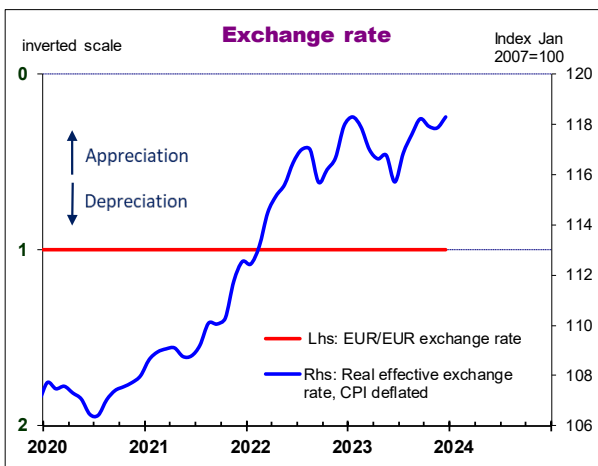
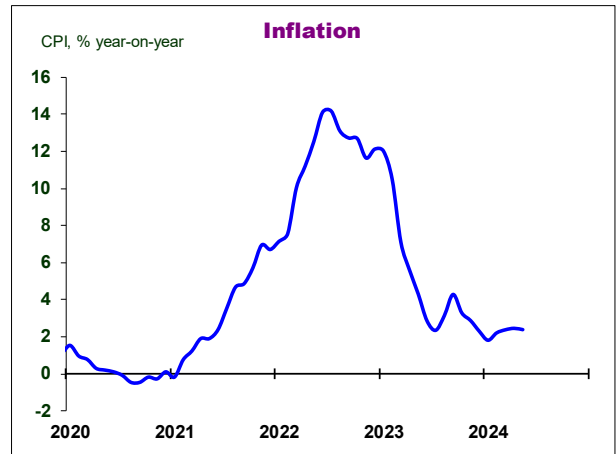
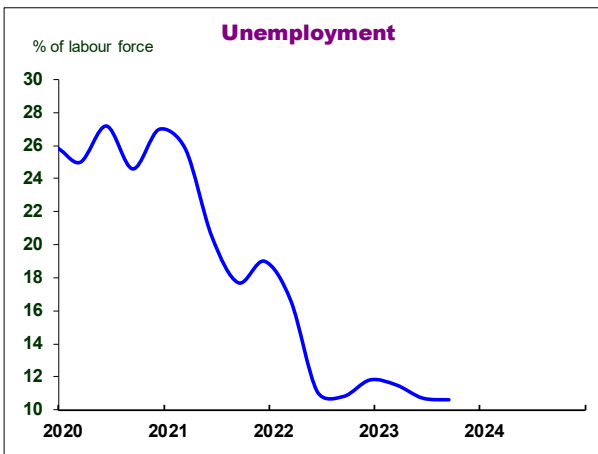
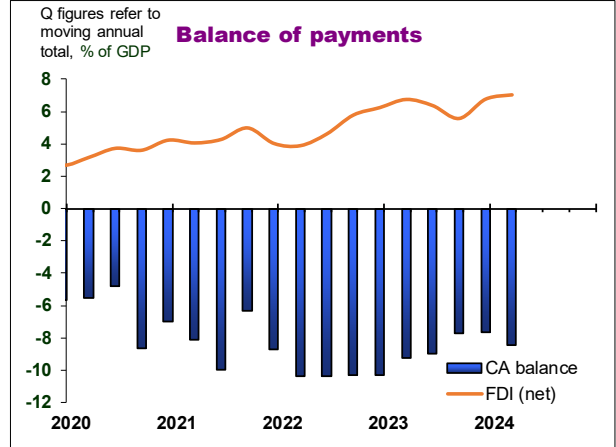
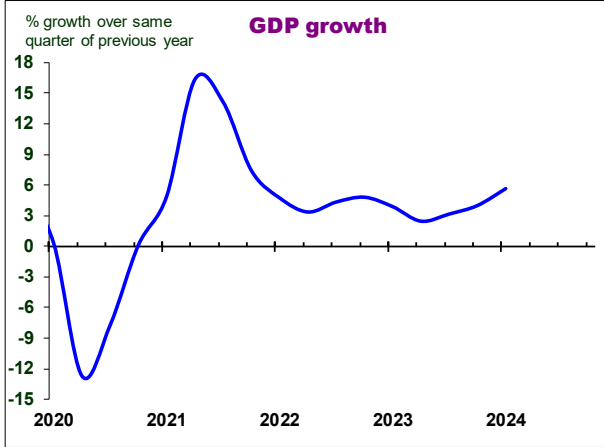
\*\*\* Q figures in percent of estimated annual GDP from the Budget Law.

# CHARTS

European Commission, ECFIN-D-1



## KOSOVO





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

<sup>2</sup> Data extracted via IHS Markit.

# BOSNIA AND HERZEGOVINA Explanatory notes



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



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





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





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



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



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



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